

APPENDIX A

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

A Special Tax shall be applicable to each Parcel (defined below) located in the Improvement Area of the District. The amount of Special Tax to be collected from a Parcel in any Fiscal Year (defined below) shall be determined in accordance with the rates and method of apportionment described below. All of the property in the Improvement Area, unless exempted by law or Section D below, shall be taxed for the purposes, to the extent and in the manner provided herein. The Special Taxes for the Improvement Area shall be levied in addition to the other special taxes for the District.

A. DEFINITIONS

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

"Construction and Funding Agreement" means the Construction and Funding Agreement, dated November 3, 1987, between the District and RIR Associates, as amended, modified or supplemented from time to time including that certain Agreement Amending and Supplementing Construction and Funding Agreement (CFD No. 87-1).

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

"Improvement Area" means Improvement Area No. 1 of Community Facilities District No. 87-1 and shall include Lots Two, Four and Seven of Tract Map No. 22049 as recorded in Map Book 177, Pages 1 through 8, inclusive, Records of Riverside County, California.

"Improvement Area Bonds" means the bonds of the Improvement Area which are to be issued to finance the construction and acquisition of the Improvement Area Public Facilities.

"Improvement Area Public Facilities" means the improvements which are to be financed with the proceeds of the Improvement Area Bonds and which are identified in the Resolution establishing the Improvement Area.

"Maximum Special Tax" means the Maximum Special Tax, determined in accordance with Section B below, that can be levied in any Fiscal Year on a Parcel of Taxable Property.

"Parcel" means a lot or parcel shown on an Assessor's Parcel Map with an assigned Assessor's Parcel number as of the date of the levy of the Special Taxes for each Fiscal Year.

"Property Tax Increment" means the property tax increment attributable to Specific Plan No. 200 authorized pursuant to Section 33670(b) of the California Health and Safety Code, that may become available from time to time as set forth in Section 304.1 of the Owner Participation Agreement for the Towngate project, as approved by the City of Moreno Valley Redevelopment Agency on or about October 3, 1990, as the same may be modified, amended, or supplemented.

"Reserve Fund" means the reserve fund for the Improvement Area Bonds.

"Special Tax(es)" means the Special Taxes to be levied in each Fiscal Year on all Parcels of Taxable Property to fund the Tax Rate Area 1 Special Tax Requirement and the Tax Rate Area 2 Special Tax Requirement.

"Taxable Acre" means an acre or portion of an acre of a Parcel of Taxable Property as indicated by the latest Assessor's Parcel Map for each Fiscal Year.

"Taxable Property" means all Parcels in the Improvement Area which are not exempt from the levy of Special Taxes pursuant to law or Section D below.

"Tax Rate Area 1" means all Parcels of Taxable Property located on Lot 2 of Tract Map No. 22049 as recorded in Map Book 117, Pages 1 through 8, Records of Riverside County, California.

"Tax Rate Area 2" means all Parcels of Taxable Property located on Lots 4 and 7 of Tract Map No. 22049 as recorded in Map Book 177, Pages 1 through 8, Records of Riverside County, California.

"Tax Rate Area 1 Special Tax Requirement" means that amount required in any Fiscal Year to pay (1) fifty-nine percent (59%) of (a) debt service on the Improvement Area Bonds, (b) costs incurred by the City and the District in the annual levy and collection of the Special Taxes, and (c) the administration costs of the City and the District with respect to the Improvement Area Bonds, and (2) any amounts required to replenish the Reserve Fund for withdrawals from the Reserve Fund resulting from the delinquency in the payment of Special Taxes on Parcels within Tax Rate Area 1. In determining the Tax Rate Area 1 Special Tax Requirement for a Fiscal Year, Items (1) and (2) shall be reduced by (3) fifty-nine percent (59%) of the following: (a) Property Tax Increment, (b) Reserve Fund earnings, and (c) other interest earnings described in the bond resolution for the Improvement Area Bonds reasonably expected to be available, except those earnings that may be required for arbitrage rebate purposes, and (4) any amount received by the District, which pursuant to the Construction and Funding Agreement should be applied to reduce Special Taxes levied in Tax Rate Area 1.

"Tax Rate Area 2 Special Tax Requirement" means that amount required in any Fiscal Year to pay (1) forty-one (41%) of (a) debt service on the Improvement Area Bonds, (b) costs incurred by the City and the District in the annual levy and collection of the Special Taxes, and (c) the administration costs of the City and the District with respect to the Improvement Area Bonds, and (2) any amounts required to replenish the Reserve Fund for withdrawals from the Reserve Fund resulting from the delinquency in the payment of Special Taxes on Parcels within Tax Rate Area 2. In determining the Tax Rate Area 2 Special Tax Requirement for a Fiscal Year, Items (1) and (2) shall be reduced by (3) forty-one (41%) of the following: (a) Property Tax Increment, (b) Reserve Fund earnings, and (c) other interest earnings described in the bond resolution for the Improvement Area Bonds reasonably expected to be available, except those earnings that may be required for arbitrage rebate purposes, and (4) any amount received by the District, which pursuant to the Construction and Funding Agreement should be applied to reduce Special Taxes levied in Tax Rate Area 2.

B. MAXIMUM SPECIAL TAX RATES

The Maximum Special Tax per Taxable Acre for Parcels within each Tax Rate Area for each Fiscal Year shall be the amounts set forth in Table 1 below.

TABLE 1
MAXIMUM SPECIAL TAX

<i>Tax Rate Area</i>	<i>Maximum Tax Rate</i>
1	\$4,450 per Taxable Acre
2	\$3,850 per Taxable Acre

C. METHOD OF APPORTIONMENT OF THE SPECIAL TAXES

1. Tax Rate Area 1.

On or prior to August 1 of each year the Tax Rate Area 1 Special Tax Requirement shall be determined and the applicable Special Taxes within Tax Rate Area 1 shall be levied as follows:

The Special Taxes shall be levied at a uniform rate per Taxable Acre on all Parcels of Taxable Property within Tax Rate Area 1, up to the Maximum Special Tax therefor, to generate Special Tax revenues equal to the Tax Rate Area 1 Special Tax Requirement.

2. Tax Rate Area 2.

On or prior to August 1 of each year the Tax Rate Area 2 Special Tax Requirement shall be determined and the applicable Special Taxes within Tax Rate Area 2 shall be levied as follows:

The Special Taxes shall be levied at a uniform rate per Taxable Acre on all Parcels of Taxable Property within Tax Rate Area 2, up to the Maximum Special Tax therefor, to generate Special Tax revenues equal to the Tax Rate Area 2 Special Tax Requirement.

D. EXEMPTIONS

The Council shall not levy a Special Tax on:

- Properties owned by state, federal, or other local governments, except as otherwise provided in Sections 53317.3, 53317.5 or 53340.1 of the California Government Code.
- Lots A, B, C, D, and E as shown on Tract Map No. 22049 as recorded in Map Book 117, Pages 1 through 8, Records of Riverside County, California.

Parcels or portions of Parcels conveyed or irrevocably offered for dedication to a public agency after formulation of the Improvement Area, and not otherwise exempt pursuant to this Section D, shall be subject to the levy of the Special Taxes pursuant to Sections 53317.3, 53317.5 or 53340.1 of the California Government Code.

E. MANNER OF COLLECTION

The Special Taxes shall be collected in the same manner and at the same time as *ad valorem* property taxes, except that (i) the City Council may authorize direct billing of Special Taxes, (ii) the Special Taxes may be prepaid as provided for herein, and (iii) the City Council may authorize the collection of delinquent Special Taxes by judicial foreclosure proceedings pursuant to Section 53356.1 of the California Government Code. Additionally, the Special Taxes shall be subject to the same penalties and the same procedure, sale, and lien priority in the case of delinquency as provided for *ad valorem* taxes.

F. APPEALS AND INTERPRETATION PROCEDURE

Any landowner or resident who feels that the amount or formula of the Special Tax as applied to a specific Parcel is in error may file a notice with the City Council as the Legislative Body of the District appealing the levy of the Special Tax. An appeals panel of three (3) members (the "Appeals Board"), as appointed by the City Council, will then meet and promptly review the appeal, and if necessary, meet with the applicant. If the findings of the Appeals Board verify that the tax should be modified or changed, a recommendation at that time will be made to the City Council as the

Legislative Body of the District and, as appropriate, the Special Tax levy shall be corrected. If applicable in any case, a refund shall be granted.

Interpretations may be made by the City Council as the Legislative Body of the District by resolution for purposes of clarifying any vagueness or ambiguity as it relates to any area, rate or definition applicable to these proceedings.

G. PREPAYMENT AND SATISFACTION OF SPECIAL TAX OBLIGATION

1. Prepayment of Special Taxes for Tax Rate Area 1.

The Special Tax obligation for a Parcel in Tax Rate Area 1 may be prepaid and permanently satisfied by the owner thereof by making a one-time payment calculated as follows:

(a) Multiply the original principal of the Improvement Area Bonds by 59% to determine the original bond amount allocable to Tax Rate Area 1.

(b) Subtract from (a) above:

- The principal amount of any prepayments that have been received from Parcels within Tax Rate Area 1, and
- The principal portion of any Special Taxes levied on Parcels in Tax Rate Area 1 for previous Fiscal Years.

This amount is the Outstanding Principal for Tax Rate Area 1.

(c) Divide the Taxable Acres of the Parcel to be prepaid by the total of all Taxable Acres of all Taxable Parcels in Tax Rate Area 1.

(d) Multiply the Outstanding Principal amount calculated in (b) by the percentage determined in (c). This amount is the principal amount to be prepaid.

(e) Add the following amounts to the principal amount to be prepaid:

- Call premium as required in the bond resolution,
- Interest on the principal amount to be prepaid at the applicable bond rate for each year from the date of prepayment to the earliest available bond call date,
- Unpaid Special Taxes on the Parcel to be prepaid which may have been enrolled on the Assessor's Tax roll,
- Interest and penalties, if applicable, which may be associated with unpaid Special Taxes on the Parcel to be prepaid, and
- An administrative fee to cover the costs incurred by the District associated with calculating the prepayment amount, redeeming bonds, and preparing amended tax bills.

(f) Subtract the following from the amount determined in (e) above:

- The applicable portion of the Parcel's Reserve Fund, and

- Interest earnings to be generated at a reinvestment rate as determined by the District from the date of prepayment to the earliest available bond date.
- (g) The amount determined in (f) above shall be rounded up to the next highest amount which is equally divisible by \$5,000. This amount shall be the Prepayment Amount.

2. Prepayment of Special Taxes for Tax Rate Area 2.

This Special Tax obligation for a Parcel in Tax Rate Area 2 may be prepaid and permanently satisfied by the owner thereof by making a one-time payment calculated as follows:

- (a) Multiply the original principal of the Improvement Area Bonds by 41% to determine the original bond amount allocable to Tax Rate Area 2.
- (b) Subtract from (a) above:
- The principal amount of any prepayments that have been received from Parcels within Tax Rate Area 2, and
 - The principal portion of any Special Taxes levied on Parcels in Tax Rate Area 2 for previous Fiscal Years.

This amount is the Outstanding Principal for Tax Rate Area 2.

- (c) Divide the Taxable Acres of the Parcel to be prepaid by the total of all Taxable Acres of all Taxable Parcels in Tax Rate Area 2.
- (d) Multiply the Outstanding Principal amount calculated in (b) by the percentage determined in (c). This amount is the principal amount to be prepaid.
- (e) Add the following amounts to the principal amount to be prepaid:
- Call premium as required in the bond resolution,
 - Interest on the principal amount to be prepaid at the applicable bond rate for each year from the date of prepayment to the earliest available bond call date,
 - Unpaid Special Taxes on the Parcel be prepaid which may have been enrolled on the Assessor's Tax roll,
 - Interest and Penalties, if applicable, which may be associated with unpaid Special Taxes on the Parcel to be prepaid, and
 - An administrative fee to cover the costs incurred by the District associated with calculating the prepayment amount, redeeming bonds, and preparing amended tax bills.
- (f) Subtract the following from the amount determined in (e) above:
- The applicable portion of the Parcel's share of the Reserve Fund, and
 - Interest earnings to be generated at a reinvestment rate as determined by the District from the date of prepayment to the earliest available bond call date.

- (g) The amount determined in (f) above shall be rounded up to the next highest amount which is equally divisible by \$5,000. This amount shall be the Prepayment Amount.