

RESOLUTION NUMBER 3380

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PERRIS ACTING AS THE LEGISLATIVE BODY OF COMMUNITY FACILITIES DISTRICT NO. 2001-2 (VILLAGES OF AVALON) OF THE CITY OF PERRIS DECLARING ITS INTENTION TO ANNEX CERTAIN TERRITORY THERETO

WHEREAS, the City Council (the “Council”) of the City of Perris, California (the “City”), on November 27 2001, has heretofore adopted its resolution of intention (the “Resolution of Intention”) stating its intention to form Community Facilities District No. 2001-2 (Villages of Avalon) of the City of Perris (the “District”) pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, (the “Act”) being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California, within the territory described more fully on the map entitled “Boundary Map, County of Riverside, California, Community Facilities District No. 2001-2 (Villages of Avalon) of the City of Perris,” a copy of which is on file with the City Clerk of the City of Perris and is recorded in Book 50 at Page 13, as Instrument Number 464762-2001 in the Book of Maps of Assessments of the Official Records of the County of Riverside; and

WHEREAS, on January 8, 2002, the Council adopted Resolutions 2904 and 2905, which Resolutions established the District and called an election within the District on the proposition of levying a special tax; and

WHEREAS, on January 8, 2002, an election was held within the District at which the qualified electors approved by more than a two-thirds (2/3) vote the proposition of levying a special tax pursuant to a special tax formula (the “Rate and Method of Apportionment”) as set forth in Resolution No. 2904 and attached hereto and incorporated herein as Exhibit “A”, showing the tax levels in fiscal year 2002-03; and

WHEREAS, on January 29, 2002, the Council adopted Ordinance No. 1094 (the “Ordinance”) which provided for the levying and collection of special taxes (the “Special Taxes”) within the District, as provided in the Act and the Ordinance in accordance with the Rate and Method of Apportionment; and

WHEREAS, a petition (the “Petition”) requesting the institution of proceedings for annexation to the District signed by the landowners within the proposed territory to be annexed (the “Property”) as more fully described in Exhibit “B”, attached hereto and incorporated herein, has been received, filed with and accepted by the City Clerk of the City of Perris; and

WHEREAS, the Council has duly considered the admissibility and necessity of instituting proceedings to annex the Property to the District under and pursuant to the terms and conditions and provisions of Article 3.5 of the Act, commencing with Government Code Section 53339; and

WHEREAS, the Council has determined to institute proceedings for the annexation of such Property to the District, and has determined to (a) set forth the boundaries of the territory which is proposed for annexation to the District, (b) state the public facilities, services and incidental expenses to be provided in and for the Property, (c) refund the outstanding Reimbursement Obligation, dated March 1, 2002 in favor of Barratt American Incorporated (“Barratt”) in aggregate principal amount of \$10,000,000 or as much thereof as is advanced pursuant to the Acquisition and Funding Agreement, dated March 1, 2002, among the District, the City and Barratt, and costs incident thereto (the “Reimbursement Obligation”), (d) specify the special taxes to be levied within the Property, and (e) set a date, time and place for a public hearing relating to the annexation of the Property to the District and the levy of special tax therein to pay for such public facilities, services, incidental expenses and Reimbursement Obligation; and

WHEREAS, the property owner has advanced \$50,000 to the City to cover the initial costs of the annexation pursuant to the terms of the Act and a Deposit and Reimbursement Agreement (the “Reimbursement Agreement”) with the City and Wells Fargo Bank National Association, as agent for the City;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Perris, California, as follows:

Section 1. That the above recitals are all true and correct.

Section 2. It is the intention of the Council, acting as the legislative body of the District, to annex the Property to the District under and pursuant to the terms and provisions of the Act. The boundaries of the Property proposed for annexation to the District are more particularly described and shown on that certain map entitled “Map of Proposed Boundary of Annexation No. 1 to Community Facilities District No. 2001-2 (Villages of Avalon)” that has been filed with the City Clerk of the City and a copy of which, together with a legal description of such territory, is described on Exhibit “B”. The City Clerk is hereby authorized and directed to endorse the Certificate on said map evidencing the date and adoption of this resolution and is further authorized and directed to file said map with the County Recorder of the County of Riverside in accordance with the provisions of Section 3111 of the California Streets and Highways Code within fifteen (15) days of the adoption of this resolution and not later than fifteen (15) days prior to the date of the public hearing as set forth in Section 5 hereof.

Section 3. It is the intention of the Council to order the financing of (1) the purchase, construction, modification, expansion, improvement or rehabilitation of the public facilities and fees identified on Exhibit “C” hereto and incorporated herein by reference, including all furnishings, equipment and supplies related thereto (the “Facilities”), (2) the incidental expenses to be incurred in connection with financing the Facilities and forming and administering the District (the “Incidental Expenses”) and (3) refund the outstanding Reimbursement Obligation. The Facilities are facilities that the City or a public agency is authorized by law to contribute revenue to or to provide. A description of the types of Facilities to be financed is set forth in Resolution No. 2891, adopted on November 27, 2001 and

incorporated herein by reference. The Property, on a per unit basis, will share in the cost of the Facilities in the same proportion as units with the existing District pursuant to the Rate and Method of Apportionment. The final nature and location of the Facilities will be determined upon the preparation of final plans and specifications which may show substitutes in lieu of, or modifications to, the Facilities. Any such substitution shall not be deemed a change or modification of the Facilities so long as the substitution provides a service substantially similar to the Facilities. The plan is to integrate all facilities within the entire district, including any facilities paid for out of fees.

Section 4. It is the intention of the City Council that, except where funds are otherwise available, to levy annually in accordance with procedures contained in the Act a special tax within the District (the "Special Tax") sufficient to pay for the costs of financing the acquisition and/or construction of the Facilities and Incidental Expenses, including the principal and interest and other periodic costs of bonds or other indebtedness proposed to be issued to finance the Facilities, and Incidental Expenses, the establishment and replenishment of reserve funds, the credit enhancement fees, if any, the costs of administering the levy and collection of the Special Tax and all other costs of the levy of the Special Tax and issuance of the bonds, including any foreclosure proceedings, architectural, engineering, inspection, legal, fiscal, and financial consultant fees, discount fees, interest on bonds due and payable prior to the expiration of one year from the date of completion of Facilities (but not to exceed two years), election costs and all costs of issuance of the bonds, including, but not limited to, fees for bond counsel, disclosure counsel, financing consultants and printing costs, and all other administrative costs of the tax levy and bond issue. The Special Tax will be secured by recordation of a continuing lien against all non-exempt real property in the District. The Rate and Method of Apportionment shall remain unchanged as a result of the proposed annexation. The Property will be subject to the Special Tax pursuant to the Rate and Method of Apportionment. The special tax as apportioned to each parcel within the Property is apportioned on the basis of benefit as determined by the City Council and as permitted by Section 53339.3 of the Act.

The schedule of the rate and method of apportionment and manner of collection of the Special Tax within The District is described in detail in Exhibit "A" attached hereto and by this reference incorporated herein. The Special Tax is based upon the cost of financing the Facilities and Incidental Expenses and Reimbursement Obligation in the District, the demand that each parcel will place on the Facilities and the benefit (direct and/or indirect) received by each parcel from the Facilities.

Section 5. Notice is hereby given that on the 10th day of May, 2005, at the hour of 6:00 p.m., or as soon thereafter as is practicable, in the chambers of the City Council of the City of Perris, 101 North "D" Street, Perris, California 92570, a public hearing will be held at which the City Council, as the legislative body of the District, shall consider the proposed annexation of the Property, the imposition of the Special Tax and the proposed issuance of bonds by the District and all other matters as set forth in this Resolution of Intention. At the above-mentioned time and place for such public hearing, any persons interested, including all taxpayers, property owners and registered voters within the District and the Property proposed to

be annexed, may appear and be heard, and such testimony for or against the proposed annexation will be heard and considered.

Section 6. Any protests may be made orally or in writing, except that any protests pertaining to the regularity or sufficiency of such proceedings shall be in writing and shall clearly set forth the irregularities and defects to which the objection is made. All written protests shall be filed with the City Clerk on or before the time fixed for such public hearing, and any written protest may be withdrawn in writing at any time before the conclusion of such public hearing. If written protests against the proposed annexation are filed by fifty percent (50%) or more of the registered voters, or six (6) registered voters, whichever is greater, residing within the existing District, or by fifty percent (50%) or more of the registered voters, or six (6) registered voters, whichever is greater, residing within the Property proposed to be annexed, or by owners of one-half (1/2) or more of the area of land included within the existing District, or by owners of one-half (1/2) or more of the area of land proposed to be annexed to the District, the proceedings shall be abandoned as to those matters receiving a majority protest.

Section 7. If, following the public hearing described herein, the Council determines to annex the Property to the District and levy a special tax thereon, the Council shall then submit the annexation of the Property and levy of the special tax to the qualified voters of the Property. If at least twelve (12) persons, who need not necessarily be the same twelve (12) persons, have been registered to vote within the territory of the Property for each of the ninety (90) days preceding the close of the public hearing, the vote shall be by registered voters residing within the Property, with each voter having one (1) vote. Otherwise, the vote shall be a mail-ballot election or personal delivery, by the landowners of the Property who are owners of record at the close of the public hearing, with each landowner having one (1) vote for each acre or portion of an acre of land owned within the Property. The number of votes to be voted by a particular landowner shall be specified on the ballot provided to that landowner.

Section 8. The City may accept advances of funds or work-in-kind from any sources, including, but not limited to, private persons or private entities, for any authorized purpose, including, but not limited to, paying the cost incurred in annexing the Property to the District. The District may enter into an agreement with the person or entity advancing the funds or work-in-kind, to repay all or a portion of the funds advanced, or to reimburse the person or entity for the value, or cost, whichever is less, of the work-in-kind, as determined by the Council, with or without interest.

Section 9. The form of Reimbursement Agreement on file with the City Clerk is hereby approved. The City Manager or Finance Director is hereby authorized to execute said Agreement in substantially the form on file with the City Clerk and the City Clerk is authorized to attest to said Agreement.

Section 10. The City Clerk is hereby directed to publish a notice (“Notice”) of the hearing pursuant to Section 6061 of the Government Code in a newspaper of general circulation published in the area of the proposed District. Such Notice shall contain the text of

this Resolution, state the time and place of the hearing, a statement that the testimony of all interested persons or taxpayers will be heard, a description of the protest rights of the registered voters and landowners in the proposed District as provided in Section 53324 of the Act and a description of the proposed voting procedure for the election required by the Act. Such publication shall be completed at least seven (7) days prior to the date of the Hearing.

Section 11. This Resolution shall take effect immediately upon its adoption.

ADOPTED, SIGNED and APPROVED this 29th day of March, 2005.

Mayor, Daryl R. Busch

ATTEST:

City Clerk, Margaret Rey

STATE OF CALIFORNIA)
COUNTY OF RIVERSIDE) §
CITY OF PERRIS)

I, Margaret Rey, CITY CLERK OF THE CITY OF PERRIS, CALIFORNIA, DO HEREBY CERTIFY that the foregoing Resolution Number 3380 was duly and regularly adopted by the City Council of the City of Perris at a regular meeting thereof held the 29th day of March, 2005, and that it was so adopted by the following called vote:

AYES: Motte, Rogers, Landers, Busch
NOES:
ABSENT:
ABSTAIN: Yarbrough

City Clerk, Margaret Rey

EXHIBIT "A"
(RESOLUTION NUMBER 3380)

CITY OF PERRIS
COMMUNITY FACILITIES DISTRICT NO. 2001-2
(VILLAGES OF AVALON)

RATE AND METHOD OF APPORTIONMENT

Provided that the lien of special taxes of Community Facilities District No. 88-2 of the City of Perris has first been cancelled, then a Special Tax of Community Facilities District No. 2001-2 (Villages of Avalon) of the City of Perris ("CFD 2001-2") shall be levied on all Assessor's Parcels in CFD 2001-2 and collected each Fiscal Year commencing in Fiscal Year 2002-03 in an amount determined by the Council through the application of the rate and method of apportionment of the Special Tax set forth below. All of the real property in CFD No. 2001-2, 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:

"Acquisition Agreement" means the Acquisition Agreement by and between the City, for itself and on behalf of CFD No. 2001-2, and Barratt American Incorporated, as it may be modified or supplemented from time to time.

"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. The square footage of an Assessor's Parcel is equal to the Acreage multiplied by 43,560.

"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 actual or estimated costs incurred by the City as administrator of the CFD to determine, levy and collect the Special Taxes, including salaries of City employees and the fees of consultants, legal counsel, corporate paying agents, fiscal agents, and trustees; the costs of collecting installments of the Special Taxes upon the general tax rolls; the cost of arbitrage calculation and arbitrage rebates, preparation of required reports; and any other costs required to administer the CFD as determined by the City.

"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 Assessor of the County designating parcels by assessor's parcel number.

"Assigned Special Tax A" means the Special Tax A for each Land Use Class of Developed Property, as determined in accordance with Section C below.

"Backup Special Tax A" means the Special Tax A 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 or incurred by CFD No. 2001-2 and secured by the levy of Special Taxes under the Act.

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

"CFD No. 2001-2" means Community Facilities District No. 2001-2 (Villages of Avalon) of the City of Perris.

"City" means the City of Perris.

"Council" means the City Council of the City of Perris, acting as the legislative body of CFD No. 2001-2.

"County" means the County of Riverside.

"Developed Property" means all Taxable Property, exclusive of Property Owner Association Property, Public Property or Water Company Property, for which a building permit was issued after January 1, 2002, but prior to the March 1st preceding the Fiscal Year in which the Special Tax is being levied.

"Final Subdivision" means a subdivision of property creating buildable lots 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, trust agreement, 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.

“Landscape Maintenance Costs” means the estimated and reasonable costs of providing landscape maintenance services, including the salaries of City staff and City overhead costs, for the maintenance of street medians, parks and open space within CFD No. 2001-2, in an amount not to exceed \$173,000 for Fiscal Year 2002-03, increasing by 2% each year thereafter.

"Landscape Maintenance Charge" means (i) the charge assigned to a dwelling unit of Residential Property to cover its proportionate share of Landscape Maintenance Costs, not to exceed \$150 per dwelling unit for Fiscal Year 2002-03, increasing by 2% each Fiscal Year thereafter, or (ii) the charge assigned to Assessor’s Parcels of Undeveloped Property to cover Landscape Maintenance Costs not already paid for by the Landscape Maintenance Charges on Residential Property.

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

"Maximum Special Tax A" means the maximum Special Tax A, determined in accordance with Section C below, that can be levied in any Fiscal Year on any Assessor’s Parcel prior to the full prepayment or partial prepayment of Special Tax A.

"Non-Residential Floor Area" means the total floor area of a non-residential building(s) located on an Assessor's Parcel, measured from outside wall to outside wall, exclusive of overhangs, porches, patios, carports, or similar spaces attached to the building but generally open on at least two sides, as determined by reference to the building permit(s) issued for that Assessor's Parcel, or if these are not available, as otherwise determined by the CFD Administrator.

"Non-Residential Property" means all Assessor’s Parcels of Developed Property for which a building permit(s) has been issued for a non-residential use.

"Outstanding Bonds" means, as of any date, all Bonds previously issued that are outstanding under the applicable Indenture.

"Property Owner Association Property" means any property within the boundaries of CFD No. 2001-2 that is owned by, or irrevocably dedicated as indicated in an instrument recorded with the County Recorder to, a property owner association, including any master or sub-association.

"Proportionately" means for Developed Property that the ratio of the actual Special Tax levy to the Assigned Special Tax A is equal for all Assessor’s Parcels of Developed Property within CFD No. 2001-2. For Undeveloped Property, "Proportionately" means that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax A per Acre is equal for all Assessor’s Parcels of Undeveloped Property in CFD No. 2001-2.

"Public Property" means any property within the boundaries of CFD No. 2001-2 that is used for rights-of-way or any other purpose and is owned by or irrevocably offered for dedication to the federal government, the State, the County, the City or any other public agency. Once an Assessor's Parcel has been designated as Public Property, it shall retain such status permanently.

"Public Safety CFD" means City of Perris Community Facilities District No. 2001-3 (North Perris Public Safety).

"Public Safety CFD Special Tax" means, if the Public Safety CFD is approved by its qualified electors prior to January 1, 2005, the special tax that is levied by Public Safety CFD each Fiscal Year on each dwelling unit of Residential Property prior to the application of any credits applicable under Section IV. C. of the Public Safety CFD Rate and Method of Apportionment, not to exceed \$250 per year per Single-Family Unit, \$50 per Multi-Family Unit and \$1,000 per Non-Residential Acre, plus an Annual Tax Escalation Factor (as all such terms are defined in the Rate and Method of Apportionment for the Public Safety CFD). If no special tax is levied in a given Fiscal Year by the Public Safety CFD, the Public Safety CFD Special Tax shall be \$0 for that Fiscal Year.

"Residential 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, or similar area. The determination of Residential Floor Area shall be made by the CFD Administrator with reference to the building permit(s) issued for such Assessor's Parcel or other appropriate means selected by the CFD Administrator.

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

"Special Tax" means Special Tax A or Special Tax B.

"Special Tax A" means the Special Tax to be levied in each Fiscal Year prior to full prepayment or termination of Special Tax A on each Assessor's Parcel of Developed Property, Undeveloped Property, Taxable Property Owner Association Property, Taxable Public Property and Taxable Water Company Property to fund the Special Tax Requirement, and shall include Special Taxes levied or to be levied under Sections C and D, below.

"Special Tax B" means a Special Tax to be levied in each Fiscal Year on Assessor's Parcels of Residential Property for which the Special Tax A obligation has been fully or partially prepaid, starting with the Fiscal Year after the Special Tax A obligation has been fully or partially prepaid, to cover each Assessor's Parcel's Landscape Maintenance Charge. In the case of full prepayment, the amount of Special Tax B to be levied on an Assessor's Parcel shall be equal to the Landscape Maintenance Charge. In the case of a partial prepayment, Special Tax B shall be equal to the portion of the Landscape Maintenance Charge no longer covered by Special Tax A.

"Special Tax Requirement" means that amount required in any Fiscal Year for CFD No. 2001-2 to: (a) (i) pay debt service on all Outstanding Bonds for 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 reasonable 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 facilities identified on Exhibit "A" to the Acquisition Agreement, except Special Taxes on Undeveloped Property shall not be levied for this purpose; (vi) pay for reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year; and (vii) pay for Landscape Maintenance Charges for all Developed Property and Undeveloped Property; less (b) a credit for funds available to reduce the annual Special Tax levy, as determined by the CFD Administrator 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. 2001-2 that 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 Water Company Property" means all Assessor's Parcels of Water Company Property that are not exempt pursuant to Section E below.

"Total Floor Area" means for an Assessor's Parcel, the total Residential Floor Area plus total Non-Residential Floor Area for which building permits have been issued on that Assessor's Parcel.

"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 Property Owner Association Property, Taxable Public Property, or Taxable Water Company Property.

"Update Property" means an Assessor's Parcel of Undeveloped Property for which a building permit has been issued, but which has not yet been classified as Developed Property, Taxable Property Owner Association Property, Taxable Public Property, or Taxable Water Company Property.

"Water Company Property" means property owned or used by McCanna Ranch Water Company, a California corporation.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Taxable Property within CFD No. 2001-2 shall be classified as Developed Property, Taxable Public Property, Taxable Property Owner Association Property, Taxable Water Company Property or Undeveloped Property, and shall be subject to Special Taxes pursuant to Sections C and D below. Developed Property shall be assigned to a Land Use Class as specified in Table 1.

The Assigned Special Tax A for Residential Property shall be based on the Residential Floor Area located on the Assessor's Parcel. The Assigned Special Tax A for Non-Residential Property, Taxable Public Property, Taxable Property Owner Association Property, Taxable Water Company Property or Undeveloped Property shall be based on the Acreage of the Assessor's Parcel. Special Tax B shall be levied equally on each dwelling unit for Assessor's Parcels of Residential Property for which Special Tax A liens have been fully or partially prepaid, as described in Section H.

C. MAXIMUM SPECIAL TAX RATE

1. Developed Property

a. Maximum Special Tax A

The Maximum Special Tax A 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 A, or (ii) the amount derived by application of the Backup Special Tax A.

b. Assigned Special Tax A

The Assigned Special Tax A for Developed Property in each Fiscal Year for each Land Use Class, starting with Fiscal Year 2002-03 and for each Fiscal Year thereafter, is shown below in Table 1.

TABLE 1

**Assigned Special Tax A Levies for Developed Property
For Fiscal Year 2002-03
Community Facilities District No. 2001-2**

Land Use Class	Description	Residential Floor Area	Assigned Special Tax A Per Unit/Acre
1	Residential Property	2,250 + square feet	\$1,567 per unit
2	Residential Property	1,600 - 2,250 square feet	\$1,377 per unit
3	Residential Property	less than 1,600 square feet	\$1,158 per unit
4	Non-Residential Property	Not Applicable	\$9,323 per Acre

c. Backup Special Tax A

The Backup Special Tax A shall equal \$9,323 per Acre for Fiscal Year 2002-03.

d. Increase in the Assigned Special Tax A and Backup Special Tax A

On each July 1, commencing on July 1, 2003, the Assigned Special Tax A and the Backup Special Tax A shall be increased by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

e. Multiple Land Use Classes

In some instances an Assessor's Parcel of Developed Property may contain more than one Land Use Class. The Assigned Special Tax A levied on an Assessor's Parcel shall be the sum of the Assigned Special Tax A levies for all Land Use Classes located on that Assessor's Parcel. The Backup Special Tax A levied on an Assessor's Parcel shall be the sum of the Backup Special Tax A levies that can be imposed on all Land Use Classes located on that Assessor's Parcel. The Maximum Special Tax A levied on an Assessor's Parcel shall be the sum of the Maximum Special Tax A levies that can be imposed on all Land Use Classes located on that Assessor's Parcel.

For purposes of calculating the Backup Special Tax A for Non-Residential Property under such circumstances, the Acreage assigned to Non-Residential Property shall be based on the proportion of Non-Residential Floor Area in the Assessor's Parcel as compared with the Total Floor Area

in the Assessor's Parcel. All allocations made under this section shall be determined by the CFD Administrator, and all such allocations shall be final.

2. Undeveloped Property, Taxable Property Owner Association Property, Taxable Public Property and Taxable Water Company Property

a. Maximum Special Tax A

The Maximum Special Tax A for Fiscal Year 2002-03 and future Fiscal Years for Undeveloped Property, Taxable Property Owner Association Property, Taxable Public Property, and Taxable Water Company Property shall be \$9,323 per Acre.

b. Increase in the Maximum Special Tax A

On each July 1, commencing on July 1, 2003, the Maximum Special Tax A for Undeveloped Property, Taxable Property Owner Association Property, Taxable Public Property, and Taxable Water Company Property shall be increased by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2002-03, and for each following Fiscal Year, the Council shall levy the Special Tax A until the amount of Special Tax A levies equals the Special Tax Requirement. The Special Taxes shall be levied each Fiscal Year as follows:

First: The Special Tax A shall be levied on each Assessor's Parcel of Developed Property at 100% of the applicable Assigned Special Tax A. However, a credit shall be granted to each Assessor's Parcel of Developed Property equal to the Public Safety CFD Special Tax levied on that Assessor's Parcel in that Fiscal Year;

Second: If additional monies are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property at up to 100% of the Maximum Special Tax A 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 A on each Assessor's Parcel of Developed Property whose Maximum Special Tax A is determined through the application of the Backup Special Tax A shall be increased Proportionately from the Assigned Special Tax A up to the Maximum Special Tax A for each such Assessor's Parcel. However, under no circumstances shall Special Taxes be levied under this third step to pay for Landscape Maintenance Charges;

Fourth: If additional monies are needed to satisfy the Special Tax Requirement after the first three steps have been completed, then the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Taxable Property Owner Association Property, Taxable Public Property, and Taxable Water Company Property at up to the Maximum Special Tax A for Taxable Property Owner Association Property, Taxable Public Property, and Taxable Water Company Property. However, under no circumstances shall Special Taxes be levied under this fourth step to pay for Landscape Maintenance Charges.

In cases where the Special Tax A for an Assessor's Parcel has been fully or partially prepaid for Residential Property, a Special Tax B shall be levied annually on such Assessor's Parcel, when appropriate, as described in Section H, below.

Notwithstanding the above the Council may, in any Fiscal Year, levy Proportionately less than 100% of the Assigned Special Tax A in step one of Section D (above), when (i) the Council is no longer required to levy a Special Tax pursuant to steps two through four above in order to meet the Special Tax Requirement; (ii) all authorized CFD No. 2001-2 Bonds have already been issued or the Council has covenanted that it will not issue any additional CFD No. 2001-2 Bonds (except refunding bonds) to be supported by Special Taxes; and (iii) all facilities identified in Exhibit "A" to the Acquisition Agreement have been acquired.

Notwithstanding the above, under no circumstances will the Special Tax A levied against any Assessor's Parcel of Residential Property for which an occupancy permit for private residential use has been issued be increased by more than ten percent as a consequence of delinquency or default by the owner of any other Assessor's Parcel within CFD No. 2001-2.

E. EXEMPTIONS

No Special Tax shall be levied on up to 1.96 Acres of Property Owner Association Property, 68.06 Acres of Public Property and 1.5 Acres of Water Company Property. Tax-exempt status will be assigned by the CFD Administrator in the chronological order in which property becomes Property Owner Association Property, Public Property or Water Company Property. However, should an Assessor's Parcel no longer be classified as Property Owner Association Property, Public Property or Water Company Property, its tax-exempt status will be revoked.

Property Owner Association Property, Public Property, or Water Company 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 A for Taxable Property Owner Association Property, Taxable Public Property, or Taxable Water Company Property.

F. REVIEW/APPEAL COMMITTEE

The Council shall establish as part of the proceedings and administration of CFD No. 2001-2 a special three-member Review/Appeal Committee. Any landowner or resident who feels that the amount of the Special Tax levied on 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

Special Tax A and Special Tax B as levied pursuant to Section D above shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that the CFD Administrator may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet the financial obligations of CFD No. 2001-2 or as otherwise determined appropriate by the CFD Administrator.

H. PREPAYMENT OF SPECIAL TAX A

The following definition applies to Section H.

"CFD Public Facilities" means either \$13,728,000 in 2001 dollars, which shall increase by the Construction Inflation Index on July 1, 2002, and on each July 1 thereafter, or such lower number as (i) shall be determined by the CFD Administrator as sufficient to provide the public facilities to be provided by CFD No. 2001-2 under the authorized Mello-Roos financing program for CFD No. 2001-2, or (ii) shall be determined by the Council concurrently with a covenant that it will not issue any more Bonds to be supported by Special Taxes levied under this Rate and Method of Apportionment as described in Section D.

"Construction Fund" means an account specifically identified in the Indenture to hold funds that are currently available for expenditure to acquire or construct public facilities eligible under the Act.

"Construction Inflation Index" means the annual percentage change in the Engineering News-Record Building Cost Index for the City of Los Angeles, measured as of the calendar year that ends in the previous Fiscal Year. In the event this index ceases to be published, the Construction Inflation Index shall be another index as determined by the CFD Administrator that is reasonably comparable to the Engineering News-Record Building Cost Index for the City of Los Angeles.

"Future Facilities Costs" means the CFD Public Facilities minus (i) public facility costs available to be funded through existing construction or escrow accounts or funded by Outstanding Bonds, (ii) public facility costs funded by interest earnings on the Construction Fund actually earned prior to the date of prepayment, and (iii) public facilities costs paid directly with Special Taxes.

"Outstanding Prepayment Bonds" means, as of any date, all Bonds previously issued that are anticipated by the CFD Administrator to be outstanding under the applicable Indenture immediately after the first principal payment date for such Bonds following the then current Fiscal Year.

1. Prepayment in Full

The Special Tax A obligation described in Section D above with respect to any Assessor's Parcel of Developed Property or Update Property may be fully prepaid, except that a Special Tax B shall be levied on such Assessor's Parcel after the prepayment has occurred if such Assessor's Parcel is Residential Property, or if it becomes Residential Property. In addition, the Special Tax A obligation of any Assessor's Parcel of Taxable Public Property may be prepaid, without a Special Tax B being levied thereafter. A prepayment may be made on an Assessor's Parcel only if there are no delinquent Special Tax A levies 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 A obligation shall provide the CFD Administrator with written notice of intent to prepay. Within 30 days of receipt of such written notice, the CFD Administrator shall notify such owner of the prepayment amount of such Assessor's Parcel, and the amount of the Special Tax B, if any, that shall continue to be levied on the Assessor's Parcel after prepayment has been made. The CFD Administrator may charge the Assessor's Parcel's owner a reasonable fee for providing these figures, which must be paid by the owner of the Assessor's Parcel prior to the calculation of the prepayment amount. Prepayment must be made not less than 15 days prior to the next occurring 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) for any Assessor's Parcel of Taxable Public Property shall be determined by the CFD Administrator as authorized under Sections 53317.3 and 53317.5 of the Act. However, no Special Tax A prepayment for any Assessor's Parcel of Taxable Public Property shall be allowed unless the amount of Assigned Special Tax A levies that may be imposed on Taxable Property within CFD No. 2001-2 after the proposed prepayment is at least 1.1 times the maximum annual debt service on all Outstanding Prepayment Bonds.

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

		Bond Redemption Amount
	plus	Redemption Premium
	plus	Defeasance Amount
	plus	Administrative Fees and Expenses
	<u>less</u>	Reserve Fund Credit
Total:	equals	Prepayment Amount

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

Paragraph No.:

1. Confirm that no Special Tax A delinquencies apply to such Assessor's Parcel.
2. 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 Update Property, 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.
3. (a) Divide the Assigned Special Tax A computed pursuant to paragraph 2 by the estimated Assigned Special Tax A levies for all of CFD No. 2001-2 based on the Developed Property Special Tax A levies which could be imposed in the current Fiscal Year on all existing and expected development in CFD No. 2001-2, excluding any Assessor's Parcels which have been prepaid; and

(b) Divide the Backup Special Tax A computed pursuant to paragraph 2 by the estimated Backup Special Tax A levies at buildout for CFD No. 2001-2 using the Backup Special Tax A amounts for the current Fiscal Year, excluding any Assessor's Parcels which have been prepaid.
4. Multiply the larger quotient computed pursuant to paragraph 3(a) or 3(b) by the Outstanding Prepayment Bonds, and (if determined necessary by the CFD Administrator to effect the redemption of Bonds with such prepayment) round up to the nearest integral multiple of \$5,000 to compute the amount of Outstanding Prepayment Bonds to be retired and prepaid (the "Bond Redemption Amount").
5. Multiply the Bond Redemption Amount computed pursuant to paragraph 4 by the applicable redemption premium, if any, on the Outstanding Prepayment Bonds to be redeemed (the "Redemption Premium").
6. Compute the current Future Facilities Costs.

7. Multiply the larger quotient computed pursuant to paragraph 3(a) or 3(b) by the amount determined pursuant to paragraph 6 to compute the amount of Future Facilities Costs to be prepaid (the "Future Facilities Amount").
8. Compute the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Outstanding Bonds.
9. Determine the Special Tax A levied on the Assessor's Parcel in the current Fiscal Year which has not yet been paid.
10. Compute the minimum amount the CFD Administrator reasonably expects to derive from the reinvestment of the Prepayment Amount less the Future Facilities Amount and the Administrative Fees and Expenses from the date of prepayment until the redemption date for the Outstanding Prepayment Bonds to be redeemed with the prepayment.
11. Add the amounts computed pursuant to paragraphs 8 and 9 and subtract the amount computed pursuant to paragraph 10 (the "Defeasance Amount").
12. Verify the administrative fees and expenses of CFD No. 2001-2, including 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").
13. If bond reserve funds for the Outstanding Prepayment Bonds, if any, are anticipated to be at or above 100% of the bond reserve requirement (as specified in the Indenture) immediately after the first principal payment date in the next Fiscal Year, the reserve fund credit shall equal the expected reduction in the bond reserve requirement, if any, associated with the redemption of Outstanding Prepayment Bonds as a result of the prepayment (the "Reserve Fund Credit"). No Reserve Fund Credit shall be granted if bond reserve funds are anticipated to be below 100% of the bond reserve requirement immediately after the first principal payment date in the next Fiscal Year.
14. 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 by multiplying the larger quotient computed pursuant to paragraph 3(a) or 3(b) by the expected balance in the capitalized interest fund after such first interest and/or principal payment (the "Capitalized Interest Credit").

15. The Special Tax A prepayment is equal to the sum of the amounts computed pursuant to paragraphs 4, 5, 7, 11 and 12, less the amounts computed pursuant to paragraphs 13 and 14 (the "Prepayment Amount").
16. From the Prepayment Amount, the amounts computed pursuant to paragraphs 4, 5, 11, 13 and 14 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Prepayment Bonds or make debt service payments. The amount computed pursuant to paragraph 7 shall be deposited into the Construction Fund. The amount computed pursuant to paragraph 12 shall be retained by CFD No. 2001-2.

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 or to make debt service payments.

As a result of the payment of the current Fiscal Year's Special Tax A levy as determined under paragraph 9 (above), the CFD Administrator shall remove the current Fiscal Year's Special Tax A levy for such Assessor's Parcel from the County tax rolls. With respect to any Assessor's Parcel that is prepaid, the City shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of Special Tax A and the release of the Special Tax A lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay the Special Tax A shall cease. However, Special Tax B shall still be levied on such Assessor's Parcels in future Fiscal Years when appropriate.

Notwithstanding the foregoing, no Special Tax A prepayment shall be allowed unless the amount of Maximum Special Taxes that may be levied on Taxable Property within CFD No. 2001-2 after the proposed prepayment is at least 1.1 times the maximum annual debt service on all Outstanding Prepayment Bonds.

2. Prepayment in Part

The Maximum Special Tax A on an Assessor's Parcel of Developed Property or Update Property may also be partially prepaid. 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 (provided that the partial prepayment must in any event be sufficient to, in addition to payment of all other components of the Prepayment Amount, redeem Bonds in increments of \$5,000):

$$PP = P_E \times F$$

These terms have the following meaning:

PP = the partial prepayment

P_E = the Prepayment Amount calculated according to Section H.1

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

The owner of an Assessor's Parcel who desires to partially prepay the Maximum Special Tax A shall notify the CFD Administrator of (i) such owner's intent to partially prepay the Maximum Special Tax A, (ii) the percentage by which the Maximum Special Tax A shall be prepaid, and (iii) the company or agency that will be acting as the escrow agent, if applicable. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Maximum Special Tax A for an Assessor's Parcel within 30 days of the request and may charge a reasonable fee for providing this service. Such fee must be paid prior to the calculation of the Prepayment Amount.

With respect to any Assessor's Parcel that is partially prepaid, the CFD Administrator shall (i) distribute the funds remitted to it according to Paragraph 13 of Section H.1. and (ii) indicate in the records of CFD No. 2001-2 that there has been a partial prepayment of the Maximum Special Tax A and that a portion of the Maximum Special Tax A equal to the outstanding percentage ($1.00 - F$) of the remaining Maximum Special Tax A shall continue to be authorized to be levied on such Assessor's Parcel pursuant to Section D. A Special Tax B shall also be levied in future Fiscal Years on such Assessor's Parcel when appropriate.

I. TERM OF SPECIAL TAX

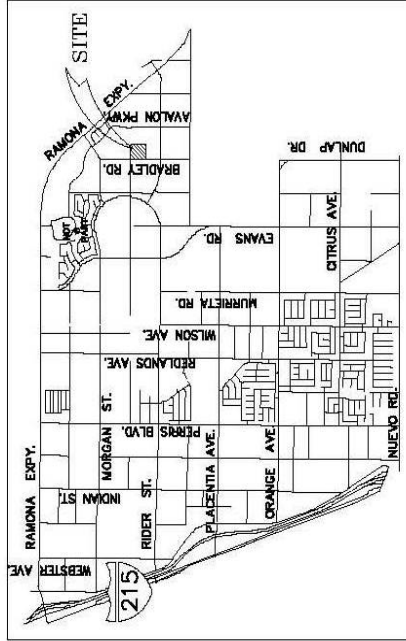
The Special Tax shall be levied for the period not to exceed 40 years commencing in Fiscal Year 2002-03, provided however that Special Tax A will cease to be levied in an earlier Fiscal Year if the CFD Administrator has determined (i) that all required interest and principal payments on the Bonds have been paid; and (ii) all facilities have been acquired and all reimbursements to the developer have been paid pursuant to the Acquisition Agreement. However, the Landscape Maintenance Charge may be levied in perpetuity for maintenance within CFD 2001-2.

EXHIBIT "B"
(RESOLUTION NUMBER 3380)

SHEET 1 OF 1

**MAP OF PROPOSED BOUNDARY OF
ANNEXATION NO. 1 TO
COMMUNITY FACILITIES DISTRICT NO. 2001-2 (VILLAGES OF AVALON)**

CITY OF PERRIS
COUNTY OF RIVERSIDE
STATE OF CALIFORNIA



VICINITY MAP

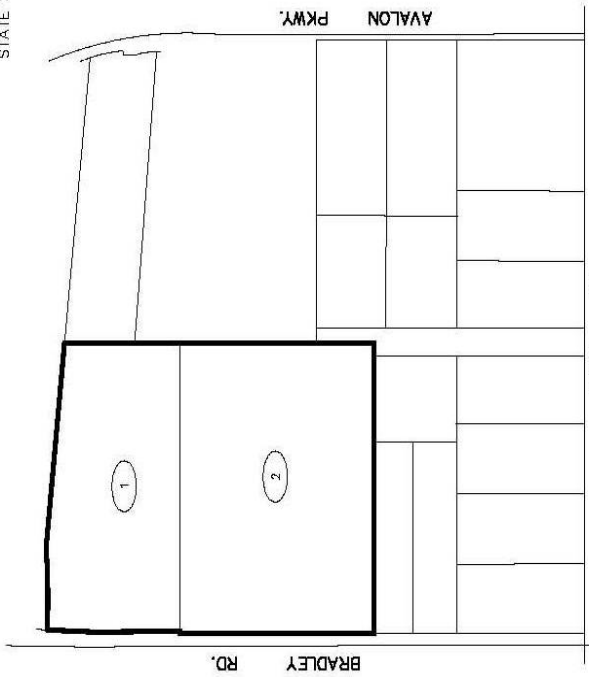
FILED IN THE OFFICE OF THE CITY CLERK THIS _____ DAY OF _____, 2005.
I HEREBY CERTIFY THAT THE WITHIN MAP SHOWING PROPOSED BOUNDARIES OF ANNEXATION NO. 1 TO THE CITY OF PERRIS COMMUNITY FACILITIES DISTRICT NO. 2001-2 (VILLAGES OF AVALON) IS A TRUE AND CORRECT COPY OF THE ORIGINAL AS SUBMITTED BY THE CITY COUNCIL OF THE CITY OF PERRIS AT A REGULAR MEETING THEREOF, HELD ON THE _____ DAY OF _____, 2005, BY ITS RESOLUTION NO. _____.

MARGARET REY
CITY CLERK
CITY OF PERRIS

FILED THIS _____ DAY OF _____, 2005, AT THE HOUR OF _____ OF THE BOOK _____ AND AS DISTRICT ASSESSMENT AND COMMUNITY FACILITIES DISTRICTS PART OF THE RESOLUTION NO. _____ IN THE OFFICE OF THE COUNTY RECORDER IN THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA.

GARY L. ORSO
COUNTY RECORDER
COUNTY OF RIVERSIDE
STATE OF CALIFORNIA

THE LINES AND DIMENSIONS OF EACH LOT OR PARCEL SHOWN ON THIS DIAGRAM SHALL BE AS SHOWN ON THE RECORD MAPS AS SHOWN ON THE RIVERSIDE COUNTY ASSESSOR'S MAPS FOR THOSE PARCELS LISTED IN THE RIVERSIDE COUNTY ASSESSOR'S MAPS SHALL COVER FOR ALL DETAILS CONCERNING THE LINES AND DIMENSIONS OF SUCH LOTS OR PARCELS.



RIDER ST.

LEGEND

CFD BOUNDARY
○
ASSESSMENT NUMBER

ASMT NO.	ASSESSOR'S PARCEL NO.	ACREAGE
1	308-200-18	4.18
2	308-200-18	6.48

KOPPEL & GRUBER
PUBLIC FINANCE

384 Via Vera Cruz
Suite 201
Perris, CA 92570
Phone (760) 810-0279 Fax (760) 810-0288

MARCH 2005

(05-030)

EXHIBIT “C”
(RESOLUTION NUMBER 3380)

FACILITIES

The General Description of Facilities is as listed:

Mass Grading:	Mass grade major streets.
Ramona Expressway:	Widen street, install traffic signal at Bradley Road, underground electric utilities, landscape right-of-way, install storm drain and basins, build entry monument.
Bradley Road:	Widen street, install traffic signal at McCanna Ranch Road, underground electric utilities, landscape right-of-way, install storm drain system, relocate DWR drain line, install sewer main, install water main, realign Bradley Road to new intersection alignment, build public park and facilities, install all dry utilities, build intersection monument.
McCanna Ranch Road:	Construct street including all water, sewer, storm drain, dry utilities, landscape right-of-way. Build linear park along the MWD easement.
Rider Road:	Widen road, including storm drain, dry utilities, landscape right-of-way and underground electric utilities. Install traffic signal at Ramona Expressway and Rider Road.
Morgan Road:	Widen road, including water, sewer, dry utilities, and landscape right-of-way.
Evans Place:	Install traffic signal at Ramona Expressway and Evans Place, widen road, including dry utilities; landscape right-of-way.
Recreation Facilities:	Build recreation facilities, including a community pool, tot lot, basketball courts, volleyball court, spa and wading pool.
City Fees and Facilities	Contributions relating to capital facilities, including but not limited to the fire station, civic center and streets, roads and intersections.

The facilities listed in this Exhibit "A" are representative of the types of improvements to be furnished by the CFD. Detailed scope and limits of specific projects will be determined as appropriate, consistent with the standards of the District. Addition, deletion, or modification of descriptions of Facilities may be made consistent with the requirements of the City, the CFD and the Act.

In addition, the CFD funds the following services

Fire protection and suppression services, and ambulance and paramedic services including all furnishings, equipment and supplies related thereto; police protection services, including but not limited to criminal justice services, including all furnishings, equipment and supplies related thereto.

Maintenance of parks, parkways, and open space.

Flood and storm protection services, including, but not limited to, the operation and maintenance of storm drainage systems, and sandstorm protection systems.