

**RESOLUTION NO. 2006-76**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ELK GROVE AUTHORIZING THE EXECUTION AND DELIVERY OF A SUPPLEMENTAL FISCAL AGENT AGREEMENT, A BOND PURCHASE AGREEMENT, AND A CONTINUING DISCLOSURE CERTIFICATE; AUTHORIZING THE ISSUANCE OF BONDS; APPROVING THE ISSUANCE BY THE ELK GROVE FINANCE AUTHORITY OF ITS ELK GROVE FINANCE AUTHORITY SPECIAL TAX REVENUE BONDS, SERIES 2006; AND AUTHORIZING OTHER ACTIONS RELATED THERETO**

**WHEREAS**, the City Council duly established Community Facilities District No. 2003-1 (Poppy Ridge) ("CFD 2003-1") pursuant to the Mello-Roos Community Facilities Act of 1982 (Chapter 2.5, Part 1, Division 2, Title 5 (commencing with Section 53311) of the California Government Code) (the "Act");

**WHEREAS**, at an election held in CFD 2003-1 on January 15, 2003, the qualified electors therein duly authorized the issuance of fifty-five million dollars (\$55,000,000) principal amount of special tax bonds pursuant to the terms of the Act;

**WHEREAS**, pursuant to such authority the City has previously issued its Community Facilities District No. 2003-1 Special Tax Bonds, Series 2003 (the "Series 2003 Bonds"), in the aggregate principal amount of \$29,570,000;

**WHEREAS**, pursuant to such authority the City has previously issued its Community Facilities District No. 2003-1 Special Tax Bonds, Series 2005 (the "Series 2005 Bonds"), in the aggregate principal amount of \$32,915,000 of which amount \$2,065,000 was for the purpose of financing public facilities and the remainder was used to refund the Series 2003 Bonds;

**WHEREAS**, the City Council has determined to issue an additional series of bonds to be designated its Community Facilities District No. 2003-1 (Poppy Ridge) Special Tax Bonds, Series 2006 (the "Series 2006 Bonds"), for the purpose of financing additional public facilities;

**WHEREAS**, the Elk Grove Finance Authority (the "Authority") is authorized and intends to issue bonds (the "Revenue Bonds") pursuant to Government Code section 6588 to finance the purchase of the Series 2006 Bonds;

**WHEREAS**, California Government Code section 6586.5 requires the City Council, as the governing body of the local agency where the capital improvements are located and of the local agency that has land use jurisdiction over the development projects served by the improvements, to approve the issuance of the Revenue Bonds after a public hearing has been held following published notice;

**WHEREAS**, a public hearing was held by the Council on the date hereof at the meeting that commenced at the hour of 6:30 p.m., in the City Council Chambers, Elk Grove, California, following duly published notice thereof, and all persons desiring to be heard have been heard;

**WHEREAS**, the following documents and proposed agreements relating to the issuance, sale and delivery of the Series 2006 Bonds by the City, which are incorporated herein by reference, have been presented to the City Council for its review and approval:

1. The First Supplemental Fiscal Agent Agreement (the "Fiscal Agent Agreement") between U.S. Bank National Association, as fiscal agent, and the City, pursuant to which the City will issue the Series 2006 Bonds;
2. The Bond Purchase Agreement (the "Bond Purchase Agreement") by and between the City and the Authority, whereby the City will sell the Series 2006 Bonds to the Authority; and
3. The Continuing Disclosure Certificate relating to the Revenue Bonds (the "Continuing Disclosure Certificate").

**WHEREAS**, all acts, conditions, and things required by law to exist, to have happened and to have been performed precedent to and in connection with the issuing of the Series 2006 Bonds and the execution and entering into of the First Supplemental Fiscal Agent Agreement do exist, have happened, and have been performed in regular and due time, form and manner as required by law;

**NOW, THEREFORE, BE IT RESOLVED** by the City Council of the City of Elk Grove that:

1. **Recitals.** The foregoing recitals are true and correct and the City Council so finds and determines.

2. **Finding of Significant Public Benefit; Approval of Financing.** The City Council hereby finds that the issuance of the Revenue Bonds by the Authority under the Marks-Roos Local Bond Pooling Act of 1985 to purchase the Series 2006 Bonds will create significant public benefits, as defined in Government Code section 6586, by producing demonstrable savings in the effective interest rate of the financing. The City Council hereby approves the financing of the public capital improvements to be financed by the issuance of the Revenue Bonds.

3. **Approval of Issuance of Revenue Bonds.** The City hereby approves the issuance of the Revenue Bonds by the Authority in an aggregate principal amount not to exceed \$18,000,000.

4. **Authorization of Officers to Execute and Deliver Documents.** The City Council hereby authorizes the Mayor, the City Manager, and the Finance Director (the "Designated Officers"), and each of them individually, for and in the name of the and on behalf of the City, to approve, execute, and deliver the following agreements and documents:

- (a) The First Supplemental Fiscal Agent Agreement;
- (b) The Bond Purchase Agreement; and

9. **Effective Date.** This resolution shall take effect immediately upon its passage.

PASSED AND ADOPTED by the City Council of the City of Elk Grove on this 26th day of April 2006.



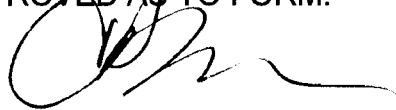
\_\_\_\_\_  
RICK SOARES, MAYOR of the CITY  
OF ELK GROVE

ATTEST:



\_\_\_\_\_  
PEGGY E. JACKSON, CITY CLERK

APPROVED AS TO FORM:



\_\_\_\_\_  
ANTHONY B. MANZANETTI,  
CITY ATTORNEY

(c) The Continuing Disclosure Certificate.

in substantially the form presented to the City Council at this meeting, which agreements and documents are hereby approved, with such changes, insertions, revisions, corrections, or amendments as shall be approved by the officer or officers executing the agreement or document for the City Council. The execution of the foregoing by a Designated Officer or Officers shall constitute conclusive evidence of such officer's or officers' and the City Council's approval of any such changes, insertions, revisions, corrections, or amendments to the respective forms of agreements and documents presented to the City Council at this meeting. The date, respective principal amounts of each maturity, the interest rates, interest payment dates, denominations, forms, registration privileges, place or places of payment, terms of redemption, and other terms of the Series 2006 Bonds shall be as provided in the First Supplemental Fiscal Agent Agreement, as finally executed.

5. **Authorization to Issue Bonds.** The City Council hereby authorizes the issuance of the Series 2006 Bonds in accordance with the terms of the First Supplemental Fiscal Agent Agreement, as finally executed.

6. **Authorization of Sale.** The City Council hereby authorizes the sale of not to exceed \$18,000,000 principal amount of Series 2006 Bonds to the Authority pursuant to the Bond Purchase Agreement. The City Council hereby determines that the sale of Series 2006 Bonds by negotiation would result in an overall lower cost.

7. **Execution of Bonds.** The Mayor and the City Clerk are hereby authorized and directed to execute each of the Series 2006 Bonds on behalf of the City.

8. **General Authorization.** The City Council hereby authorizes and directs the Designated Officers, and each of them, for and in the name of and on behalf of the City, to do any and all things and to execute and deliver any and all documents that they may deem necessary or advisable in order to complete the sale, issuance, and delivery of the Series 2006 Bonds and otherwise to carry out, give effect to, and comply with the terms and intent of this resolution. All actions heretofore taken by such officers and agents that are in conformity with the purposes and intent of this resolution are hereby ratified, confirmed and approved in all respects.

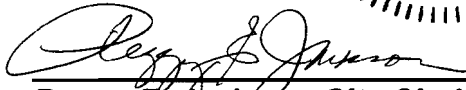
**CERTIFICATION  
ELK GROVE CITY COUNCIL RESOLUTION NO. 2006-76**

STATE OF CALIFORNIA       )  
COUNTY OF SACRAMENTO    )  
CITY OF ELK GROVE         )       ss

**I, Peggy E. Jackson, City Clerk of the City of Elk Grove, California, do hereby certify that the foregoing resolution was duly introduced, approved, and adopted by the City Council of the City of Elk Grove at a regular meeting of said Council held on the April 26, 2006 by the following vote:**

**AYES 4 :    COUNCILMEMBERS:    Scherman, Soares, Cooper, Leary**  
**NOES :     COUNCILMEMBERS:    None**  
**ABSTAIN :  COUNCILMEMBERS:   None**  
**ABSENT:    COUNCILMEMBERS:    Briggs**



  
\_\_\_\_\_  
**Peggy E. Jackson, City Clerk  
City of Elk Grove, California**

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FIRST SUPPLEMENTAL FISCAL AGENT AGREEMENT

between

U.S. BANK NATIONAL ASSOCIATION,  
as Fiscal Agent

and the

CITY OF ELK GROVE

Dated May 1, 2006

Authorizing the Issuance of  
\$ \_\_\_\_\_ Aggregate Principal Amount of

**CITY OF ELK GROVE  
COMMUNITY FACILITIES DISTRICT NO. 2003-1 (POPPY RIDGE)  
SPECIAL TAX BONDS  
SERIES 2006**

(Supplemental to the Fiscal Agent Agreement dated August 1, 2005)

FIRST SUPPLEMENTAL FISCAL AGENT AGREEMENT  
(Supplemental to the Fiscal Agent Agreement dated August 1, 2005)

Series 2006 Bonds

**TABLE OF CONTENTS**

Recitals .....	1
I. Definitions .....	2
II. Supplemental Provisions .....	2
Section 12 Series 2006 Bonds. ....	2
Section 12.1 Terms and Form of Series 2006 Bonds. ....	2
Section 12.2 Redemption of Series 2006 Bonds .....	5
Section 12.3 Application of Proceeds of Series 2006 Bonds. ....	6
III. Provisions of the First Supplemental Fiscal Agent Agreement .....	7
IV. Separability of Invalid Provisions .....	7
V. Effect of Headings and Table of Contents .....	7
Execution .....	8
<i>Exhibit A</i> - Form of Series 2006 Bond	

**First Supplemental Fiscal Agent Agreement**  
(Supplemental to Fiscal Agent Agreement dated August 1, 2005)

Authorizing the Issuance of  
the City of Elk Grove Community Facilities District No. 2003-1 (Poppy Ridge)  
Special Tax Bonds, Series 2006

This First Supplemental Fiscal Agent Agreement, dated May 1, 2006 (the "First Supplemental Fiscal Agent Agreement"), between U.S. BANK NATIONAL ASSOCIATION, a national banking association duly organized and operating under the laws of the United States of America, as fiscal agent (the "Fiscal Agent"), and the CITY OF ELK GROVE, a municipal corporation duly established and existing under the Constitution and laws of the State of California (the "City");

WITNESSETH:

WHEREAS, by its Resolution No. 2003-15, adopted on January 15, 2003, the City Council of the City established the City's Community Facilities District No. 2003-1 (Poppy Ridge) (the "CFD") for the purpose of providing for the financing of certain public facilities in and for the CFD;

WHEREAS, pursuant to the terms of the Mello-Roos Community Facilities Act of 1982, as amended (the "Act"), and the affirmative vote of more than two-thirds of the qualified electors of CFD, the City is authorized to issue special tax bonds in the aggregate amount of \$55,000,000 (the "Bonds");

WHEREAS, the City previously issued \$29,570,000 of its Community Facilities District No. 2003-1 (Poppy Ridge) Special Tax Bonds, Series 2003 (the "Series 2003 Bonds"), pursuant to such authorization;

WHEREAS, the Fiscal Agent and the City have entered into a Fiscal Agent Agreement (the "Fiscal Agent Agreement") dated August 1, 2005, in order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds shall be issued and secured, and to secure the payment of the principal thereof and premium (if any) and interest thereon;

WHEREAS, pursuant to such authority, the City previously issued its Community Facilities District No. 2003-1 (Poppy Ridge), Special Tax Refunding Bonds, Series 2005, in the aggregate principal amount of \$32,915,000 (the "Series 2005 Bonds"), to refund the Series 2003 Bonds;

WHEREAS, the Fiscal Agent Agreement provides that the City may issue additional Bonds from time to time as authorized by a supplemental agreement;

WHEREAS, the City Council has determined to issue an additional series of Bonds pursuant to the authority of the Act and the Fiscal Agent Agreement, to be designated its Community Facilities District No. 2003-1 (Poppy Ridge) Special Tax Bonds, Series 2006 (the "Series 2006 Bonds");



WHEREAS, the conditions of the Fiscal Agent Agreement for the issuance of the Series 2006 Bonds secured on parity with the previously issued Bonds have been satisfied;

WHEREAS, to secure the Series 2006 Bonds and to provide for their authentication and delivery by the Fiscal Agent, the City Council has authorized the execution and delivery of this First Supplemental Fiscal Agent Agreement;

WHEREAS, all acts, conditions, and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and the entering into of the First Supplemental Fiscal Agent Agreement do exist, have happened, and have been performed in regular and due time, form, and manner as required by law, and the City is now duly authorized to execute this First Supplemental Fiscal Agent Agreement;

NOW, THEREFORE, the City hereby provides as follows:

**I. Definitions.** Capitalized terms used herein and not defined herein shall have the definitions ascribed to such terms by the Fiscal Agent Agreement. As used in this First Supplemental Fiscal Agent Agreement, unless the context otherwise requires, the following words and phrases shall have the following meanings:

**Series 2006 Bonds** means the City of Elk Grove Community Facilities District No. 2003 -1 (Poppy Ridge) Special Tax Bonds, Series 2006.

**II. Supplemental Provisions.** The following Article and Sections are hereby added to the Fiscal Agent Agreement:

**SECTION 12**  
**THE SERIES 2006 BONDS**

SECTION 12.1. Terms and Form of Series 2006 Bonds. (A) Authorization and Title of Series 2006 Bonds. The City hereby creates an additional series of bonds and designates them "City of Elk Grove Community Facilities District No. 2003-1 (Poppy Ridge) Special Tax Bonds, Series 2006" (the "Series 2006 Bonds"). At any time after the execution and delivery of this First Supplemental Fiscal Agent Agreement, the City may execute and the Fiscal Agent shall authenticate and deliver the Series 2006 Bonds in an aggregate principal amount of \$ \_\_\_\_\_ upon the Order of the City.

(B) Form of Series 2006 Bonds. The form of the Series 2006 Bonds shall be substantially as set forth in *Exhibit A* with such insertions, omissions, substitutions, and variations as may be determined by the officers executing the same, as evidenced by their execution thereof, to reflect the applicable terms of the Series 2006 Bonds established by this Article.

(C) Registration; Denominations. The Series 2006 Bonds shall be issued in fully registered form, in denominations of \$5,000 or any integral multiple thereof, and shall be initially issued registered in the name of U.S. Bank National Association, as trustee for the Elk Grove Finance Authority Special Tax Revenue Bonds. The Fiscal Agent will keep or cause to be kept, at its Corporate Trust Office, a register in which, subject to such reasonable regulations as

it may prescribe the Fiscal Agent shall provide for the registration and transfer of Bonds. The Series 2006 Bonds shall be evidenced by one Series 2006 Bond maturing on each of the maturity dates as set forth below in this Section in a denomination corresponding to the total principal amount of the Series 2006 Bonds to mature on such date. Registered ownership of the Series 2006 Bonds, or any portion thereof, may not thereafter be transferred except as set forth in Section 2.5 (Registration, Transfer and Exchange). The Series 2006 Bonds shall bear such distinguishing numbers and letters as may be specified by the Fiscal Agent.

(D) Date; Interest Accrual; Maturity Dates; Interest Rates. The Series 2005 Bonds shall be dated their date of delivery, shall bear interest from their date at the following rates per annum, and shall mature on September 1 in the following years in the following amounts:

<b>Maturity Date (September 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>
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\* Term Bond

Interest on the Series 2005 Bonds shall be calculated on the basis of a 360-day year comprising twelve 30-day months.

(E) Interest and Principal Payments. Interest on the Series 2006 Bonds shall be payable on September 1, 2006, and thereafter semiannually on March 1 and September 1 of each year. Interest and premium, if any, on and principal of the Series 2006 Bonds shall be payable in lawful money of the United States of America by wire transfer or other method of same-day funds transfer on each Interest Payment Date and Principal Payment Date to the registered owner as of the close of business on the Regular Record Date. The Regular Record Date for the Series 2006 Bonds shall be the fifteenth (15th) day of the calendar month immediately preceding the relevant payment date.

(F) Cessation of Interest Accrual. Interest on any Series 2006 Bond shall cease to accrue (i) on the maturity date thereof, provided that there has been irrevocably deposited with the Fiscal Agent an amount sufficient to pay the principal amount thereof, plus interest accrued thereon to such date; or (ii) on the redemption date thereof, provided there has been irrevocably deposited with the Fiscal Agent an amount sufficient to pay the Redemption Price thereof, plus interest accrued thereon to such date. The Owner of such Bond shall not be entitled to any other payment, and such Bond shall no longer be Outstanding and entitled to the benefits of this Fiscal

Agent Agreement, except for the payment of the principal amount or Redemption Price, as appropriate, of such Bond and interest accrued thereon from moneys held by the Fiscal Agent for such payment.

SECTION 12.2. Redemption of Series 2006 Bonds. (A) General. The Series 2006 Bonds shall be subject to redemption as provided in Article 5 of the Fiscal Agent Agreement.

(B) Optional Redemption of Series 2006 Bonds. The Series 2006 Bonds are subject to redemption prior to their respective stated maturities at the option of the City, from moneys deposited by the Authority or the City from any source of available funds, as a whole or in part (in such maturities as may be specified by the City and at random within a maturity) on any Interest Payment Date, on or after September 1, 20\_\_, at a redemption price equal to the principal amount of Series 2006 Bonds called for redemption, plus accrued interest to the date fixed for redemption, without premium.

(C) Mandatory Sinking Fund Redemption. (1) 20\_\_ Term Series 2006 Bonds. The Series 2006 Term Bonds maturing on September 1, 20\_\_, are subject to redemption prior to their stated maturity, in part, at random from amounts deposited into the 20\_\_ Series 2006 Sinking Account in the following amounts and on the following dates, at the principal amount thereof on the date fixed for redemption, without premium, but which amounts will be proportionately reduced by the principal amount of all 20\_\_ Term Series 2006 Bonds optionally redeemed:

<u>20__ Term Bonds</u>	
<u>Mandatory Redemption Dates</u>	<u>Principal</u>
<u>(September 1)</u>	<u>Amount</u>

\* Maturity

(D) Mandatory Redemption from Special Tax Prepayments. The Series 2006 Bonds are subject to redemption by the City prior to their respective stated maturities, as a whole or in part on any Interest Payment Date, on or after September 1, 2006, from prepayments of the Special Taxes, at the following redemption prices (expressed as a percentage of the principal amount of Series 2006 Bonds called for redemption), together with accrued interest thereon to the date fixed for redemption:

<u>Redemption Period</u>	<u>Redemption Price</u>
<u>(Dates Inclusive)</u>	
September 1, 2006, through March 1, 20__	103%
September 1, 20__, and thereafter	100%

SECTION 12.3. Application of Proceeds of Series 2006 Bonds. The Authority will cause a portion of the purchase price of the Series 2006 Bonds, \$\_\_\_\_\_ to be paid directly to

\_\_\_\_\_ in payment of a portion of the premium for the financial guaranty insurance policy issued for the Authority Revenue Bonds issued to purchase the Series 2006 Bonds. The City shall cause the proceeds of the sale of the Series 2006 Bonds to be set aside as follows:

(A) in the Series 2006 Capitalized Interest Account (which the City hereby instructs the Fiscal Agent to establish and maintain) \$\_\_\_\_\_. The Fiscal Agent shall transfer moneys from the Series 2006 Capitalized Interest Account and deposit them in the Interest Fund in amounts sufficient to pay all the interest coming due on the Series 2006 Bonds on each Interest Payment Date until the amount therein is exhausted;

(B) in the Bond Reserve Fund \$\_\_\_\_\_, which, together with the existing balance in the Bond Reserve Fund as of the date of delivery of the Series 2006 Bonds, equals the Bond Reserve Requirement;

(C) in the Series 2006 Costs of Issuance Account (which the City hereby instructs the Fiscal Agent to establish and maintain) \$\_\_\_\_\_; and

(D) in the Series 2006 Acquisition and Construction Account (which the City hereby instructs the Fiscal Agent to establish and maintain) \$\_\_\_\_\_.

The Fiscal Agent may, in its discretion, establish a temporary fund or account to facilitate the foregoing transfers.

**III. Provisions of the Fiscal Agent Agreement.** Except as in this First Supplemental Fiscal Agent Agreement expressly provided, every term and condition contained in the Fiscal Agent Agreement shall apply to this First Supplemental Fiscal Agent Agreement and to the Series 2006 Bonds with the same force and effect as if the same were herein set forth at length, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to this First Supplemental Fiscal Agent Agreement.

This First Supplemental Fiscal Agent Agreement and all the terms and provisions herein contained shall form part of the Fiscal Agent Agreement as fully and with the same effect as if all such terms and provisions had been set forth in the Fiscal Agent Agreement. The Fiscal Agent Agreement is hereby ratified and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof, as supplemented and amended hereby.

**IV. Separability of Invalid Provisions.** If any one or more of the provisions contained in this First Supplemental Fiscal Agent Agreement or in the Series 2006 Bonds shall for any reason be held to be invalid, illegal, or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this First Supplemental Fiscal Agent Agreement and such invalidity, illegality, or unenforceability shall not affect any other provision of this First Supplemental Fiscal Agent Agreement, and this First Supplemental Fiscal Agent Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The City hereby declares that it would have adopted this First Supplemental Fiscal Agent Agreement and each and every other Section, paragraph, sentence, clause, or phrase hereof and authorized the issuance of the Series 2006 Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or

phrases of this First Supplemental Fiscal Agent Agreement may be held illegal, invalid, or unenforceable.

**V. Effect of Headings and Table of Contents.** The headings or titles of the several Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction, or effect of this First Supplemental Fiscal Agent Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this First Supplemental Fiscal Agent Agreement by their officers thereunto duly authorized as of the day and year first written above.

**U.S. BANK NATIONAL ASSOCIATION,**  
as Fiscal Agent

By: \_\_\_\_\_  
Authorized Officer

**CITY OF ELK GROVE**

By: \_\_\_\_\_  
John Danielson, City Manager

**ATTEST:**

\_\_\_\_\_  
Peggy E. Jackson, City Clerk

**APPROVED AS TO FORM:**

\_\_\_\_\_  
Anthony B. Manzanetti, City Attorney

**EXHIBIT A**

**[FORM OF SERIES 2006 BOND]**

REGISTERED  
No. R-

REGISTERED  
\$

**CITY OF ELK GROVE  
COMMUNITY FACILITIES DISTRICT NO. 2003-1 (POPPY RIDGE)  
SPECIAL TAX BONDS, SERIES 2006**

<u>MATURITY DATE</u>	<u>INTEREST RATE PER ANNUM</u>	<u>DATE</u>
September 1, 20__	____%	May 24, 2006

REGISTERED OWNER: U.S. BANK NATIONAL ASSOCIATION, as trustee for the Elk Grove Finance Authority Special Tax Revenue Bonds

PRINCIPAL SUM: \_\_\_\_\_ DOLLARS

The City of Elk Grove, a municipal corporation duly organized and existing under and pursuant to the Constitution and laws of the State of California (the "City"), for value received, hereby promises to pay (but only out of the Special Taxes hereinafter referred to) to the registered owner named above or registered assigns, on the maturity date specified above, the principal sum specified above together with interest thereon from the date hereof until the principal hereof shall have been paid, at the interest rate per annum specified above, payable on September 1, 2006, and semiannually thereafter on March 1 and September 1 in each year. Interest and premium, if any, hereon and principal hereof are payable in lawful money of the United States of America by wire transfer or other method of same-day funds transfer on each interest payment date to the registered owner as of the close of business on the 15th day of the calendar month immediately preceding such interest payment date.

This bond is one of a duly authorized issue of City of Elk Grove Community Facilities District No. 2003-1 (Poppy Ridge) Special Tax Bonds (the "Bonds"), limited in aggregate principal amount to \$55,000,000, except for refunding bonds, which issue consists or may consist of one or more series of varying denominations, dates, maturities, interest rates and other provisions, as provided in Fiscal Agent Agreement (as defined below), all issued and to be issued pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982 (Sections 53311 et seq. of the Government Code of the State of California, as amended) (the "Law") and pursuant to a fiscal agent agreement dated August 1, 2005, between U.S. Bank National Association, as fiscal agent (together with any successor as fiscal agent thereunder, the "Fiscal Agent") and the City as supplemented by the First Supplemental Fiscal Agent Agreement dated May 1, 2006 (said fiscal agent agreement, as amended and supplemented from time to time, the "Fiscal Agent Agreement"). This Bond is also one of a duly authorized series of Bonds additionally designated "Series 2006," issued in the aggregate principal amount of \$ \_\_\_\_\_ .

Reference is hereby made to the Fiscal Agent Agreement and to the Law for a description of the terms on which the Bonds are issued and to be issued, the provisions with regard to the

nature and extent of the Special Taxes (as that term is defined in the Fiscal Agent Agreement), and the rights of the registered owners of the Bonds. All the terms of the Fiscal Agent Agreement and the Law are hereby incorporated herein and constitute a contract between the City and the registered owner from time to time of this Bond. The registered owner of this Bond, by its acceptance hereof, consents and agrees to all the provisions of the Fiscal Agent Agreement. Additional Bonds may be issued on a parity with the Bonds of this authorized issue, but only subject to the conditions and limitations contained in the Fiscal Agent Agreement.

The Bonds and the interest thereon (to the extent set forth in the Fiscal Agent Agreement) are payable from, and are secured by a charge and lien on, the proceeds derived by the City from the special taxes imposed pursuant to the Law within the City's Community Facilities District No. 2003-1 (Poppy Ridge) (as more particularly defined in the Fiscal Agent Agreement, the "Special Taxes"). All of the Bonds are equally secured by a pledge of, and charge and lien upon, all of the Special Taxes. The Special Taxes constitute a trust fund for the security and payment of the interest on and principal of the Bonds; but nevertheless out of Special Taxes certain amounts may be applied for other purposes as provided in the Fiscal Agent Agreement.

The Bonds are limited obligations of the City and are payable, both as to principal and interest, and as to any premiums upon the redemption thereof, out of the Special Taxes and certain funds held by the Fiscal Agent under the Fiscal Agent Agreement. The general fund of the City is not liable, and the credit or taxing power (other than as described above) of the City is not pledged, for the payment of the Bonds or their interest. The Bonds are not secured by a legal or equitable pledge of, or charge, lien or encumbrance upon, any of the property of the City or any of its income or receipts, except the Special Taxes. No registered owner of this Bond shall ever have the right to compel any exercise of the taxing power (other than as described above) of the City to pay this Bond or the interest hereon.

The Series 2006 Bonds are subject to redemption prior to their respective stated maturities, at the option of the City, from any source of available funds, as a whole or in part (by such maturities as may be specified by the City and at random within a maturity) on any Interest Payment Date on or after September 1, 20\_\_, at a redemption price equal to the principal amount of Series 2006 Bonds called for redemption, plus accrued interest to the date fixed for redemption, without premium.

The Series 2006 Term Bonds maturing on September 1, 20\_\_, September 1, 20\_\_, and September 1, 20\_\_, are subject to redemption prior to their respective stated maturities, in part, at random on each September 1, commencing September 1, 20\_\_, September 1, 20\_\_, and September 1, 20\_\_, respectively, from amounts deposited into their respective Sinking Accounts in the amounts specified in the First Supplemental Trust Agreement, at the principal amount thereof without premium.

The Series 2006 Bonds are subject to redemption by the City prior to their respective stated maturities, as a whole or in part on any Interest Payment Date, on or after September 1, 20\_\_ from prepayments of the Special Taxes, at the following redemption prices (expressed as a percentage of the principal amount of Series 2006 Bonds called for redemption), together with accrued interest thereon to the date fixed for redemption:

<b>Redemption Period (Dates Inclusive)</b>	<b><u>Redemption Price</u></b>
September 1, 2006, through March 1, 20__	103%
September 1, 20__, and thereafter	100%

This Bond is transferable or exchangeable for other authorized denominations by the registered owner hereof, in person or by its attorney duly authorized in writing, at the corporate trust office of the Fiscal Agent in St. Paul, Minnesota, but only in the manner, subject to the limitations and upon payment of the charges provided in the Fiscal Agent Agreement, and upon surrender and cancellation of this Bond. Upon such transfer a new fully registered Bond or Bonds without coupons, of authorized denomination or denominations, of the same series, tenor, and maturity for the same aggregate principal amount will be issued to the transferee in exchange herefor.

The City, the Fiscal Agent and any paying agent may deem and treat the registered owner hereof as the absolute owner hereof for all purposes, and the City, the Fiscal Agent and any paying agent shall not be affected by any notice to the contrary.

The rights and obligations of the City and of the registered owners of the Bonds may be modified amended at any time in the manner, to the extent, and upon terms provided in the Fiscal Agent Agreement, which provide, in certain circumstances, for modifications and amendments without the consent of or notice to the registered owners of Bonds.

The City hereby certifies and recites that any and all acts, conditions, and things required to exist, to happen, and to be performed, precedent to and in the incurring of the indebtedness evidenced by this Bond, and in the issuing of this Bond, do exist, have happened, and have been performed in due time, form and manner, as required by the Constitution and statutes of the State of California, and that this Bond, together with all other indebtedness of the City pertaining to the Special Taxes, is within every debt and other limit prescribed by the Constitution and the statutes of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Fiscal Agent Agreement or the Law.

This Bond shall not be entitled to any benefit under the Fiscal Agent Agreement, or become valid or obligatory for any purpose, until the certificate of authentication hereon endorsed shall have been signed by the Fiscal Agent.



IN WITNESS WHEREOF, the City of Elk Grove has caused this Bond to be executed in its name and on its behalf by its Mayor and countersigned by its City Clerk, all as of the date stated above.

**CITY OF ELK GROVE**

By: \_\_\_\_\_  
Rick Soares, Mayor

**Countersigned:**

\_\_\_\_\_  
Peggy E. Jackson, City Clerk

**CERTIFICATE OF AUTHENTICATION**

This is one of the Bonds described in the within-mentioned Fiscal Agent Agreement, which has been authenticated on the date set forth below.

Dated: May 24, 2006

**U.S. BANK NATIONAL ASSOCIATION,**  
as Fiscal Agent

By: \_\_\_\_\_  
Vice President

**[FORM OF ASSIGNMENT]**

For value received the undersigned do(es) hereby sell, assign and transfer unto \_\_\_\_\_ the within Bond and do(es) hereby irrevocably constitute and appoint \_\_\_\_\_ attorney, to transfer the same on the bond register of the Fiscal Agent, with full power of substitution in the premises.

NOTE: The signature(s) to this Assignment must correspond with the name(s) on the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever.

Dated: \_\_\_\_\_

Signature(s) Guaranteed by: \_\_\_\_\_

Note: Signature must be guaranteed by an eligible guarantor institution (banks, securities brokers, savings associations, credit unions, or other institutions with membership in an approved signature guarantee medallion program) pursuant to Securities and Exchange Commission Rule 17A(d)15.

Social Security Number, Tax Identification Number, or other identifying number of Assignee:

\_\_\_\_\_

## BOND PURCHASE AGREEMENT

This BOND PURCHASE AGREEMENT (the "Bond Purchase Agreement"), dated May 10, 2006, entered into by and between the City of Elk Grove (the "City") and the Elk Grove Finance Authority (the "Authority"), for the sale and delivery of the City's Community Facilities District No. 2003-1 (Poppy Ridge) Special Tax Bonds, Series 2006 (the "Bonds"),

### WITNESSETH:

**WHEREAS**, the City Council of the City has authorized the issuance of \$ \_\_\_\_\_ principal amount of Bonds under and pursuant to the conditions and terms of the Act and the Fiscal Agent Agreement dated August 1, 2005, as supplemented by the First Supplemental Fiscal Agent Agreement dated May 1, 2006 (as so amended and supplemented, the "Fiscal Agent Agreement"), between U.S. Bank National Association, as fiscal agent, and the City;

**WHEREAS**, the Authority will issue its Special Tax Revenue Bonds (the "Revenue Bonds") pursuant to a Trust Agreement dated August 1, 2005, as supplemented by a First Supplemental Trust Agreement dated May 1, 2006 (as so amended and supplemented, the "Trust Agreement") between the Authority and U.S. Bank National Association, as trustee (the "Trustee"), secured by the Bonds and sell the Revenue Bonds to Piper Jaffray & Co. (the "Underwriter");

**WHEREAS**, the City has acknowledged and approved the assignment of the Bonds to the Trustee to secure the Revenue Bonds;

**NOW, THEREFORE**, the parties hereto agree as follows:

**Section 1. Obligation to Purchase; Purchase Price.** Upon the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Authority hereby agrees to purchase the Bonds and the City hereby agrees to sell the Bonds to the Authority. The aggregate purchase price of the Bonds shall be \$ \_\_\_\_\_.

**Section 2. Terms of the Bonds.** The Bonds shall be as described herein and in Fiscal Agent Agreement. The Bonds shall mature in the amounts and on the dates and bear interest at the rates per annum set forth in Exhibit A.

**Section 3. Delivery of and Payment for the Bonds.** The delivery of the Bonds (the "Closing") shall take place at 8:00 a.m., California time, on May 24, 2006, or at such other time or date as may be mutually agreeable to the City, the Authority and the Underwriter (the "Closing Date"), at the offices of Kronick, Moskovitz, Tiedemann & Girard or such other place as the City, the Authority and the Underwriter shall mutually agree upon. At the Closing, the City shall cause the Bonds to be delivered to

the Authority, duly executed and authenticated, together with the other documents hereinafter mentioned, and the proceeds of the purchase price of the Bonds shall be deposited as provided in the Fiscal Agent Agreement.

**Section 4. Representations and Warranties of the City.** The City represents and warrants to the Authority and the Underwriter that:

(a) All representations and warranties set forth in the Fiscal Agent Agreement (in the form approved by the City Council by resolution) are true and correct on the date hereof and are made for the benefit of the Authority and the Underwriter as if set forth herein.

(b) The City will not amend the Fiscal Agent Agreement from the forms approved by resolution of the City Council without the consent of the Authority and the Underwriter, which consent will not be unreasonably withheld.

**Section 5. Conditions Precedent to the Closing.** Conditions precedent to the Closing are as follows:

(a) The execution and delivery of the Bonds consistent with the Fiscal Agent Agreement; and

(b) Delivery of each certificate, document, instrument and opinion required by the agreement between the Authority and the Underwriter for the sale by the Authority and purchase by the Underwriter of the Revenue Bonds.

**Section 6. Events Permitting the Authority to Terminate.** The Authority may terminate its obligation to purchase the Bonds at any time before the Closing if any of the following occurs:

(a) Any legislative, executive or regulatory action (including the introduction of legislation) or any court decision that, in the judgment of the Underwriter, casts sufficient doubt on the legality of or the tax-exempt status of interest on obligations such as the Revenue Bonds, so as to materially impair the marketability or to materially reduce the market price of such obligations;

(b) Any action by the Securities and Exchange Commission or a court that would require registration of the Bonds, the Revenue Bonds or any instrument securing the Bonds or the Revenue Bonds under the Securities Act of 1933, as amended, in connection with the public offering thereof, or qualification of the Indenture under the Trust Indenture Act of 1939, as amended;

(c) Any restriction on trading in securities, or any banking moratorium, or the inception or escalation of any war or major military hostilities that, in the judgment of the Underwriter, substantially impairs the ability of the Underwriter to market the Revenue Bonds; or

(d) The Underwriter terminates its obligation to purchase the Revenue Bonds pursuant to its agreement with the Authority for the purchase of the Revenue Bonds.

**Section 7. Limited Liability.** Notwithstanding anything to the contrary contained herein or in the Bonds or in any other document mentioned herein or related to the Bonds or to the Revenue Bonds, the City shall have no liability hereunder or by reason hereof or in connection herewith or with the transactions contemplated hereby except to the extent payable from moneys available therefor as set forth in the Fiscal Agent Agreement.

**Section 8. Notices.** Any notices to be given to the Authority, the City, or Underwriter under the Bond Purchase Agreement shall be given in writing to the following addresses:

if to the Authority:

Elk Grove Finance Authority  
c/o City of Elk Grove  
8401 Laguna Palms Way, Elk Grove, California 95758  
Attention: Treasurer

if to the City:

City of Elk Grove  
8401 Laguna Palms Way, Elk Grove, California 95758  
Attention: Director of Finance

if to the Underwriter:

Piper Jaffray & Co..  
345 California St., Suite 2200  
San Francisco, CA 94104

or such other address as may have been filed in writing by a party with each other party.

**Section 9 No Assignment.** The Bond Purchase Agreement has been made by the City and the Authority. No person other than the City and the Authority or their successors or assigns and the Underwriter shall acquire or have any right under or by virtue of the Bond Purchase Agreement. All of the representations, warranties and agreements contained in the Bond Purchase Agreement shall survive the delivery of and payment by the Authority for the Bonds and any termination of the Bond Purchase Agreement.

**Section 10. Applicable Law.** The Bond Purchase Agreement shall be interpreted, governed and enforced in accordance with the laws of the State of California.

**Section 11. Effectiveness.** The Bond Purchase Agreement shall become effective upon its execution.

**Section 12. Severability.** In the event any provision of the Bond Purchase Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

**Section 13. Execution in Counterparts.** The Bond Purchase Agreement may be executed and entered into in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

**ELK GROVE FINANCE AUTHORITY**

By: \_\_\_\_\_  
John Danielson, City Manager

**CITY OF ELK GROVE**

By: \_\_\_\_\_  
Joe Chinn, Director of Finance

**EXHIBIT A**

**Poppy Ridge Series 2006 Bonds**

<b>Maturity Date</b> <b>(_____ 1)</b>	<b><u>Principal</u></b> <b><u>Amount</u></b>	<b><u>Interest</u></b> <b><u>Rate</u></b>
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## FORM OF CONTINUING DISCLOSURE AGREEMENT

**THIS CONTINUING DISCLOSURE AGREEMENT** (the "Disclosure Agreement") dated as of \_\_\_\_\_, 2006, is executed and delivered by the City of Elk Grove, California (the "City") and U.S. Bank National Association, as Trustee and as Dissemination Agent (the "Trustee" and "Dissemination Agent") in connection with the issuance by the Elk Grove Finance Authority of its \$\_\_\_\_\_ Special Tax Revenue Bonds Series 2006 (the "Bonds"). The Bonds are issued pursuant to the terms of a Trust Agreement dated as of August 1, 2005 and a First Supplemental Trust Agreement dated as of May 1, 2006 (together, the "Trust Agreement") between the Elk Grove Finance Authority (the "Issuer") and the Trustee. The Bonds are being issued to finance capital improvements of benefit to the City's Community Facilities District No. 2003-1 (Poppy Ridge). The Bonds are payable, on a parity with bonds issued in 2005 to assist in the refunding of bonds issued for the City's Community Facilities District No. 2003-1 (Poppy Ridge) and for its East Franklin Community Facilities District No. 2002-1 (collectively, the "Districts"). The Bonds are secured by payments received by the Authority from the City of principal and interest on three series of bonds (the "Local Obligations"), as described in the Official Statement dated \_\_\_\_\_, 2006 for the Bonds.

The City, the Dissemination Agent and the Trustee covenant and agree as follows:

**SECTION 1. Purpose of the Disclosure Agreement.** This Disclosure Agreement is being executed and delivered by the City, the Dissemination Agent and the Trustee for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule (defined below). The City, the Dissemination Agent and the Trustee acknowledge that the Issuer has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Agreement, and has no liability to any person, including any Holder or Beneficial Owner of the Bonds, with respect to the Rule.

**SECTION 2. Definitions.** In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 2 and 3 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Disclosure Representative" shall mean the Finance Director of the City or his or her designee, or such other person as the City shall designate in writing to the Dissemination Agent and Trustee from time to time.

"Dissemination Agent" shall mean U.S. Bank National Association, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City and which has filed with the Trustee a written acceptance of such designation.



"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule, as they may be designated from time to time pursuant to the Rule. Any filing under this Disclosure Certificate with a National Repository may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at <http://www.disclosureusa.org> unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and each State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of California.

"State Repository" shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Agreement, there is no State Repository.

### **SECTION 3. Provision of Annual Reports.**

(a) The City shall, or upon written direction, shall cause the Dissemination Agent to, not later than 8 months after the end of the City's fiscal year (which end of the fiscal year is presently June 30), commencing with the report for the 2005-06 Fiscal Year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(f).

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repositories, the City shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If by such date the Trustee has not received a copy of the Annual Report, the Trustee shall contact the City and the Dissemination Agent to determine if the City is in compliance with the first sentence of this subsection (b). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent and the Trustee to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent and Trustee may conclusively rely upon such certification of the City and shall have no duty or obligation to review such Annual Report.

(c) If the Trustee is unable to verify that an Annual Report has been provided to the Repositories by the date required in subsection (a), the Trustee shall send a notice to each Repository in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) determine each year prior to the final date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and

(ii) file a report with the City, the Issuer and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided, and listing all the Repositories to which it was provided to the extent such information is accessible to the Dissemination Agent.

**SECTION 4. Content of Annual Reports.** The City's Annual Report shall contain or include by reference the following:

1. A statement of the amounts on deposit in each fund or account established under the Trust Agreement and the Fiscal Agent Agreements (except the Rebate Fund and the Costs of Issuance Fund).

2. A statement the number of homes within the City of Elk Grove Community Facilities District No. 2003-1 (Poppy Ridge) and No. 2002-1 (East Franklin) for which a building permit has been issued by the City.

3. Information concerning any delinquencies in the payment of special taxes securing the Local Obligations including (i) the total amount of delinquencies in each District, both as a dollar amount and as a percentage of the total levy for the Fiscal Year and (ii) with respect to any delinquency of an owner which holds land subject to more than 5% of the special tax liens securing Local Obligations, the following information:

- (a) Assessor's Parcel Number
- (b) Record owner of the parcel;
- (c) Amount of delinquency, including separate statement of amounts representing principal on Local Obligations, interest on Local Obligations, administrative expenses levy, penalties and interest on delinquency;
- (d) Due date of first delinquent installment; and
- (e) Status of foreclosure action, if any.

4. A statement describing any changes in land use entitlements or zoning within each District (including information concerning any growth control or similar ordinances or enactments) since the later of (i) the date of the Official Statement or (ii) the date of the immediately preceding Annual Report.

5. The audited financial statement of the City for the preceding Fiscal Year prepared in accordance with generally accepted accounting practices; provided, that if the audited financial statements are not available at the time of filing of the Annual Report, they may be filed separately after filing of the Annual Report but the Annual Report shall contain unaudited financial statements of the City for the preceding Fiscal

Year; and provided, further, that in each Annual Report or other filing containing the City's financial statements, the following statement shall be included in bold type:

**“THE FOLLOWING FINANCIAL STATEMENT IS PROVIDED SOLELY TO COMPLY WITH THE SECURITIES EXCHANGE COMMISSION STAFF’S INTERPRETATION OF RULE 15C2-12. NO FUNDS OR ASSETS OF THE CITY ARE REQUIRED TO BE USED TO PAY DEBT SERVICE ON THE BONDS AND THE CITY IS NOT OBLIGATED TO ADVANCE AVAILABLE FUNDS FROM THE CITY TREASURY TO COVER ANY DELINQUENCIES. INVESTORS SHOULD NOT RELY ON THE FINANCIAL CONDITION OF THE CITY IN EVALUATING WHETHER TO BUY, HOLD OR SELL THE BONDS.**

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the City is an “obligated person” (as defined by the Rule), which have been filed with each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The City shall clearly identify each such other document so included by reference.

#### **SECTION 5. Reporting of Significant Events.**

(a) Pursuant to the provisions of this Section 5, the City shall give an officer's certificate including notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults.
3. Modifications to rights of Bondholders.
4. Optional, contingent or unscheduled Bond calls.
5. Defeasances.
6. Rating changes.
7. Adverse tax opinions or events affecting the tax-exempt status of the Bonds.
8. Unscheduled draws on the debt service reserves, if any, reflecting financial difficulties.
9. Unscheduled draws on credit enhancements reflecting financial difficulties.
10. Substitution of credit or liquidity providers, or their failure to perform.
11. Release, substitution, or sale of property securing repayment of the Bonds.

(b) The Trustee shall, within one (1) Business Day, or as soon as reasonably practicable thereafter, of obtaining actual knowledge of the occurrence of any of the Listed Events (provided the Trustee shall not be responsible to determine the materiality of any such Listed Event) contact the Disclosure Representative, inform such person of the event, and request that the City promptly notify the Disclosure Agent in writing whether or not to report the event pursuant to subsection (f) and promptly direct the Trustee whether or not to report such event to the Bondholders. In the absence of such direction the Trustee shall not report such event unless otherwise required to be reported by the Trustee to the Bondholders under the Trust Agreement. The Trustee may conclusively rely upon such direction. (or lack thereof). For purposes of this Disclosure Agreement, “actual knowledge” of the occurrence of such Listed Events shall mean actual knowledge by the officer at the Corporate Trust Office of the Trustee with regular responsibility for the administration of matters related to the Trust Agreement.

(c) Whenever the City obtains knowledge of the occurrence of a Listed Event, because of a notice from the Trustee pursuant to subsection (b) or otherwise, the City shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the City has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the City shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f).

(e) If in response to a request under subsection (b), the City determines that the Listed Event would not be material under applicable federal securities laws, the City shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence.

(f) If the Dissemination Agent has been instructed by the City to report the occurrence of a listed Event, the Dissemination Agent shall file a notice of such occurrence with the Municipal Securities Rulemaking Board and each State Repository with a COPY to the City. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Holders of affected Bonds pursuant to the Trust Agreement.

**SECTION 6. Termination of Reporting Obligation.** The City's, Trustee's and Dissemination Agent's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds or as to the Trustee and Dissemination Agent, the earlier resignation or removal thereof. If the City's obligations under the Local Obligations are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the City and the City shall have no further responsibility hereunder. If such termination or substitution occurs prior to the final maturity of the Bonds, the City shall give notice of such termination or substitution in the same manner as for a Listed Event under Section 5(f).

**SECTION 7. Dissemination Agent.** The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The initial Dissemination Agent shall be U.S. Bank National Association. The Dissemination Agent may resign by providing thirty days written notice to the City and the Trustee.

**SECTION 8. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Agreement, the City, the Dissemination Agent and the Trustee may amend this Disclosure Agreement (and the Trustee and Dissemination Agent shall agree to any amendment so requested by the City provided, neither the Trustee or Dissemination Agent shall be obligated to enter into any such amendment that modifies or increases its duties or obligations hereunder) and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied.

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5 (a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Holders, or (ii) does not, in the, opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(f), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

**SECTION 9. Additional Information.** Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice; of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**SECTION 10. Default.** In the event of a failure of the City or the Trustee to comply with, any provision of this Disclosure Agreement, the Trustee, at the written request of any Participating Underwriter or the Holders of at least 25% aggregate principal amount of Outstanding Bonds, shall but only to the extent funds in an amount satisfactory to the Trustee have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges of the Trustee whatsoever, including, without limitation, fees and expenses of its attorneys., or any Holder or Beneficial Owner of the Bonds may take such actions as way be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City or the Trustee, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the City or the Trustee to comply with this Disclosure Agreement shall be an action to compel performance.



**SECTION 14. Counterparts.** This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Date: \_\_\_\_\_, 2006

CITY OF ELK GROVE

By: \_\_\_\_\_  
Authorized Officer

U.S. Bank National Association, as Trustee  
and Dissemination Agent

By: \_\_\_\_\_  
Authorized Officer

**EXHIBIT A**

**NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Elk Grove Finance Authority  
Name of Bonds: Special Tax Revenue Bonds, Series 2006  
Name of Local Agency: City of Elk Grove, California  
Date of Issuance: \_\_\_\_\_, 2006

NOTICE IS HEREBY GIVEN that the City of Elk Grove has not provided an Annual Report with respect to the above-named Bonds as required by the Trust Agreement dated as of August 1, 2005 and the First Supplemental Trust Agreement, dated as of May 1, 2006 that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

U.S. Bank National Association,  
on behalf of the City of Elk Grove

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cc: City of Elk Grove