

RESOLUTION NUMBER 3401

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, CALLING A SPECIAL ELECTION TO SUBMIT TO THE QUALIFIED ELECTORS WITHIN PROPOSED ANNEXATION NO. 1 TO SAID DISTRICT THE QUESTION OF ANNEXING SUCH TERRITORY AND LEVYING OF A SPECIAL TAX AND ISSUANCE OF BONDED INDEBTEDNESS WITHIN THE DISTRICT

WHEREAS, the City Council (the “Council”) of the City of Perris, California (the “City”), acting in its capacity as the legislative body (the “Legislative Body”) of the Community Facilities District No. 2001-2 (Villages of Avalon) of the City of Perris (the “District”), on March 29, 2005, has heretofore adopted its Resolution No. 3380 (the “Resolution of Intention”) stating its intention to annex certain territory (the “Property”) as described therein to 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, and specifically Article 3.5 thereof, and calling a public hearing on the question of the proposed annexation of the Property to the District, including the levying of a special tax on the Property and all other matters as set forth in the Resolution of Intention; and

WHEREAS, a copy of the Resolution of Intention, incorporating a description and map of the proposed boundaries of the territory proposed for annexation to the District, stating the purpose of the Annexation No. 1 to the District to (A) finance (1) the purchase, construction, modification, expansion, improvement or rehabilitation of public facilities and the payment of development, impact and other fees required therefor, identified in Exhibit “A” hereto and incorporated herein by this reference, including all furnishings, equipment and supplies related thereto (collectively, the “Facilities”); and (2) the incidental expenses to be incurred in financing the Facilities and annexing property to and administering the District (the “Incidental Expenses”) and (B) 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”), and incorporating a plan setting forth sharing of such facilities provided in common with the existing District, and specifying the special taxes to be levied within the Property and any alteration in the Rate and Method of Apportionment (as defined therein and incorporated herein as Exhibit “B”) is on file with the City Clerk of the City; and

WHEREAS, on March 29, 2005, the Council of the City has heretofore adopted its resolution of intention to incur bonded indebtedness (the “Resolution of Intention to Incur Bonded Indebtedness”) stating its intention to incur bonded indebtedness in an amount of not to

exceed \$10,000,000 within the District, including the proposed area of Annexation No. 1 to the District; and

WHEREAS, a copy of the Resolution of Intention to Incur Bonded Indebtedness is on file with the City Clerk; and

WHEREAS, notice of the public hearing was duly given as required by the Act; and

WHEREAS, the Resolution of Intention and Resolution to Incur Bonded Indebtedness set May 10, 2005, as the date of the public hearing to consider the question of the proposed annexation of the Property to the District, including the levying of a special tax on the Property and all other matters set forth in the Resolution of Intention, and the proposed bonded indebtedness pursuant to the Resolution of Intention and the Resolution of Intention to Incur Bonded Indebtedness, and this Council held said public hearing as required by law; and

WHEREAS, at said hearing all persons within the area of Annexation No. 1 to the District and not exempt from the special tax desiring to be heard on all matters pertaining to the annexation of the Property to the District, the levy of the special tax on the Property, and the issue of bonded indebtedness and all other matters as set forth in the Resolution of Intention and Resolution to Incur Bonded Indebtedness were heard and a full and fair hearing was held; and

WHEREAS, at the public hearing evidence was presented to the Legislative Body on the matters before it, and the Legislative Body at the conclusion of the hearing is fully advised as to all matters relating to the proposed annexation of the Property to the District, including the levy of the special tax on the Property; and

WHEREAS, it has now been determined that written protests have not been received from registered voters and/or property owners representing more than one-half (1/2) of the area of land proposed to be annexed to the District or within the original District; and

WHEREAS, there are less than twelve (12) registered voters residing within the territory proposed to be annexed to the District, and have been for at least the preceding ninety (90) days; and

WHEREAS, on the basis of the foregoing, the Legislative Body has determined at this time to proceed with the annexation of the Property to the District, and to call an election therein to authorize such annexation, including the levy of the special tax therein (as such tax is more particularly described in the Resolution of Intention), to incur bonded indebtedness within said Annexation No. 1 to the District and to establish an appropriations limit for the District with respect to Annexation No. 1;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City Of Perris, California, acting in its capacity as the Legislative Body of Community Facilities District No. 2001-2 (Villages of Avalon) of the City Of Perris, California, as follows:

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

Section 2. Written protests against the annexation of the Property to the District, or against the furnishing of specified services or the levying of a specified special tax within the District, have not been filed by fifty percent (50%) or more of the registered voters or six (6) registered voters, whichever is greater, residing within the boundaries of the existing District, nor by fifty percent (50%) or more of the registered voters, or six (6) registered voters, whichever is greater, residing within the boundaries of the proposed annexation, nor by owners representing one-half (1/2) or more of the area of land proposed to be annexed to the District. All protests and objections, if any, are hereby overruled.

Section 3. The Legislative Body does declare the annexation of the Property to the existing District, to be known and designated as "Community Facilities District No. 2001-2 (Villages of Avalon) of the City of Perris, Annexation No. 1." The Legislative Body hereby finds and determines that all prior proceedings taken with respect to the annexation of the Property to the District were valid and in conformity with the requirements of law, including the Act. This finding is made in accordance with the provisions of Section 53325.1 of the Act.

Section 4. The boundaries of the Property to be annexed and upon which the special taxes will be levied in order to pay the bonded indebtedness are generally described as all that territory proposed to be annexed to the existing District as said property is shown on a map as previously approved by the Legislative Body, said map designated "Map of Proposed Boundaries of Annexation No. 1 to Community Facilities District No. 2001-2 (Villages of Avalon) of the City of Perris," a copy of which is on file in the office of the City Clerk and shall remain open for public inspection. The map of the proposed boundaries of the District has been recorded in the Office of the County Recorder of Riverside County, California in Book 61, page 96 of the Book of Maps of Assessments and Community Facilities Districts (Document Number 2005-0272865).

Section 5. The City Council hereby declares and deems that the public convenience and necessity require and it is necessary to incur bonded indebtedness in a maximum aggregate principal amount not to exceed \$10,000,000 within the District for the purposes set forth in Section 6 below. The entire District shall pay for the bonded indebtedness as previously authorized by the existing District in Resolution No. 2906 adopted on January 8, 2002.

Section 6. The purpose of the proposed bonded indebtedness is generally described as follows: to finance (1) the Facilities, which Facilities have a useful life of five years or longer and the payment of development fees and other fees of public agencies; (2) the Incidental Expenses; and to (3) refund the outstanding Reimbursement Obligation.

Section 7. Except for property within Annexation No. 1 to the District that is exempt, wholly or partially, from the levy of the special tax specified in the Rate and Method of Apportionment of Special Tax for each Improvement Area attached to the Resolution of Formation, the whole of the property within Annexation No. 1 of the District shall pay for the

applicable bonded indebtedness with respect to Annexation No. 1. to the District pursuant to the levy of the special tax authorized by the Resolution of Intention to Annex.

Section 8. The maximum term of the bonds or any series thereof to be issued shall in no event exceed forty (40) years.

Section 9. The bonds or any series thereof shall bear interest at a rate not to exceed the greater of twelve percent (12%) per annum or the maximum interest rate permitted by law, payable semiannually, with the actual rates and times of payment to be determined at the time of sale thereof.

Section 10. Except where funds are otherwise available, a special tax is hereby authorized, subject to the approval of the landowners as the eligible electors of Annexation No. 1 to the District, to levy annually in accordance with procedures contained in the Act, a special tax within the District, secured by recordation of a continuing lien against all nonexempt real property in the District, sufficient to pay for bonded indebtedness relating to the Facilities, the refunding of the Reimbursement Obligation and the Incidental Expenses. The rate and method of apportionment and manner of collection of the special tax within the District is described in detail in Exhibit "B" attached hereto and incorporated herein by this reference. Exhibit "B" allows each landowner within Annexation No. 1 to estimate the maximum amount that may be levied against each parcel.

Section 11. Pursuant to and in compliance with the provisions of Article 1.5 (commencing with Section 53410) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code, the Council hereby establishes the following accountability measures pertaining to any bonded indebtedness incurred by or on behalf of the District:

- A. Such bonded indebtedness shall be incurred for the specific purposes set forth in Section 6 above.
- B. The proceeds of any such bonded indebtedness shall be applied only to the specific purposes identified in Section 6 above.
- C. The document or documents establishing the terms and conditions for the issuance of any such bonded indebtedness shall provide for the creation of an account or accounts into which the proceeds of such bonded indebtedness shall be deposited.
- D. The City Manager or the City Finance Director, or his or her designee, acting for and on behalf of the City, shall annually file a report with the City Council as required by Government Code Section 53411.

Section 12. Pursuant to Government Code Section 53353.5, the Council hereby submits to the qualified electors of Annexation No. 1 to the District a combined proposition

(“Proposition A”) to: (1) annex the Property to the District; (2) levy special taxes on property within Annexation No. 1 to the District in accordance with the rate and method of apportionment with respect to the District specified in the Resolution of Intention of the Council; (3) incur bonded indebtedness in the maximum principal aggregate amount of \$10,000,000 within the area of proposed Annexation No. 1 to the District; and (4) establish an appropriations limit as defined by subdivision (h) of Section 8 of Article XIII B of the California Constitution, for the District. Said appropriations limit shall equal the amount of all proceeds of the special tax for the area within Annexation No. 1 to the District collected annually and as defined by said Article XIII B, as adjusted for changes in the cost of living and changes in population. The Proposition for Annexation No. 1 to the District is attached hereto as Exhibit “C.”

Section 13. A special election is hereby called for Annexation No. 1 to the District on the Proposition set forth in Section 12 hereinabove.

Section 14. The time for notice having been waived by all of the qualified electors, the date of the special election for the District on the proposition A shall be on the 10th day of May, 2005. The voter ballot shall be returned to the City Clerk at 101 North “D” Street, Perris, California 92570, no later than 6:00 o'clock p.m. on May 10, 2005.

Section 15. The Council finds and determines that there were no registered voters residing within the territory of proposed District at the time of the protest hearing and ninety (90) days prior thereto. The requirements of Section 53326 of the Government Code having been waived by the landowner, the ballots for the special election shall be mailed or personally delivered to each landowner within Annexation No. 1.

Section 16. Notice of said election and written argument for or against the measure have been waived by each landowner within the area of Annexation No. 1 to the District.

Section 17. The Area of Annexation No. 1 to the District shall constitute a single election precinct for the purpose of holding said election.

Section 18. The Council hereby directs that the election be conducted by the City Clerk of the City of Perris, as the elections official.

Section 19. If two-thirds (2/3) of the votes cast upon the question of annexation, levying such special tax, incurrence of bonded indebtedness and establishing such appropriations limit are cast in favor of levying such special tax within the District as determined by the Legislative Body after the canvass of the returns of such election, the Legislative Body may levy such special tax within the District under the Act in the amount and for the purposes as specified in this Resolution. Such special tax may be levied only at the rate and may be apportioned only in the manner specified in this Resolution, subject to the Act, except that the special tax may be levied at a rate lower than that specified herein and the maximum annual tax rate may be lowered.

Section 20. An appropriation limit for Annexation No. 1 to the District is hereby established as an amount equal to all the proceeds of the special tax collected annually and as defined by Article XIII B of the California Constitution, as adjusted for changes in the cost of living and changes in population.

Section 21. The City Clerk is directed to certify and attest to this Resolution, and to take any and all necessary acts to call, hold, canvass and certify an election or elections on the levy of the special tax, and the establishment of the appropriation limit.

Section 22. This Resolution shall take effect immediately upon its adoption.

ADOPTED, SIGNED and **APPROVED** this 10th day of May, 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 3401 was duly and regularly adopted by the City Council of the City of Perris at a regular meeting thereof held the 10th day of May, 2005, and that it was so adopted by the following called vote:

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

City Clerk, Margaret Rey

EXHIBIT “A”
(RESOLUTION NUMBER 3401)

DESCRIPTION OF FACILITIES

The General Description of Facilities are 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. The Facilities shall be shared between the original District and Annexation No. 1.

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.

EXHIBIT "B"
(RESOLUTION NUMBER 3401)

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):

$$PP = PE \times F$$

These terms have the following meaning:

PP = the partial prepayment

PE = 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 "C"
(RESOLUTION NUMBER 3401)

OFFICIAL BALLOT

COMMUNITY FACILITIES DISTRICT NO. 2001-2 (VILLAGES OF AVALON) OF THE
CITY OF PERRIS, ANNEXATION NO. 1

SPECIAL TAX AND APPROPRIATIONS LIMIT ELECTION

May 10, 2005

To vote, mark a cross (+) in the voting square after the word "YES" or after the word "NO." All marks otherwise made are forbidden.

This ballot is provided to _____, as owner or authorized representative of such sole owner of ____ acres of land within Community Facilities District No. 2001-2 (Villages of Avalon) of the City of Perris, Annexation No. 1 and represents ____ votes.

If you wrongly mark, tear, or deface this ballot, return it to the City Clerk of the City of Perris at 101 North "D" Street, Perris, California 92570.

PROPOSITION A: Shall the property within the Area of Annexation No. 1 to Community Facilities District No. 2001-2 (Villages of Avalon) of the City of Perris (the "District") be annexed to the District; and shall the District incur an indebtedness and be authorized to issue bonds in the maximum aggregate principal amount of \$10,000,000 with interest at a rate or rates established at such time as the bonds are sold in one or more series at fixed or variable interest rates, however not to exceed any applicable statutory rate for such bonds, the proceeds of which will be used to finance or refinance (1) the purchase, construction, modification, expansion, improvement or rehabilitation of certain real or other tangible property, including all furnishings, equipment and supplies related thereto and the payment of development and other fees of public agencies (collectively, the "Facilities"), which Facilities have a useful life of five years or longer; (2) the Reimbursement Obligation, dated March 1, 2002, by the City in favor of Barratt American Incorporated (the "Obligation") and (3) the incidental expenses to be incurred in connection with financing the Facilities, annexing property to and administering the District (the "Incidental Expenses"), as provided in the Resolution of the City Council of the City of Perris calling a special election within the area of Annexation No. 1 to the District; and shall a Special Tax be levied to pay the principal of and interest on such indebtedness and bonds and to pay directly the cost of acquisition and construction of Facilities and Incidental Expenses and pay the Obligation as authorized in the Resolution; and shall an appropriations limit be established for Annexation No. 1 to the District pursuant to Article XIIB of the California Constitution, said appropriations limit to be equal to the amount of all proceeds

YES

NO

of the special tax collected annually, as adjusted for changes in the cost of living and changes in population?

Signed this 10th day of May, 2005.

[Property Owner]

By _____

Name _____

Title _____