

**RESOLUTION NO. FA2015-01**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF  
THE ELK GROVE FINANCE AUTHORITY  
AUTHORIZING THE ISSUANCE AND SALE OF ITS SPECIAL TAX REVENUE  
BONDS AND APPROVING RELATED AGREEMENTS AND ACTIONS**

**WHEREAS**, the Elk Grove Finance Authority (the "Authority") is a joint exercise of powers authority duly organized and existing under the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act"), and is authorized pursuant to Article 4 of the Act (the "Bond Law") to borrow money for the purpose of financing the acquisition of bonds, notes and other obligations and for financing and refinancing public capital improvements of member entities of the Authority and other local agencies; and

**WHEREAS**, the City Council of the City of Elk Grove (the "City") has conducted proceedings under and pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, Chapter 2.5 of Part 1 of Division 2 of Title 5 (commencing with Section 53311) of the California Government Code (the "Mello-Roos Act"), to form East Franklin Community Facilities District No. 2002-1 and Community Facilities District No. 2003-1 (Poppy Ridge) (the "East Franklin CFD" and "Poppy Ridge CFD" and together, the "CFDs"), to authorize the levy of special taxes upon the land within the CFDs, and to issue bonds secured by said special taxes, the proceeds of which special taxes and which bonds were to be used to finance certain public improvements (the "Prior Facilities"), all as described in those proceedings; and

**WHEREAS**, under the provisions of the Mello-Roos Act, on behalf of the CFDs, the City has previously issued the following bonds (collectively, the "Prior CFD Bonds"):

- (i) \$57,960,000 City of Elk Grove East Franklin Community Facilities District No. 2002-1 Special Tax Bonds, Series 2005 (the "Series 2005 East Franklin Bonds") pursuant to a Fiscal Agent Agreement, dated as of August 1, 2005, between the City and U.S. Bank National Association, as fiscal agent (the "Prior Bonds Fiscal Agent"); and
- (ii) \$32,915,000 City of Elk Grove Community Facilities District No. 2003-1 (Poppy Ridge) Special Tax Bonds, Series 2005 (the "Series 2005 Poppy Ridge Bonds") pursuant to a Fiscal Agent Agreement, dated as of August 1, 2005, between the City and the Prior Bonds Fiscal Agent; and
- (iii) \$15,900,000 City of Elk Grove Community Facilities District No. 2003-1 (Poppy Ridge) Special Tax Bonds, Series 2006 (the "Series 2006 Poppy Ridge Bonds") pursuant to a Fiscal Agent Agreement, dated as of August 1, 2005 and a First Supplemental Fiscal Agent Agreement, dated as of May 1, 2006, between the City and the Prior Bonds Fiscal Agent; and

**WHEREAS**, the Authority has previously issued the following bonds (collectively, the "Prior Authority Bonds") for the purpose of acquiring the Prior CFD Bonds, which were pledged as security for the Prior Authority Bonds:

- (i) \$90,875,000 Elk Grove Finance Authority Special Tax Revenue Bonds (the "Series 2005 Bonds") pursuant to a Trust Agreement, dated as of August 1, 2005, between the Authority, the City and U.S. Bank National Association, as trustee (the "Prior Bonds Trustee"); and
- (ii) \$15,900,000 Elk Grove Finance Authority Special Tax Revenue Bonds, Series 2006 (the "Series 2006 Bonds") pursuant to a Trust Agreement, dated as of August 1, 2005 and a First Supplemental Trust Agreement, dated as of May 1, 2006, between the Authority, the Prior Bonds Trustee; and

**WHEREAS**, the City has determined that it is in the best financial interests of the City to refinance all or a portion of the Prior CFD Bonds, and the City desires to finance certain authorized facilities (the "Additional Capital Facilities," and together with the Prior Facilities, the "Project") for the Poppy Ridge CFD and the East Franklin CFD which were not financed by the Prior CFD Bonds; and

**WHEREAS**, accordingly, the City has determined to issue (i) the City of Elk Grove East Franklin Community Facilities District No. 2002-1 Special Tax Bonds, Series 2015 and (ii) the City of Elk Grove Community Facilities District No. 2003-1 (Poppy Ridge) Special Tax Bonds, Series 2015 (together, the "CFD Refunding Bonds") pursuant to the Mello-Roos Act; and

**WHEREAS**, the City wishes to sell the CFD Refunding Bonds to the Authority; and

**WHEREAS**, for the purpose of purchasing the CFD Refunding Bonds and thereby facilitating the refinancing of the Prior CFD Bonds and the financing of the Additional Capital Facilities, and in order to refund the Prior Authority Bonds, the Authority has determined to issue its Special Tax Revenue Bonds, Series 2015 (the "Bonds") pursuant to the Bond Law; and

**WHEREAS**, as required by Section 6586.5 of the Bond Law, the City has caused publication of a notice of a public hearing on the financing of the Additional Capital Facilities once at least five (5) days prior to the hearing in a newspaper of general circulation in the county; and

**WHEREAS**, the City Council held a public hearing at which all interested persons were provided the opportunity to speak on the subject of financing the Additional Capital Facilities, and, following the hearing, found that issuance of the Bonds for the purpose of financing the Additional Capital Facilities will result in significant public benefits of the type described in Section 6586 of the Bond Law, including, but not limited to, a more efficient delivery of City services to residential and commercial development and demonstrable savings in effective interest rate, bond preparation, bond underwriting and bond issuance costs; and

**WHEREAS**, for the proposed financing and refinancing, there has been filed with the Secretary of the Board of Directors of the Authority the forms of the following documents to be executed by the Authority with respect to the issuance of the Bonds, which the Board desires to approve for execution as described herein (together, the "Financing Documents"):

- (1) The Indenture of Trust (the "Indenture"), between the Authority and U.S. Bank National Association, as trustee (the "Trustee");
- (2) The Preliminary Official Statement for the Bonds (the "Preliminary Official Statement");
- (3) The CFD Bonds Purchase Agreement relating to the sale of the CFD Bonds by the City to the Authority, to be dated the date of sale, between the City and the Authority (the "CFD Refunding Bonds Purchase Agreement");
- (4) The Bond Purchase Agreement relating to the sale of the Bonds to Piper Jaffray & Co. (the "Underwriter") to be dated the date of sale, between the Authority and the Underwriter (the "Bond Purchase Agreement"); and
- (5) The Escrow Agreement relating to the prepayment of the Prior CFD Bonds and the redemption of the Prior Bonds among the City, the Authority, and U.S. Bank National Association, as escrow agent.

**WHEREAS**, the Authority has determined and hereby finds that the issuance of the Bonds and the acquisition of the CFD Refunding Bonds will result in significant public benefits of the type described in Section 6586 of the Bond Law.

**NOW, THEREFORE, BE IT RESOLVED** By the Board of Directors of the Elk Grove Finance Authority as follows:

**Section 1. Recitals.** Each of the above recitals is true and correct and is adopted by the Board of Directors.

**Section 2. Bond Issuance.** The Bonds shall be issued in an aggregate principal amount not to exceed \$110,000,000 with the number of series, the exact principal amount, the interest rates and the maturity to be determined by the sale of the Bonds as described in Section 4 below. The Bonds shall be executed on behalf of the Authority by the manual or facsimile signature of the President, Vice President, Administrator or Treasurer (each an "and/"), and the seal of the Authority, or a facsimile thereof, may be impressed or imprinted thereon and attested with the manual or facsimile signature of the Secretary of the Authority.

**Section 3. Trustee.** U.S. Bank National Association is hereby appointed to act as the trustee for the Bonds under the Indenture. If an Authorized Officer determines at any time while the Bonds are outstanding that another bank should be selected to act as trustee for the Bonds, in order to ensure the efficient administration of the Bonds, then such Authorized Officer, or a designee, is hereby authorized and directed to select and engage a bank or trust company meeting the requirements set forth in the Indenture to act as the trustee for the Bonds under the terms of the Indenture.

**Section 4. Sale of the Bonds.** The Board hereby approves the sale of the Bonds by negotiation with the Underwriter pursuant to the Bond Purchase Agreement. The Bond Purchase Agreement shall be executed in the name and on behalf of the Authority by an Authorized Officer upon submission of a proposal by the Underwriter to purchase the Bonds, which offer is consistent with the following requirements: the amount of Underwriter's discount shall be not more than 0.85% of the par amount thereof (not taking into account any original issue discount on the sale thereof), the true interest cost shall not be in excess of 5.00% and the aggregate principal amount of the Bonds shall not be in excess of \$110,000,000.

**Section 5. Municipal Bond Insurance.** The Authorized Officers, and their designees are hereby authorized to (i) solicit bids for a municipal bond insurance policy and/or reserve fund surety bond for all or a portion of the Bonds, (ii) to negotiate the terms of such policy, (iii) to finalize the form of such policy with a municipal bond insurer, and (iv) if it is determined that the policy will result in interest rate savings on the Bonds which exceed the cost of the premium for the policy or policies, or will otherwise benefit the City, to pay the insurance premium of for policy or policies from the proceeds of the Bonds. In the event that a municipal bond insurance commitment is received which does not insure all of the Bonds, then the Authorized Officers are authorized to cause all documents relating to the Bonds to permit the issuance of the Bonds in two or more series as needed.

**Section 6. Financing Documents.** The Bonds shall be issued under the terms of the Indenture, the form of which is on file with the Secretary of the Board of Directors. The Board of Directors hereby approves the Indenture and other Financing Documents in substantially the forms on file with the Secretary, together with any changes therein or additions thereto approved by, and the execution thereof by an Authorized Officer shall be conclusive evidence of such approval of any such changes or additions. The Board of Directors hereby authorizes and directs an Authorized Officer to execute, and the Secretary to attest and affix the seal of the Authority to, the final forms of the Financing Documents for and in the name of the Authority. The Board of Directors hereby authorizes the delivery and performance of the Financing Documents.

**Section 7. Official Statement.** The form of the Preliminary Official Statement presented at this meeting is hereby approved and the Underwriter is hereby authorized to distribute the Preliminary Official Statement to prospective purchasers of the Bonds in the form hereby approved, together with such additions thereto and changes therein as are determined necessary by the Treasurer of the Authority, or his written designee, to make such Preliminary Official Statement final as of its date for purposes of Rule 15c2-12 of the Securities and Exchange Commission, including, but not limited to, such additions and changes as are necessary to incorporate the terms of any municipal bond insurance for the Bonds and make the information therein accurate and not misleading. Each Authorized Officer is hereby authorized to execute a final Official Statement in the form of the Preliminary Official Statement, together with such changes as are determined necessary by the Treasurer of the Authority, or his written designee, to make such Official Statement complete and accurate as of its date. The Underwriter is further authorized to distribute the final Official Statement for the Bonds and any supplement thereto to the purchasers thereof upon its execution on behalf of the Authority as described above.



**Section 8. Official Actions.** The Chairman, the Executive Director, the Treasurer, the Secretary and any and all other officers of the Authority are hereby authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions, including execution and delivery of the Financing Documents, any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, which they, or any of them, may deem necessary or advisable in order to consummate the issuance and sale of the Bonds and any of the other transactions contemplated by the documents approved pursuant to this Resolution. Whenever in this Resolution any officer of the Authority is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer shall be absent or unavailable.

**Section 9. Effective Date.** This Resolution shall take effect from and after the date of its passage and adoption.

**PASSED AND ADOPTED** by the City Council of the City of Elk Grove this 24<sup>th</sup> day of June 2015.

  
\_\_\_\_\_  
GARY DAVIS, CHAIR of the  
ELK GROVE FINANCE AUTHORITY

ATTEST:

  
\_\_\_\_\_  
JASON LINDGREN, SECRETARY

APPROVED AS TO FORM:

  
\_\_\_\_\_  
JONATHAN P. HOBBS,  
LEGAL COUNSEL

**INDENTURE OF TRUST**

**between**

**ELK GROVE FINANCE AUTHORITY**

**and**

**U.S. BANK NATIONAL ASSOCIATION,  
as Trustee**

**Dated as of July 1, 2015**

**[\$Par Amount]  
ELK GROVE FINANCE AUTHORITY  
SPECIAL TAX REVENUE BONDS  
SERIES 2015**

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Exhibit A ..... Form of Bond

## INDENTURE OF TRUST

THIS INDENTURE OF TRUST (this "**Indenture**"), dated as of July 1, 2015, is between the ELK GROVE FINANCE AUTHORITY, a joint powers authority organized and existing under the laws of the State of California (the "**Authority**") and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America (the "**Trustee**").

### BACKGROUND:

1. The Authority is a joint exercise of powers authority duly organized and existing under the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "**Act**"), and is authorized pursuant to Article 4 of the Act (the "**Bond Law**") to (i) purchase, with the proceeds of its bonds, bonds issued by a local agency and to hold such bonds and (ii) issue bonds to pay the cost of any public capital improvement.

2. Pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (the "**CFD Act**") the City of Elk Grove (the "**City**") previously issued the following bonds (collectively, the "**Prior CFD Bonds**"):

- (i) \$57,960,000 City of Elk Grove East Franklin Community Facilities District No. 2002-1 Special Tax Refunding Bonds, Series 2005 (the "**Series 2005 East Franklin Bonds**") pursuant to a Fiscal Agent Agreement, dated as of August 1, 2005, between the City and U.S. Bank National Association, as fiscal agent (the "**Prior Bonds Fiscal Agent**"); and
- (ii) \$32,915,000 City of Elk Grove Community Facilities District No. 2003-1 (Poppy Ridge) Special Tax Refunding Bonds, Series 2005 (the "**Series 2005 Poppy Ridge Bonds**") pursuant to a Fiscal Agent Agreement, dated as of August 1, 2005, between the City and the Prior Bonds Fiscal Agent; and
- (iii) \$15,900,000 City of Elk Grove Community Facilities District No. 2003-1 (Poppy Ridge) Special Tax Bonds, Series 2006 (the "**Series 2006 Poppy Ridge Bonds**") pursuant to a Fiscal Agent Agreement, dated as of August 1, 2005 and a First Supplemental Fiscal Agent Agreement, dated as of May 1, 2006, between the City and the Prior Bonds Fiscal Agent.

3. The Authority has previously issued the following bonds (collectively, the "**Prior Authority Bonds**") for the purpose of acquiring the Prior CFD Bonds, which were pledged as security for the Prior Authority Bonds:

- (i) \$90,875,000 Elk Grove Finance Authority Special Tax Revenue Bonds (the "**Series 2005 Bonds**") pursuant to a Trust Agreement, dated as of August 1, 2005, between the Authority, the City and U.S. Bank National Association, as trustee (the "**Prior Bonds Trustee**"); and
- (ii) \$15,900,000 Elk Grove Finance Authority Special Tax Revenue Bonds, Series 2006 (the "**Series 2006 Bonds**") pursuant to a Trust Agreement, dated as of August 1, 2005 and a First Supplemental Trust Agreement, dated as of May 1, 2006, between the Authority, the Prior Bonds Trustee and the City.

4. The City has determined that it is in the best financial interests of the City to refinance the Series 2005 East Franklin Bonds and Series 2005 Poppy Ridge Bonds on a current basis and to refinance the Series 2006 Poppy Ridge Bonds on an advance basis, and the City desires to finance certain authorized facilities (the "**Project**") for CFD 2003-1 that were not financed by the Series 2005 Poppy Ridge Bonds or the Series 2006 Poppy Ridge Bonds.

4. Accordingly, the City has determined to issue (i) the City of Elk Grove East Franklin Community Facilities District No. 2002-1 Special Tax Bonds, Series 2015 and (ii) the City of Elk Grove Community Facilities District No. 2003-1 (Poppy Ridge) Special Tax Bonds, Series 2015 (together, the "**CFD Bonds**") pursuant to the CFD Act.

5. The Authority wishes to assist the City with the refinancing of the Prior CFD Bonds and the financing of the Project by purchasing the CFD Bonds.

6. For the purpose of facilitating the refinancing of the Prior CFD Bonds and the Prior Authority Bonds and financing the Project, the Authority has determined to issue its Special Tax Revenue Bonds, Series 2015 in the aggregate principal amount of \$[Par Amount] (the "**Bonds**") pursuant to and secured by this Indenture in the manner provided herein.

7. In order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and to secure the payment of the principal thereof and interest thereon, the Authority has authorized the execution and delivery of this Indenture.

8. The Authority hereby certifies that all acts and proceedings required by law necessary to make the Bonds, when executed by the Authority, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal special obligations of the Authority, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of the Indenture have been in all respects duly authorized.

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that in order to secure the payment of the principal of and the interest and premium (if any) on all Bonds at any time issued and Outstanding under this Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the Owners thereof, and for other valuable considerations, the receipt and sufficiency of which is hereby acknowledged, the Authority does hereby covenant and agree with the Trustee, for the benefit of the respective Owners from time to time of the Bonds, as follows:

## ARTICLE I

### DEFINITIONS; AUTHORIZATION AND PURPOSE OF BONDS; EQUAL SECURITY

Section 1.1. Definitions. Unless the context otherwise requires, the terms defined in this Section will for all purposes of this Indenture and of any Supplemental Indenture and of the Bonds and of any certificate, opinion, request or other documents herein mentioned have the meanings herein specified.

“Act” means Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State, as it may hereafter be amended from time to time.

“Additional Bonds” has the meaning given that term in Section 5.6.

“Annual Debt Service” means, for each Bond Year, the sum of (a) the interest payable on the Outstanding Bonds of a Series in such Bond Year, and (b) the principal amount of the Outstanding Bonds of a Series scheduled to be paid in such Bond Year.

“Authority” means the Elk Grove Finance Authority, a joint exercise of powers agency established pursuant to the laws of the State and a Joint Exercise of Powers Agreement, dated as of \_\_\_\_\_, 2005, by and between the City and the Parking Authority of the City of Elk Grove, and any successors.

“Authority Administrative Expenses” means the fees and expenses of the Trustee, including legal fees and expenses (including fees and expenses of outside counsel and the allocated costs of internal attorneys) and the out of pocket expenses incurred by the Trustee, the City and the Authority in carrying out their duties hereunder including payment of amounts payable to the United States pursuant to Sections 5.7 and 5.8.

“Authorized Officer” means (i) with respect to the Authority, Chairman, the Executive Director or the Treasurer or any other Person authorized by the Authority to perform an act or sign a document on behalf of the Authority for purposes of this Indenture and (ii) with respect to the City, its City Manager, Director of Finance and Administrative Services, or any other Person authorized by the City to perform an act or sign a document on behalf of the City for purposes of this Indenture.

“Beneficial Owners” means the actual purchasers of the Bonds whose ownership interests are recorded on the books of the DTC Participants.

“Bond Counsel” means Jones Hall, A Professional Law Corporation, and its successors; or any other attorney at law or firm of attorneys selected by the Authority, of nationally recognized standing in matters pertaining to the federal tax exemption of interest on bonds issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America.

“Bond Law” means the Marks Roos Local Bond Pooling Act of 1985, constituting Article 4 of the Act (commencing with Section 6584), as it may hereafter be amended from time to time.

“Bond Register” means the registration books for the Bonds maintained by the Trustee in accordance with Section 2.8.

“Bonds” means the Authority’s Special Tax Revenue Bonds, Series 2015 authorized by and at any time Outstanding pursuant to the Bond Law and this Indenture, and any Additional Bonds issued hereunder.

“Bond Year” means each twelve month period extending from September 2 in one calendar year to September 1 of the succeeding calendar year, except in the case of the initial Bond Year which will be the period from the Closing Date to September 1, 2015, both dates inclusive.

“Business Day” means a day which is not a Saturday or Sunday or a day of the year on which the New York Stock Exchange or banks in New York, New York or Los Angeles, California, or where the Trust Office is located, are not required or authorized to remain closed.

“Certificate of the Authority” means a certificate in writing signed by an Authorized Officer of the Authority.

“CFD Act” means the Mello-Roos Community Facilities Act of 1982, constituting Chapter 2.5 (commencing with Section 53311), Article 1 of Division 2 of Title 5 of the Government Code of that State of California, as amended from time to time.

“CFD Bonds” means the CFD 2002-1 Bonds and the CFD 2003-1 Bonds.

“CFD Bonds Fiscal Agent” means the fiscal agent under the CFD Fiscal Agent Agreements.

“CFD Fiscal Agent Agreements” means the CFD 2002-1 Fiscal Agent Agreement and the CFD 2003-1 Fiscal Agent Agreement.

“CFD 2002-1” means City of Elk Grove East Franklin Community Facilities District No. 2002-1, a community facilities district formed pursuant to the CFD Act.

“CFD 2002-1 Bonds” means the City of Elk Grove East Franklin Community Facilities District No. 2002-1 Special Tax Bonds, Series 2015

“CFD 2002-1 Fiscal Agent Agreement” pursuant to which the CFD 2002-1 Bonds are issued, between the City, for and on behalf of CFD 2002-1, and the CFD Bonds Fiscal Agent.

“CFD 2003-1” means City of Elk Grove Community Facilities District No. 2003-1 (Poppy Ridge), a community facilities district formed pursuant to the CFD Act.

“CFD 2003-1 Bonds” means the City of Elk Grove Community Facilities District No. 2003-1 (Poppy Ridge) Special Tax Bonds, Series 2015.

“CFD 2003-1 Fiscal Agent Agreement” pursuant to which the CFD 2003-1 Bonds are issued, between the City, for and on behalf of CFD 2003-1, and the CFD Bonds Fiscal Agent.

“City” means the City of Elk Grove, a municipal corporation and general law city duly established and existing under the Constitution and laws of the State of California.



“Closing Date” means July \_\_, 2015.

“Code” means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the Closing Date, together with applicable temporary and final regulations promulgated, and applicable official guidance published, under the Code.

“Community Facilities District” or “CFD” means CFD 2002-1 or CFD 2003-1, as applicable.

“Costs of Issuance” means the costs and expenses incurred in connection with the issuance and sale of the Bonds and the CFD Bonds, and the acquisition of the CFD Bonds by the Authority, including the acceptance and initial annual fees and expenses (including legal fees and expenses) of the Trustee, legal fees and expenses, costs of printing the Bonds and the preliminary and final Official Statements, fees of financial consultants, and other fees and expenses set forth in a Request of the Authority.

“Costs of Issuance Fund” means the fund by that name established in Section 3.4.

“Dated Date” means the Closing Date.

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“DTC Participants” means securities brokers and dealers, banks, trust companies, clearing corporations and other organizations maintaining accounts with DTC.

“Event of Default” means any of the events described in Section 8.1.

“Fair Market Value” means, with respect to any investment, the price at which a willing buyer would purchase such investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm's length transaction (as described above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security - State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the Authority and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

“Federal Securities” means any of the following:

- (a) Cash (insured at all times by the Federal Deposit Insurance Corporation).

(b) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including:

- U.S. treasury obligations
- All direct or fully guaranteed obligations
- Farmers Home Administration
- General Services Administration
- Guaranteed Title XI financing
- Government National Mortgage Association (GNMA)
- State and Local Government Series

“Fiscal Year” means any twelve month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve month period selected and designated by the Authority as its official fiscal year period.

“Indenture” means this Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture pursuant to the provisions.

“Independent Accountant” means any accountant or firm of such accountants appointed and paid by the Authority, and who, or each of whom –

- (a) is in fact independent and not under domination of the Authority or the City;
- (b) does not have any substantial interest, direct or indirect, in the Authority or the City; and
- (c) is not an officer or employee of the Authority, or the City, but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the City.

“Independent Financial Consultant” means any financial consultant or firm of such consultants appointed and paid by the Authority, and who, or each of whom –

- (a) is in fact independent and not under domination of the Authority or the City;
- (b) does not have any substantial interest, direct or indirect, in the Authority or the City; and
- (c) is not an officer or employee of the Authority or the City, but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the City.

“Interest Account” means the account by that name established and held by the Trustee pursuant to Section 4.2(a).

“Interest Payment Date” means March 1 and September 1 in each year, beginning March 1, 2016, and continuing thereafter so long as any Bonds remain Outstanding.

“Maximum Annual Debt Service” means, as of the date of any calculation, the largest Annual Debt Service on a Series during the current or any future Bond Year.

“Original Purchaser” means, with respect to the Bonds, Piper Jaffray & Co.

“Outstanding”, when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 9.7) all Bonds theretofore executed and issued by the Authority and authenticated and delivered by the Trustee under this Indenture except –

(a) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation pursuant to Section 2.9;

(b) Bonds paid or deemed to have been paid within the meaning of Section 9.3 or Bonds called for redemption for which funds have been provided as described in Section 2.2(g); and

(c) Bonds in lieu of or in substitution for which other Bonds will have been executed, issued and delivered pursuant to this Indenture or any Supplemental Indenture.

“Owner” or “Bond Owner”, when used with respect to any Bond, means the person in whose name the ownership of such Bond will be registered on the Bond Register.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein, but only to the extent that the same are acquired at Fair Market Value:

(a) Federal Securities;

(b) any of the following direct or indirect obligations of the following agencies of the United States of America: (i) direct obligations of the Export-Import Bank; (ii) certificates of beneficial ownership issued by the Farmers Home Administration; (iii) participation certificates issued by the General Services Administration; (iv) mortgage-backed bonds or pass-through obligations issued and guaranteed by the Government National Mortgage Association, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or the Federal Housing Administration; (v) project notes issued by the United States Department of Housing and Urban Development; and (vi) public housing notes and bonds guaranteed by the United States of America;

(c) interest-bearing demand or time deposits (including certificates of deposit) or deposit accounts in federal or state chartered savings and loan associations or in federal or State of California banks (including the Trustee and its affiliates), provided that (i) the unsecured short-term obligations of such commercial bank or savings and loan association will be rated in the highest short-term rating category by any Rating Agency or (ii) such demand or time deposits will be fully insured by the Federal Deposit Insurance Corporation;

(d) commercial paper rated at the time of purchase in the highest short-term rating category by any Rating Agency, issued by corporations which are

organized and operating within the United States of America, and which matures not more than 180 days following the date of investment therein;

(e) bankers acceptances, consisting of bills of exchange or time drafts drawn on and accepted by a commercial bank whose short-term obligations are rated in the highest short-term rating category by any Rating Agency or whose long-term obligations are rated A or better by each such Rating Agency, which mature not more than 270 days following the date of investment therein;

(f) obligations the interest on which is excludable from gross income pursuant to Section 103 of the Tax Code and which are either (a) rated A or better by any Rating Agency or (b) fully secured as to the payment of principal and interest by Federal Securities;

(g) obligations issued by any corporation organized and operating within the United States of America having assets in excess of Five Hundred Million Dollars (\$500,000,000), which obligations are rated A or better by any Rating Agency;

(h) money market funds (including money market funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services) which invest in Federal Securities or which are rated in the highest rating category by any Rating Agency;

(i) any investment agreement, repurchase agreement or other investment instrument which represents the general unsecured obligations of a bank, investment banking firm or other financial institution whose long-term obligations are rated at the time of delivery of the investment agreement, repurchase agreement or other investment instrument A or better by any Rating Agency;

(j) shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State of California that invests exclusively in investments permitted by Section 53601 of Title 5, Division 2, Chapter 4 of the California Government Code, as it may be amended (California Asset Management Program); and

(k) the Local Agency Investment Fund of the State, created pursuant to Section 16429.1 of the California Government Code.

“Principal Account” means the account by that name established and held by the Trustee pursuant to Section 4.2(a).

“Prior Bonds” means, collectively, the Series 2005 Bonds and the Series 2006 Bonds.

“Prior CFD Bonds” means, collectively, the Series 2005 East Franklin Bonds, the Series 2005 Poppy Ridge Bonds and the Series 2006 Poppy Ridge Bonds.

“Prior CFD Bonds Fiscal Agent” means U.S. Bank National Association, as fiscal agent with respect to the Prior CFD Bonds.

“Purchase Fund” means the fund by that name established and held by the Trustee pursuant to Section 3.5 of this Indenture.

“Rating Agency” means Standard & Poor’s or, in the event that Standard & Poor’s no longer maintains a rating on the Bonds, any other nationally recognized bond rating agency then maintaining a rating on the Bonds, but, in each instance, only so long as Standard & Poor’s or other nationally recognized rating agency then maintains a rating on the Bonds.

“Rebate Fund” means the fund by that name established pursuant to Section 5.8.

“Record Date” means, with respect to any Interest Payment Date, the fifteenth calendar day of the month preceding the month in which such Interest Payment Date occurs, whether or not such day is a Business Day.

“Redemption Fund” means the fund by that name established with respect to any Local Obligation.

“Request of the Authority” means a written request executed by an Authorized Officer of the Authority.

“Request of the City” means a written certificate or request executed by an Authorized Officer of the City.

“Representation Letter” means the representation letter dated as of the Closing Date for the Bonds among the Authority, the Trustee and DTC.

“Responsible Officer” means any officer of the Trustee assigned to administer the Trustee’s duties under this Indenture.

“Revenue Fund” means the fund by that name established and held by the Trustee pursuant to Sections 3.3 and 4.2.

“Revenues” means: (a) all amounts received from the CFD Bonds; (b) any proceeds of the Bonds originally deposited with the Trustee and all moneys deposited and held from time to time by the Trustee in the funds and accounts established hereunder with respect to the Bonds (other than the Rebate Fund and the Surplus Fund); and (c) investment income with respect to any moneys held by the Trustee in the funds and accounts established hereunder with respect to the Bonds (other than investment income on moneys held in the Rebate Fund and the Surplus Fund).

“Securities Depositories” means DTC, and, in accordance with then current guidelines of the Securities and Exchange Commission, such other securities depositories as the Authority designates in a written notice filed with the Trustee.

“Series 2005 Bonds” means the Elk Grove Finance Authority Special Tax Revenue Bonds, Series 2005 issued on September 8, 2005, in the original principal amount of \$90,875,000.

“Series 2005 East Franklin Bonds” means the City of Elk Grove East Franklin Community Facilities District No. 2002-1 Special Tax Bonds issued on September 8, 2005 in the original principal amount of \$57,960,000.

“Series 2005 Poppy Ridge Bonds” means the City of Elk Grove Community Facilities District No. 2003-1 (Poppy Ridge) Special Tax Bonds issued on September 8, 2005 in the original principal amount of \$32,915,000.

“Series 2006 Bonds” means the Elk Grove Finance Authority Special Tax Revenue Bonds, Series 2006, issued on May 25, 2006, in the original principal amount of \$15,900,000.

“Series 2006 Poppy Ridge Bonds” means the City of Elk Grove Community Facilities District No. 2003-1 (Poppy Ridge) Special Tax Bonds issued on May 25, 2006 in the original principal amount of \$15,900,000.

“Special Taxes” means the taxes authorized to be levied by each CFD on parcels within the CFD, which have been pledged to repay the applicable CFD Bonds pursuant to the CFD Act.

“Standard & Poor’s” and “S&P” means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, its successors and assigns.

“State” means the State of California.

“Supplemental Indenture” means any indenture, agreement or other instrument hereafter duly executed by the Authority in accordance with the provisions of Article 7 of this Indenture.

“Surplus Fund” means the fund by that name established pursuant to Section 3.8.

“Trust Office” means the office of the Trustee at which at any particular time its corporate trust business with respect to this Indenture will be principally administered, which office at the date hereof is located in Seattle, Washington, or such other place as designated by the Trustee except that with respect to presentation of Bonds for payment or for registration of transfer and exchange, such term will mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business will be conducted.

“Trustee” means U.S. Bank National Association, and its successors and assigns, and any other corporation or association which may at any time be substituted in its place as provided in Article VI.

Section 1.2. Rules of Construction. All references in this Indenture to “Articles,” “Sections,” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture; and the words “herein,” “hereof,” “hereunder,” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision.

Section 1.3. Authorization and Purpose of Bonds. The Authority has reviewed all proceedings heretofore taken relative to the authorization of the Bonds and has found, as a result of such review, and hereby finds and determines, that all things, conditions and acts required by law to exist, happen and/or be performed precedent to and in the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the Authority is now authorized under the Bond Law and each and every requirement of law, to issue the Bonds in the manner and form provided in this Indenture. Accordingly, the Authority hereby authorizes the issuance of the Bonds pursuant to the Bond

Law and this Indenture for the purpose of providing funds to acquire the CFD Bonds and pay Costs of Issuance for the Bonds.

Section 1.4. Equal Security. In consideration of the acceptance of the Bonds by the Owners thereof, this Indenture will be deemed to be and will constitute a contract between the Authority and the Owners from time to time of the Bonds; and the covenants and agreements herein set forth to be performed on behalf of the Authority will be for the equal and proportionate benefit, security and protection of all Owners of the Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds over other Bonds by reason of the number or date thereof or the time of sale, execution or delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or herein.

**ARTICLE II**

**ISSUANCE OF BONDS**

Section 2.1. Terms of Bonds. The Bonds authorized to be issued by the Authority under and subject to the Bond Law and the terms of this Indenture will be dated the Closing Date and be designated as follows the "Elk Grove Finance Authority Special Tax Revenue Bonds, Series 2015," which will be issued in the original aggregate principal amount of \_\_\_\_\_ (\$[Par Amount]).

The Bonds will be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof, so long as no Bond will have more than one maturity date. The Bonds will mature on September 1 in each of the years and in the amounts, and will bear interest (calculated on the basis of a 360-day year of twelve 30-day months) at the rates, as follows:

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate Per Annum</u>
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Total	\$[Par Amount]
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Interest on the Bonds will be payable on each Interest Payment Date to the person whose name appears on the Bond Register as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check of the Trustee mailed on such Interest Payment Date by first class mail, postage prepaid, to the Owner at the address of such Owner as it appears on the Bond Register or by wire transfer to an account in the United States of America made on such Interest Payment Date upon instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds of a Series provided to the Trustee in writing at least five (5) Business Days before the Record Date for such Interest Payment Date. Principal of and premium (if any) on any Bond will be paid upon presentation and surrender thereof, at maturity or the prior redemption thereof, at the Trust Office of the Trustee. The principal of and interest and premium (if any) on the Bonds will be payable in lawful money of the United States of America.



Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it will bear interest from such Interest Payment Date; or (b) it is authenticated on or before February 15, 2016, in which event it will bear interest from the Closing Date; provided, however, that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon, or from the Closing Date if no interest has been paid or made available for payment.

Section 2.2. Redemption of Bonds.

(a) Optional Redemption. The Bonds may be redeemed at the option of the Authority, from any source of available funds, prior to maturity on any date on or after September 1, 20\_\_ as a whole, or in part from maturities corresponding proportionately to the maturities of the CFD Bonds simultaneously redeemed, if any redemption of CFD Bonds is being accomplished in conjunction with such optional redemption, and otherwise from such maturities as are selected by the Authority, and by lot within a maturity, at a redemption price equal to principal amount of the Bonds to be redeemed, plus a premium expressed below as a percentage of the principal amount so redeemed, plus accrued interest thereon to the date of redemption.

<u>Redemption Date</u>	<u>Redemption Premium</u>
On or after September 1, 20__ through March 1, 20__	
September 1, 20__ and March 1, 20__	
September 1, 20__ and March 1, 20__	
September 1, 20__ and thereafter	

The Authority will deliver to the Trustee a certificate of an Independent Accountant verifying that, following such optional prepayment of the CFD Bonds and redemption of the Bonds, the principal and interest generated from the remaining CFD Bonds is adequate to make the timely payment of principal and interest due on the Bonds that will remain Outstanding hereunder following such optional redemption.

(b) Mandatory Special Redemption. The Bonds are subject to mandatory special redemption on any Interest Payment Date from proceeds of early redemption of CFD Bonds from prepayment of Special Taxes, in whole or in part, from maturities corresponding proportionately to the maturities of the CFD Bonds simultaneously redeemed, at the principal amount thereof, plus a premium expressed below as a percentage of the principal amount so redeemed, plus accrued interest to the date of redemption thereof:

<u>Redemption Date</u>	<u>Redemption Premium</u>
On or after March 1, 20__ through March 1, 20__	
September 1, 20__ and March 1, 20__	
September 1, 20__ and March 1, 20__	
September 1, 20__ and thereafter	

The Authority will deliver to the Trustee a certificate of an Independent Accountant verifying that, following such optional prepayment of the CFD Bonds and redemption of the Bonds, the principal and interest generated from the remaining CFD Bonds is adequate to make the timely payment of principal and interest due on the Bonds that will remain Outstanding hereunder following such redemption.

(c) Mandatory Sinking Fund Redemption of Bonds. The Bonds maturing on September 1, 20\_\_\_, are subject to redemption prior to their stated maturity, in part, by lot from amounts deposited into the Principal 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 Bonds optionally redeemed:

Mandatory Redemption Dates (September 1)	Principal Amount
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\* Maturity

(d) Notice of Redemption. Written notice of any such redemption will be given by the Authority to the Trustee at least forty-five (45) days prior to the date of redemption (unless a shorter time will be acceptable to the Trustee in its sole discretion for its convenience). The Trustee on behalf, and at the expense, of the Authority will mail (by first class mail, postage prepaid) notice of any redemption to the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the Bond Register, and to the Securities Depositories and to the Municipal Securities Rulemaking Board, at least thirty (30) but not more than sixty (60) days prior to the date fixed for redemption. Neither failure to receive any such notice so mailed nor any defect therein will affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice will state the date of the notice, the redemption date, the redemption place and the redemption price and will designate the CUSIP numbers, the Bond numbers and the maturity or maturities (in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and will require that such Bonds be then surrendered at the Trust Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date. Any such notice of optional redemption may specify that redemption on the specified date will be subject to receipt by the Authority of moneys sufficient to cause such redemption (and will specify the proposed source of such moneys), and neither the Authority nor the Trustee will have any liability to the Owners or any other party as a result of its failure to redeem the Bonds as a result of insufficient moneys. The Authority will have the right to rescind any redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of optional redemption will be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation will not constitute an Event of Default hereunder. The Trustee will mail notice of rescission of redemption in the same manner notice of redemption was originally provided.

In addition to the foregoing notice, further notice will be given by the Trustee in said form by first class mail to any Bondowner whose Bond has been called for redemption but who has failed to submit his Bond for payment by the date which is sixty days after the redemption date, but no defect in said further notice nor any failure to give or receive all or any portion of such further notice will in any manner defeat the effectiveness of a call for redemption.

Upon the payment by the Trustee from the applicable account in the Revenue Fund of the redemption price of the Bond being redeemed, each check or other transfer of funds issued

for such purpose will, to the extent practicable, bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

(e) Selection of Bonds of a Maturity for Redemption. Unless otherwise provided hereunder, whenever provision is made in this Indenture or in the applicable Supplemental Indenture for the redemption of fewer than all of the Bonds of a maturity of a Series of the Bonds, the Trustee will select the Bonds to be redeemed from all Bonds of such maturity not previously called for redemption, by lot in any manner which the Trustee in its sole discretion will deem appropriate and fair. For purposes of such selection, all Bonds will be deemed to be comprised of separate \$5,000 authorized denominations, and such separate authorized denominations will be treated as separate Bonds that may be separately redeemed.

(f) Partial Redemption of Bonds. In the event only a portion of any Bond is called for redemption, then upon surrender of such Bond the Authority will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of the same maturity date, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond to be redeemed.

(g) Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption will have been duly provided, such Bonds so called will cease to be entitled to any benefit under this Indenture other than the right to receive payment of the redemption price, and no interest will accrue thereon from and after the redemption date specified in such notice. All Bonds redeemed pursuant to this Section 2.2 will be cancelled and destroyed.

Section 2.3. Form of Bonds. The Bonds, the form of Trustee's certificate of authentication, and the form of assignment to appear thereon, will be substantially in the form set forth in Exhibit A attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

Section 2.4. Execution of Bonds. All the Bonds will, from time to time, be executed on behalf of the Authority by, or bear the manual or facsimile signature of, one of the members of the Board of Directors of the Authority and be attested by the manual or facsimile signature of the Secretary or by any deputy thereof. If any of the directors or officers who will have signed or sealed any of the Bonds or whose facsimile signature will be upon the Bonds will cease to be such officer of the Authority before the Bond so signed and sealed will have been actually authenticated by the Trustee or delivered, such Bonds nevertheless may be authenticated, issued and delivered with the same force and effect as though the person or persons who signed or sealed such Bonds or whose facsimile signature will be upon the Bonds had not ceased to be such officer of the Authority; and any such Bond may be signed and sealed on behalf of the Authority by those persons who, at the actual date of the execution of such Bonds, will be the proper officers of the Authority, although at the date of such Bond any such person will not have been such officer of the Authority.

Only such of the Bonds as will bear thereon a certificate of authentication in substantially the form set forth in Exhibit A, manually executed by the Trustee, will be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee will be conclusive evidence that the Bonds so authenticated have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

Section 2.5. Transfer of Bonds. Subject to Section 2.10, any Bond may in accordance with its terms, be transferred, upon the Bond Register, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed. Whenever any Bond will be surrendered for transfer, the Authority will execute and the Trustee will thereupon authenticate and deliver to the transferee a new Bond or Bonds of like Series, tenor, maturity and aggregate principal amount. No Bonds selected for redemption will be subject to transfer pursuant to this Section nor will any Bond be subject to transfer during the fifteen days prior to the selection of Bonds for redemption.

The cost of printing any Bonds and any services rendered or any expenses incurred by the Trustee in connection with any transfer or exchange will be paid by the Authority. However, the Owners of the Bonds will be required to pay any tax or other governmental charge required to be paid for any exchange or registration of transfer and the Owners of the Bonds will be required to pay the reasonable fees and expenses of the Trustee and Authority in connection with the replacement of any mutilated, lost or stolen Bonds.

Section 2.6. Exchange of Bonds. Subject to Section 2.10, Bonds may be exchanged at the Trust Office of the Trustee for Bonds of the same Series, tenor and maturity and of other authorized denominations. No Bonds selected for redemption will be subject to exchange pursuant to this Section, nor will any Bond be subject to exchange during the fifteen days prior to the selection of Bonds for redemption. The Owners of the Bonds will be required to pay any tax or other governmental charge required to be paid for any exchange and the Owners of the Bonds will be required to pay the reasonable fees and expenses of the Trustee and Authority in connection with the exchange of any Bonds.

Section 2.7. Temporary Bonds. The Bonds may be issued initially in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, will be of such denominations as may be determined by the Authority and may contain such reference to any of the provisions of this Indenture as may be appropriate. Every temporary Bond will be executed by the Authority and be registered and authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the Authority issues temporary Bonds, it will execute and furnish definitive Bonds without delay, and thereupon the temporary Bonds may be surrendered for cancellation, in exchange therefor at the Trust Office of the Trustee, and the Trustee will authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations. Until so exchanged, the temporary Bonds will be entitled to the same benefits under this Indenture as definitive Bonds authenticated and delivered hereunder.

Section 2.8. Bond Register. The Trustee will keep or cause to be kept at its Trust Office sufficient records for the registration and transfer of the Bonds, which will be the Bond Register and will at all times during regular business hours be open to inspection by the Authority upon reasonable notice; and, upon presentation for such purpose, the Trustee will, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said records, Bonds as hereinbefore provided.

Section 2.9. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond will become mutilated, the Authority, at the expense of the Owner of said Bond, will execute, and the Trustee will thereupon authenticate and deliver, a new Bond of like Series, tenor and authorized denomination in exchange and substitution for the Bond so mutilated, but only upon surrender

to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee will be cancelled by it and destroyed in accordance with the retention policy of the Trustee then in effect. If any Bond issued hereunder will be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence be satisfactory to it and indemnity satisfactory to it will be given, at the expense of the Bond Owner, the Authority will execute, and the Trustee will thereupon authenticate and deliver, a new Bond of like series and tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond will have matured or will have been called for redemption, instead of issuing a substitute Bond the Trustee may pay the same without surrender thereof upon receipt of indemnity satisfactory to the Trustee). The Trustee may require payment of a reasonable fee for each new Bond issued under this Section and of the expenses which may be incurred by the Authority and the Trustee. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen will constitute an original contractual obligation on the part of the Authority whether or not the Bond alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and will be equally and proportionately entitled to the benefits of this Indenture with all other Bonds secured by this Indenture.

Section 2.10. Book-Entry System.

(a) All Bonds will be initially issued in the form of a separate single certificated fully registered Bond for each maturity date of the Bonds. Upon initial issuance, the ownership of each Bond will be registered in the Bond Register in the name of Cede & Co., as nominee of DTC. Except as provided in Section 2.10(d), all Outstanding Bonds will be registered in the Bond Register in the name of Cede & Co., as nominee of DTC.

(b) With respect to Bonds registered in the Bond Register in the name of Cede & Co., as nominee of DTC, the Authority and the Trustee will have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than an Owner, as shown in the Bond Register, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than an Owner, as shown in the Bond Register, of any amount with respect to principal of, premium, if any, or interest on the Bonds. The City and the Trustee may treat and consider the person in whose name each Bond is registered in the Bond Register as the holder and absolute owner of such Bond for the purpose of payment of principal, premium, if any, and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Trustee will pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the respective Owners, as shown in the Bond Register, as provided in Section 2.8, or their respective attorneys duly authorized in writing, and all such payments will be valid and effective to fully satisfy and discharge the Authority's obligations with respect to payment of principal of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Bond Register, will receive a certificated Bond evidencing the obligation of the Authority to make payments of principal, premium, if any, and interest pursuant to this Indenture. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions herein with respect to record dates, the word "Cede & Co." in this Indenture will refer to such new nominee of DTC.

(c) The delivery of the Representation Letter and the Trustee will not in any way limit the provisions of Section 2.10(b) or in any other way impose upon the Authority or the Trustee any obligation whatsoever with respect to persons having interests in the Bonds other than the Owners, as shown on the Bond Register. The Trustee will take all action necessary for all representations in the Representation Letter with respect to the Trustee to be complied with at all times.

(d) DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving written notice to the Authority and the Trustee and discharging its responsibilities with respect thereto under applicable law.

(i) The Authority, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the Bonds if the Authority determines that:

(A) DTC is unable to discharge its responsibilities with respect to the Bonds, or

(B) a continuation of the requirement that all Outstanding Bonds be registered in the Bond Register in the name of Cede & Co., or any other nominee of DTC, is not in the best interest of the beneficial owners of such Bonds.

(ii) Upon the termination of the services of DTC with respect to the Bonds pursuant to subsection 2.10(d)(i)(B), or upon the discontinuance or termination of the services of DTC with respect to the Bonds pursuant to subsection 2.10(d)(i)(A) after which no substitute securities depository willing to undertake the functions of DTC hereunder can be found which, in the opinion of the Authority, is willing and able to undertake such functions upon reasonable and customary terms, the Authority is obligated to deliver Bond certificates, as described in this Indenture and the Bonds will no longer be restricted to being registered in the Bond Register in the name of Cede & Co. as nominee of DTC, but may be registered in whatever name or names DTC will designate to the Trustee in writing, in accordance with the provisions of this Indenture.

(e) Notwithstanding any other provisions of this Indenture to the contrary, as long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal or, premium, if any, and interest on such Bond and all notices with respect to such Bond will be made and given, respectively, in the manner provided in the Representation Letter.

Section 2.11. Validity of Bonds. The validity of the authorization and issuance of the Bonds will not be affected in any way by any proceedings taken by the Authority or the City with respect to the application of the proceeds of the Bonds, and the recital contained in the Bonds that the same are issued pursuant to the Bond Law will be conclusive evidence of their validity and of the regularity of their issuance.

## ARTICLE III

### DEPOSIT AND APPLICATION OF PROCEEDS

Section 3.1. Issuance of Bonds. Upon the execution and delivery of this Indenture, the Authority will execute and deliver the Bonds in the principal amounts set forth in Section 2.1 to the Trustee for authentication and delivery to the Original Purchaser thereof upon the Request of the Authority.

Section 3.2. Application of Proceeds of Sale of Bonds and Funds Received from the City. On the Closing Date, the Trustee will apply moneys received by it as follows (the Trustee may, in its discretion, establish one or more temporary funds or accounts to account for or facilitate the following transfers and deposits):

(a) Bond Proceeds. The Trustee will apply the proceeds of the sale of the Bonds received or deemed to have been received from the Original Purchaser on the Closing Date, being an amount equal to \$\_\_\_\_\_ (which is equal to the initial principal amount of the Bonds (\$[Par Amount].00), plus/less an original issue premium/discount of \$\_\_\_\_\_, and less an underwriter's discount of \$\_\_\_\_\_, and which includes the amount of \$\_\_\_\_\_ (as further described in clause (i) below), which is equal to the amount of the Original Purchaser's compensation relating to the CFD Bonds to be paid from the proceeds of the CFD Bonds, which amount is deemed to have been received from the Original Purchaser), as follows:

(i) \$\_\_\_\_\_ of the proceeds of the Bonds will be deposited in the Purchase Fund for the acquisition of the CFD Bonds in accordance with Section 3.5 below. Notwithstanding the foregoing, the amount of (A) \$\_\_\_\_\_, which is the amount of the Original Purchaser's compensation to be paid from proceeds of the CFD 2002-1 Bonds, will be deemed to have been received by the Original Purchaser on the Closing Date and to be deposited into the Purchase Fund, and (B) \$\_\_\_\_\_, which is the amount of the Original Purchaser's compensation to be paid from proceeds of the CFD 2003-1 Bonds, will be deemed to have been received from the Original Purchaser on the Closing Date and to be deposited into the Purchase Fund.

(ii) \$\_\_\_\_\_ of the proceeds of the Bonds will be deposited into the Costs of Issuance Fund in accordance with Section 3.4 below.

#### **[Additional deposits/transfers as needed]**

(b) Funds Received from the City. The Trustee will apply the funds received on behalf of or from the City on the Closing Date, as follows:

(i) \$\_\_\_\_\_ of the funds received by the Trustee from the City, representing proceeds of the CFD 2002-1 Bonds, will be deposited in the Costs of Issuance Fund in accordance with Section 3.4 below.

(ii) \$\_\_\_\_\_ of the funds received by the Trustee from the City, representing proceeds of the CFD 2003-1 Bonds, will be deposited in the Costs of Issuance Fund in accordance with Section 3.4 below.

#### **[Additional transfers as needed]**

Section 3.3. Revenue Fund. The Trustee will establish and maintain a separate fund to be known as the "Revenue Fund" and the following separate accounts therein: Interest Account and Principal Account. Except as otherwise provided herein, the Trustee will deposit all Revenues received after the Closing Date to the Revenue Fund and will apply amounts in the Revenue Fund as described in Section 4.2 below.

Section 3.4. Costs of Issuance Fund. The Trustee will establish and maintain a fund known as the "Costs of Issuance Fund" into which will be deposited the amounts set forth in Section 3.2 above. The moneys in the Costs of Issuance Fund will be used to pay Costs of Issuance from time to time upon receipt by the Trustee of a Request of the Authority. On the date which is one hundred twenty (120) days following the Closing Date, or upon the earlier receipt by the Trustee of a Request of the Authority stating that all Costs of Issuance have been paid, the Trustee will transfer all remaining amounts in the Costs of Issuance Fund to the Revenue Fund. Upon such transfer, the Costs of Issuance Fund will be closed and the Trustee will no longer be obligated to make payments for Costs of Issuance. The Authority may at any time file a Request of the Authority requesting that the Trustee retain a specified amount in the Costs of Issuance Fund and transfer to the Revenue Fund all remaining amounts, and upon receipt of such request by the Trustee, the Trustee will comply with such request.

The Trustee will be deemed to have received \$\_\_\_\_\_ of the proceeds of the 2002-1 CFD Bonds from the CFD Bonds Fiscal Agent and \$\_\_\_\_\_ of the proceeds of the 2003-1 CFD Bonds from the CFD Bonds Fiscal Agent, and to have used those proceeds to pay compensation to the Original Purchaser.

Section 3.5. Purchase Fund. The Trustee will establish and maintain a separate fund to be known as the "Purchase Fund" into which will be deposited a portion of the proceeds of sale of the Bonds pursuant to Section 3.2. The Trustee will use the proceeds of the Bonds to purchase CFD Bonds on the Closing Date; provided, however, that such CFD Bonds may be purchased only if the Trustee has received a certificate of the Original Purchaser of the Bonds or an Independent Financial Consultant stating that the Revenues to be available to the Trustee, assuming timely payment of the CFD Bonds, will be sufficient to permit the timely payment of the principal of and interest on all Outstanding Bonds.

Section 3.6. Reserved.

Section 3.7. Rebate Fund. The Trustee will establish and maintain a separate fund to be known as the "Rebate Fund". The Rebate Fund will be administered as described in Section 5.8.

Section 3.8. Surplus Fund. The Trustee will establish and maintain a separate fund to be known as the "Surplus Fund" which will be administered as described in Section 4.4.

Section 3.9. Administrative Expense Fund. The Trustee will establish and maintain a separate fund to be held by the Trustee and known as the "Administrative Expense Fund" into which will be deposited (i) amounts transferred to the Trustee pursuant to the CFD Fiscal Agent Agreements, attached hereto as Exhibits A (East Franklin) and B (Poppy Ridge) and made a part hereof, relating to the CFD Bonds to fund Authority Administrative Expenses and (ii) amounts transferred from the Surplus Fund pursuant to Section 4.4. The moneys in the Administrative Expense Fund will be used to pay Authority Administrative Expenses upon receipt of a Request of the Authority for the payment thereof.



## ARTICLE IV

### REVENUES; FLOW OF FUNDS

Section 4.1. Pledge of Revenues; Assignment of Rights. Subject to the provisions of Sections 6.3 and 9.3, the Bonds will be secured by a first lien on and pledge (which will be effected in the manner and to the extent hereinafter provided) of all of the Revenues. The Bonds will be equally secured by a pledge, charge and lien upon the Revenues without priority for any Bond over any other Bond; and the payment of the interest on and principal of the Bonds and any premiums upon the redemption of any Bonds will be and are secured by an exclusive pledge, charge and lien upon the Revenues. So long as any of the Bonds are Outstanding, the Revenues will not be used for any purpose except as is expressly permitted by this Indenture.

The Authority hereby transfers in trust, grants a security interest in and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds all of the Revenues and all of the right, title and interest of the Authority in the CFD Bonds, subject to the terms of this Indenture. The Trustee will be entitled to and will collect and receive all of the Revenues, and any Revenues collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and will forthwith be paid by the Authority to the Trustee. Subject to the provisions of Section 8.2, the Trustee also will be entitled to and will take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the City under the CFD Bonds.

Upon the deposit with the Trustee of moneys sufficient to pay all principal of, premium, if any, and interest on the Bonds and upon satisfaction of all claims against the Authority hereunder with respect to the Bonds, including all fees, charges and expenses of the Trustee and the Authority which are properly payable hereunder, or upon the making of adequate provisions for the payment of such amounts as permitted hereby, all moneys remaining in all funds and accounts pertaining to such Bonds, (except any amounts on deposit in the Rebate Fund and the Surplus Fund and except moneys necessary to pay principal of, premium, if any, and interest on such series of Bonds, which moneys will be held by the Trustee pursuant to Section 9.3), will no longer be considered Revenues and are not pledged to repay the Bonds. Such amounts will be transferred to the fiscal agent for the then outstanding CFD Bonds. In the event that the CFD Bonds have been paid or defeased, then any such amounts will be paid by the Trustee to the Authority to be used by the Authority for any lawful purpose.

#### Section 4.2. Receipt, Deposit and Application of Revenues; Revenue Fund.

(a) All Revenues described in clause (a) of the definition thereof in Section 1.1 will be promptly deposited by the Trustee upon receipt thereof in the Revenue Fund.

On each Interest Payment Date and date for redemption of the Bonds, the Trustee will transfer from the Revenue Fund, and deposit into the following respective accounts for the Bonds, the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(i) Interest Account. On each Interest Payment Date and redemption date, the Trustee will deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest becoming due and payable on such Interest Payment Date on all Outstanding Bonds or to be paid on the Bonds being redeemed on such date. No deposit need be made into the Interest Account if the amount contained therein is at least equal to the interest becoming due and payable upon all Outstanding Bonds on the next succeeding Interest Payment Date or redemption date, as applicable. All moneys in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it will become due and payable (including accrued interest on any Bonds redeemed prior to maturity). In the event that the amounts on deposit in the Interest Account on any Interest Payment Date or redemption date are insufficient for any reason to pay the aggregate amount of interest then coming due and payable on the Outstanding Bonds, the Trustee will apply such amounts to the payment of interest on each of the Outstanding Bonds on a pro rata basis.

(ii) Principal Account. On each Interest Payment Date and redemption date on which the principal of the Bonds will be payable, the Trustee will deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of, and premium (if any) on, the Bonds coming due and payable on such Interest Payment Date, or required to be redeemed on such date pursuant to Section 2.2; provided, however, that no amount will be deposited to effect a redemption pursuant to Section 2.2(a) or 2.2(b) unless the Trustee has first received a certificate of an Independent Accountant certifying that such deposit to effect an optional redemption of the Bonds will not impair the ability of the Authority to make timely payment of the principal of and interest on the Bonds, assuming for such purposes that the City continues to make timely payments on all CFD Bonds not then in default. All moneys in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of (i) paying the principal of the Bonds at the maturity thereof or (ii) paying the principal of and premium (if any) on any Bonds upon the redemption thereof pursuant to Section 2.2.

(b) If on any Interest Payment Date or date for redemption the amount on deposit in the Revenue Fund is inadequate to make the transfers described in subsection (a) above as a result of a payment default on an issue of CFD Bonds, the Trustee will notify the City of the amount needed to make the required deposits under subsection (a) above. In the event that within 5 Business Days of delivering such notice the Trustee receives additional payments from the City to cure such shortfall, the Trustee will deposit such amounts to the account designated in writing by the City.

(c) On each Interest Payment Date after making the transfers required under subsections (a) and (b) above, upon receipt of a Request of the Authority to do so, the Trustee will transfer from the Revenue Fund to the Rebate Fund for deposit therein the amounts specified in such Request.

(d) On September 2 of each year, after making the deposits required under subsections (a), (b) and (c) above, the Trustee will transfer all amounts remaining on deposit in the Revenue Fund to the Surplus Fund.

Section 4.3. Reserved.

Section 4.4. Surplus Fund.

(a) Any amounts transferred to the Surplus Fund pursuant to Section 4.2 will no longer be considered Revenues and are not pledged to repay the Bonds.

(b) So long as CFD Bonds are outstanding, on September 3 of each year, after setting aside any amount specified in a Request of the Authority as necessary to pay Administrative Expenses, any moneys remaining in the Surplus Fund will be transferred to the City for any lawful purpose.

Section 4.5. Investments. All moneys in any of the funds or accounts established with the Trustee pursuant to this Indenture will be invested by the Trustee solely in Permitted Investments, as directed pursuant to the Request of the Authority filed with the Trustee at least two (2) Business Days in advance of the making of such investments. The Trustee will be entitled to conclusively rely on any such Request of the Authority and will be fully protected in relying thereon. In the absence of any such Request of the Authority the Trustee will invest any such moneys in Permitted Investments described in clause (h) of the definition thereof provided, however, that any such investment will be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee will have received a Request of the Authority specifying a specific money market fund and, if no such Request of the Authority is so received, the Trustee will hold such moneys uninvested. The Trustee will be entitled to rely upon any investment directions from the Authority as conclusive certification to the Trustee that the investments described therein are so authorized under the laws of the State of California and qualify as Permitted Investments. Permitted Investments purchased as an investment of moneys in any fund or account established pursuant to this Indenture will be deemed to be part of such fund or account.

All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder will be deposited in the fund or account from which such investment was made.

For purposes of acquiring any investments hereunder, the Trustee may commingle moneys held by it in any of the funds and accounts held by it hereunder. The Trustee and its affiliates may act as advisor, sponsor, principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee and its affiliates may make any and all investments permitted herein through its own investment department. The Trustee will incur no liability for losses arising from any investments made pursuant to this Section 4.5.

The Authority acknowledges that, to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to receive brokerage confirmations of security transactions as they occur, the Authority specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Authority periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

Section 4.6. Valuation and Disposition of Investments.

(a) Except as otherwise provided in subsection (b) of this Section, the Authority covenants that all investments of amounts deposited in any fund or account created by or

pursuant to this Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of section 148 of the Code) will be acquired, disposed of, and valued by the Authority (as of the date that valuation is required by this Indenture or the Code) at Fair Market Value.

(b) Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code will be valued by the Authority at their present value (within the meaning of section 148 of the Code).

## ARTICLE V

### COVENANTS OF THE AUTHORITY

Section 5.1. Punctual Payment. The Authority will punctually pay or cause to be paid the principal and interest and premium (if any) to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of this Indenture, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in this Indenture.

Section 5.2. Extension of Payment of Bonds. The Authority will not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest will be extended, such Bonds or claims for interest will not be entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which will have been so extended. Nothing in this Section will be deemed to limit the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance will not be deemed to constitute an extension of maturity of the Bonds.

Section 5.3. Against Encumbrances. The Authority will not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under this Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by this Indenture and except as otherwise permitted by Section 5.6 of this Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the Bond Law, and reserves the right to issue other obligations for such purposes.

Section 5.4. Power to Issue Bonds and Make Pledge and Assignment. The Authority is duly authorized pursuant to law to issue the Bonds and to enter into this Indenture and to pledge and assign the Revenues, the CFD Bonds and other assets purported to be pledged and assigned, respectively, under this Indenture. The Bonds and the provisions of this Indenture are and will be the legal, valid and binding limited, special obligations of the Authority in accordance with their terms, and the Authority and the Trustee will at all times, subject to the provisions of Article VI and to the extent permitted by law, defend, preserve and protect said pledge and assignment of the Revenues, the CFD Bonds and other assets and all the rights of the Bond Owners under this Indenture against all claims and demands of all persons whomsoever.

Section 5.5. Accounting Records and Financial Statements. The Trustee will at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards in which complete and accurate entries will be made of transactions made by it relating to the proceeds of Bonds, the Revenues, the CFD Bonds and all funds and accounts established pursuant to this Indenture. Such books of record and account will be available for inspection by the Authority and the City upon reasonable prior notice during regular business hours and under reasonable circumstances, in each case as agreed to by the Trustee.

Not later than 45 days following each Interest Payment Date, the Trustee will prepare and file with the Authority a report setting forth: (i) amounts withdrawn from and deposited into

each fund and account maintained by the Trustee under this Indenture; (ii) the balance on deposit in each fund and account as of the date for which such report is prepared; and (iii) a brief description of all obligations held as investments in each fund and account. Copies of such reports may be mailed to any Owner upon the Owner's written request to the Trustee at the expense of such Owner at a cost not to exceed the Trustee's actual costs of duplication and mailing.

Section 5.6. Conditions to Issuance of Additional Bonds. Except as set forth in this Section 5.6, the Authority covenants that no additional bonds, notes or other indebtedness will be issued or incurred which are payable out of Revenues in whole or in part.

The Authority may issue Additional Bonds secured on a parity with the Bonds ("**Additional Bonds**"), in such principal amount as will be determined by the Authority, pursuant to a Supplemental Indenture adopted or entered into by the Authority. Such Additional Bonds may be issued subject to the following conditions precedent:

(a) The Authority is in compliance with all covenants set forth in this Indenture and all Supplemental Indentures.

(b) Except as provided in paragraph (g) below, the proceeds of such Additional Bonds will be applied to accomplish a refunding of all or a portion of the Bonds or any Additional Bonds Outstanding and a certificate of an Independent Financial Consultant stating that the annual payments due on the CFD Bonds will be adequate to pay the principal of and interest on all Bonds and Additional Bonds when due has been delivered to the Trustee.

(c) The Supplemental Indenture providing for the issuance of such Additional Bonds will provide that interest thereon will be payable on March 1 and September 1, and principal thereof will be payable on September 1 in any year in which principal is payable.

(d) The Supplemental Indenture providing for the issuance of such Additional Bonds may provide for the establishment of separate funds and accounts.

(e) No Event of Default will have occurred and be continuing with respect to the Bonds or any of the CFD Bonds.

(f) The Authority will deliver to the Trustee a written Certificate of the Authority certifying that the conditions precedent to the issuance of such Additional Bonds set forth in subsections (a), (b), (c) and (e) of this Section 5.6 above have been satisfied.

(g) Additional Bonds may be issued to purchase additional CFD Bonds for the purpose of financing projects for CFD 2002-1, but only if the additional conditions precedent set forth in Section 8.2(d) of the CFD 2002-1 Fiscal Agent Agreement have been satisfied.

Section 5.7. Tax Covenants.

(a) Private Activity Bond Limitation. The Authority will assure that the proceeds of the Bonds are not used so as to cause the Bonds to satisfy the private business tests of Section 141(b) of the Code or the private loan financing test of Section 141(c) of the Code.

(b) Federal Guarantee Prohibition. The Authority will not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

(c) No Arbitrage. The Authority will not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the Bond proceeds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date, would have caused the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code.

(d) Rebate of Excess Investment Earnings to United States. The Authority will calculate or cause to be calculated excess investment earnings with respect to the Bonds which are required to be rebated to the United States of America pursuant to Section 148(f) of the Code, and will pay the full amount of such excess investment earnings to the United States of America in such amounts, at such times and in such manner as may be required pursuant to the Code. Such payments will be made by the Authority from any source of legally available funds of the Authority, including amounts deposited into the Rebate Fund, if any. The Authority will keep or cause to be kept, and retain or cause to be retained for a period of six (6) years following the final payment of the Bonds, records of the determinations made pursuant to this subsection (d). In order to provide for the administration of this subsection (d), the Authority may provide for the employment of independent attorneys, accountants and consultants compensated on such reasonable basis as the Authority may deem appropriate.

(e) Maintenance of Tax Exemption. The Authority will take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners thereof to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Bonds.

(f) Record Retention. The Authority will retain its records of all accounting and monitoring it carries out with respect to the Bonds for at least 3 years after the Bonds mature or are redeemed (whichever is earlier); however, if the Bonds are redeemed and refunded, the Authority will retain its records of accounting and monitoring at least 3 years after the earlier of the maturity or redemption of the obligations that refunded the Bonds.

(g) Compliance with Tax Certificate. The Authority will comply with the provisions of the Tax Certificate and the Use of Proceeds Certificate with respect to the Bonds, which are incorporated herein as if fully set forth herein. The covenants of this Section will survive payment in full or defeasance of the Bonds.

#### Section 5.8. Rebate Fund.

(a) Establishment. The Trustee will establish a Rebate Fund pursuant to Section 3.7. Absent an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the Bonds will not be adversely affected, the Authority will cause to be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to this Section, Section 5.7(d) and the Code. All money at any time deposited in the Rebate Fund will be held by the Trustee in trust for payment to the United States Treasury in accordance with written instructions given by the Authority to the Trustee, upon which the Trustee may conclusively rely.

(b) Disposition of Unexpended Funds. Any funds remaining in the Rebate Fund after redemption and payment of the Bonds and after payment of all the amounts payable to the United States Treasury from the Rebate Fund, including accrued interest and payment of all applicable fees to the Trustee, may be withdrawn by the Trustee and remitted to the Authority and utilized in any manner by the Authority.

Section 5.9. CFD Bonds. Subject to the provisions of this Indenture (including Article VI), the Authority and the Trustee will use reasonable efforts to collect all amounts due from the City pursuant to the CFD Bonds and will enforce, and take all steps, actions and proceedings which the Authority and Trustee determine to be reasonably necessary for the enforcement of all of the rights of the Authority thereunder and for the enforcement of all of the obligations and covenants of the City. The Authority will instruct the City to authenticate and deliver to the Trustee the CFD Bonds registered in the name of the Trustee.

The Authority, the Trustee, and the City may, with prior written notice to Standard & Poor's, at any time consent to, amend or modify any of the CFD Bonds pursuant to the terms thereof, (a) with the prior consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, or (b) without the consent of any of the Owners, if such amendment or modification is for any one or more of the following purposes

(a) to add to the covenants and agreements of the City contained in such CFD Bonds, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power therein reserved to or conferred upon the City; or

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in such CFD Bonds, or in any other respect whatsoever as the City may deem necessary or desirable, provided under any circumstances that such modifications or amendments will not materially adversely affect the interests of the Owners of the Bonds in the opinion of nationally- recognized bond counsel filed with the Trustee; or

(c) to amend any provision thereof to the extent necessary to comply with the Code, but only if and to the extent such amendment will not, in and of itself, adversely affect the exclusion from gross income of the interest on any of the Bonds under the Code, in the opinion of Bond Counsel filed with the Trustee.

Section 5.10. Sale of CFD Bonds. Notwithstanding anything in this Indenture to the contrary, the Authority may cause the Trustee to sell, from time to time, all or a portion of an issue of CFD Bonds, provided that the Authority will deliver to the Trustee:

(a) a certificate of an Independent Accountant certifying that, following the sale of such CFD Bonds, the Revenues to be paid to the Authority (assuming the timely payment of amounts due thereon with respect to any CFD Bonds not then in default), together with interest and principal due on any noncallable Federal Securities pledged to the repayment of the Bonds and the Revenues then on deposit in the funds and accounts established hereunder (valuing any Permitted Investments held hereunder at the then Fair Market Value thereof), will be sufficient to pay the principal of and interest on the Bonds when due;

(b) if any Bonds are then rated by Standard & Poor's, a notification from Standard & Poor's to the effect that such rating will not be withdrawn or reduced as a result of such sale of CFD Bonds; and



(c) an opinion of Bond Counsel that such sale of CFD Bonds is authorized under the provisions of this Indenture and will not adversely affect the exclusion of interest on the Bonds from gross income for purposes of federal income taxation.

Upon compliance with the foregoing conditions by the Authority, the Trustee will sell such CFD Bonds in accordance with the Request of the Authority and disburse the proceeds of the sale of such CFD Bonds to the Authority or upon the receipt of a Request of the Authority will deposit such proceeds in the Revenue Fund.

Section 5.11. Further Assurances. The Authority will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture, and for the better assuring and confirming unto the Owners of the Bonds the rights and benefits provided in this Indenture.

Section 5.12. Continuing Disclosure. The Authority hereby covenants and agrees that it will cause the City to comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Indenture, failure of the City to comply with the Continuing Disclosure Certificate will not be considered an Event of Default; however, any Participating Underwriter or any holder or beneficial owner of the Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Section 5.13. Compliance with Reporting Requirements of Bond Law. The Authority hereby covenants and agrees that it will comply with and carry out all of the reporting requirements of the Bond Law, including, but not limited to, Section 6599.1 thereof.

## ARTICLE VI

### THE TRUSTEE

Section 6.1. Appointment of Trustee. U.S. Bank National Association, with its corporate trust office presently located in Seattle, Washington, a national banking association organized and existing under and by virtue of the laws of the United States of America, is hereby appointed Trustee by the Authority for the purpose of receiving all moneys required to be deposited with the Trustee hereunder and to allocate, use and apply the same as provided in this Indenture. The Authority agrees that it will maintain a Trustee which is a trust company, national banking association or bank of good standing located in or incorporated under the laws of the State, duly authorized to exercise trust powers, with a combined capital and surplus of at least Seventy-five Million Dollars (\$75,000,000), subject to supervision or examination by federal or state authority. If such bank, national banking association or trust company publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this Section 6.1, the combined capital and surplus will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee is hereby authorized to pay the principal of and interest and redemption premium (if any) on the Bonds when duly presented for payment at maturity, or on redemption or purchase prior to maturity, to make regularly scheduled interest payments, and to cancel any Bond upon payment thereof.

Section 6.2. Acceptance of Trusts. The Trustee hereby accepts the trusts imposed upon it by this Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an Event of Default hereunder has occurred (which has not been cured or waived), the Trustee may exercise such of the rights and powers vested in it by this Indenture and will use the same degree of care and skill and diligence in their exercise, as a reasonable person would exercise or use under the circumstances in the conduct of his own affairs.

(b) The Trustee may execute any of the trusts or powers and perform the duties required of it hereunder by or through attorneys, agents, or receivers, but will not be responsible for the acts of any agents, attorneys or receivers appointed by it unless such appointment was the result of negligence or willful misconduct. The Trustee may consult with and act upon the advice of counsel (which may be counsel to the Authority) concerning all matters of trust and its duty hereunder and will be wholly protected in reliance upon the advice or opinion of such counsel in respect of any action taken or omitted by it in good faith and in accordance herewith.

(c) The Trustee will not be responsible for any recital herein, or for any of the supplements thereto or instruments of further assurance, or for the validity, effectiveness or the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby and the Trustee will not be bound to ascertain or inquire as to the observance or performance of any covenants, conditions or agreements on the part of the Authority hereunder. The Trustee will have no responsibility, opinion, or liability with respect to any information, statement, or recital in

any offering memorandum, official statement, or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

(d) Except as provided in Section 3.2, the Trustee will not be accountable for the use of any proceeds of sale of the Bonds delivered hereunder. The Trustee may become the Owner of Bonds secured hereby with the same rights which it would have if not the Trustee; may acquire and dispose of other bonds or evidences of indebtedness of the Authority with the same rights it would have if it were not the Trustee; and may act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of Bonds, whether or not such committee will represent the Owners of the majority in aggregate principal amount of the Bonds then Outstanding.

(e) The Trustee will be protected and will incur no liability in acting, or refraining from acting in good faith and without negligence, in reliance upon any notice, request, consent, certificate, order, affidavit, letter, telegram, facsimile transmission, electronic mail, or other paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken or omitted to be taken by the Trustee in good faith and without negligence pursuant to this Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Bond, will be conclusive and binding upon all future Owners of the same Bond and upon Bonds issued in exchange therefor or in place thereof. The Trustee will not be bound to recognize any person as an Owner of any Bond or to take any action at such person's request unless the ownership of such Bond by such person will be reflected on the Bond Register.

(f) As to the existence or non existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee will be entitled to rely upon a Certificate of the Authority as sufficient evidence of the facts therein contained and prior to the occurrence of an Event of Default hereunder of which the Trustee has been given notice or is deemed to have notice, as provided in Section 6.2(h), will also be at liberty to accept a Certificate of the Authority to the effect that any particular dealing, transaction or action is necessary or expedient, and will be fully protected in relying thereon, but may at its discretion secure such further evidence deemed by it to be necessary or advisable, but will in no case be bound to secure the same.

(g) The permissive right of the Trustee to do things enumerated in this Indenture will not be construed as a duty and notwithstanding any other provision of this Indenture, the Trustee will not be answerable for other than its negligence or willful misconduct. The immunities and exceptions from liability of the Trustee will extend to its officers, directors, employees and agents.

(h) The Trustee will not be required to take notice or be deemed to have notice of any Event of Default hereunder except where a Responsible Officer has actual knowledge of such Event of Default and except for the failure by the Authority to make any of the payments to the Trustee required to be made by the Authority pursuant hereto, including payments on the CFD Bonds, or failure by the Authority to file with the Trustee any document required by this Indenture to be so filed subsequent to the issuance of the Bonds, unless a Responsible Officer will be specifically notified in writing of such default by the Authority or by the Owners of at least twenty five percent (25%) in aggregate principal amount of the Bonds then Outstanding and all notices or other instruments required by this Indenture to be delivered to the Trustee must, in order to be effective, be delivered to a Responsible Officer at the Trust Office of the Trustee,

and in the absence of such notice so delivered the Trustee may conclusively assume there is no Event of Default hereunder except as aforesaid. Delivery of a notice to the officer and address for the Trustee set forth in Section 9.12, as updated by the Trustee from time to time, will be deemed notice to a Responsible Officer.

(i) At any and all reasonable times the Trustee, and its duly authorized agents, attorneys, experts, accountants and representatives, will have the right fully to inspect all books, papers and records of the Authority pertaining to the Bonds, and to make copies of any of such books, papers and records such as may be desired but which is not privileged by statute or by law.

(j) The Trustee will not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the performance of its duties hereunder.

(k) Notwithstanding anything elsewhere in this Indenture with respect to the execution of any Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of this Indenture, the Trustee will have the right, but will not be required, to demand any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, as may be deemed desirable by the Trustee in its sole discretion for the purpose of establishing the right of the Authority to the execution of any Bonds, the withdrawal of any cash, or the taking of any other action by the Trustee.

(l) Before taking the action referred to in Sections 6.5, 8.2 or this article, the Trustee may require that an indemnity bond satisfactory to it be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct in connection with any such action.

(m) All moneys received by the Trustee will, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received but need not be segregated from other funds.

(n) Whether or not expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of, or affording protection to, the Trustee will be subject to the provisions of this Article 6.

(o) The Trustee will not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of delay in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources or energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the project, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

(p) The Trustee agrees to accept and act upon instructions or directions pursuant to this Indenture sent by unsecured e-mail, facsimile transmission or other similar unsecured

electronic methods, provided, however, that, the Trustee will have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate will be amended and replaced whenever a person is to be added or deleted from the listing. If the Authority elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee acts upon such instructions, the Trustee's understanding of such instructions will be deemed controlling. The Trustee will not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Authority agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

(q) Whenever in the administration of the trusts imposed upon it by this Indenture the Trustee will deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of the Authority, and such certificate will be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Indenture in reliance upon such certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

Section 6.3. Fees, Charges and Expenses of Trustee. The Trustee will be entitled to payment and reimbursement by the Authority for reasonable fees for its services rendered hereunder and all advances (including any interest on advances), counsel fees and expenses (including fees and expenses of outside counsel and the allocated costs of internal attorneys) and other expenses reasonably and necessarily made or incurred by the Trustee in connection with such services. Upon the occurrence of an Event of Default hereunder, but only upon an Event of Default, the Trustee will have a first lien with right of payment prior to payment of any Bond upon the amounts held in Funds and accounts hereunder for the foregoing fees, charges and expenses incurred by it respectively. The Trustee's right to payment of its fees and expenses will survive the discharge and payment or defeasance of the Bonds and termination of this Indenture, and the resignation or removal of the Trustee.

Section 6.4. Notice to Bond Owners of Default. If an Event of Default hereunder occurs with respect to any Bonds of which the Trustee has been given, or is deemed to have notice, as provided in Section 6.2(h), then the Trustee will promptly give written notice thereof by first class mail to the Owner of each such Bond, unless such Event of Default will have been cured before the giving of such notice.

Section 6.5. Intervention by Trustee. In any judicial proceeding to which the Authority is a party which, in the opinion of the Trustee and its counsel, has a substantial bearing on the interests of Owners of any of the Bonds, the Trustee may intervene on behalf of such Bond Owners, and subject to Section 6.2(l), will do so if requested in writing by the Owners of at least twenty five percent (25%) in aggregate principal amount of such Bonds then Outstanding.

Section 6.6. Removal of Trustee. The Owners of a majority in aggregate principal amount of the Outstanding Bonds may and the Authority may, so long as no Event of Default then exists, upon 30 days' prior written notice to the Trustee, remove the Trustee initially appointed, and any successor thereto, by an instrument or concurrent instruments in writing

delivered to the Trustee. Upon any such removal, the Authority or the City will appoint a successor or successors thereto; provided that any such successor will be a national banking association meeting the requirements set forth in Section 6.1. Notwithstanding any other provision of this Indenture, no removal of the Trustee will be effective until a successor is appointed.

Section 6.7. Resignation by Trustee. The Trustee and any successor Trustee may at any time give prior written notice of its intention to resign as Trustee hereunder, such notice to be given to the Authority and the City by registered or certified mail. Upon receiving such notice of resignation, the Authority or the City will promptly appoint a successor Trustee. Any resignation or removal of the Trustee and appointment of a successor Trustee will become effective only upon acceptance of appointment by the successor Trustee. Upon such acceptance, the Authority will cause notice thereof to be given by first class mail, postage prepaid, to the Bond Owners at their respective addresses set forth on the Bond Register.

Section 6.8. Appointment of Successor Trustee. In the event of the removal or resignation of the Trustee pursuant to Sections 6.6 or 6.7, respectively, the Authority or the City will promptly appoint a successor Trustee. In the event the Authority will for any reason whatsoever fail to appoint a successor Trustee within thirty (30) days following the delivery to the Trustee of the instrument described in Section 6.6 or within thirty (30) days following the receipt of notice by the Authority and the City pursuant to Section 6.7, the Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee meeting the requirements of Section 6.1. Any such successor Trustee appointed by such court will become the successor Trustee hereunder notwithstanding any action by the Authority or the City purporting to appoint a successor Trustee following the expiration of such thirty day period.

Section 6.9. Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it will be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company will meet the requirements set forth in Section 6.1, will be the successor to the Trustee and vested with all of the title to the trust estate and all of the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding. The Trustee may assign its rights, duties and obligations hereunder in whole or in part, to an affiliate or subsidiary thereof, provided such Corporation, affiliate or subsidiary will meet the requirements set forth in Section 6.1.

Section 6.10. Concerning any Successor Trustee. The Authority or the City may appoint a successor Trustee hereunder without additional action of the Board of Directors or City Council. Every successor Trustee appointed hereunder will execute, acknowledge and deliver to its predecessor and also to the Authority and the City an instrument in writing accepting such appointment hereunder and to the predecessor Trustee an instrument indemnifying the predecessor Trustee for any costs or claims arising during the time the successor Trustee serves as Trustee hereunder and thereupon such successor, without any further act, deed or conveyance, will become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessors; but such predecessor will, nevertheless, on the Request of the Authority, or of the Trustee's successor, execute and deliver an instrument transferring to such successor all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee will deliver all securities and moneys held by it as the Trustee hereunder to its successor. Should any

instrument in writing from the Authority be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers and duties hereby vested or intended to be vested in the predecessor Trustee, any and all such instruments in writing will, on request, be executed, acknowledged and delivered by the Authority.

Section 6.11. Appointment of Co Trustee. It is the purpose of this Indenture that there will be no violation of any law of any jurisdiction (including particularly the law of the State) denying or restricting the right of banking corporations or associations to transact business as a trustee in such jurisdiction. It is recognized that in the case of litigation under this Indenture, and in particular in case of the enforcement of the rights of the Trustee on default, or in the case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Trustee or hold title to the properties, in trust, as herein granted, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional individual or institution as a separate co-trustee. The following provisions of this Section 6.11 are adopted to these ends.

In the event that the Trustee or the Authority appoints an additional individual or institution as a separate or co-trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Indenture to be exercised by or vested in or conveyed to the Trustee with respect thereto will be exercisable by and vest in such separate or co-trustee but only to the extent necessary to enable such separate or co-trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or co-trustee will run to and be enforceable by either of the Trustee or separate or co-Trustee.

Should any instrument in writing from the Authority be required by the separate trustee or co-trustee so appointed by the Trustee or the Authority for more fully and certainly vesting in and confirming to it such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing will, on request, be executed, acknowledged and delivered by the Authority. In case any separate trustee or co-trustee, or a successor to either, will become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate trustee or co-trustee, so far as permitted by law, will vest in and be exercised by the Trustee until the appointment of a new trustee or successor to such separate trustee or co-trustee.

Section 6.12. Indemnification; Limited Liability of Trustee. The Authority further covenants and agrees to indemnify and save the Trustee and its officers, officials, directors, agents and employees, harmless against any loss, expense (including legal fees and expenses) and liabilities which it may incur arising out of or in the exercise and performance of its powers and duties hereunder, including the costs and expenses of defending against any claim of liability, but excluding any and all losses, expenses and liabilities which are due to the negligence or intentional misconduct of the Trustee, its officers, directors, agents or employees. No provision in this Indenture will require the Trustee to risk or expend its own funds or otherwise incur any financial liability hereunder unless indemnity reasonably satisfactory to it against such liability or risk is provided to it. The Trustee will not be liable for any action taken or omitted to be taken by it in accordance with the direction of a majority (or any lesser amount that may direct the Trustee in accordance with the provisions of the Indenture) of the Owners of the principal amount of Bonds Outstanding relating to the time, method and place of conducting any proceeding or remedy available to the Trustee under this Indenture. The rights of the

Trustee and the obligations of the Authority under this Section 6.12 will survive termination of this Indenture, discharge of the Bonds and resignation or removal of the Trustee.



## ARTICLE VII

### MODIFICATION AND AMENDMENT OF THE INDENTURE

Section 7.1. Amendment. This Indenture and the rights and obligations of the Authority and of the Owners of the Bonds may, with prior written notice to Standard & Poor's, be modified or amended at any time by a Supplemental Indenture which will become binding when the prior written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding are filed with the Trustee. No such modification or amendment will (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Authority to pay the principal, interest or redemption premiums at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) without written consent of the Trustee, modify any of the rights or obligations of the Trustee.

This Indenture and the rights and obligations of the Authority and of the Owners of the Bonds may, with prior written notice to Standard & Poor's, also be modified or amended at any time by a Supplemental Indenture which will become binding upon adoption, without consent of any Bond Owners, to the extent permitted by law but only for any one or more of the following purposes

(a) to add to the covenants and agreements of the Authority contained in this Indenture, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or powers herein reserved to or conferred upon the Authority so long as such addition, limitation or surrender of such rights or powers will not materially adversely affect the Owners of the Bonds; or

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in this Indenture, or in any other respect whatsoever as the Authority may deem necessary or desirable, provided under any circumstances that such modifications or amendments will not materially adversely affect the interests of the Owners of the Bonds; or

(c) to amend any provision relating to the Code as may be necessary or appropriate to assure compliance with the Code and the exclusion from gross income of interest on the Bonds; or

(d) to amend any provision to place any Additional Bonds on a parity with the Bonds for all purposes of this Indenture, including, but not limited to, for the purpose of exercising all rights and remedies hereunder; or

(e) to amend the provisions of Section 4.4.

At least 15 days in advance of the execution of any amendment to this Indenture, the Trustee will mail notice of such amendment and a copy of the proposed text of such amendment to Standard & Poor's.

The Trustee will be furnished with an opinion of Bond Counsel that any such Supplemental Indenture entered into by the Authority and the Trustee complies with the

provisions of this Article VII and the Trustee may conclusively rely upon such opinion and will be fully protected in relying thereon.

Section 7.2. Effect of Supplemental Indenture. From and after the time any Supplemental Indenture becomes effective pursuant to this Article VII, this Indenture will be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners of Outstanding Bonds, as the case may be, will thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of this Indenture for any and all purposes.

Section 7.3. Endorsement or Replacement of Bonds After Amendment. After the effective date of any action taken as hereinabove provided, the Authority may determine that any affected Bonds will bear a notation, by endorsement in form approved by the Authority, as to such action, and in that case upon demand of the Owner of any Bond Outstanding at such effective date and presentation of its Bond for that purpose at the Trust Office of the Trustee, a suitable notation as to such action will be made on such Bond. If the Authority will so determine, new Bonds so modified as, in the opinion of the Authority, will be necessary to conform to such Bond Owners' action will be prepared and executed, and in that case upon demand of the Owner of any Bond Outstanding at such effective date such new Bonds will be exchanged at the Trust Office of the Trustee, without cost to each Bond Owner, for Bonds then Outstanding, upon surrender of such Outstanding Bonds.

Section 7.4. Amendment by Mutual Consent. The provisions of this Article VII will not prevent any Bond Owner from accepting any amendment as to the particular Bond held by such Owner, provided that due notation thereof is made on such Bond.

## ARTICLE VIII

### EVENTS OF DEFAULT AND REMEDIES

Section 8.1. Events of Default. The following events will be Events of Default hereunder.

(a) Default in the due and punctual payment of the principal of any Bond when and as the same will become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise.

(b) Default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment will become due and payable.

(c) Default by the Authority in the observance of any of the other covenants, agreements or conditions on its part in this Indenture or in the Bonds contained, if such default will have continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, will have been given to the Authority by the Trustee, or to the Authority and the Trustee by the Owners of not less than twenty five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding; provided that such default (other than a default arising from nonpayment of the Trustee's fees and expenses, which must be cured within such 60 day period unless waived by the Trustee) will not constitute an Event of Default hereunder if the Authority will commence to cure such default within said sixty (60) day period and thereafter diligently and in good faith will cure such default within a reasonable period of time; or

(d) Default under the CFD 2002-1 Fiscal Agent Agreement or the CFD 2003-1 Fiscal Agent Agreement.

Section 8.2. Remedies; Rights of Bond Owners. Upon the occurrence of an Event of Default, the Trustee may pursue any available remedy at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Outstanding Bonds, and to enforce any rights of the Trustee under or with respect to this Indenture. In the event of an Event of Default arising out of a nonpayment of Trustee's fees and expenses, the Trustee may sue the Authority to seek recovery of its fees and expenses; provided, however, that such recovery may be made only from Revenues.

If an Event of Default will have occurred and be continuing and if requested to do so by the Owners of at least twenty five percent (25%) in aggregate principal amount of Outstanding Bonds, and, in each case, if indemnified as provided in Section 6.2(l), the Trustee will be obligated to exercise such one or more of the rights and powers conferred by this Article VIII and, as applicable, under the CFD Bonds, as the Trustee, being advised by counsel, will deem most expedient in the interests of the Bond Owners.

No remedy by the terms of this Indenture conferred upon or reserved to the Trustee (or to the Bond Owners) is intended to be exclusive of any other remedy, but each and every such remedy will be cumulative and will be in addition to any other remedy given to the Trustee or to the Bond Owners hereunder or now or hereafter existing at law or in equity.

No delay or omission to exercise any right or power accruing upon any Event of Default will impair any such right or power or will be construed to be a waiver of any such Event of Default or acquiescence therein; such right or power may be exercised from time to time as often as may be deemed expedient.

Section 8.3. Application of Revenues and Other Funds After Event of Default. All amounts received by the Trustee with respect to the Bonds pursuant to any right given or action taken by the Trustee under the provisions of this Indenture relating to the Bonds will be applied by the Trustee in the following order upon presentation of the several Bonds, and the stamping thereon of the amount of the payment if only partially paid, or upon the surrender thereof if fully paid –

First, to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and in carrying out the provisions of this Article VIII, including reasonable compensation to its agents, attorneys and counsel (including outside counsel and the allocated costs of internal attorneys), and to the payment of all other outstanding fees and expenses of the Trustee; and

Second, to the payment of the whole amount of interest on and principal of the Bonds then due and unpaid, with interest on overdue installments of principal and interest to the extent permitted by law at the net effective rate of interest then borne by the Outstanding Bonds; provided, however, that in the event such amounts will be insufficient to pay in full the full amount of such interest and principal, then such amounts will be applied in the following order of priority.

- (a) first to the payment of all installments of interest on the Bonds then due and unpaid,
- (b) second, to the payment of all installments of principal of the Bonds then due and unpaid, and
- (c) third, to the payment of interest on overdue installments of principal and interest on Bonds.

Section 8.4. Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, will have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, it may, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee will not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if there has been filed with it a written request signed by the Owners of a majority in aggregate principal amount of the Outstanding Bonds hereunder opposing such discontinuance, withdrawal, compromise, settlement or other such litigation and provided further that the Trustee will have the right to decline to comply with such written request unless indemnification satisfactory to it has been provided. Any suit, action or proceeding which any Owner of Bonds will have the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all Owners of Bonds similarly situated and the Trustee is hereby appointed (and the successive respective Owners of the Bonds issued hereunder, by taking and holding the same, will be

conclusively deemed so to have appointed it) the true and lawful attorney in fact of the respective Owners of the Bonds for the purposes of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners of the Bonds as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney in fact.

Section 8.5. Appointment of Receivers. Upon the occurrence of an Event of Default hereunder, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bond Owners under this Indenture, the Trustee will be entitled, as a matter of right, to the appointment of a receiver or receivers of the Revenues and other amounts pledged hereunder, pending such proceedings, with such powers as the court making such appointment will confer.

Section 8.6. Non Waiver. Nothing in this Article VIII or in any other provision of this Indenture, or in the Bonds, will affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the interest on and principal of the Bonds to the respective Owners of the Bonds at the respective dates of maturity, as herein provided, out of the Revenues and other moneys herein pledged for such payment.

A waiver of any default or breach of duty or contract by the Trustee or any Bond Owners will not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission of the Trustee or any Owner of any of the Bonds to exercise any right or power accruing upon any default will impair any such right or power or will be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy conferred upon the Trustee or Bond Owners by the Bond Law or by this Article VIII may be enforced and exercised from time to time and as often as will be deemed expedient by the Trustee or the Bond Owners, as the case may be.

Section 8.7. Rights and Remedies of Bond Owners. No Owner of any Bond issued hereunder will have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Indenture, unless (a) such Owner will have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding will have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners will have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee will have refused or omitted to comply with such request for a period of sixty (60) days after such written request will have been received by, and said tender of indemnity will have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy hereunder; it being understood and intended that no one or more Owners of Bonds will have any right in any manner whatever by his or their action to enforce any right under this Indenture, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provision of this Indenture will be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding.

The right of any Owner of any Bond to receive payment of the principal of and interest and premium (if any) on such Bond as herein provided or to institute suit for the enforcement of

any such payment, will not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions of this Section or any other provision of this Indenture.

Section 8.8. Termination of Proceedings. In case the Trustee will have proceeded to enforce any right under this Indenture by the appointment of a receiver or otherwise, and such proceedings will have been discontinued or abandoned for any reason, or will have been determined adversely, then and in every such case, the Authority, the Trustee and the Bond Owners will be restored to their former positions and rights hereunder, respectively, with regard to the property subject to this Indenture, and all rights, remedies and powers of the Trustee will continue as if no such proceedings had been taken.

## ARTICLE IX

### MISCELLANEOUS

Section 9.1. Limited Liability of Authority. Notwithstanding anything in this Indenture contained, the Authority will not be required to advance any moneys derived from any source of income other than the Revenues for the payment of the principal of or interest on the Bonds, or any premiums upon the redemption thereof, or for the performance of any covenants herein contained (except to the extent any such covenants are expressly payable hereunder from the Revenues). The Authority may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose and may be used by the Authority for such purpose without incurring indebtedness.

The Bonds will be revenue bonds, payable exclusively from the Revenues and other funds as in this Indenture provided. The general fund of the Authority is not liable, and the credit of the Authority is not pledged, for the payment of the interest and premium (if any) on or principal of the Bonds. The Owners of the Bonds will never have the right to compel the forfeiture of any property of the Authority. The principal of and interest on the Bonds, respectively, and any premiums upon the redemption of any thereof, will not be a legal or equitable pledge, charge, lien or encumbrance upon any property of the Authority or upon any of its income, receipts or revenues except the Revenues and other funds pledged to the payment thereof as in this Indenture provided.

Section 9.2. Benefits of Indenture Limited to Parties. Nothing in this Indenture, expressed or implied, is intended to give to any person other than the Authority, the Trustee and the Owners of the Bonds, any right, remedy or claim under or by reason of this Indenture. Any covenants, stipulations, promises or agreements in this Indenture contained by and on behalf of the Authority will be for the sole and exclusive benefit of the Trustee and the Owners of the Bonds.

Section 9.3. Discharge of Indenture. If the Authority will pay and discharge any or all of the Outstanding Bonds in any one or more of the following ways:

(a) by well and truly paying or causing to be paid the principal of and interest and premium (if any) on such Bonds, as and when the same become due and payable;

(b) by irrevocably depositing with the Trustee, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established with the Trustee pursuant to this Indenture and available for such purpose, is fully sufficient to pay such Bonds, including all principal, interest and redemption premiums; or

(c) by irrevocably depositing with the Trustee or any other fiduciary, in trust, Federal Securities in such amount as an Independent Accountant determines will, together with the interest to accrue thereon and available moneys then on deposit in the funds and accounts established with the Trustee pursuant to this Indenture and available for such purpose, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates;

then any such Outstanding Bond or Bonds will be deemed to have been paid and discharged; provided, however, that any such Outstanding Bond or Bonds will be deemed to have been paid under paragraph (c) above only if (i) in the case of Bonds to be redeemed prior to the maturity thereof, notice of such redemption will have been mailed pursuant to Section 2.2(d) or provision satisfactory to the Trustee will have been made for the mailing of such notice, (ii) a verification report of an Independent Accountant will be delivered to the Trustee, and (iii) an opinion of Bond Counsel will be delivered to the Trustee in the case of a defeasance of Bonds, to the effect that the requirements of this Indenture have been satisfied with respect to such discharge of such Bonds. Upon a discharge of one or more Bonds as described above, and notwithstanding that any of such Bonds will not have been surrendered for payment, the pledge of the Revenues, and other funds provided for in this Indenture with respect to such Bonds, and all other pecuniary obligations of the Authority under this Indenture with respect to such Bonds, as applicable, will cease and terminate, except only the obligation of the Authority to comply with the covenants contained in Sections 5.7 and 6.12, to pay or cause to be paid to the Owners of such Bonds not so surrendered and paid all sums due thereon from amounts set aside for such purpose, to pay all expenses and costs of the Trustee and to comply with the covenants contained in Section 5.7. Any funds thereafter held by the Trustee, which are not required for said purposes, will be paid over to the Authority or upon a Request of the Authority to the City.

Defeasance will be accomplished only with an irrevocable deposit in escrow of certain investments referred to in this section. Further substitutions of securities in the escrow are not permitted. The deposit in the escrow must be sufficient, without reinvestment, to pay all principal and interest as scheduled on the Bonds to and including the date of redemption. Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

Section 9.4. Successor is Deemed Included in All References to Predecessor. Whenever in this Indenture or any Supplemental Indenture either the Authority is named or referred to, such reference will be deemed to include the successor to the powers, duties and functions, with respect to the management, administration and control of the affairs of the Authority, that are presently vested in the Authority, and all the covenants, agreements and provisions contained in this Indenture by or on behalf of the Authority will bind and inure to the benefit of its successors whether so expressed or not.

Section 9.5. Content of Certificates. Every certificate by or on behalf of the Authority with respect to compliance with a condition or covenant provided for in this Indenture will include (a) a statement that the person or persons making or giving such certificate have read such covenant or condition and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate are based; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such covenant or condition has been complied with; and (d) a statement as to whether, in the opinion of the signers, such condition or covenant has been complied with.

Any such certificate made or given by an officer of the Authority may be based, insofar as it relates to legal matters, upon a certificate or opinion of or representations by counsel, unless such officer knows that the certificate or opinion or representations with respect to the



matters upon which his certificate may be based, as aforesaid, are erroneous, or in the exercise of reasonable care should have known that the same were erroneous. Any such certificate or opinion or representation made or given by counsel may be based, insofar as it relates to factual matters, on information with respect to which is in the possession of the Authority, or upon the certificate or opinion of or representations by an officer or officers of the Authority, unless such counsel knows that the certificate or opinion or representations with respect to the matters upon which his certificate, opinion or representation may be based, as aforesaid, are erroneous, or in the exercise of reasonable care should have known that the same were erroneous.

Section 9.6. Execution of Documents by Bond Owners. Any request, consent or other instrument required by this Indenture to be signed and executed by Bond Owners may be in any number of concurrent writings of substantially similar tenor and may be signed or executed by such Bond Owners in person or by agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, will be sufficient for any purpose of this Indenture and will be conclusive in favor of the Trustee and of the Authority if made in the manner provided in this Section 9.6.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgements of deeds, certifying that the person signing such request, consent or other instrument or writing acknowledged to him the execution thereof.

The ownership of Bonds will be conclusively proved by the Bond Register. Any request, consent or vote of the Owner of any Bond will bind every future Owner of the same Bond and the Owner of any Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in pursuance of such request, consent or vote. In lieu of obtaining any demand, request, direction, consent or waiver in writing, the Trustee may call and hold a meeting of the Bond Owners upon such notice and in accordance with such rules and obligation as the Trustee considers fair and reasonable for the purpose of obtaining any such action.

Section 9.7. Disqualified Bonds. In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are owned or held by or for the account of the Authority or the City (but excluding Bonds held in any employees' or retirement fund) will be disregarded and deemed not to be Outstanding for the purpose of any such determination, provided, however, that for the purpose of determining whether the Trustee will be protected in relying on any such demand, request, direction, consent or waiver, only Bonds which the Trustee knows to be so owned or held will be disregarded. Upon request, the Authority and the City will specify to the Trustee those Bonds disqualified pursuant to this Section 9.7.

Section 9.8. Waiver of Personal Liability. No officer, agent or employee of the Authority will be individually or personally liable for the payment of the interest on or principal of the Bonds; but nothing herein contained will relieve any such officer, agent or employee from the performance of any official duty provided by law.

Section 9.9. Partial Invalidity. If any one or more of the covenants or agreements, or portions thereof, provided in this Indenture on the part of the Authority (or of the Trustee) to be performed should be contrary to law, then such covenant or covenants, such agreement or

agreements, or such portions thereof, will be null and void and will be deemed separable from the remaining covenants and agreements or portions thereof and will in no way affect the validity of this Indenture or of the Bonds; but the Bond Owners will retain all rights and benefits accorded to them under the Bond Law or any other applicable provisions of law. The Authority hereby declares that it would have entered into this Indenture and each and every other section, paragraph, subdivision, sentence, clause and phrase and would have authorized the issuance of the Bonds pursuant hereto irrespective of the fact that any or more sections, paragraphs, subdivisions, sentences, clauses or phrases of this Indenture or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 9.10. Destruction of Cancelled Bonds. Whenever in this Indenture provision is made for the surrender to the Authority or the Trustee of any Bonds which have been paid or cancelled pursuant to the provisions of this Indenture, the Trustee will destroy such Bonds in accordance with the retention policy of the Trustee then in effect.

Section 9.11. Funds and Accounts. Any fund or account required by this Indenture to be established and maintained by the Authority or the Trustee may be established and maintained in the accounting records of the Authority or the Trustee, as the case may be, either as a fund or an account, and may, for the purpose of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account. All such records with respect to all such funds and accounts held by the Authority will at all times be maintained in accordance with generally accepted accounting principles and all such records with respect to all such funds and accounts held by the Trustee will be at all times maintained in accordance with corporate trust industry practices; in each case with due regard for the protection of the security of the Bonds and the rights of every Owner thereof.

Section 9.12. Notices. Any notice, request, complaint, demand, communication or other paper will be sufficiently given and will be deemed given when delivered or mailed by registered or certified mail, postage prepaid, or sent by telegram, addressed as follows:

If to the Authority: Elk Grove Finance Authority  
8401 Laguna Palms Way  
Elk Grove, California 95758  
Attention: Director of Finance and Administrative Services

If to the Trustee: U.S. Bank National Association  
1420 Fifth Avenue, 7<sup>th</sup> Floor, PD-WA-T7CT  
Seattle, Washington 98101  
Attention: Global Corporate Trust Services

If to Standard & Poor's: Standard & Poor's  
55 Water Street  
New York, New York 10041  
Attention: Municipal Finance Department

The Authority, the City and the Trustee may designate any further or different addresses to which subsequent notices, certificates or other communications will be sent.

Section 9.13. Unclaimed Moneys. Anything in this Indenture to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of any

of the Bonds which remain unclaimed for two (2) years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee at such date, or for two (2) years after the date of deposit of such moneys if deposited with the Trustee after said date when such Bonds become due and payable, will be repaid by the Trustee to the Authority, as its absolute property and free from trust, and the Trustee will thereupon be released and discharged with respect thereto and the Bond Owners will look only to the Authority for the payment of such Bonds; provided, however, that before being required to make such payment to the Authority, the Trustee will, at the expense of Authority, cause to be mailed to the Owners of all such Bonds, at their respective addresses appearing on the Bond Register, a notice that said moneys remain unclaimed and that, after a date in said notice, which date will not be fewer than thirty (30) days after the date of mailing such notice, the balance of such moneys then unclaimed will be returned to the Authority.

Section 9.14. Payment Due on Other than a Business Day. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in the Indenture, is not a Business Day, such payment, with no interest accruing for the period after such nominal date, may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in this Indenture.

Section 9.15. Parties Interested in this Indenture. Nothing in this Indenture expressed or implied is intended or will be construed to confer upon, or to give or grant to, any person or entity, other than the Authority, the City, the Trustee and the registered owners of the Bonds, any right, remedy or claim under or by reason of this Indenture or any covenant, condition or stipulation, and all covenants, stipulations, promises and agreements in this Indenture contained by and on behalf of the Authority will be for the sole and exclusive benefit of the Authority, the City, the Trustee and the registered owners of the Bonds.

IN WITNESS WHEREOF, the Authority has caused this Indenture to be executed by the Treasurer of the Authority, attested by its Secretary, and the Trustee has caused this Indenture to be executed by one of its corporate trust officers, all as of the day and year first above written.

**ELK GROVE FINANCE AUTHORITY**

By: \_\_\_\_\_  
Treasurer

Attest:

By: \_\_\_\_\_  
Secretary

**U.S. BANK NATIONAL ASSOCIATION,  
as Trustee**

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

**EXHIBIT A**  
**FORM OF BOND**

No. \_\_\_\_\_

\$ \_\_\_\_\_

**ELK GROVE FINANCE AUTHORITY**  
**SPECIAL TAX REVENUE BOND, SERIES 2015**

INTEREST RATE:	MATURITY DATE:	DATED DATE:	CUSIP:
%	September 1, _____	July __, 2015	

REGISTERED OWNER:

PRINCIPAL AMOUNT:            AND NO/100 DOLLARS

The ELK GROVE FINANCE AUTHORITY, a joint powers authority organized and existing under the laws of the State of California (the "Authority"), for value received, hereby promises to pay (but only out of the Revenues and other funds hereinafter referred to) to the Registered Owner identified above or registered assigns (the "Registered Owner"), on the Maturity Date identified above (subject to any right of prior redemption hereinafter mentioned), the Principal Amount identified above in lawful money of the United States of America; and to pay interest thereon at the Interest Rate identified above in like money from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond (unless this Bond is authenticated on or before an Interest Payment Date and after the fifteenth calendar day of the month preceding the month in which such Interest Payment Date occurs, in which event it will bear interest from such Interest Payment Date, or unless this Bond is authenticated on or prior to February 15, 2016, in which event it will bear interest from the Dated Date identified above; provided, however, that if, at the time of authentication of this Bond, interest is in default on this Bond, this Bond will bear interest from the Interest Payment Date to which interest hereon has previously been paid or made available for payment), payable semiannually on March 1 and September 1 in each year, commencing March 1, 2016 (each, an "Interest Payment Date") until the Maturity Date stated above or date of redemption of this Bond. The Principal Amount is payable upon presentation and surrender at the Trust Office (as defined in the Indenture) of U.S. Bank National Association (the "Trustee"). Interest hereon is payable by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Registered Owner at the address of the Registered Owner as it appears on the registration books of the Trustee as of the fifteenth calendar day of the month preceding the month in which such Interest Payment Date occurs; provided, however, that payment of interest may be made by wire transfer to an account in the United States of America to any registered owner of Bonds in the aggregate principal amount of \$1,000,000 or more upon written instructions of any such registered owner filed with the Trustee for that purpose as of the close of business on the fifteenth calendar day of the month preceding the month in which such Interest Payment Date occurs.

This Bond is a limited obligation of the Authority, payable solely from the Revenues and funds pledged under the Indenture (as defined herein). This Bond is not a debt of the City of Elk Grove (the "City") or the State of California or any of its political subdivisions (except the

Authority and only to the extent set forth in the Indenture), and none of said City, said State or any of its political subdivisions is liable hereon. The Authority has no taxing power.

This Bond is one of a duly authorized series of bonds of the Authority designated the "Elk Grove Finance Authority Revenue Bonds, Series 2015 " (the "Bonds"), limited in principal amount to \$[Par Amount], secured by an Indenture of Trust dated as of July 1, 2015 (the "Indenture"), between the Authority and the Trustee. Reference is hereby made to the Indenture and all indentures supplemental thereto for a description of the rights thereunder of the owners of the Bonds, of the nature and extent of the Revenues (as that term is defined in the Indenture), of the rights, duties and immunities of the Trustee and of the rights and obligations of the Authority thereunder; and all of the terms of the Indenture are hereby incorporated herein and constitute a contract between the Authority and the Registered Owner, and to all of the provisions of which Indenture the Registered Owner, by acceptance, assents and agrees.

The Bonds are authorized to be issued pursuant to the provisions of the Marks Roos Local Bond Pooling Act of 1985, as amended, constituting Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act"). The Bonds are limited obligations of the Authority and, as and to the extent set forth in the Indenture, are payable solely from and secured by a first lien on and pledge of the Revenues and certain other funds held by the Trustee as provided in the Indenture. The Revenues and such other funds constitute a trust fund for the security and payment of the principal of and interest on the Bonds, except to the extent otherwise provided in the Indenture. The full faith and credit of the Authority is not pledged to the payment of the principal of or interest or redemption premiums (if any) on the Bonds. The Bonds are not secured by a legal or equitable pledge of, or charge, lien or encumbrance upon, any of the property of the Authority or any of its income or receipts, except the Revenues and such other funds as provided in the Indenture.

The Bonds have been issued (i) to provide funds to purchase certain obligations of the City (the "CFD Bonds") and (ii) to finance certain public capital improvements on behalf of the City. The City will take the proceeds that it receives from the sale of the CFD Bonds to the Authority to refund certain outstanding indebtedness of the City, all as more particularly described in the Indenture. The obligations of the City to make payments of principal and interest on the CFD Bonds are limited obligations secured only as set forth therein.

Optional Redemption. The Bonds may be redeemed at the option of the Authority, from any source of available funds, prior to maturity on any date on or after September 1, 20\_\_ as a whole, or in part from maturities corresponding proportionately to the maturities of the CFD Bonds simultaneously redeemed, if any redemption of CFD Bonds is being accomplished in conjunction with such optional redemption, and otherwise from such maturities as are selected by the Authority, by lot within a maturity, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus a premium expressed below as a percentage of the principal amount so redeemed, plus accrued interest thereon to the date of redemption.

Redemption Date

Redemption Price

Mandatory Special Redemption. The Bonds are subject to mandatory special redemption on any Interest Payment Date from proceeds of early redemption of CFD Bonds from prepayment of Special Taxes, in whole or in part, from maturities corresponding proportionately to the maturities of the CFD Bonds simultaneously redeemed, at the principal amount thereof, plus a premium expressed below as a percentage of the principal amount so redeemed, plus accrued interest to the date of redemption thereof:

Redemption Date

Redemption Price

Mandatory Sinking Fund Redemption of Bonds. The Bonds maturing on September 1, 20\_\_, are subject to redemption prior to their stated maturity, in part, by lot from amounts deposited into the Principal 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 Bonds optionally redeemed:

Mandatory Redemption Dates  
(September 1)

Principal  
Amount

\*

\* Maturity

The Trustee on behalf and at the expense of the Authority will mail by first class mail, postage prepaid, notice of any redemption to the respective owners of any Bonds designated for redemption, at their respective addresses appearing on the registration books maintained by the Trustee and to the Securities Depositories and to the Municipal Securities Rulemaking Board (as such terms are defined in the Indenture), at least thirty (30) but not more than sixty (60) days prior to the redemption date; provided, however, that neither failure to receive any such notice so mailed nor any defect therein will affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon.

If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest will cease to accrue hereon from and after the date fixed for redemption.

The Bonds are issuable as fully registered Bonds without coupons in denominations of \$5,000 or any integral multiple thereof. Subject to the limitations and upon payment of the charges, if any, provided in the Indenture, fully registered Bonds may be exchanged at the Trust Office of the Trustee for a like aggregate principal amount and maturity of fully registered Bonds of other authorized denominations.

This Bond is transferable by the Registered Owner, in person or by its attorney duly authorized in writing, at the Trust Office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon such transfer a new fully registered Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount will be

issued to the transferee in exchange herefor. The Trustee will not be required to register the transfer or exchange of any Bond (i) during 15 days prior to selection of Bonds for redemption, or (ii) selected for redemption.

The Authority and the Trustee may treat the Registered Owner as the absolute owner for all purposes, and the Authority and the Trustee will not be affected by any notice to the contrary. The Indenture and the rights and obligations of the Authority and of the owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time in the manner, to the extent, and upon the terms provided in the Indenture; provided that no such modification or amendment will (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Authority to pay the principal, interest or redemption premiums at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee, all as more fully set forth in the Indenture.

It is hereby certified by the Authority that all things, conditions and acts required to exist, to have happened and to have been performed precedent to and in the issuance 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 by the Act, and that the amount of this Bond, together with all other indebtedness of the Authority, does not exceed any limit prescribed by the Constitution or statutes of the State of California or by the Act.

This Bond will not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the certificate of authentication hereon will have been signed by the Trustee.



IN WITNESS WHEREOF, the ELK GROVE FINANCE AUTHORITY has caused this Bond to be executed in its name and on its behalf by the facsimile signature of its Chairman and attested by the facsimile signature of its Secretary, all as of the date set forth above.

ELK GROVE FINANCE AUTHORITY

By: \_\_\_\_\_  
Chairman

Attest:

\_\_\_\_\_  
Secretary

**CERTIFICATE OF AUTHENTICATION**

This is one of the Bonds described in the within-mentioned Indenture.

Date: \_\_\_\_\_

U.S. Bank National Association,  
as Trustee

By: \_\_\_\_\_  
Authorized Signatory

ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto

\_\_\_\_\_ whose tax identification number is \_\_\_\_\_,  
the within mentioned registered Bond and hereby irrevocably constitute(s) and appoint(s)

\_\_\_\_\_ attorney to transfer the same on the books of the Trustee with full power of substitution in the premises.

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

Signature guaranteed:

\_\_\_\_\_  
NOTE: Signature(s) must be guaranteed by an eligible guarantor institution

\_\_\_\_\_  
NOTE: The signatures(s) on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever

**FISCAL AGENT AGREEMENT**

**Between**

**CITY OF ELK GROVE**

**and**

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

**Dated as of July 1, 2015**

**[\$par amount]  
CITY OF ELK GROVE  
EAST FRANKLIN  
COMMUNITY FACILITIES DISTRICT NO. 2002-1  
SPECIAL TAX BONDS  
SERIES 2015**

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**EXHIBIT A FORM OF SPECIAL TAX BOND, SERIES 2015**

## FISCAL AGENT AGREEMENT

THIS FISCAL AGENT AGREEMENT (this "**Fiscal Agent Agreement**") is made and entered into as of July 1, 2015, between the City of Elk Grove, a municipal corporation and general law city organized and existing under and by virtue of the Constitution and laws of the State of California (the "**City**"), for and on behalf of the City's East Franklin Community Facilities District No. 2002-1 (the "**CFD**"), and U.S. Bank National Association, a national banking association organized and existing under the laws of the United States of America, as fiscal agent (the "**Fiscal Agent**"), and governs the terms of the City of Elk Grove East Franklin Community Facilities District No. 2002-1 Special Tax Bonds, Series 2015 (the "**Bonds**") issued in accordance herewith from time to time.

### BACKGROUND :

1. The City Council of the City has conducted proceedings under and pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, Chapter 2.5 of Part 1 of Division 2 of Title 5 (commencing with Section 53311) of the California Government Code (the "**Act**"), to form the CFD, to authorize the levy of special taxes upon the land within the CFD, and to issue bonds secured by said special taxes the proceeds of which special taxes and which bonds were to be used to finance certain public improvements, all as described in those proceedings.

2. Under the provisions of the Act, on behalf of the CFD, the City has previously issued \$57,960,000 City of Elk Grove East Franklin Community Facilities District No. 2002-1 Special Tax Refunding Bonds, Series 2005 (the "**Prior Bonds**") pursuant to a Fiscal Agent Agreement, dated as of August 1, 2005, between the City and U.S. Bank National Association (the "**Prior Bonds Fiscal Agent**").

3. The Prior Bonds were purchased by the Elk Grove Finance Authority (the "**Authority**") with a portion of the proceeds of its \$90,875,000 Elk Grove Finance Authority Special Tax Revenue Bonds (the "**2005 Authority Bonds**") pursuant to a Trust Agreement, dated as of August 1, 2005, between the Authority, the City and U.S. Bank National Association, as trustee for the 2005 Authority Bonds.

4. The City wishes to refinance the Prior Bonds to take advantage of current interest rates, which refinancing will result in the redemption on a current basis of a portion of the 2005 Authority Bonds.

5. The Prior Bonds are subject to redemption on September 1, 2015, in whole or in part, at a redemption price equal to 100% of the principal amount of the Prior Bonds to be redeemed, plus accrued interest to the date fixed for redemption.

6. On \_\_\_\_\_ 2015, for the purpose of refinancing the Prior Bonds, the City Council adopted Resolution No. 2015-\_\_ (the "**Resolution**") authorizing the issuance and sale of the Bonds by the City for and on behalf of the CFD pursuant to this Fiscal Agent Agreement, which special tax bonds will be issued in a single series.

7. The City has determined that it is in the public interest and for the benefit of the City, the persons responsible for the payment of special taxes and the owners of the Bonds that the City enter into this Fiscal Agent Agreement to provide for the issuance of the Bonds, the

disbursement of proceeds of the Bonds, the disposition of the special taxes securing the bonds, and the administration and payment of the Bonds.

8. The City has determined that all things necessary to cause the bonds, when authenticated by the Fiscal Agent and issued as provided in the Act, the Resolution and this Fiscal Agent Agreement, to be legal, valid and binding and limited obligations in accordance with their terms, and all things necessary to cause the creation, authorization, execution and delivery of this Fiscal Agent Agreement and the creation, authorization, execution and issuance of the Bonds, subject to the terms, have in all respects been duly authorized.

NOW, THEREFORE, in order to establish the terms and conditions upon and subject to which the Bonds are to be issued, and in consideration of the premises and of the mutual covenants contained herein and of the purchase and acceptance of the Bonds by the Owners thereof, and for other valuable consideration, the receipt of which is hereby acknowledged, the City does hereby covenant and agree, for the benefit of the Owners of the Bonds as follows:

## ARTICLE I

### DEFINITIONS

Section 1.1. Definitions. Unless the context otherwise requires, the following terms will have the following meanings:

“Account” means any account created pursuant to this Fiscal Agent Agreement.

“Act” means the Mello-Roos Community Facilities Act of 1982, as amended, Sections 53311 et seq. of the California Government Code.

“Administrative Expenses” means any or all of the following:

(a) the expenses directly related to the administration of the CFD, including, but not limited to, the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the City or a designee thereof or both); the costs of collecting the Special Taxes (whether by the County, the City or otherwise); the costs of remitting the Special Taxes to the Fiscal Agent; the costs associated with preparing Special Tax disclosure statements and responding to the public inquiries regarding the Special Taxes; the costs of the City, the CFD or any designee thereof related to an appeal of the Special Tax;

(b) the costs of the Fiscal Agent (including its legal counsel) in the discharge of the duties of the Fiscal Agent pertaining to the Bonds required under this Fiscal Agent Agreement and any Supplemental Agreement;

(c) the costs of the City or any designee thereof of complying with the City, the CFD or the Authority disclosure requirements associated with applicable federal or state securities laws of the Act pertaining to the bonds;

(d) the Authority Administrative Expenses;

(e) any amounts required to be rebated to the federal government; and

(f) all other costs and expenses of the City (including, but not limited to, an allocable share of the salaries of the City staff directly related to the foregoing, a proportionate amount of City general administrative overhead related to the foregoing, and amounts advanced by the City for any administrative purpose of the CFD, including costs related to prepayments of Special Taxes, recordings related to such prepayments and satisfaction of Special Taxes, amounts advanced to ensure maintenance of tax exemption, and the costs of prosecuting foreclosure of delinquent Special Taxes, which amounts advanced are subject to reimbursement from other sources, including proceeds of foreclosure) and the Fiscal Agent incurred in connection with the discharge of their respective duties hereunder and in any way related to the administration of the CFD and all actual costs and expenses incurred in connection with the administration of the Bonds.



“Administrative Expenses Cap” means (i) for fiscal year 2015-16, \$25,000 and (ii) for each subsequent year, an amount equal to the preceding fiscal year’s Administrative Expenses Cap plus an additional 2% of such amount.

“Annual Debt Service” means the principal amount of any Outstanding Bonds payable in a Bond Year either at maturity or pursuant to a Sinking Fund Payment and any interest payable on any Outstanding Bonds in such Bond Year, if the Bonds are retired as scheduled.

“Authority” means the Elk Grove Finance Authority.

“Authority Bonds” means any bonds outstanding under the Authority Indenture, which are secured in part by payments made on the Bonds.

“Authority Indenture” means that certain Indenture of Trust, dated as of July 1, 2015, between the Authority and the Authority Trustee, pursuant to which the Authority Bonds are issued.

“Authority Trustee” means U.S. Bank National Association or any successor thereto appointed pursuant to the Authority Indenture.

“Authorized Investments” means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein, but only to the extent that the same are acquired at Fair Market Value:

(a) Federal Securities;

(b) any of the following direct or indirect obligations of the following agencies of the United States of America: (i) direct obligations of the Export-Import Bank; (ii) certificates of beneficial ownership issued by the Farmers Home Administration; (iii) participation certificates issued by the General Services Administration; (iv) mortgage-backed bonds or pass-through obligations issued and guaranteed by the Government National Mortgage Association, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or the Federal Housing Administration; (v) project notes issued by the United States Department of Housing and Urban Development; and (vi) public housing notes and bonds guaranteed by the United States of America;

(c) interest-bearing demand or time deposits (including certificates of deposit) or deposit accounts in federal or state chartered savings and loan associations or in federal or State of California banks (including the Fiscal Agent and its affiliates), provided that (i) the unsecured short-term obligations of such commercial bank or savings and loan association will be rated in the highest short-term rating category by any Rating Agency or (ii) such demand or time deposits will be fully insured by the Federal Deposit Insurance Corporation;

(d) commercial paper rated at the time of purchase in the highest short-term rating category by any Rating Agency, issued by corporations which are organized and operating within the United States of America, and which matures not more than 180 days following the date of investment therein;

(e) bankers acceptances, consisting of bills of exchange or time drafts drawn on and accepted by a commercial bank whose short-term obligations are rated in the highest short-term rating category by any Rating Agency or whose long-term obligations are rated A or better by each such Rating Agency, which mature not more than 270 days following the date of investment therein;

(f) obligations the interest on which is excludable from gross income pursuant to Section 103 of the Tax Code and which are either (a) rated A or better by any Rating Agency or (b) fully secured as to the payment of principal and interest by Federal Securities;

(g) obligations issued by any corporation organized and operating within the United States of America having assets in excess of Five Hundred Million Dollars (\$500,000,000), which obligations are rated A or better by any Rating Agency;

(h) money market funds (including money market funds for which the Fiscal Agent, its affiliates or subsidiaries provide investment advisory or other management services) which invest in Federal Securities or which are rated in the highest rating category by any Rating Agency;

(i) any investment agreement, repurchase agreement or other investment instrument which represents the general unsecured obligations of a bank, investment banking firm or other financial institution whose long-term obligations are rated at the time of the delivery of the investment agreement, repurchase agreement or other investment instrument A or better by any Rating Agency; and

(j) shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State of California that invests exclusively in investments permitted by Section 53601 of Title 5, Division 2, Chapter 4 of the California Government Code, as it may be amended (California Asset Management Program); and

(k) the Local Agency Investment Fund of the State, created pursuant to Section 16429.1 of the California Government Code.

“Authorized Representative of the City” means the Mayor, City Manager, Finance Director or City Clerk, or any other person or persons designated by a written certificate signed on behalf of the City by the City Manager or Finance Director of the City and containing the specimen signature of each such person.

“Bond Counsel” means Jones Hall, A Professional Law Corporation, and its successors; or any other attorney at law or firm of attorneys selected by the Authority, of nationally recognized standing in matters pertaining to the federal tax exemption of interest on bonds issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America.

“Bond Register” means the books which the Fiscal Agent will keep or cause to be kept on which the registration and transfer of the Bonds will be recorded.

“Bondowner” or “Owner” means the person or persons in whose name or names any Bond is registered.

“Bonds” means the Bonds issued hereunder, including the \$[par amount] City of Elk Grove East Franklin Community Facilities District No. 2002-1 Special Tax Bonds, Series 2015 and any Parity Bonds.

“Bond Year” means the twelve month period commencing on September 2 of each year and ending on September 1 of the following year, except that the first Bond Year will begin on the Delivery Date for such Bonds and end on the first September 1 which is not more than 12 months after the Delivery Date.

“Business Day” means a day which is not a Saturday or Sunday or a day of the year on which the New York Stock Exchange or banks in New York, New York or Los Angeles, California, or the city where the corporate trust office of the Fiscal Agent is located, are not required or authorized to remain closed.

“Certificate of an Authorized Representative” means a written certificate or warrant request executed by an Authorized Representative of the City.

“CFD” means City of Elk Grove East Franklin Community Facilities District No. 2002-1 established pursuant to the Act and the Resolution of Formation.

“City” means the City of Elk Grove, a municipal corporation and general law city duly established and existing under the Constitution and laws of the State of California.

“Code” means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the Closing Date, together with applicable temporary and final regulations promulgated, and applicable official guidance published, under the Code.

“Costs of Issuance” will have the meaning set forth in the Authority Indenture.

“Delivery Date” means, with respect to the Bonds and each issue of Parity Bonds, the date on which the bonds of such issue were issued and delivered to the initial purchasers thereof.

“Escrow Agent” means U.S. Bank National Association.

“Escrow Agreement” means the Escrow Agreement dated as of July 1, 2015, among the City, the Authority and the Escrow Agent.

“Escrow Fund” means the CFD 2002-1 Escrow Account established pursuant to the Escrow Agreement.

“Fair Market Value” means, with respect to any investment, the price at which a willing buyer would purchase such investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm's length transaction (as described above) if (i) the investment is a

certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security - State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the Authority and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

“Federal Securities” means any of the following:

- (a) Cash (insured at all times by the Federal Deposit Insurance Corporation).
- (b) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including:
  - U.S. treasury obligations
  - All direct or fully guaranteed obligations
  - Farmers Home Administration
  - General Services Administration
  - Guaranteed Title XI financing
  - Government National Mortgage Association (GNMA)
  - State and Local Government Series

“Finance Director” means the official of the City, or such official’s designee, who acts in the capacity as the chief financial officer of the City, including the controller or other financial officer.

“Fiscal Agent” means U.S. Bank National Association, a national banking association organized and existing under the laws of the United States of America, at its principal corporate trust office in \_\_\_\_\_, California, and its successors or assigns, or any other bank or trust company which may at any time be substituted in its place as provided in Sections 7.2 or 7.3 and any successor thereto.

“Fiscal Agent Agreement” means this Fiscal Agent Agreement, together with any Supplemental Agreement approved pursuant to Article 6.

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next following June 30.

“Gross Taxes” means the proceeds of the Special Taxes received by the City, including any scheduled payments and any prepayments thereof, interest thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest thereon. “Gross Taxes” does not include any penalties collected in connection with delinquent Special Taxes or any interest in excess of the interest due on the Bonds.

“Improvement Fund” means the fund by that name established and held by the City pursuant to Section 3.1.

“Independent Financial Consultant” means a financial consultant or firm of such consultants generally recognized to be well qualified in the financial consulting field, appointed and paid by the City, who, or each of whom:

- (1) is in fact independent and not under the domination of the City;
- (2) does not have any substantial interest, direct or indirect, in the City; and
- (3) is not connected with the City as a member, officer or employee of the City, but who may be regularly retained to make annual or other reports to the City.

“Interest Payment Date” means each March 1 and September 1, commencing March 1, 2016; provided, however, that, if any such day is not a Business Day, interest up to the Interest Payment Date will be paid on the Business Day next preceding such date.

“Maximum Annual Debt Service” means the maximum sum obtained for any Bond Year prior to the final maturity of the Bonds by adding the following for each Bond Year:

- (1) the principal amount of all Outstanding Bonds payable in such Bond Year either at maturity or pursuant to a Sinking Fund Payment; and
- (2) the interest payable on the aggregate principal amount of all Bonds Outstanding in such Bond Year if the Bonds are retired as scheduled.

“Net Taxes” means Gross Taxes minus the Administrative Expenses Cap.

“Outstanding” or “Outstanding Bonds” means all Bonds theretofore issued by the City, except:

- (1) Bonds theretofore cancelled or surrendered for cancellation in accordance with Section 9.1;
- (2) Bonds for payment or redemption of which monies will have been theretofore deposited in trust (whether upon or prior to the maturity or the redemption date of such Bonds), provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption will have been given as provided in this Fiscal Agent Agreement or any applicable Supplemental Agreement for Parity Bonds; and
- (3) Bonds which have been surrendered to the Fiscal Agent for transfer or exchange pursuant to Section 2.9 or for which a replacement has been issued pursuant to Section 2.10.

“Parity Bonds” means additional bonds issued pursuant to Section 8.2 of this Fiscal Agent Agreement that are payable from Net Taxes and other amounts deposited in the Special Tax Fund and secured by a lien and charge upon such amounts equal to the lien and charge securing the Bonds.

“Person” means natural persons, firms, corporations, partnerships, associations, trusts, public bodies and other entities.

“Prepayments” means any amounts paid by the City to the Fiscal Agent and designated by the City as a prepayment of Special Taxes for one or more parcels in the CFD made in accordance with the Rate and Method of Apportionment of Special Taxes attached to the Resolution of Formation.

“Principal Office of the Fiscal Agent” means the office of the Fiscal Agent located in \_\_\_\_\_, California, or such other office or offices as the Fiscal Agent may designate from time to time, or the office of any successor Fiscal Agent where it principally conducts its business of serving as trustee under indentures pursuant to which municipal or governmental obligations are issued.

“Prior Bonds” means the City of Elk Grove East Franklin Community Facilities District No. 2002-1 Special Tax Refunding Bonds, Series 2005 issued in the original principal amount of \$57,960,000.

“Prior Bonds Fiscal Agent” means U.S. Bank National Association, as fiscal agent with respect to the Prior Bonds under the Prior Bonds Fiscal Agent Agreement.

“Prior Bonds Fiscal Agent Agreement” means the Fiscal Agent Agreement, dated as of August 1, 2005, between the City, for and on behalf of the CFD, and the Prior Bonds Fiscal Agent.

“Project” means those items described as “Facilities” in the Resolution of Formation.

“Rating Agency” means Standard & Poor’s or, in the event that Standard & Poor’s no longer maintains a rating on the Bonds, any other nationally recognized bond rating agency then maintaining a rating on the Bonds, but, in each instance, only so long as Standard & Poor’s or other nationally recognized rating agency then maintains a rating on the Bonds.

“Record Date” means the fifteenth day of the month preceding an Interest Payment Date, regardless of whether such day is a Business Day.

“Reserve Account” means the account by that name created and established in the Special Tax Fund pursuant to Section 3.1.

“Reserve Account Credit Instrument” means an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company, provided that all of the following requirements are met:

(a) the long-term credit rating of such bank or insurance company from either Moody’s Ratings Services or Standard & Poor’s is “AA” or better (without regard to numerical or other modification);

(b) such letter of credit or surety bond has a term of at least 12 months;

(c) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released pursuant to Section 3.6; and

(d) the Fiscal Agent is authorized under such letter of credit or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Interest Account or the Principal Account for the purpose of making payments required hereunder.

“Reserve Requirement” means as of any date of calculation, an amount equal to the least of: (i) Maximum Annual Debt Service on the Outstanding Bonds; (ii) 10% of the initial principal amount of the Bonds, or (iii) 125% of average Annual Debt Service on the Outstanding Bonds.

“Resolution of Formation” means Resolution No. 2002-81 adopted by the City Council of the City on May 15, 2002 pursuant to which the City formed the CFD.

“Sinking Fund Payment” means the annual payment to be deposited in the Redemption Account to redeem a portion of the Term Bonds in accordance with the schedule set forth in Section 4.1(b) and any annual sinking fund payment schedule to retire any Parity Bonds which are designated as Term Bonds.

“Special Tax Fund” means the fund by that name created and established pursuant to Section 3.1.

“Special Taxes” means the taxes authorized to be levied by the City on property within the CFD in accordance with the Resolution of Formation, the Act and the voter approval obtained at the May 15, 2002 election in the CFD.

“Standard & Poor’s” means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, its successors and assigns.

“Supplemental Agreement” means any Supplemental Agreement amending or supplementing this Fiscal Agent Agreement.

“Surplus Fund” means the fund by that name created and established pursuant to Section 3.1.

“Term Bonds” means the Bonds subject to mandatory sinking fund redemption.

## ARTICLE II

### GENERAL AUTHORIZATION AND BOND TERMS

Section 2.1. Amount, Issuance and Purpose of Bonds. Under and pursuant to the Act, the City of Elk Grove East Franklin Community Facilities District No. 2002-1 Special Tax Bonds, Series 2015 in the aggregate principal amount of \$[par amount] will be issued for the purpose of (a) refunding and defeasing the Prior Bonds, (b) funding the Reserve Requirement, and (c) funding a portion of the Costs of Issuance.

Section 2.2. Type and Nature of Bonds. Subject to the provisions of Section 8.1, the Bonds will be secured by a first lien on and pledge of all the Net Taxes and amounts in the Special Tax Fund. Neither the faith and credit nor the taxing power of the City, the State of California or any political subdivision thereof other than the City is pledged to the payment of the Bonds. Except for the Net Taxes, no other taxes are pledged to the payment of the Bonds. The Bonds are not general obligations of the City, but are limited obligations of the City payable solely from certain amounts deposited by the City in the Special Tax Fund, as more fully described herein. The City's limited obligation to pay the principal of, premium, if any, and interest on the Bonds from amounts in the Special Tax Fund is absolute and unconditional, free of deductions and without any abatement, offset, recoupment, diminution or set-off whatsoever. No Owner of the Bonds may compel the exercise of the taxing power by the City (except the Special Taxes) or the forfeiture of any of its property. The principal of and interest on the Bonds and premiums upon the redemption thereof, if any, are not a debt of the City, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory limitation or restriction. The Bonds are not a legal or equitable pledge, charge, lien, or encumbrance upon any of the City's property, or upon any of its income, receipts or revenues, except the Net Taxes and other amounts in the Special Tax Fund which are, under the terms of this Fiscal Agent Agreement and the Act, set aside for the payment of the Bonds and interest thereon and neither the members of the City Council of the City nor any persons executing the Bonds are liable personally on the Bonds by reason of their issuance.

Notwithstanding anything to the contrary contained in this Fiscal Agent Agreement, the City will not be required to advance any money derived from any source of income other than the Net Taxes for the payment of the interest on or the principal of the Bonds, or for the performance of any covenants contained herein. The City may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose.

Section 2.3. Equality of Bonds and Pledge of Net Taxes. Pursuant to the Act and this Fiscal Agent Agreement, the Bonds will be equally secured by a pledge of and payable from the Net Taxes and other amounts in the Special Tax Fund, without priority for number, date of the Bonds, date of sale, date of execution, or date of delivery, and the payment of the interest on and principal of the Bonds and premiums upon the redemption thereof, will be exclusively paid from the Net Taxes and other amounts in the Special Tax Fund, which are hereby set aside for the payment of the Bonds. Amounts in the Special Tax Fund will constitute a trust fund held for the benefit of the Owners to be applied to the payment of the interest on and principal of the Bonds and so long as any of the Bonds or interest thereon remain Outstanding will not be used for any other purpose, except as permitted by this Fiscal Agent Agreement or any Supplemental Agreement. Notwithstanding any provision contained in this Fiscal Agent Agreement to the contrary, Net Taxes deposited in the Surplus Fund will no longer be considered to be pledged to



the Bonds, and none of the Surplus Fund, or amounts for Administrative Expenses retained by the City will be construed as a trust fund held for the benefit of the Owners.

Nothing in this Fiscal Agent Agreement or any Supplemental Agreement will preclude; (a) the redemption prior to maturity of any Bonds subject to call and redemption and payment of said Bonds from proceeds of refunding bonds issued under the Act as the same now exists or as hereafter amended, or under any other law of the State of California; or (b) the issuance, subject to the limitations contained herein, of Parity Bonds which will be payable from Net Taxes.

Section 2.4. Description of Bonds; Interest Rates. The Bonds will be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof. The Bonds of each issue will be numbered as desired by the Fiscal Agent.

The Bonds will be designated "CITY OF ELK GROVE EAST FRANKLIN COMMUNITY FACILITIES DISTRICT NO. 2002-1 SPECIAL TAX BONDS, SERIES 2015." The Bonds will be dated as of their Delivery Date and will mature and be payable on September 1 in the years and in the aggregate principal amounts and will be subject to and will bear interest at the rates set forth in the table below, payable on March 1, 2016 and each Interest Payment Date thereafter:

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest Rate</u> <u>Per Annum</u>
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Interest will be payable on each Bond from the date established in accordance with Section 2.5 below on each Interest Payment Date thereafter until the principal sum of that Bond has been paid; provided, however, that if at the maturity date of any Bond funds are available for the payment or redemption thereof in full, in accordance with the terms of this Fiscal Agent Agreement, such Bonds will then cease to bear interest. Interest due on the Bonds will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

Section 2.5. Place and Form of Payment. The Bonds will be payable both as to principal and interest, and as to any premiums upon the redemption thereof, in lawful money of the United States of America. The principal of the Bonds and any premiums due upon the redemption thereof will be payable upon presentation and surrender thereof at the Principal

Office of the Fiscal Agent, or at the designated office of any successor Fiscal Agent. Interest on any Bond will be payable from the Interest Payment Date next preceding the date of authentication of that Bond, unless (i) such date of authentication is an Interest Payment Date in which event interest will be payable from such date of authentication, (ii) the date of authentication is after a Record Date but prior to the immediately succeeding Interest Payment Date, in which event interest will be payable from the Interest Payment Date immediately succeeding the date of authentication, or (iii) the date of authentication is prior to the close of business on the first Record Date occurring after the issuance of such Bond, in which event interest will be payable from the dated date of such Bond; provided, however, that if at the time of authentication of such Bond, interest is in default, interest on that Bond will be payable from the last Interest Payment Date to which the interest has been paid or made available for payment or, if no interest has been paid or made available for payment on that Bond, interest on that Bond will be payable from its dated date. Interest on any Bond will be paid to the person whose name will appear in the Bond Register as the Owner of such Bond as of the close of business on the Record Date. Such interest will be paid by check of the Fiscal Agent mailed by first class mail, postage prepaid, to such Bondowner at his or her address as it appears on the Bond Register. In addition, upon a request in writing received by the Fiscal Agent on or before the applicable Record Date from an Owner of \$1,000,000 or more in principal amount of the Bonds, payment will be made on the Interest Payment Date by wire transfer in immediately available funds to an account designated by such Owner.

Section 2.6. Form of Bonds. The Bonds and the certificate of authentication will be substantially in the form attached hereto as Exhibit A, which forms are hereby approved and adopted as the forms of such Bonds and of the certificate of authentication.

Notwithstanding any provision in this Fiscal Agent Agreement to the contrary, the City may, in its sole discretion, elect to issue the Bonds in book entry form.

Until definitive Bonds will be prepared, the City may cause to be executed and delivered in lieu of such definitive Bonds temporary bonds in fully registered form, subject to the same provisions, limitations and conditions as are applicable in the case of definitive Bonds, except that they may be in any denominations authorized by the City. Until exchanged for definitive Bonds, any temporary bond will be entitled and subject to the same benefits and provisions of this Fiscal Agent Agreement as definitive Bonds. If the City issues temporary Bonds, it will execute and furnish definitive Bonds without unnecessary delay and thereupon any temporary Bond may be surrendered to the Fiscal Agent at its office, without expense to the Owner, in exchange for a definitive Bond of the same issue, maturity, interest rate and principal amount in any authorized denomination. All temporary Bonds so surrendered will be cancelled by the Fiscal Agent and will not be reissued.

Section 2.7. Execution and Authentication. The Bonds will be signed on behalf of the City by the manual or facsimile signature of the Finance Director and by the manual or facsimile signature of the City Clerk, or any duly appointed deputy City Clerk, in their capacity as officers of the City, and the seal of the City (or a facsimile thereof) will be impressed, imprinted, engraved or otherwise reproduced thereon, and attested by the signature of the City Clerk. In case any one or more of the officers who will have signed or sealed any of the Bonds will cease to be such officer before the Bonds so signed and sealed have been authenticated and delivered by the Fiscal Agent (including new Bonds delivered pursuant to the provisions with reference to the transfer and exchange of Bonds or to lost, stolen, destroyed or mutilated Bonds), such Bonds will nevertheless be valid and may be authenticated and delivered as

herein provided, and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office.

Only the Bonds as will bear thereon such certificate of authentication in the form set forth in Exhibit A attached hereto will be entitled to any right or benefit under this Fiscal Agent Agreement, and no Bond will be valid or obligatory for any purpose until such certificate of authentication will have been duly executed by the Fiscal Agent.

Section 2.8. Bond Register. The Fiscal Agent will keep or cause to be kept, at its office, sufficient books for the registration and transfer of the Bonds which will upon reasonable prior notice be open to inspection by the City during all regular business hours, and, subject to the limitations set forth in Section 2.9 below, upon presentation for such purpose, the Fiscal Agent will, under such reasonable regulations as it may prescribe, register or transfer or cause to be transferred on said Bond Register, Bonds as herein provided.

The City and the Fiscal Agent may treat the Owner of any Bond whose name appears on the Bond Register as the absolute Owner of that Bond for any and all purposes, and the City and the Fiscal Agent will not be affected by any notice to the contrary. The City and the Fiscal Agent may rely on the address of the Bondowner as it appears in the Bond Register for any and all purposes. It will be the duty of the Bondowner to give written notice to the Fiscal Agent of any change in the Bondowner's address so that the Bond Register may be revised accordingly.

Section 2.9. Registration of Exchange or Transfer. Subject to the limitations set forth in the following paragraph, the registration of any Bond may, in accordance with its terms, be transferred upon the Bond Register by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Bond for cancellation at the office of the Fiscal Agent, accompanied by delivery of written instrument of transfer in a form acceptable to the Fiscal Agent and duly executed by the Bondowner or his or her duly authorized attorney.

Bonds may be exchanged at the office of the Fiscal Agent for a like aggregate principal amount of Bonds for other authorized denominations of the same maturity and issue. The Fiscal Agent will not collect from the Owner any charge for any new Bond issued upon any exchange or transfer, but will require the Bondowner requesting such exchange or transfer to pay any tax or other governmental charge required to be paid with respect to such exchange or transfer. Whenever any Bonds will be surrendered for registration of transfer or exchange, the City will execute and the Fiscal Agent will authenticate and deliver a new Bond or Bonds of the same issue and maturity, for a like aggregate principal amount; provided that the Fiscal Agent will not be required to register transfers or make exchanges of (i) Bonds for a period of 15 days next preceding any selection of the Bonds to be redeemed, or (ii) any Bonds chosen for redemption.

Section 2.10. Mutilated, Lost, Destroyed or Stolen Bonds. If any Bond will become mutilated, the City will execute, and the Fiscal Agent will authenticate and deliver, a new Bond of like tenor, date, issue and maturity in exchange and substitution for the Bond so mutilated, but only upon surrender to the Fiscal Agent of the Bond so mutilated. Every mutilated Bond so surrendered to the Fiscal Agent will be cancelled by the Fiscal Agent pursuant to Section 9.1. If any Bond will be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Fiscal Agent and, if such evidence is satisfactory to the Fiscal Agent and, if any indemnity satisfactory to the Fiscal Agent will be given, the City will execute and the Fiscal Agent will authenticate and deliver, a new Bond of like tenor, maturity and issue, numbered and

dated as the Fiscal Agent will determine in lieu of and in substitution for the Bond so lost, destroyed or stolen. Any Bond issued in lieu of any Bond alleged to be mutilated, lost, destroyed or stolen, will be equally and proportionately entitled to the benefits with all other Bonds issued hereunder. The Fiscal Agent will not treat both the original Bond and any replacement Bond as being Outstanding for the purpose of determining the principal amount of Bonds which may be executed, authenticated and delivered hereunder or for the purpose of determining any percentage of Bonds Outstanding hereunder, but both the original and replacement Bond will be treated as one and the same. Notwithstanding any other provision of this Section, in lieu of delivering a new Bond which has been mutilated, lost, destroyed or stolen, and which has matured, the Fiscal Agent may make payment with respect to such Bonds

Section 2.11. Validity of Bonds. The validity of the authorization and issuance of the Bonds will not be affected in any way by any defect in any proceedings taken by the City for the refunding of the Prior Bonds, and the recital contained in the Bonds that the same are issued pursuant to the Act and other applicable laws of the State will be conclusive evidence of their validity and of the regularity of their issuance.

## ARTICLE III

### CREATION OF FUNDS AND APPLICATION OF PROCEEDS

#### Section 3.1. Creation of Funds; Application of Proceeds.

(a) Creation of Funds. There is hereby created and established and will be maintained by the Fiscal Agent the following funds and accounts:

(1) The Community Facilities District No. 2002-1 Special Tax Fund (the "**Special Tax Fund**") (in which there will be established and created an Interest Account, a Principal Account, a Redemption Account, and a Reserve Account); and

(2) The Community Facilities District No. 2002-1 Surplus Fund (the "**Surplus Fund**").

The amounts on deposit in the foregoing funds, accounts and subaccounts will be held by the Fiscal Agent and the Fiscal Agent will invest and disburse the amounts in such funds, accounts and subaccounts in accordance with the provisions of this Article 3 and will disburse investment earnings thereon in accordance with the provisions of Section 3.8.

The City will establish and hold the Community Facilities District No. 2002-1 Improvement Fund (the "**Improvement Fund**") in accordance with Section 3.10.

(b) Application of Proceeds. Proceeds received from the Authority Trustee or deemed to have been received from the Authority Trustee from the sale of the Bonds to the Authority Trustee in the amount of \$[par amount].00 (which represents the par amount of the Bonds of \$[par amount].00 and which includes the amount of \$\_\_\_\_\_ (which is the amount of the compensation to be paid from proceeds of the CFD Bonds to the underwriter of the Authority Bonds), which will be deemed to have been received from the Authority Trustee), will be received by the Fiscal Agent and deposited or transferred on the Delivery Date as follows:

(i) \$\_\_\_\_\_ of the proceeds of the sale of the Bonds will be deposited into the Escrow Fund to be used to redeem the Prior Bonds pursuant to the terms of the Escrow Agreement.

(ii) \$\_\_\_\_\_ of the proceeds of the sale of the Bonds representing a portion of the Costs of Issuance will be immediately transferred to the Authority Trustee for deposit in the Cost of Issuance Fund (as such term is defined in the Authority Indenture). In addition, the \$\_\_\_\_\_ deemed to have been received from the Authority Trustee will be deemed to have been deposited into the Cost of Issuance Fund and paid by the City to the underwriter of the Authority Bonds.

(iii) \$\_\_\_\_\_ of the proceeds of the sale of the Bonds will be transferred to the Reserve Account of the Special Tax Fund to fund the Reserve Requirement.

(iv) \$\_\_\_\_\_ of the proceeds of the sale of the Bonds will be transferred to the City for deposit in the Improvement Fund.

The Fiscal Agent may, in its discretion, establish a temporary fund or account in its books and records to facilitate such transfers.

Section 3.2. Deposits to and Disbursements from Special Tax Fund.

(a) Except for the portion of any Prepayment to be deposited to the Redemption Account as specified in a Certificate of an Authorized Representative of the City, and the Fiscal Agent will, on each date on which the Net Taxes are received from the City (pursuant to Section 5.2(a)), deposit the Net Taxes in the Special Tax Fund to be held in trust for the Owners. The Fiscal Agent will transfer the Net Taxes on deposit in the Special Tax Fund on the dates and in the amounts set forth in the following Sections, in the following order of priority, to:

- (1) The Interest Account of the Special Tax Fund;
- (2) The Principal Account of the Special Tax Fund;
- (3) The Redemption Account of the Special Tax Fund;
- (4) The Reserve Account of the Special Tax Fund; and
- (5) The Surplus Fund.

Section 3.3. [Reserved]

Section 3.4. Interest Account and Principal Account of the Special Tax Fund. The principal of and interest due on the Bonds until maturity, other than principal due upon redemption, will be paid by the Fiscal Agent from the Principal Account and the Interest Account of the Special Tax Fund, respectively. For the purpose of assuring that the payment of principal of and interest on the Bonds will be made when due, at least three Business Days prior to each March 1 and September 1, the Fiscal Agent will transfer from the Special Tax Fund, first to the Interest Account and then to the Principal Account, the amount required to pay interest on and principal of the Bonds on the immediately succeeding March 1 or September 1; provided, however, that to the extent that deposits have been made in the Interest Account or the Principal Account from the proceeds of the sale of an issue of the Bonds, or otherwise, the transfer from the Special Tax Fund need not be made; and provided, further, that, if amounts in the Special Tax Fund (exclusive of the Reserve Account) are inadequate to make the foregoing transfers, then any deficiency will be made up by transfers from the Reserve Account.

Section 3.5. Redemption Account of the Special Tax Fund.

(a) With respect to each September 1 on which a Sinking Fund Payment is due, after the deposits have been made to the Interest Account and the Principal Account of the Special Tax Fund as required by Section 3.4, the Fiscal Agent will next transfer into the Redemption Account of the Special Tax Fund from the Special Tax Fund the amount needed to make the balance in the Redemption Account five Business Days prior to each September 1 equal to the Sinking Fund Payment due on any Outstanding Bonds on such September 1; provided, however, that, if amounts in the Special Tax Fund are inadequate to make the foregoing transfers, then any deficiency will be made up by an immediate transfer from the Reserve Account, if funded, pursuant to Section 3.6 below. Moneys so deposited in the Redemption Account will be used and applied by the Fiscal Agent to call and redeem Term Bonds in accordance with the Sinking Fund Payment schedule set forth in Section 4.1(b), and to redeem Parity Bonds in accordance with any Sinking Fund Payment schedule set forth in the Supplemental Agreement for such Parity Bonds.

(b) After making the deposits to the Interest Account and the Principal Account of the Special Tax Fund pursuant to Section 3.4 above and to the Redemption Account for Sinking Fund Payments then due pursuant to subparagraph (a) of this Section, and in accordance with the City's election to call Bonds for optional redemption as set forth in Section 4.1(a), or to call Parity Bonds for optional redemption as set forth in any Supplemental Agreement for Parity Bonds, the Fiscal Agent will transfer from the Special Tax Fund and deposit in the Redemption Account moneys available for the purpose and sufficient to pay the principal and the premiums, if any, payable on the Bonds called for optional redemption; provided, however, that amounts in the Special Tax Fund may be applied to optionally redeem Bonds only if immediately following such redemption the amount in the Reserve Account will equal the Reserve Requirement.

(c) Prepayments of Special Taxes deposited to the Redemption Account will be applied on the redemption date established pursuant to Section 4.1(c) for the use of such Prepayments to the payment of the principal of, premium, and interest on the Bonds to be redeemed with such Prepayments.

(d) Moneys set aside in the Redemption Account will be used solely for the purpose of redeeming Bonds and will be applied on or after the redemption date to the payment of principal of and premium, if any, on the Bonds to be redeemed upon presentation and surrender of such Bonds and in the case of an optional redemption or an extraordinary redemption from Prepayments to pay the interest thereon; provided, however, that in lieu or partially in lieu of such call and redemption, moneys deposited in the Redemption Account, other than Prepayments, may be used to purchase Outstanding Bonds in the manner hereinafter provided. Purchases of Outstanding Bonds may be made by the City at public or private sale as and when and at such prices as the City may in its discretion determine but only at prices (including brokerage or other expenses) not more than par plus accrued interest, plus, in the case of moneys set aside for an optional redemption, the premium applicable at the next following call date according to the premium schedule established pursuant to Section 4.1(a), or in the case of Parity Bonds the premium established in any Supplemental Agreement. Any accrued interest payable upon the purchase of Bonds may be paid from the amount reserved in the Interest Account of the Special Tax Fund for the payment of interest on the next following Interest Payment Date.

Section 3.6. Reserve Account of the Special Tax Fund. There will be maintained in the Reserve Account of the Special Tax Fund an amount equal to the Reserve Requirement. If funded, the amounts in the Reserve Account will be applied as follows:

(a) Moneys in the Reserve Account will be used solely for the purpose of paying the principal of, including Sinking Fund Payments, and interest on the Bonds when due in the event that the moneys in the Interest Account and the Principal Account of the Special Tax Fund are insufficient therefor or moneys in the Redemption Account of the Special Tax Fund are insufficient to make a Sinking Fund Payment when due. If the amounts in the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund are insufficient to pay the principal of, including Sinking Fund Payments, or interest on any Bonds when due, the Fiscal Agent will withdraw from the Reserve Account for deposit in the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund, as applicable, moneys necessary for such purposes.

(b) Whenever moneys are withdrawn from the Reserve Account, after making the required transfers referred to in Sections 3.4 and 3.5 above, the Fiscal Agent will transfer to the Reserve Account from available moneys in the Special Tax Fund, or from any other legally

available funds which the City elects to apply to such purpose, the amount needed to restore the amount of such Reserve Account to the Reserve Requirement. Moneys in the Special Tax Fund will be deemed available for transfer to the Reserve Account only if the Fiscal Agent determines that such amounts will not be needed to make the deposits required to be made to the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund on or before the next September 1. If amounts in the Special Tax Fund together with any other amounts transferred to replenish the Reserve Account are inadequate to restore the Reserve Account to the Reserve Requirement, then the City will include the amount necessary fully to restore the Reserve Account to the Reserve Requirement in the next annual Special Tax levy to the extent of the maximum permitted Special Tax rates.

(c) In connection with a redemption of Bonds pursuant to Section 4.1(a) or (c), or a partial defeasance of Bonds in accordance with Section 8.1, amounts in the Reserve Account may be applied to such redemption or partial defeasance so long as the amount on deposit in the Reserve Account following such redemption or partial defeasance equals the Reserve Requirement. The City will set forth in a Certificate of an Authorized Representative the amount in the Reserve Account to be transferred to the Redemption Account on a redemption date or to be transferred pursuant to Section 8.1(c) to partially defease Bonds, and the Fiscal Agent will make such transfer on the applicable redemption or defeasance date, subject to the limitation in the preceding sentence.

(d) To the extent that the Reserve Account is at the Reserve Requirement as of the first day of the final Bond Year for the Bonds, amounts in the Reserve Account may be applied to pay the principal of and interest due on the Bonds in the final Bond Year for such issue.

(e) Substitution of Surety. The City may at any time release any cash or investments on deposit from the Reserve Account, in whole or in part, by tendering to the Fiscal Agent: (1) a Reserve Account Credit Instrument, and (2) an opinion of Bond Counsel stating that such release will not, of itself, cause the interest on the Bonds or the Authority Bonds to become includable in gross income for purposes of federal income taxation. Upon tender of such items to the Fiscal Agent, the Fiscal Agent will transfer such funds from the Reserve Account to or upon the direction of the City.

If the Reserve Account is funded with a combination of cash and a Reserve Account Credit Instrument, the Fiscal Agent will deplete all cash balances before drawing on the Reserve Account Credit Instrument. With regard to replenishment, any available moneys provided by the City will be used first to reinstate the Reserve Account Credit Instrument and second, to replenish the cash in the Reserve Account. If the Reserve Account Credit Instrument is drawn upon, the City will make payment of interest on amounts advanced under the Reserve Account Credit Instrument after making any payments pursuant to this subsection

Prior to the expiration of any Reserve Account Credit Instrument, or upon the reduction of the rating of the provider thereof below the required rating, the City will be obligated either (a) to replace such Reserve Account Credit Instrument with a new Reserve Account Credit Instrument, or (b) to deposit or cause to be deposited with the Fiscal Agent an amount of funds such that the funds on deposit in the Reserve Account, together with all Reserve Account Credit Instruments held by the Fiscal Agent, is at least equal to the Reserve Requirement.

Section 3.7. Surplus Fund. After making the transfers required by Sections 3.4, 3.5 and 3.6, as soon as practicable after each September 1, and in any event prior to each October 1, the Fiscal Agent will transfer all remaining amounts in the Special Tax Fund to the Surplus



Fund, unless on or prior to such date, it has received a Certificate of an Authorized Representative of the City directing that certain amounts be retained in the Special Tax Fund because the City has assumed such amounts would be available in the Special Tax Fund in calculating the amount of the levy of Special Taxes for such Fiscal Year pursuant to Section 5.2(b).

Moneys deposited in the Surplus Fund will be transferred by the Fiscal Agent at the direction of an Authorized Representative of the City as follows:

(i) to the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund to pay the principal of, including Sinking Fund Payments, premium, if any, and interest on the Bonds when due in the event that moneys in the Special Tax Fund and the Reserve Account are insufficient therefor,

(ii) to the Reserve Account in order to replenish the Reserve Account to the Reserve Requirement,

(iii) to the City to pay additional Administrative Expenses, and

(iv) for any other lawful purpose of the City.

The amounts in the Surplus Fund are not pledged to the repayment of the Bonds and may be used by the City for any lawful purpose.

Section 3.8. Investments. Moneys held in any of the Funds, Accounts and Subaccounts under this Fiscal Agent Agreement will be invested at the written direction of the City in accordance with the limitations set forth below only in Authorized Investments which will be deemed at all times to be a part of such Funds, Accounts and Subaccounts. Any loss resulting from such Authorized Investments will be credited or charged to the Fund, Account or Subaccount from which such investment was made, and any investment earnings on amounts deposited in the Special Tax Fund and the Surplus Fund, and each Account therein, will be deposited in those respective Funds and Accounts.

Moneys in the Funds, Accounts and Subaccounts held under this Fiscal Agent Agreement may be invested by the Fiscal Agent as directed in writing by the City, from time to time, in Authorized Investments subject to the following restrictions:

(a) Moneys in the Interest Account, the Principal Account, and the Redemption Account of the Special Tax Fund will be invested only in Authorized Investments which will by their terms mature, or in the case of an Investment Agreement are available for withdrawal without penalty, on such dates so as to ensure the payment of principal of, premium, if any, and interest on the Bonds as the same become due.

(b) Monies in the Reserve Account of the Special Tax Fund may be invested only in Authorized Investments which are available for withdrawal without penalty, on such dates so as to ensure the payment of principal of, premium, if any, and interest on the Bonds as the same become due.

(c) In the absence of written investment directions from the City, the Fiscal Agent will invest solely in Authorized Investments specified in clause (h) of the definition thereof. The Fiscal Agent will be entitled to rely upon any investment directions from the Authority as

conclusive certification to the Fiscal Agent that the investments described therein are so authorized under the laws of the State of California and qualify as Authorized Investments.

The Fiscal Agent will sell, or present for redemption, any Authorized Investment whenever it may be necessary to do so in order to provide moneys to meet any payment or transfer to such Funds and Accounts or from such Funds and Accounts. For the purpose of determining at any given time the balance in any such Funds and Accounts, any such investments constituting a part of such Funds and Accounts will be valued at their cost. In making any valuations hereunder, the Fiscal Agent may utilize such computerized securities pricing services as may be available to it, including, without limitation, those available through its regular accounting system, and conclusively rely thereon. Notwithstanding anything herein to the contrary, the Fiscal Agent will not be responsible for any loss from investments, sales or transfers undertaken in accordance with the provisions of this Fiscal Agent Agreement.

The Fiscal Agent may act as principal or agent in the making or disposing of any investment. The Fiscal Agent may sell, or present for redemption, any Authorized Investment so purchased whenever it will be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Authorized Investment is credited, and, subject to the provisions of Section 7.4, the Fiscal Agent will not be liable or responsible for any loss resulting from such investment. For investment purposes, the Fiscal Agent may commingle the funds and accounts established hereunder, but will account for each separately.

The City acknowledges that, to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the City the right to receive brokerage confirmations of security transactions as they occur, the City specifically waives receipt of such confirmations to the extent permitted by law. The Fiscal Agent will furnish the City periodic cash transaction statements which include detail for all investment transactions made by the Fiscal Agent hereunder.

### Section 3.9. Valuation and Disposition of Investments.

(a) Except as otherwise provided in subsection (b) of this Section, the City covenants that all investments of amounts deposited in any fund or account created by or pursuant to this Agreement, or otherwise containing gross proceeds of the Bonds (within the meaning of section 148 of the Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Agreement or the Code) at Fair Market Value. The Fiscal Agent has no duty in connection with the determination of Fair Market Value other than to follow the investment directions of the City. For purposes of this Section 3.8, the term "Fair Market Value" shall mean the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, or (iii) the investment is a United States Treasury Security -- State and Local Government Series which is acquired in accordance with applicable regulations of the United States Bureau of Public Debt.

(b) Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code and (unless valuation is undertaken at least annually) investments in the Reserve Account will be valued at their present value (within the meaning of section 148 of the Code).

Section 3.10. Improvement Fund.

(a) Establishment of Improvement Fund. The City will establish a separate fund known as the Improvement Fund to the credit of which deposits will be made as required by Section 3.02. Moneys in the Improvement Fund will be held in trust and will be disbursed by the City for the payment or reimbursement of costs of the Project. Prior to disbursement, amounts on deposit in the Improvement Fund will not be subject to a lien in favor of the Owners of the Bonds.

(b) Investment. Moneys in the Improvement Fund and the accounts established thereunder will be invested and deposited in accordance with the investment policy of the City and Section 3.9. Interest earnings and profits from the investment of amounts in the Improvement Fund will be retained by the City in the Improvement Fund to be used for the purposes of the Improvement Fund.

## ARTICLE IV

### REDEMPTION OF BONDS

#### Section 4.1. Redemption of Bonds.

##### (a) Optional Redemption.

The Bonds may be redeemed, at the option of the City, from any source of funds on any Interest Payment Date on or after [September] 1, 20\_\_, in whole, or in part and by lot, at a redemption price equal to the principal amount to be redeemed, plus a premium expressed below as a percentage of the principal amount so redeemed, plus accrued interest thereon to the date of redemption.

<u>Redemption Date</u>	<u>Redemption Premium</u>
On or after March 1, 20__ through March 1, 20__	
September 1, 20__ and March 1, 20__	
September 1, 20__ and March 1, 20__	
September 1, 20__ and thereafter	

Notwithstanding the foregoing, with the redemption price may include an additional premium if necessary, based on the certificate of an Independent Financial Consultant as set forth in Section 4.6, to redeem the corresponding portion of the Authority Bonds.

In the event the City elects to redeem Bonds as provided above, the City will give written notice to the Fiscal Agent of its election to so redeem, the redemption date and the principal amount of the Bonds to be redeemed. The notice to the Fiscal Agent will be given at least 60 but no more than 90 days prior to the redemption date, or by such later date as is acceptable to the Fiscal Agent, in its sole discretion.

(b) Mandatory Sinking Fund Redemption. The Term Bonds maturing on September 1, 20\_\_, are subject to redemption prior to their stated maturity, in part, by lot from amounts deposited into the Redemption 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 Term Bonds optionally redeemed:

Mandatory Redemption Dates ( <u>September 1</u> )	Sinking Fund Payment
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\*

\* Maturity

(c) Extraordinary Redemption. The Bonds are subject to extraordinary redemption as a whole, or in part on a pro rata basis among maturities, on any Interest Payment Date, and will be redeemed by the Fiscal Agent, from Prepayments deposited to the Redemption Account pursuant to Section 3.2, plus amounts transferred from the Reserve Account pursuant to Section 3.6(c), at a redemption price equal to the principal amount to be redeemed, plus a premium expressed below as a percentage of the principal amount so redeemed, plus accrued interest thereon to the date of redemption.

<u>Redemption Date</u>	<u>Redemption Premium</u>
On or after March 1, 20__ through March 1, 20__	
September 1, 20__ and March 1, 20__	
September 1, 20__ and March 1, 20__	
September 1, 20__ and thereafter	

Notwithstanding the foregoing, with the redemption price may include an additional premium if necessary, based on the certificate of an Independent Financial Consultant as set forth in Section 4.6, to redeem the corresponding portion of the Authority Bonds.

The provisions of Section 3.5(d) will govern the City's right to use moneys in the Redemption Account to purchase Bonds rather than redeem Bonds.

(d) Redemption of Parity Bonds. The redemption provisions for Parity Bonds will be set forth in a Supplemental Agreement.

Section 4.2. Selection of Bonds for Redemption. If fewer than all of the Bonds Outstanding are to be redeemed, the portion of any Bond of a denomination of more than \$5,000 to be redeemed will be in the principal amount of \$5,000 or an integral multiple thereof. In selecting portions of such Bonds for redemption, the Fiscal Agent will treat such Bonds as representing that number of Bonds of \$5,000 denominations which is obtained by dividing the principal amount of such Bonds to be redeemed in part by \$5,000. The procedure for the selection of Parity Bonds for redemption may be modified as set forth in the Supplemental Agreement for such Parity Bonds. The Fiscal Agent will promptly notify the City in writing of the Bonds, or portions thereof, selected for redemption.

Section 4.3. Notice of Redemption. When Bonds are due for redemption under Section 4.1 above or under another redemption provision set forth in a Supplemental Agreement relating to any Parity Bonds, the Fiscal Agent will give notice, in the name of the City, of the redemption of such Bonds. The City may instruct the Fiscal Agent to specify in the redemption notice that such redemption may be subject to receipt of funds sufficient to accomplish the redemption. Such notice of redemption will (a) specify the CUSIP numbers (if any), the bond numbers and the maturity date or dates of the Bonds selected for redemption, except that where all of the Bonds are subject to redemption, or all the Bonds of one maturity, are to be redeemed, the bond numbers of such issue need not be specified; (b) state the date fixed for redemption and surrender of the Bonds to be redeemed; (c) state the redemption price; (d) state the place or places where the Bonds are to be redeemed; (e) in the case of Bonds to be redeemed only in part, state the portion of such Bond which is to be redeemed; (f) state the date of issue of the Bonds as originally issued; (g) state the rate of interest borne by each Bond being redeemed; and (h) state any other descriptive information needed to identify accurately the Bonds being redeemed as will be specified by the Fiscal Agent. Such notice will further state that on the date fixed for redemption, there will become due and payable on each Bond, or portion thereof called for redemption, the principal thereof, together with any premium, and interest accrued to the

redemption date, and that from and after such date, interest thereon will cease to accrue and be payable. At least 30 days but no more than 45 days prior to the redemption date, the Fiscal Agent will mail a copy of such notice, by first class mail, postage prepaid, to the respective Owners thereof at their addresses appearing on the Bond Register. The actual receipt by the Owner of any Bond of notice of such redemption will not be a condition precedent to redemption, and neither the failure to receive nor any defect in such notice will affect the validity of the proceedings for the redemption of such Bonds, or the cessation of interest on the redemption date. A certificate by the Fiscal Agent that notice of such redemption has been given as herein provided will be conclusive as against all parties and the Owner will not be entitled to show that he or she failed to receive notice of such redemption.

Any such redemption notice may specify that redemption on the specified date will be subject to receipt by the City of moneys sufficient to cause such redemption, and neither the City nor the Fiscal Agent will have any liability to the Owners or any other party as a result of its failure to redeem the Bonds as a result of insufficient moneys.

In addition to the foregoing notice, further notice will be given by the Fiscal Agent as set out below, but only if the Bonds are not owned by the Authority at the time the notice of redemption is given pursuant to this Section 4.3, provided that no defect in said further notice nor any failure to give all or any portion of such further notice will in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed.

At such time as the Bonds are not owned by the Authority, notice of redemption will be sent at least two days before notice of redemption is mailed to the Bondowners pursuant to the first paragraph of this Section by registered or certified mail or overnight delivery service to the Municipal Securities Rulemaking Board.

Upon the payment of the redemption price of any Bonds being redeemed, each check or other transfer of funds issued for such purpose will to the extent practicable bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

Section 4.4. Partial Redemption of Bonds. Upon surrender of any Bond to be redeemed in part only, the City will execute and the Fiscal Agent will authenticate and deliver to the Bondowner, at the expense of the City, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered, with the same interest rate and the same maturity.

Section 4.5. Effect of Notice and Availability of Redemption Money. Notice of redemption having been duly given, as provided in Section 4.3, and the amount necessary for the redemption having been made available for that purpose and being available therefor on the date fixed for such redemption:

(a) The Bonds, or portions thereof, designated for redemption will, on the date fixed for redemption, become due and payable at the redemption price thereof as provided in this Fiscal Agent Agreement, anything in this Fiscal Agent Agreement or in the Bonds to the contrary notwithstanding;

(b) Upon presentation and surrender thereof at the office of the Fiscal Agent, the redemption price of such Bonds will be paid to the Owners thereof;

(c) As of the redemption date the Bonds, or portions thereof so designated for redemption will be deemed to be no longer Outstanding and such Bonds, or portions thereof, will cease to bear further interest; and

(d) As of the date fixed for redemption no Owner of any of the Bonds or portions thereof so designated for redemption will be entitled to any of the benefits of this Fiscal Agent Agreement, or to any other rights, except with respect to payment of the redemption price and interest accrued to the redemption date from the amounts so made available.

Section 4.6. Certification of Independent Financial Consultant. The City will not be authorized to redeem Bonds pursuant to Section 4.1(a) or 4.1(c) unless it has provided the Fiscal Agent with a certificate of an Independent Financial Consultant to the effect that the proposed redemption, assuming a corresponding redemption of the Authority Bonds, and assuming continuing payment of Special Taxes by property owners not then in default, will not adversely impact the availability of Revenues (as defined in the Authority Indenture) in an amount sufficient to pay debt service on the Authority Bonds, as scheduled. In the event the Independent Financial Consultant is unable to provide such certificate, the redemption premium will be the amount that will be sufficient to enable the Independent Financial Consultant to deliver the required certificate.

## ARTICLE V

### COVENANTS AND WARRANTY

Section 5.1. Warranty. The City will preserve and protect the security pledged hereunder to the Bonds against all claims and demands of all persons.

Section 5.2. Covenants. So long as any of the Bonds issued hereunder are Outstanding and unpaid, the City makes the following covenants with the Bondowners under the provisions of the Act and this Fiscal Agent Agreement (to be performed by the City or its proper officers, agents or employees), which covenants are necessary and desirable to secure the Bonds and tend to make them more marketable; provided, however, that said covenants do not require the City to expend any funds or moneys other than the Special Taxes and other amounts deposited to the Special Tax Fund.

(a) Punctual Payment; Against Encumbrances. The City covenants that it will receive all Special Taxes in trust for the Owners and will instruct the Finance Director to deposit all Special Taxes in a distinct account of the City immediately upon their apportionment to the City, and the City will have no beneficial right or interest in the amounts so deposited except as provided by this Fiscal Agent Agreement. All such Special Taxes will be disbursed, allocated and applied solely to the uses and purposes set forth herein, and will be accounted for separately and apart from all other money, funds, accounts or other resources of the City. The City may semi-annually transfer from the Special Taxes so held an amount equal to one-half of the Administrative Expenses Cap as necessary to make timely payment of Administrative Expenses.

Not later than three (3) Business Days prior to each Interest Payment Date, the Finance Director shall withdraw an amount of Net Taxes from the account in which they are held and transfer: (i) to the Fiscal Agent for deposit in the respective accounts of the Special Tax Fund an amount, taking into account any amounts then on deposit in the respective accounts of the Special Tax Fund, such that the amount in the Interest Account, Principal Account and Redemption Account equals the principal, premium, if any, and interest due, and sinking fund payments, if any, on the Bonds on the next Interest Payment Date and (ii) to the Fiscal Agent for deposit in the Reserve Fund, an amount which when added to the amount then on deposit therein is equal to the Reserve Requirement. At such time as deposits to the Special Tax Fund equal the principal, premium, sinking fund payments, if any, and interest becoming due on the Bonds for the current Bond Year and the amount needed to restore the Reserve Fund balance to the Reserve Requirement, the amount in the Special Tax Fund in excess of such amount shall be available to the City to pay Administrative Expenses in excess of the Administrative Expense Cap; provided, however, that as soon as practicable after the receipt by the City of any prepayments of Special Taxes, but no later than ten (10) Business Days after such receipt, the City shall transfer such prepayments to the Fiscal Agent for deposit into the respective accounts of the Special Tax Fund to be used for the redemption of Bonds.

The City covenants that it will duly and punctually pay or cause to be paid the principal of and interest on every Bond issued hereunder, together with the premium, if any, thereon on the date, at the place and in the manner set forth in the Bonds and in accordance with this Fiscal Agent Agreement to the extent that Net Taxes and other amounts pledged hereunder are available therefor, and that the payments into the Funds and Accounts created hereunder will be made, all in strict conformity with the terms of the Bonds and this Fiscal Agent Agreement,



and that it will faithfully observe and perform all of the conditions, covenants and requirements of this Fiscal Agent Agreement and of the Bonds issued hereunder.

The City will not mortgage or otherwise encumber, pledge or place any charge upon any of the Net Taxes except as provided in this Fiscal Agent Agreement, and will not issue any obligation or security having a lien or charge upon the Net Taxes superior to or on a parity with the Bonds. Nothing herein will prevent the City from issuing or incurring indebtedness which is payable from a pledge of Net Taxes which is subordinate in all respects to the pledge of Net Taxes to repay the Bonds.

(b) Levy of Special Tax. The City will comply with all requirements of the Act so as to assure the timely collection of Gross Taxes, including without limitation, the enforcement of delinquent Special Taxes.

(i) *Processing*. On or within five (5) Business Days of each June 1, the Fiscal Agent will provide the Finance Director with a notice stating the amount then on deposit in the Special Tax Fund and the other funds and accounts held by the Fiscal Agent under the Fiscal Agent Agreement, whether or not amounts need to be deposited into the Reserve Account to increase the amounts on deposit therein to the Reserve Requirement, and informing the City that the Special Taxes need to be levied under the Ordinance as necessary to provide for the Special Tax Requirement (as defined in clause (iv) below). The receipt of or failure to receive such notice by the Finance Director will in no way affect the obligations of the Finance Director under the following two paragraphs and the Fiscal Agent will not be liable for failure to provide such notice to the Finance Director. Upon receipt of such notice, the Finance Director will communicate with the Auditor to ascertain the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits or combinations during the preceding and then current year.

(ii) *Levy*. The Finance Director will effect the levy of the Special Taxes each Fiscal Year in accordance with the Ordinance by each August 1 that the Bonds are outstanding, or otherwise such that the computation of the levy is complete before the final date on which the Auditor will accept the transmission of the Special Tax amounts for the parcels within the CFD for inclusion on the next real property tax roll. Upon the completion of the computation of the amounts of the levy, the Finance Director will prepare or cause to be prepared, and will transmit to the Auditor, such data as the Auditor requires to include the levy of the Special Taxes on the next real property tax roll.

(iii) *Computation*. The Finance Director will fix and levy the amount of Special Taxes within the CFD in an amount sufficient, together with other amounts on deposit in the Special Tax Fund and available for such purpose, to pay (A) the principal of and interest on the Bonds when due, (B) the Administrative Expenses, including amounts necessary to discharge any rebate obligation, during such year and (C) any amounts required to replenish the Reserve Account to the Reserve Requirement (the "**Special Tax Requirement**"), taking into account the balances in such funds and in the Special Tax Fund. The Special Taxes so levied will not exceed the authorized amounts as provided in the proceedings under the Resolution of Formation.

(iv) *Collection*. The Special Taxes will be payable and be collected in the same manner and at the same time and in the same installment as the general taxes on

real property are payable, and have the same priority, become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the ad valorem taxes on real property.

(c) Commence Foreclosure Proceedings. Under the Act, the City hereby covenants with and for the benefit of the Owners of the Bonds that it will order, and cause to be commenced as hereinafter provided, and thereafter diligently prosecute to judgment (unless such delinquency is theretofore brought current), an action in the superior court to foreclose the lien of any Special Tax or installment thereof not paid when due as provided in the following two paragraphs. The Finance Director will notify the City Attorney of any such delinquency of which the Finance Director is aware, and the City Attorney will commence, or cause to be commenced, such proceedings.

On or about January 30 and June 30 of each Fiscal Year, the Finance Director will compare the amount of Special Taxes theretofore levied in the CFD to the amount of Gross Taxes theretofore received by the City, and:

(i) *Individual Delinquencies.* If the Finance Director determines that any single parcel subject to the Special Tax in the CFD is delinquent in the payment of Special Taxes in the aggregate amount of \$3,000 or more, then the Finance Director will send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner within 60 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings will be commenced by the City within 120 days of such determination.

(ii) *Aggregate Delinquencies.* If the Finance Director determines that the total amount of delinquent Special Tax for the prior Fiscal Year for the entire CFD (including the total of delinquencies under subsection (i) above), exceeds 5% of the total Special Tax due and payable for the prior Fiscal Year, the City will notify or cause to be notified property owners who are then delinquent in the payment of Special Taxes (and demand immediate payment of the delinquency) within 60 days of such determination, and will commence foreclosure proceedings within 120 days of such determination against each parcel of land in the CFD with a Special Tax delinquency.

Notwithstanding the foregoing, the City may determine not to initiate foreclosure proceedings if (a) the amount in the Reserve Account is equal to the Reserve Requirement and (b) there have been no defaults in the payment of debt service on the related Bonds.

(d) Payment of Claims. The City will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the Net Taxes or other funds in the Special Tax Fund, or which might impair the security of the Bonds then Outstanding; provided that nothing herein contained will require the City to make any such payments so long as the City in good faith will contest the validity of any such claims.

(e) Books and Accounts. The City will keep proper books of records and accounts, separate from all other records and accounts of the City, in which complete and correct entries will be made of all transactions relating to projects financed or refinanced with the Bonds, the levy of the Special Tax and the deposits to the Special Tax Fund. Such books of records and accounts will at all times during business hours be subject to the inspection of the Fiscal Agent or of the Owners of not less than 10% of the principal amount of the Bonds then Outstanding or their representatives authorized in writing.

(f) Maintenance of Special Taxes. The City covenants and agrees to not consent to or conduct proceedings with respect to a reduction in the Special Taxes that may be levied in the CFD below an amount, for any Fiscal Year, equal to 110% of the aggregate of the debt service due and payable with respect to the Bonds in such Fiscal Year, plus 100% of the City's reasonable estimate of Administrative Expenses for such Fiscal Year; provided, however, that the City may at any time reduce the Special Taxes to the extent that the amount of Special Taxes that would result from levying the Special Taxes at such maximum amounts would result in an amount of Special Taxes in excess of the amount required to comply with such covenant.

(g) Covenants to Defend. The City covenants that, in the event that any initiative is adopted by the qualified electors in the CFD which purports to reduce the minimum or the maximum Special Tax below the levels specified in Section 5.2(f) above or to limit the power of the City to levy the Special Taxes for the purposes set forth in Section 5.2(b) above, it will commence and pursue legal action in order to preserve its ability to comply with such covenants.

(i) Limitation on Right to Tender Bonds. The City hereby covenants that it will not adopt any policy pursuant to Section 53341.1 of the Act permitting the tender of Bonds in full payment or partial payment of any Special Taxes unless the City will have first received a certificate from an Independent Financial Consultant that the acceptance of such a tender will not result in the City having insufficient Net Taxes to pay the principal of and interest on the Bonds when due.

(j) Further Assurances. The City will make, execute and deliver any and all such further agreements, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Fiscal Agent Agreement and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in this Fiscal Agent Agreement.

(k) Tax Covenants. The City covenants as follows:

(i) *Private Activity Bond Limitation.* The City will assure that the proceeds of the Bonds are not so used as to cause the Authority Bonds to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code.

(ii) *Federal Guarantee Prohibition.* The City will not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Authority Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code.

(iii) *Rebate Requirement.* The City will take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Authority Bonds.

(iv) *No Arbitrage.* The City will not take, or permit or suffer to be taken by the Fiscal Agent or otherwise, any action with respect to the proceeds of the Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately

and intentionally taken, on the date of issuance of the Bonds would have caused the Authority Bonds to be "arbitrage bonds" within the meaning of section 148 of the Code.

(v) *Maintenance of Tax-Exemption.* The City will take all actions necessary to assure the exclusion of interest on the Authority Bonds from the gross income of the Owners of the Authority Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Authority Bonds. In addition, the City will not take any action or fail to take any action if the action or failure adversely affect the exclusion of interest on the Prior Bonds from the gross income of the owners of the Prior Bonds to the same extent as such interest was permitted to be excluded from gross income for federal income tax purposes on the date of issuance of the Prior Bonds.

(vi) *Record Retention.* The City will retain its records of all accounting and monitoring it carries out with respect to the Bonds for at least 3 years after the Bonds mature or are redeemed (whichever is earlier); however, if the Bonds are redeemed and refunded, the City will retain its records of accounting and monitoring at least 3 years after the earlier of the maturity or redemption of the obligations that refunded the Bonds.

(vii) *Compliance with Tax Certificate.* The City will comply with the provisions of the Tax Certificate and the Use of Proceeds Certificate with respect to the Bonds, which are incorporated herein as if fully set forth herein. The covenants of this Section will survive payment in full or defeasance of the Bonds.

(l) Continuing Disclosure. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Fiscal Agent Agreement, failure of the City to comply with the Continuing Disclosure Certificate will not be considered an Event of Default; however, the Original Purchaser of the Authority Bonds and any holder or beneficial owner of the Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

(m) State Reporting Requirements. The following requirements will apply to the Bonds, in addition to those requirements under the preceding clause (l):

(i) *Annual Reporting.* Not later than October 30 of each calendar year, beginning with the October 30 first succeeding the date of the Bonds, and in each calendar year thereafter until the October 30 following the final maturity of the Bonds, the Finance Director will cause the following information to be supplied to CDIAC: (i) the principal amount of the Bonds Outstanding; (ii) the balance in the Reserve Account; (iii) the amount of any capitalized interest funded from the proceeds of the Bonds and the amount thereof used for payment of the Bonds; (iv) the number of parcels in the CFD which are delinquent in the payment of Special Taxes, the amount of each delinquency, the length of time delinquent and when foreclosure was commenced for each delinquent parcel; (v) the balance in the Improvement Fund; and (vi) the assessed value of all parcels in the CFD subject to the levy of the Special Taxes as shown in most recent equalized roll. The annual reporting will be made using such form or forms as may be prescribed by CDIAC.

(ii) *Other Reporting.* If at any time the Fiscal Agent fails to pay principal and interest due on any scheduled payment date for the Bonds, or if funds are withdrawn

from the Reserve Account to pay principal and interest on the Bonds, the Fiscal Agent will notify the Finance Director of such failure or withdrawal in writing. The Finance Director will notify CDIAC and the Original Purchaser of the Authority Bonds of such failure or withdrawal within 10 days of such failure or withdrawal.

(iii) *Amendment.* The reporting requirements of this clause (m) may be amended from time to time, without action by the City or the Fiscal Agent, to reflect any amendments to Section 53359.5(b) or Section 53359.5(c) of the Act. The Finance Director will provide the Fiscal Agent with a copy of any such amendment. Notwithstanding the foregoing, any such amendment will not, in itself, affect the City's obligations under Section 4 of the Continuing Disclosure Certificate.

(iv) *No Liability.* None of the City and its officers, agents and employees, the Finance Director or the Fiscal Agent will be liable for any inadvertent error in reporting the information required by this clause (m).

## ARTICLE VI

### AMENDMENTS TO FISCAL AGENT AGREEMENT

Section 6.1. Supplemental Agreements or Orders Not Requiring Bondowner Consent. The City may from time to time, and at any time, without notice to or consent of any of the Bondowners, adopt Supplemental Agreements for any of the following purposes:

(a) to cure any ambiguity, to correct or supplement any provisions herein which may be inconsistent with any other provision herein, or to make any other provision with respect to matters or questions arising under this Fiscal Agent Agreement or in any additional resolution or order, provided that such action is not materially adverse to the interests of the Bondowners;

(b) to add to the covenants and agreements of and the limitations and the restrictions upon the City contained in this Fiscal Agent Agreement, other covenants, agreements, limitations and restrictions to be observed by the City which are not contrary to or inconsistent with this Fiscal Agent Agreement as theretofore in effect or which further secure Bond payments;

(c) to provide for the issuance of any Parity Bonds, and to provide the terms and conditions under which such Parity Bonds may be issued, subject to and in accordance with the provisions of this Fiscal Agent Agreement;

(d) to modify, amend or supplement this Fiscal Agent Agreement in such manner as to permit the qualification under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which will not materially adversely affect the interests of the Owners of the Bonds then Outstanding; or

(e) to modify, alter or amend the rate and method of apportionment of the Special Taxes in any manner so long as such changes do not reduce the maximum Special Taxes that may be levied in each year on property within the CFD to an amount which is less than 110% of the principal and interest due in each corresponding future Bond Year plus Administrative Expenses with respect to the Bonds Outstanding as of the date of such amendment; or

(f) to modify, alter, amend or supplement this Fiscal Agent Agreement in any other respect which is not materially adverse to the Bondowners; or

(g) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest on the Authority Bonds.

Section 6.2. Supplemental Agreements or Orders Requiring Bondowner Consent. Exclusive of the Supplemental Agreements described in Section 6.1, the Owners of not less than a majority in aggregate principal amount of the Bonds Outstanding will have the right to consent to and approve the adoption by the City of such Supplemental Agreements as will be deemed necessary or desirable by the City for the purpose of waiving, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Fiscal Agent Agreement; provided, however, that nothing herein will permit, or be construed as permitting, (a) an extension of the maturity date of the principal, or the payment date of interest on, any Bond, (b) a reduction in the principal amount of, or redemption premium on, any

Bond or the rate of interest thereon, (c) a preference or priority of any Bond over any other Bond, or (d) a reduction in the aggregate principal amount of the Bonds the Owners of which are required to consent to such Supplemental Agreement, without the consent of the Owners of all Bonds then Outstanding.

If at any time the City will desire to adopt a Supplemental Agreement, which pursuant to the terms of this Section will require the consent of the Bondowners, the City will so notify the Fiscal Agent and will deliver to the Fiscal Agent a copy of the proposed Supplemental Agreement. The Fiscal Agent will, at the expense of the City, cause notice of the proposed Supplemental Agreement to be mailed, by first class mail, postage prepaid, to all Bondowners at their addresses as they appear in the Bond Register. Such notice will briefly set forth the nature of the proposed Supplemental Agreement and will state that a copy thereof is on file at the office of the Fiscal Agent for inspection by all Bondowners. The failure of any Bondowners to receive such notice will not affect the validity of such Supplemental Agreement when consented to and approved by the Owners of not less than a majority in aggregate principal amount of the Bonds Outstanding as required by this Section. Whenever at any time within one year after the date of the first mailing of such notice, the Fiscal Agent will receive an instrument or instruments purporting to be executed by the Owners of not less than a majority in aggregate principal amount of the Bonds Outstanding, which instrument or instruments will refer to the proposed Supplemental Agreement described in such notice, and will specifically consent to and approve the adoption thereof by the City substantially in the form of the copy referred to in such notice as on file with the Fiscal Agent, such proposed Supplemental Agreement, when duly adopted by the City, will thereafter become a part of the proceedings for the issuance of the Bonds. In determining whether the Owners of a majority of the aggregate principal amount of the Bonds have consented to the adoption of any Supplemental Agreement, Bonds which are owned by the City or by any person directly or indirectly controlling or controlled by or under the direct or indirect common control with the City, will be disregarded and will be treated as though they were not Outstanding for the purpose of any such determination.

Upon the adoption of any Supplemental Agreement and the receipt of consent to any such Supplemental Agreement from the Owners of not less than a majority in aggregate principal amount of the Outstanding Bonds in instances where such consent is required pursuant to the provisions of this section, this Fiscal Agent Agreement will be, and will be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under this Fiscal Agent Agreement of the City and all Owners of Outstanding Bonds will thereafter be determined, exercised and enforced hereunder, subject in all respects to such modifications and amendments.

Section 6.3. Notation of Bonds; Delivery of Amended Bonds. After the effective date of any action taken as hereinabove provided, the City may determine that the Bonds may bear a notation, by endorsement in form approved by the City, as to such action, and in that case upon demand of the Owner of any Outstanding Bond at such effective date and presentation of his Bond for the purpose at the office of the Fiscal Agent or at such additional offices as the Fiscal Agent may select and designate for that purpose, a suitable notation as to such action will be made on such Bonds. If the City will so determine, new Bonds so modified as, in the opinion of the City, will be necessary to conform to such action will be prepared and executed, and in that case upon demand of the Owner of any Outstanding Bond at such effective date such new Bonds will be exchanged at the office of the Fiscal Agent or at such additional offices as the Fiscal Agent may select and designate for that purpose, without cost to each Owner of Outstanding Bonds, upon surrender of such Outstanding Bonds.

## ARTICLE VII

### FISCAL AGENT

Section 7.1. Fiscal Agent. U.S. Bank National Association, will be the Fiscal Agent for the Bonds unless and until another Fiscal Agent is appointed by the City hereunder. The City may, at any time, appoint a successor Fiscal Agent satisfying the requirements of Section 7.2 below for the purpose of receiving all money which the City is required to deposit with the Fiscal Agent hereunder and to allocate, use and apply the same as provided in this Fiscal Agent Agreement.

The Fiscal Agent is hereby authorized to and will mail by first class mail, postage prepaid, or wire transfer in accordance with Section 2.5 above, interest payments to the Bondowners, to select Bonds for redemption, and to maintain the Bond Register. The Fiscal Agent is hereby authorized to pay the principal of and premium, if any, on the Bonds when the same are duly presented to it for payment at maturity or on call and redemption, to provide for the registration of transfer and exchange of Bonds presented to it for such purposes, to provide for the cancellation of Bonds all as provided in this Fiscal Agent Agreement, and to provide for the authentication of Bonds, and will perform all other duties assigned to or imposed on it as provided in this Fiscal Agent Agreement. The Fiscal Agent will keep accurate records of all funds administered by it and all Bonds paid, discharged and cancelled by it.

The Fiscal Agent is hereby authorized to redeem the Bonds when duly presented for payment at maturity, or on redemption prior to maturity. The Fiscal Agent will cancel all Bonds upon payment thereof in accordance with the provisions of Section 9.1.

The City will from time to time, subject to any agreement between the City and the Fiscal Agent then in force, pay to the Fiscal Agent compensation for its services, reimburse the Fiscal Agent for all its advances and expenditures, including, but not limited to, advances to and fees and expenses of independent accountants or counsel employed by it in the exercise and performance of its powers and duties hereunder, and indemnify and save the Fiscal Agent, its officers, directors, employees and agents, harmless against costs, claims, expenses (including legal fees and expenses) and liabilities, including, without limitation, fees and expenses of its attorneys, not arising from its own negligence or willful misconduct which it may incur in the exercise and performance of its powers and duties hereunder. The foregoing obligation of the City to indemnify the Fiscal Agent will survive the removal or resignation of the Fiscal Agent or the discharge of the Bonds.

Section 7.2. Removal of Fiscal Agent. The City may at any time at its sole discretion remove the Fiscal Agent initially appointed, and any successor thereto, by delivering to the Fiscal Agent a written notice of its decision to remove the Fiscal Agent and may appoint a successor or successors thereto; provided that any such successor will be a bank, national banking association or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least \$75,000,000, and subject to supervision or examination by federal or state authority. Any removal will become effective only upon acceptance of appointment by the successor Fiscal Agent. If any bank, national banking association or trust company appointed as a successor publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this section the combined capital and surplus of such bank, national banking association or trust company will be deemed to be its combined capital and surplus as set forth in its most



recent report of condition so published. Any removal of the Fiscal Agent and appointment of a successor Fiscal Agent will become effective only upon acceptance of appointment by the successor Fiscal Agent and notice being sent by the successor Fiscal Agent to the Bondowners of the successor Fiscal Agent's identity and address.

Section 7.3. Resignation of Fiscal Agent. The Fiscal Agent may at any time resign by giving written notice to the City and by giving to the Owners notice of such resignation, which notice will be mailed to the Owners at their addresses appearing in the registration books in the office of the Fiscal Agent. Upon receiving such notice of resignation, the City will promptly appoint a successor Fiscal Agent satisfying the criteria in Section 7.2 above by an instrument in writing. Any resignation or removal of the Fiscal Agent and appointment of a successor Fiscal Agent will become effective only upon acceptance of appointment by the successor Fiscal Agent.

If no appointment of a successor Fiscal Agent will be made pursuant to the foregoing provisions of this Section within forty-five (45) days after the Fiscal Agent will have given to the City written notice or after a vacancy in the office of the Fiscal Agent will have occurred by reason of its inability to act, the Fiscal Agent or any Bond Owner may apply to any court of competent jurisdiction to appoint a successor Fiscal Agent. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Fiscal Agent.

Section 7.4. Liability of Fiscal Agent. The recitals of fact and all promises, covenants and agreements contained herein and in the Bonds will be taken as statements, promises, covenants and agreements of the City, and the Fiscal Agent assumes no responsibility for the correctness of the same and makes no representations as to the validity or sufficiency of this Fiscal Agent Agreement, the Bonds, and will incur no responsibility in respect thereof, other than in connection with its duties or obligations specifically set forth herein, in the Bonds, or in the certificate of authentication assigned to or imposed upon the Fiscal Agent. The Fiscal Agent will be under no responsibility or duty with respect to the issuance of the Bonds for value. The Fiscal Agent will not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct.

The Fiscal Agent will be protected in acting upon any notice, resolution, request, consent, order, certificate, facsimile transmission, electronic mail, report, Bond, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Fiscal Agent may consult with counsel, who may be counsel to the City, with regard to legal questions, and the opinion of such counsel will be full and complete authorization and protection in respect of any action taken or suffered hereunder in good faith and in accordance therewith.

The Fiscal Agent will not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto satisfactorily established, if disputed.

Whenever in the administration of its duties under this Fiscal Agent Agreement the Fiscal Agent will deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of bad faith on the part of the Fiscal Agent, be deemed to be conclusively proved and established by a written certificate of the City, and such certificate will be full warrant to the Fiscal Agent for any action taken or suffered under the provisions of this Fiscal Agent Agreement upon the faith thereof, but in its discretion the

Fiscal Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

The Fiscal Agent will have no duty or obligation whatsoever to enforce the collection of Special Taxes or other funds to be deposited with it hereunder, or as to the correctness of any amounts received, but its liability will be limited to the proper accounting for such funds as it will actually receive. No provision in this Fiscal Agent Agreement will require the Fiscal Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of its rights or powers.

The Fiscal Agent will not be deemed to have knowledge of any default or event of default until an officer at the Fiscal Agent's corporate trust office responsible for the administration of its duties hereunder will have actual knowledge thereof or the Fiscal Agent will have received written notice thereof at its corporate trust office.

The Fiscal Agent will not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of enforced delay ("unavoidable delay") in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the project, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Fiscal Agent.

The Fiscal Agent agrees to accept and act upon instructions or directions pursuant to this Trust Agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Fiscal Agent will have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate will be amended and replaced whenever a person is to be added or deleted from the listing. If the Authority or the City elects to give the Fiscal Agent e-mail or facsimile instructions (or instructions by a similar electronic method) and the Fiscal Agent in its discretion elects to act upon such instructions, the Fiscal Agent's understanding of such instructions will be deemed controlling. The Fiscal Agent will not be liable for any losses, costs or expenses arising directly or indirectly from the Fiscal Agent's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction.

The permissive right of the Fiscal Agent to do things enumerated in this Fiscal Agent Agreement will not be construed as a duty and it will not be answerable for other than its negligence or willful misconduct.

The Fiscal Agent may execute any of the trusts or powers and perform the duties required of it hereunder either directly or by or through attorneys or agents and will not be liable for the acts or omissions of such attorneys or agents appointed with due care.

The Fiscal Agent will not be concerned with or accountable to anyone for the subsequent use or application of any moneys which will be released or withdrawn in accordance with the provisions.

The Fiscal Agent will have no responsibility or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of these Bonds.

The Fiscal Agent will be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of the Owners pursuant to the provisions of this Indenture unless such Owners will have offered to the Fiscal Agent reasonable security or indemnity against the costs, expenses and liabilities which may be incurred therein or thereby.

Section 7.5. Merger or Consolidation. Any company into which the Fiscal Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it will be a party or any company to which the Fiscal Agent may sell or transfer all or substantially all of its corporate trust business, will be the successor to the Fiscal Agent without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

## ARTICLE VIII

### DEFEASANCE AND PARITY BONDS

Section 8.1. Defeasance. If the City will pay or cause to be paid, or there will otherwise be paid, to the Owner of an Outstanding Bond the interest due thereon and the principal thereof, at the times and in the manner stipulated in this Fiscal Agent Agreement or any Supplemental Agreement, then the Owner of such Bond will cease to be entitled to the pledge of Net Taxes, and, other than as set forth below, all covenants, agreements and other obligations of the City to the Owner of such Bond under this Fiscal Agent Agreement and any Supplemental Agreement relating to such Parity Bond will thereupon cease, terminate and become void and be discharged and satisfied. In the event of a defeasance of all Outstanding Bonds pursuant to this Section, the Fiscal Agent will execute and deliver to the City all such instruments as may be desirable to evidence such discharge and satisfaction, and the Fiscal Agent will pay over or deliver to the City's general fund all money or securities held by it pursuant to this Fiscal Agent Agreement which are not required for the payment of the principal of, premium, if any, and interest due on such Bonds.

Any Outstanding Bond will be deemed to have been paid within the meaning expressed in the first paragraph of this Section if such Bond is paid in any one or more of the following ways:

(a) by paying or causing to be paid the principal of, premium, if any, and interest on such Bond, as and when the same become due and payable;

(b) by depositing with the Fiscal Agent, in trust, at or before maturity, money which, together with the amounts then on deposit in the Special Tax Fund and available for such purpose, is fully sufficient to pay the principal of, premium, if any, and interest on such Bond, as and when the same will become due and payable; or

(c) by depositing with the Fiscal Agent or another escrow bank appointed by the City, in trust, Federal Securities, in which the City may lawfully invest its money, in such amount as will be sufficient, together with the interest to accrue thereon and moneys then on deposit in the Special Tax Fund and available for such purpose, together with the interest to accrue thereon, to pay and discharge the principal of, premium, if any, and interest on such Bond, as and when the same will become due and payable;

then, at the election of the City, and notwithstanding that any Outstanding Bonds will not have been surrendered for payment, all obligations of the City under this Fiscal Agent Agreement and any Supplemental Agreement with respect to such Bond will cease and terminate, except for the obligation of the Fiscal Agent to pay or cause to be paid to the Owners of any such Bond not so surrendered and paid, all sums due thereon. Notice of such election will be filed with the Fiscal Agent not fewer than ten days prior to the proposed defeasance date, or such shorter period of time as may be acceptable to the Fiscal Agent. In connection with a defeasance under (b) or (c) above, there will be provided to the City a verification report from an independent nationally recognized certified public accountant stating its opinion as to the sufficiency of the moneys or securities deposited with the Fiscal Agent or the escrow bank to pay and discharge the principal of, premium, if any, and interest on all Outstanding Bonds to be defeased in accordance with this Section, as and when the same will become due and payable, and an opinion of Bond Counsel (which may rely upon the opinion of the certified public accountant) to the effect that

the Bonds being defeased have been legally defeased in accordance with this Fiscal Agent Agreement and any applicable Supplemental Agreement.

Upon a defeasance, the Fiscal Agent, upon request of the City, will release the rights of the Owners of such Bonds which have been defeased under this Fiscal Agent Agreement and any Supplemental Agreement and execute and deliver to the City all such instruments as may be desirable to evidence such release, discharge and satisfaction. In the case of a defeasance hereunder of all Outstanding Bonds, the Fiscal Agent will pay over or deliver to the City any funds held by the Fiscal Agent at the time of a defeasance, which are not required for the purpose of paying and discharging the principal of or interest on the Bonds when due. The Fiscal Agent will, at the written direction of the City, mail, first class, postage prepaid, a notice to the Bondowners whose Bonds have been defeased, in the form directed by the City, stating that the defeasance has occurred.

Defeasance will be accomplished only with an irrevocable deposit in escrow of certain investments referred to in this section. Further substitutions of securities in the escrow are not permitted. The deposit in the escrow must be sufficient, without reinvestment, to pay all principal and interest as scheduled on the Bonds to and including the date of redemption. Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

Section 8.2. Conditions for the Issuance of Parity Bonds and Other Additional Indebtedness. The City may at any time after the issuance and delivery of the Bonds hereunder issue Parity Bonds payable from the Net Taxes and other amounts deposited in the Special Tax Fund and secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding Bonds and any other Parity Bonds theretofore issued hereunder or under any Supplemental Agreement provided, however, that Parity Bonds may only be issued for the purpose of refunding all or a portion of the Bonds or any Parity Bonds then Outstanding or for financing additional costs of the Project. Parity Bonds may be issued subject to the following specific conditions, which are hereby made conditions precedent to the issuance of any such Parity Bonds:

(a) The City will be in compliance with all covenants set forth in this Fiscal Agent Agreement and any Supplemental Agreement then in effect and a certificate of the City to that effect will have been filed with the Fiscal Agent; provided, however, that Parity Bonds may be issued notwithstanding that the City is not in compliance with all such covenants so long as immediately following the issuance of such Parity Bonds the City will be in compliance with all such covenants.

(b) The issuance of such Parity Bonds will have been duly authorized pursuant to the Act and all applicable laws, and the issuance of such Parity Bonds will have been provided for by a Supplemental Agreement duly adopted by the City, which will specify the following:

- (1) The purpose for which such Parity Bonds are to be issued and the fund or funds into which the proceeds thereof are to be deposited;
- (2) The authorized principal amount of such Parity Bonds;

(3) The date and the maturity date or dates of such Parity Bonds; provided that (i) each maturity date will fall on a September 1, (ii) all such Parity Bonds of like maturity will be identical in all respects, except as to number, and (iii) fixed serial maturities or Sinking Fund Payments, or any combination thereof, will be established to provide for the retirement of all such Parity Bonds on or before their respective maturity dates;

(4) The description of the Parity Bonds, the place of payment thereof and the procedure for execution and authentication;

(5) The denominations and method of numbering of such Parity Bonds;

(6) The amount and due date of each mandatory Sinking Fund Payment, if any, for such Parity Bonds;

(7) The amount, if any, to be deposited from the proceeds of such Parity Bonds in the Reserve Account to increase the amount therein to the Reserve Requirement;

(8) The form of such Parity Bonds; and

(9) Such other provisions as are necessary or appropriate and not inconsistent with this Fiscal Agent Agreement.

(c) The City will have provided the following documents, all of such documents dated or certified, as the case may be, as of the date of delivery of such Parity Bonds by the Fiscal Agent (unless the Fiscal Agent will accept any of such documents bearing a prior date):

(1) A certified copy of the Supplemental Agreement authorizing the issuance of such Parity Bonds;

(2) A written request of the City as to the delivery of such Parity Bonds;

(3) An opinion of Bond Counsel and/or general counsel to the City to the effect that (a) the City has the right and power under the Act to adopt this Fiscal Agent Agreement and the Supplemental Agreements relating to such Parity Bonds, and this Fiscal Agent Agreement and all such Supplemental Agreements have been duly and lawfully adopted by the City, are in full force and effect and are valid and binding upon the City and enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights); (b) this Fiscal Agent Agreement creates the valid pledge which it purports to create of the Net Taxes and other amounts as provided in this Fiscal Agent Agreement, subject to the application thereof to the purposes and on the conditions permitted by this Fiscal Agent Agreement; and (c) such Parity Bonds are valid and binding limited obligations of the City, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights) and the terms of this Fiscal Agent Agreement and all Supplemental Agreements thereto and entitled to the benefits of this Fiscal Agent Agreement and all such Supplemental Agreements, and such Parity Bonds have been duly and validly authorized and issued in accordance with

the Act (or other applicable laws) and this Fiscal Agent Agreement and all such Supplemental Agreements.

(4) A certificate of the City containing such statements as may be reasonably necessary to show compliance with the requirements of this Fiscal Agent Agreement;

(5) A certificate of an Independent Financial Consultant certifying that (i) issuance of the Parity Bonds will not adversely impact the ability of the Authority to pay debt service on the Authority Bonds and, for refunding bonds, that (ii) issuance of the Parity Bonds results in debt service savings in each Bond Year for the Bonds to be refunded, and (iii) the maturity date of the Parity Bonds will not exceed the latest maturity date of the Bonds being refunded; and

(6) Such further documents, money and securities as are required by the provisions of this Fiscal Agent Agreement and the Supplemental Agreement providing for the issuance of such Parity Bonds.

[Additional parity requirements to come]

## ARTICLE IX

### MISCELLANEOUS

Section 9.1. Cancellation of Bonds. All Bonds surrendered to the Fiscal Agent for payment upon maturity or for redemption will be upon payment therefor, and any Bond purchased by the City as authorized herein and delivered to the Fiscal Agent for such purpose will be, cancelled forthwith and will not be reissued. The Fiscal Agent will destroy such Bonds, as provided by law, and, upon request of the City, furnish to the City a certificate of such destruction.

Section 9.2. Execution of Documents and Proof of Ownership. Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by this Fiscal Agent Agreement to be signed or executed by Bondowners may be in any number of concurrent instruments of similar tenor may be signed or executed by such Owners in person or by their attorneys appointed by an instrument in writing for that purpose, or by the bank, trust company or other depository for such Bonds. Proof of the execution of any such instrument, or of any instrument appointing any such attorney, and of the ownership of Bonds will be sufficient for the purposes of this Fiscal Agent Agreement (except as otherwise herein provided), if made in the following manner:

(a) The fact and date of the execution by any Owner or his or her attorney of any such instrument and of any instrument appointing any such attorney, may be proved by a signature guarantee of any bank or trust company located within the United States of America. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such signature guarantee will also constitute sufficient proof of his authority.

(b) As to any Bond, the person in whose name the same will be registered in the Bond Register will be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal of any such Bond, and the interest thereon, will be made only to or upon the order of the registered Owner thereof or his or her legal representative. All such payments will be valid and effectual to satisfy and discharge the liability upon such Bond and the interest thereon to the extent of the sum or sums to be paid. Neither the City nor the Fiscal Agent will be affected by any notice to the contrary.

Nothing contained in this Fiscal Agent Agreement will be construed as limiting the Fiscal Agent or the City to such proof, it being intended that the Fiscal Agent or the City may accept any other evidence of the matters herein stated which the Fiscal Agent or the City may deem sufficient. Any request or consent of the Owner of any Bond will bind every future Owner of the same Bond in respect of anything done or suffered to be done by the Fiscal Agent or the City in pursuance of such request or consent.

Section 9.3. Unclaimed Moneys. Anything in this Fiscal Agent Agreement to the contrary notwithstanding, any money held by the Fiscal Agent or the Fiscal Agent in trust for the payment and discharge of any of the Outstanding Bonds which remain unclaimed for two years after the date when such Outstanding Bonds have become due and payable, if such money was held by the Fiscal Agent or the Fiscal Agent at such date, or for two years after the date of deposit of such money if deposited with the Fiscal Agent or the Fiscal Agent after the date when such Outstanding Bonds become due and payable, will be repaid by the Fiscal Agent or the



Fiscal Agent to the City, as its absolute property and free from trust, and the Fiscal Agent or the Fiscal Agent will thereupon be released and discharged with respect thereto and the Owners will look only to the City for the payment of such Outstanding Bonds; provided, however, that, before being required to make any such payment to the City, the Fiscal Agent at the written request of the City or the Fiscal Agent will, at the expense of the City, cause to be mailed by first-class mail, postage prepaid, to the registered Owners of such Outstanding Bonds at their addresses as they appear on the registration books of the Fiscal Agent a notice that said money remains unclaimed and that, after a date named in said notice, which date will not be fewer than 30 days after the date of the mailing of such notice, the balance of such money then unclaimed will be returned to the City.

Section 9.4. Provisions Constitute Contract. The provisions of this Fiscal Agent Agreement will constitute a contract between the City and the Bondowners and the provisions will be construed in accordance with the laws of the State of California.

In case any suit, action or proceeding to enforce any right or exercise any remedy will be brought or taken and, should said suit, action or proceeding be abandoned, or be determined adversely to the Bondowners or the Fiscal Agent, then the City, the Fiscal Agent and the Bondowners will be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

After the issuance and delivery of the Bonds this Fiscal Agent Agreement will be irrevocable, but will be subject to modifications to the extent and in the manner provided in this Fiscal Agent Agreement, but to no greater extent and in no other manner.

Section 9.5. Future Contracts. Nothing herein contained will be deemed to restrict or prohibit the City from making contracts or creating bonded or other indebtedness payable from a pledge of the Net Taxes which is subordinate to the pledge hereunder, or which is payable from the general fund of the City or from taxes or any source other than the Net Taxes and other amounts pledged hereunder.

Section 9.6. Further Assurances. The City will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Fiscal Agent Agreement, and for the better assuring and confirming unto the Owners of the Bonds the rights and benefits provided in this Fiscal Agent Agreement.

Section 9.7. Severability. If any covenant, agreement or provision, or any portion thereof, contained in this Fiscal Agent Agreement, or the application thereof to any person or circumstance, is held to be unconstitutional, invalid or unenforceable, the remainder of this Fiscal Agent Agreement and the application of any such covenant, agreement or provision, or portion thereof, to other persons or circumstances, will be deemed severable and will not be affected thereby, and this Fiscal Agent Agreement, the Bonds issued pursuant hereto will remain valid and the Bondowners will retain all valid rights and benefits accorded to them under the laws of the State of California.

Section 9.8. Notices. Any notices required to be given to the City with respect to the Bonds or this Fiscal Agent Agreement will be mailed, first class, postage prepaid, or personally delivered as follows:

If to the City:

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

If to the Trustee:

U.S. Bank National Association

Attention: Corporate Trust Department

IN WITNESS WHEREOF, THE CITY OF ELK GROVE, for and on behalf of its East Franklin Community Facilities District No. 2002-1, has caused this Fiscal Agent Agreement to be signed by its Director of Finance and Administrative Services and City Clerk, and U.S. Bank National Association, in token of its acceptance of the duties hereunder, has caused this Fiscal Agent Agreement to be signed in its corporate name by its officers identified below, all as of the day and year first above written.

CITY OF ELK GROVE, for and on behalf of its East Franklin Community Facilities District No. 2002-1

By: \_\_\_\_\_  
Director of Finance and Administrative Services

ATTEST:

\_\_\_\_\_  
City Clerk

U.S. BANK NATIONAL ASSOCIATION, as Fiscal Agent

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

**EXHIBIT A**

**FORM OF SPECIAL TAX BOND, SERIES 2015**

R-\_\_

\$ \_\_\_\_\_

UNITED STATES OF AMERICA  
STATE OF CALIFORNIA  
CITY OF ELK GROVE  
EAST FRANKLIN  
COMMUNITY FACILITIES DISTRICT NO. 2002-1  
SPECIAL TAX BOND, SERIES 2015

**INTEREST RATE:** \_\_\_\_\_%      **MATURITY DATE:** SEPTEMBER 1, \_\_\_\_\_      **DATED DATE:** July \_\_, 2015      **CUSIP:** N/A

**REGISTERED OWNER:** U.S. BANK NATIONAL ASSOCIATION], as Trustee under that certain Indenture of Trust dated as of July 1, 2015 between the Elk Grove Finance Authority and U.S. Bank National Association

**PRINCIPAL AMOUNT:** \_\_\_\_\_ AND NO/100 DOLLARS

THE CITY OF ELK GROVE (the "City"), for and on behalf of City of Elk Grove East Franklin Community Facilities District No. 2002-1 (the "CFD"), FOR VALUE RECEIVED, hereby promises to pay, solely from certain amounts held under the Fiscal Agent Agreement (as hereinafter defined), to the Registered Owner named above, or registered assigns, on the Maturity Date set forth above, unless redeemed prior thereto as hereinafter provided, the Principal Amount set forth above, and to pay interest on such Principal Amount from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication, unless (i) the date of authentication is an Interest Payment Date in which event interest will be payable from such date of authentication, (ii) the date of authentication is after a Record Date (as hereinafter defined) but prior to the immediately succeeding Interest Payment Date, in which event interest will be payable from the Interest Payment Date immediately succeeding the date of authentication, or (iii) the date of authentication is prior to the close of business on the first Record Date in which event interest will be payable from the Dated Date set forth above. Notwithstanding the foregoing, if at the time of authentication of this Bond interest is in default, interest on this Bond will be payable from the last Interest Payment Date to which the interest has been paid or made available for payment or, if no interest has been paid or made available for payment, interest on this Bond will be payable from the Dated Date set forth above. Interest will be paid semiannually on March 1 and September 1 (each an "Interest Payment Date"), commencing March 1, 2016, at the Interest Rate set forth above, until the Principal Amount is paid or made available for payment.

The principal of and premium, if any, on this Bond are payable to the Registered Owner in lawful money of the United States of America upon presentation and surrender of this Bond at the Principal Office of the Fiscal Agent (as such term is defined in the Fiscal Agent Agreement), initially U.S. Bank National Association (the "Fiscal Agent"). Interest on this Bond will be paid by

check of the Fiscal Agent mailed, by first class mail, postage prepaid, or in certain circumstances described in the Fiscal Agent Agreement by wire transfer to an account within the United States of America, to the Registered Owner as of the close of business on the fifteenth day of the month preceding the month in which the Interest Payment Date occurs (the "Record Date") at such Registered Owner's address as it appears on the registration books maintained by the Fiscal Agent.

This Bond is one of a duly authorized issue of "City of Elk Grove East Franklin Community Facilities District No. 2002-1 Special Tax Bonds, Series 2015" (the "Bonds") issued in the aggregate principal amount of \$[par amount] pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, being Sections 53311, et seq., of the California Government Code (the "Act") for the purpose of refinancing outstanding special tax bonds of the City and paying certain costs related to the issuance of the Bonds. The issuance of the Bonds and the terms and conditions thereof are provided for by a resolution adopted by the City Council of the City acting in its capacity as the legislative body of the CFD (the "Legislative Body") on \_\_\_\_\_, 2015 and a Fiscal Agent Agreement executed in connection therewith (the "Fiscal Agent Agreement"), and this reference incorporates the Fiscal Agent Agreement herein, and by acceptance the Registered Owner of this Bond assents to said terms and conditions. The Fiscal Agent Agreement is adopted under and this Bond is issued under, and both are to be construed in accordance with, the laws of the State of California.

Pursuant to the Act and the Fiscal Agent Agreement, the principal of, premium, if any, and interest on this Bond are payable solely from the portion of the annual special taxes authorized under the Act to be levied and collected within the CFD (the "Special Taxes") and certain other amounts pledged to the repayment of the Bonds as set forth in the Fiscal Agent Agreement. Any amounts for the payment will be limited to the Special Taxes pledged and collected or foreclosure proceeds received following a default in payment of the Special Taxes and other amounts deposited to the Special Tax Fund established under the Fiscal Agent Agreement, except to the extent that other provision for payment has been made by the Legislative Body, as may be permitted by law. The City has covenanted for the benefit of the owners of the Bonds that under certain circumstances described in the Fiscal Agent Agreement it will commence and diligently pursue to completion appropriate foreclosure proceedings in the event of delinquencies of Special Tax installments levied for payment of principal and interest on the Bonds.

Optional Redemption. The Bonds may be redeemed, at the option of the City, from any source of funds on any Interest Payment Date on or after [September] 1, 20\_\_, in whole, or in part and by lot, at a redemption price equal to the principal amount to be redeemed, plus a premium expressed below as a percentage of the principal amount so redeemed, plus accrued interest thereon to the date of redemption.

<u>Redemption Date</u>	<u>Redemption Premium</u>
On or after March 1, 20__ through March 1, 20__	
September 1, 20__ and March 1, 20__	
September 1, 20__ and March 1, 20__	
September 1, 20__ and thereafter	

Notwithstanding the foregoing, with the redemption price may include an additional premium if necessary, based on the certificate of an Independent Financial Consultant, to redeem the corresponding portion of the Authority Bonds.

Mandatory Sinking Fund Redemption. The Term Bonds maturing on September 1, 20\_\_, are subject to redemption prior to their stated maturity, in part, by lot from amounts deposited into the Redemption 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 Term Bonds optionally redeemed:

Mandatory Redemption Dates (September 1)	Sinking Fund Payment
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\*

\* Maturity

Extraordinary Redemption. The Bonds are subject to extraordinary redemption as a whole, or in part on a pro rata basis among maturities, on any Interest Payment Date, and will be redeemed by the Fiscal Agent, from Prepayments deposited to the Redemption Account, plus amounts transferred from the Reserve Account, at a redemption price equal to the principal amount to be redeemed, plus a premium expressed below as a percentage of the principal amount so redeemed, plus accrued interest thereon to the date of redemption.

<u>Redemption Date</u>	<u>Redemption Premium</u>
On or after March 1, 20__ through March 1, 20__	
September 1, 20__ and March 1, 20__	
September 1, 20__ and March 1, 20__	
September 1, 20__ and thereafter	

Notwithstanding the foregoing, with the redemption price may include an additional premium if necessary, based on the certificate of an Independent Financial Consultant, to redeem the corresponding portion of the Authority Bonds.

In lieu of applying amounts in the Redemption Account to redeem Bonds, an Authorized Representative of the City may instruct the Fiscal Agent to apply such amounts to purchase Bonds as set forth in the Fiscal Agent Agreement.

Notice of redemption with respect to the Bonds to be redeemed will be mailed to the registered owners thereof not fewer than 30 nor more than 45 days prior to the redemption date by first class mail, postage prepaid, to the addresses set forth in the registration books. Neither a failure of the Registered Owner to receive such notice nor any defect therein will affect the validity of the proceedings for redemption. All Bonds or portions thereof so called for redemption will cease to accrue interest on the specified redemption date; provided that funds for the redemption are on deposit with the Fiscal Agent on the redemption date. Thereafter, the registered owners of such Bonds will have no rights except to receive payment of the redemption price upon the surrender of the Bonds.

This Bond will be registered in the name of the Registered Owner, as to both principal and interest, and the City and the Fiscal Agent may treat the Registered Owner as the absolute owner for all purposes and will not be affected by any notice to the contrary.

The Bonds are issuable only in fully registered form in the denomination of \$5,000 or any integral multiple thereof and may be exchanged for a like aggregate principal amount of Bonds of other authorized denominations of the same issue and maturity, all as more fully set forth in the Fiscal Agent Agreement. This Bond is transferable by the Registered Owner, in person or by his attorney duly authorized in writing, at the Principal Office of the Fiscal Agent, but only in the manner, subject to the limitations and upon payment of the charges provided in the Fiscal Agent Agreement, upon surrender and cancellation of this Bond. Upon such transfer, a new registered Bond of authorized denomination or denominations for the same aggregate principal amount of the same issue and maturity will be issued to the transferee in exchange therefor.

The Fiscal Agent will not be required to register transfers or make exchanges of (i) any Bonds for a period of 15 days next preceding any selection of the Bonds to be redeemed, or (ii) any Bonds chosen for redemption.

The rights and obligations of the City and of the registered owners of the Bonds may be amended at any time, and in certain cases without notice to or the consent of the registered owners, to the extent and upon the terms provided in the Fiscal Agent Agreement.

THE BONDS DO NOT CONSTITUTE OBLIGATIONS OF THE CITY OR THE CFD FOR WHICH THE CITY OR THE CFD IS OBLIGATED TO LEVY OR PLEDGE, OR HAS LEVIED OR PLEDGED, GENERAL OR SPECIAL TAXES, OTHER THAN THE SPECIAL TAXES REFERENCED HEREIN. THE BONDS ARE LIMITED OBLIGATIONS OF THE CITY PAYABLE FROM THE PORTION OF THE SPECIAL TAXES AND OTHER AMOUNTS PLEDGED UNDER THE FISCAL AGENT AGREEMENT BUT ARE NOT A DEBT OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OR RESTRICTION.

This Bond will not become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed will have been dated and signed by the Fiscal Agent.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by law to exist, happen and be performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other indebtedness of the City, does not exceed any debt limit prescribed by the laws or Constitution of the State of California.

IN WITNESS WHEREOF, the City of Elk Grove, for and on behalf of its City of Elk Grove East Franklin Community Facilities District No. 2002-1 has caused this Bond to be dated as of July \_\_, 2015, to be signed on behalf of the City by the Director of Finance and Administrative Services by his facsimile signature and attested by the facsimile signature of the City Clerk and has caused its seal to be reproduced hereon.

[SEAL]

\_\_\_\_\_  
Director of Finance and  
Administrative Services

ATTEST:

\_\_\_\_\_  
City Clerk

[FORM OF FISCAL AGENT'S CERTIFICATE  
OF AUTHENTICATION AND REGISTRATION]

This is one of the Bonds described in the within-defined Fiscal Agent Agreement.

Dated: July \_\_, 2015

U.S. BANK NATIONAL ASSOCIATION, as  
Fiscal Agent

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



[FORM OF ASSIGNMENT]

For value received the undersigned do(es) hereby sell, assign and transfer unto

whose tax identification number is \_\_\_\_\_,  
the within-mentioned registered Bond and hereby irrevocably constitute(s) and appoint(s)

attorney to transfer the same on the books of the Fiscal Agent with full power of substitution in  
the premises.

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

Signature guaranteed:

NOTE: Signature(s) must be guaranteed by  
an eligible guarantor institution.

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

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**FISCAL AGENT AGREEMENT**

**Between**

**CITY OF ELK GROVE**

**and**

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

**Dated as of July 1, 2015**

**[\$par amount]  
CITY OF ELK GROVE  
COMMUNITY FACILITIES DISTRICT NO. 2003-1  
(POPPY RIDGE)  
SPECIAL TAX BONDS  
SERIES 2015**

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**EXHIBIT A FORM OF SPECIAL TAX BOND, SERIES 2015**

## FISCAL AGENT AGREEMENT

THIS FISCAL AGENT AGREEMENT (this "**Fiscal Agent Agreement**") is made and entered into as of July 1, 2015, between the City of Elk Grove, a municipal corporation and general law city organized and existing under and by virtue of the Constitution and laws of the State of California (the "**City**"), for and on behalf of the City's Community Facilities District No. 2003-1 (Poppy Ridge) (the "**CFD**"), and U.S. Bank National Association, a national banking association organized and existing under the laws of the United States of America, as fiscal agent (the "**Fiscal Agent**"), and governs the terms of the City of Elk Grove Community Facilities District No. 2003-1 (Poppy Ridge) Special Tax Bonds, Series 2015 (the "**Bonds**") issued in accordance herewith from time to time.

### BACKGROUND :

1. The City Council of the City has conducted proceedings under and pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, Chapter 2.5 of Part 1 of Division 2 of Title 5 (commencing with Section 53311) of the California Government Code (the "**Act**"), to form the CFD, to authorize the levy of special taxes upon the land within the CFD, and to issue bonds secured by said special taxes the proceeds of which special taxes and which bonds were to be used to finance certain public improvements, all as described in those proceedings.

2. Under the provisions of the Act, on behalf of the CFD, the City has previously issued the following bonds (collectively, the "**Prior Bonds**"):

- (i) \$32,915,000 City of Elk Grove Community Facilities District No. 2003-1 (Poppy Ridge) Special Tax Refunding Bonds, Series 2005 (the "**Series 2005 Poppy Ridge Bonds**") pursuant to a Fiscal Agent Agreement, dated as of August 1, 2005, between the City and the Prior Bonds Fiscal Agent; and
- (ii) \$15,900,000 City of Elk Grove Community Facilities District No. 2003-1 (Poppy Ridge) Special Tax Bonds, Series 2006 (the "**Series 2006 Poppy Ridge Bonds**") pursuant to a Fiscal Agent Agreement, dated as of August 1, 2005 and a First Supplemental Fiscal Agent Agreement, dated as of [May] 1, 2006, between the City and the Prior Bonds Fiscal Agent.

3. The City wishes to refinance the Prior Bonds to take advantage of current interest rates, which refinancing will result in the redemption on a current basis of a portion of the 2005 Authority Bonds and the redemption on an advance basis of the 2006 Authority Bonds and to finance additional capital improvements authorized to be financed by the CFD (the "**Project**").

4. The Series 2005 Poppy Ridge Bonds are subject to redemption on any date on or after September 1, 2015, in whole or in part, at a redemption price equal to 100% of the principal amount of the Prior Bonds to be redeemed, plus accrued interest to the date fixed for redemption; and the Series 2006 Poppy Ridge Bonds are subject to redemption on September 1, 2016, in whole or in part, at a redemption price equal to 100% of the principal amount of the Prior Bonds to be redeemed, plus accrued interest to the date fixed for redemption.

5. On \_\_\_\_\_ 2015, for the purpose of refinancing the Prior Bonds and financing the Project, the City Council adopted Resolution No. 2015-\_\_ (the "**Resolution**") authorizing the

issuance and sale of the Bonds by the City for and on behalf of the CFD pursuant to this Fiscal Agent Agreement.

6. The City has determined that it is in the public interest and for the benefit of the City, the persons responsible for the payment of special taxes and the owners of the Bonds that the City enter into this Fiscal Agent Agreement to provide for the issuance of the Bonds, the disbursement of proceeds of the Bonds, the disposition of the special taxes securing the bonds, and the administration and payment of the Bonds.

7. The City has determined that all things necessary to cause the bonds, when authenticated by the Fiscal Agent and issued as provided in the Act, the Resolution and this Fiscal Agent Agreement, to be legal, valid and binding and limited obligations in accordance with their terms, and all things necessary to cause the creation, authorization, execution and delivery of this Fiscal Agent Agreement and the creation, authorization, execution and issuance of the Bonds, subject to the terms, have in all respects been duly authorized.

NOW, THEREFORE, in order to establish the terms and conditions upon and subject to which the Bonds are to be issued, and in consideration of the premises and of the mutual covenants contained herein and of the purchase and acceptance of the Bonds by the Owners thereof, and for other valuable consideration, the receipt of which is hereby acknowledged, the City does hereby covenant and agree, for the benefit of the Owners of the Bonds as follows:

## ARTICLE I

### DEFINITIONS

Section 1.1. Definitions. Unless the context otherwise requires, the following terms will have the following meanings:

“Account” means any account created pursuant to this Fiscal Agent Agreement.

“Act” means the Mello-Roos Community Facilities Act of 1982, as amended, Sections 53311 et seq. of the California Government Code.

“Administrative Expenses” means any or all of the following:

(a) the expenses directly related to the administration of the CFD, including, but not limited to, the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the City or a designee thereof or both); the costs of collecting the Special Taxes (whether by the County, the City or otherwise); the costs of remitting the Special Taxes to the Fiscal Agent; the costs associated with preparing Special Tax disclosure statements and responding to the public inquiries regarding the Special Taxes; the costs of the City, the CFD or any designee thereof related to an appeal of the Special Tax;

(b) the costs of the Fiscal Agent (including its legal counsel) in the discharge of the duties of the Fiscal Agent pertaining to the Bonds required under this Fiscal Agent Agreement and any Supplemental Agreement;

(c) the costs of the City or any designee thereof of complying with the City, the CFD, the Authority or obligated person disclosure requirements associated with applicable federal or state securities laws of the Act pertaining to the bonds;

(d) the Authority Administrative Expenses;

(e) any amounts required to be rebated to the federal government; and

(f) all other costs and expenses of the City (including, but not limited to, an allocable share of the salaries of the City staff directly related to the foregoing, a proportionate amount of City general administrative overhead related to the foregoing, and amounts advanced by the City for any administrative purpose of the CFD, including costs related to prepayments of Special Taxes, recordings related to such prepayments and satisfaction of Special Taxes, amounts advanced to ensure maintenance of tax exemption, and the costs of prosecuting foreclosure of delinquent Special Taxes, which amounts advanced are subject to reimbursement from other sources, including proceeds of foreclosure) and the Fiscal Agent incurred in connection with the discharge of their respective duties hereunder and in any way related to the administration of the CFD and all actual costs and expenses incurred in connection with the administration of the Bonds.

“Administrative Expenses Cap” means (i) for fiscal year 2015-16, \$25,000 and (ii) for each subsequent year, an amount equal to the preceding fiscal year’s Administrative Expenses Cap plus an additional 2% of such amount.

“Annual Debt Service” means the principal amount of any Outstanding Bonds payable in a Bond Year either at maturity or pursuant to a Sinking Fund Payment and any interest payable on any Outstanding Bonds in such Bond Year, if the Bonds are retired as scheduled.

“Authority” means the Elk Grove Finance Authority.

“Authority Bonds” means any bonds outstanding under the Authority Indenture, which are secured in part by payments made on the Bonds.

“Authority Indenture” means that certain Indenture of Trust, dated as of July 1, 2015, between the Authority and the Authority Trustee, pursuant to which the Authority Bonds are issued.

“Authority Trustee” means U.S. Bank National Association or any successor thereto appointed pursuant to the Authority Indenture.

“Authorized Investments” means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein, but only to the extent that the same are acquired at Fair Market Value:

(a) Federal Securities;

(b) any of the following direct or indirect obligations of the following agencies of the United States of America: (i) direct obligations of the Export-Import Bank; (ii) certificates of beneficial ownership issued by the Farmers Home Administration; (iii) participation certificates issued by the General Services Administration; (iv) mortgage-backed bonds or pass-through obligations issued and guaranteed by the Government National Mortgage Association, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or the Federal Housing Administration; (v) project notes issued by the United States Department of Housing and Urban Development; and (vi) public housing notes and bonds guaranteed by the United States of America;

(c) interest-bearing demand or time deposits (including certificates of deposit) or deposit accounts in federal or state chartered savings and loan associations or in federal or State of California banks (including the Fiscal Agent and its affiliates), provided that (i) the unsecured short-term obligations of such commercial bank or savings and loan association will be rated in the highest short-term rating category by any Rating Agency or (ii) such demand or time deposits will be fully insured by the Federal Deposit Insurance Corporation;

(d) commercial paper rated at the time of purchase in the highest short-term rating category by any Rating Agency, issued by corporations which are organized and operating within the United States of America, and which matures not more than 180 days following the date of investment therein;



(e) bankers acceptances, consisting of bills of exchange or time drafts drawn on and accepted by a commercial bank whose short-term obligations are rated in the highest short-term rating category by any Rating Agency or whose long-term obligations are rated A or better by each such Rating Agency, which mature not more than 270 days following the date of investment therein;

(f) obligations the interest on which is excludable from gross income pursuant to Section 103 of the Tax Code and which are either (a) rated A or better by any Rating Agency or (b) fully secured as to the payment of principal and interest by Federal Securities;

(g) obligations issued by any corporation organized and operating within the United States of America having assets in excess of Five Hundred Million Dollars (\$500,000,000), which obligations are rated A or better by any Rating Agency;

(h) money market funds (including money market funds for which the Fiscal Agent, its affiliates or subsidiaries provide investment advisory or other management services) which invest in Federal Securities or which are rated in the highest rating category by any Rating Agency;

(i) any investment agreement, repurchase agreement or other investment instrument which represents the general unsecured obligations of a bank, investment banking firm or other financial institution whose long-term obligations are rated at the time of the delivery of the investment agreement, repurchase agreement or other investment instrument A or better by any Rating Agency; and

(j) shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State of California that invests exclusively in investments permitted by Section 53601 of Title 5, Division 2, Chapter 4 of the California Government Code, as it may be amended (California Asset Management Program); and

(k) the Local Agency Investment Fund of the State, created pursuant to Section 16429.1 of the California Government Code.

“Authorized Representative of the City” means the Mayor, City Manager, Finance Director or City Clerk, or any other person or persons designated by a written certificate signed on behalf of the City by the City Manager or Finance Director of the City and containing the specimen signature of each such person.

“Bond Counsel” means Jones Hall, A Professional Law Corporation, and its successors; or any other attorney at law or firm of attorneys selected by the Authority, of nationally recognized standing in matters pertaining to the federal tax exemption of interest on bonds issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America.

“Bond Register” means the books which the Fiscal Agent will keep or cause to be kept on which the registration and transfer of the Bonds will be recorded.

“Bondowner” or “Owner” means the person or persons in whose name or names any Bond is registered.

“Bonds” means the Bonds issued hereunder, including the \$[par amount] City of Elk Grove Community Facilities District No. 2003-1 (Poppy Ridge) Special Tax Bonds, Series 2015 and any Parity Bonds.

“Bond Year” means the twelve month period commencing on September 2 of each year and ending on September 1 of the following year, except that the first Bond Year will begin on the Delivery Date for such Bonds and end on the first September 1 which is not more than 12 months after the Delivery Date.

“Business Day” means a day which is not a Saturday or Sunday or a day of the year on which the New York Stock Exchange or banks in New York, New York or Los Angeles, California, or the city where the corporate trust office of the Fiscal Agent is located, are not required or authorized to remain closed.

“Certificate of an Authorized Representative” means a written certificate or warrant request executed by an Authorized Representative of the City.

“CFD” means City of Elk Grove Community Facilities District No. 2003-1 (Poppy Ridge) established pursuant to the Act and the Resolution of Formation.

“City” means the City of Elk Grove, a municipal corporation and general law city duly established and existing under the Constitution and laws of the State of California.

“Code” means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the Closing Date, together with applicable temporary and final regulations promulgated, and applicable official guidance published, under the Code.

“Costs of Issuance” will have the meaning set forth in the Authority Indenture.

“Delivery Date” means, with respect to the Bonds and each issue of Parity Bonds, the date on which the bonds of such issue were issued and delivered to the initial purchasers thereof.

“Escrow Agent” means U.S. Bank National Association.

“Escrow Agreement” means the Escrow Agreement dated as of July 1, 2015, among the City, the Authority and the Escrow Agent.

“Escrow Fund” means the CFD 2003-1 Escrow Account established pursuant to the Escrow Agreement.

“Fair Market Value” means, with respect to any investment, the price at which a willing buyer would purchase such investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of

Section 1273 of the Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as described above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security - State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the Authority and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

"Federal Securities" means any of the following:

- (a) Cash (insured at all times by the Federal Deposit Insurance Corporation).
- (b) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including:
  - U.S. treasury obligations
  - All direct or fully guaranteed obligations
  - Farmers Home Administration
  - General Services Administration
  - Guaranteed Title XI financing
  - Government National Mortgage Association (GNMA)
  - State and Local Government Series

"Finance Director" means the official of the City, or such official's designee, who acts in the capacity as the chief financial officer of the City, including the controller or other financial officer.

"Fiscal Agent" means U.S. Bank National Association, a national banking association organized and existing under the laws of the United States of America, at its principal corporate trust office in \_\_\_\_\_, California, and its successors or assigns, or any other bank or trust company which may at any time be substituted in its place as provided in Sections 7.2 or 7.3 and any successor thereto.

"Fiscal Agent Agreement" means this Fiscal Agent Agreement, together with any Supplemental Agreement approved pursuant to Article 6.

"Fiscal Year" means the period beginning on July 1 of each year and ending on the next following June 30.

"Gross Taxes" means the proceeds of the Special Taxes received by the City, including any scheduled payments and any prepayments thereof, interest thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest thereon. "Gross Taxes" does not include any penalties

collected in connection with delinquent Special Taxes or any interest in excess of the interest due on the Bonds.

“Independent Financial Consultant” means a financial consultant or firm of such consultants generally recognized to be well qualified in the financial consulting field, appointed and paid by the City, who, or each of whom:

- (1) is in fact independent and not under the domination of the City;
- (2) does not have any substantial interest, direct or indirect, in the City; and
- (3) is not connected with the City as a member, officer or employee of the City, but who may be regularly retained to make annual or other reports to the City.

“Interest Payment Date” means each March 1 and September 1, commencing March 1, 2016; provided, however, that, if any such day is not a Business Day, interest up to the Interest Payment Date will be paid on the Business Day next preceding such date.

“Maximum Annual Debt Service” means the maximum sum obtained for any Bond Year prior to the final maturity of the Bonds by adding the following for each Bond Year:

- (1) the principal amount of all Outstanding Bonds payable in such Bond Year either at maturity or pursuant to a Sinking Fund Payment; and
- (2) the interest payable on the aggregate principal amount of all Bonds Outstanding in such Bond Year if the Bonds are retired as scheduled.

“Net Taxes” means Gross Taxes minus the Administrative Expenses Cap.

“Outstanding” or “Outstanding Bonds” means all Bonds theretofore issued by the City, except:

- (1) Bonds theretofore cancelled or surrendered for cancellation in accordance with Section 9.1;
- (2) Bonds for payment or redemption of which monies will have been theretofore deposited in trust (whether upon or prior to the maturity or the redemption date of such Bonds), provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption will have been given as provided in this Fiscal Agent Agreement or any applicable Supplemental Agreement for Parity Bonds; and
- (3) Bonds which have been surrendered to the Fiscal Agent for transfer or exchange pursuant to Section 2.9 or for which a replacement has been issued pursuant to Section 2.10.

“Parity Bonds” means refunding bonds issued pursuant to Section 8.2 of this Fiscal Agent Agreement that are payable from Net Taxes and other amounts deposited in the Special Tax Fund and secured by a lien and charge upon such amounts equal to the lien and charge securing the Bonds.

“Person” means natural persons, firms, corporations, partnerships, associations, trusts, public bodies and other entities.

“Prepayments” means any amounts paid by the City to the Fiscal Agent and designated by the City as a prepayment of Special Taxes for one or more parcels in the CFD made in accordance with the Rate and Method of Apportionment of Special Taxes attached to the Resolution of Formation.

“Principal Office of the Fiscal Agent” means the office of the Fiscal Agent located in \_\_\_\_\_, California, or such other office or offices as the Fiscal Agent may designate from time to time, or the office of any successor Fiscal Agent where it principally conducts its business of serving as trustee under indentures pursuant to which municipal or governmental obligations are issued.

“Prior Bonds” means, collectively, the Series 2005 Bonds and the Series 2006 Bonds.

“Prior Bonds Fiscal Agent” means U.S. Bank National Association, as fiscal agent with respect to the Prior Bonds under the Prior Bonds Fiscal Agent Agreement.

“Prior Bonds Fiscal Agent Agreement” means the Fiscal Agent Agreement, dated as of August 1, 2005, between the City, for and on behalf of the CFD, and the Prior Bonds Fiscal Agent, as supplemented by a First Supplemental Fiscal Agent Agreement, dated as of May 1, 2006, between the City and the Prior Bonds Fiscal Agent.

“Project” means those items described as “Facilities” in the Resolution of Formation.

“Rating Agency” means Standard & Poor’s or, in the event that Standard & Poor’s no longer maintains a rating on the Bonds, any other nationally recognized bond rating agency then maintaining a rating on the Bonds, but, in each instance, only so long as Standard & Poor’s or other nationally recognized rating agency then maintains a rating on the Bonds.

“Record Date” means the fifteenth day of the month preceding an Interest Payment Date, regardless of whether such day is a Business Day.

“Reserve Account” means the account by that name created and established in the Special Tax Fund pursuant to Section 3.1.

“Reserve Account Credit Instrument” means an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company, provided that all of the following requirements are met:

(a) the long-term credit rating of such bank or insurance company from either Moody’s Ratings Services or Standard & Poor’s is “AA” or better (without regard to numerical or other modification);

(b) such letter of credit or surety bond has a term of at least 12 months;

(c) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released pursuant to Section 3.6; and

(d) the Fiscal Agent is authorized under such letter of credit or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Interest Account or the Principal Account for the purpose of making payments required hereunder.

“Reserve Requirement” means as of any date of calculation, an amount equal to the least of (i) Maximum Annual Debt Service on the Outstanding Bonds, (ii) 10% of the initial principal amount of the Bonds, or (iii) 125% of average Annual Debt Service on the Outstanding Bonds.

“Resolution of Formation” means Resolution No. 2003-15 adopted by the City Council of the City on January 15, 2003 pursuant to which the City formed the CFD.

“Sinking Fund Payment” means the annual payment to be deposited in the Redemption Account to redeem a portion of the Term Bonds in accordance with the schedule set forth in Section 4.1(b) and any annual sinking fund payment schedule to retire any Parity Bonds which are designated as Term Bonds.

“Special Tax Fund” means the fund by that name created and established pursuant to Section 3.1.

“Special Taxes” means the taxes authorized to be levied by the City on property within the CFD in accordance with the Resolution of Formation, the Act and the voter approval obtained at the January 15, 2003 election in the CFD.

“Standard & Poor’s” means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, its successors and assigns.

“Supplemental Agreement” means any Supplemental Agreement amending or supplementing this Fiscal Agent Agreement.

“Surplus Fund” means the fund by that name created and established pursuant to Section 3.1.

“Term Bonds” means the Bonds subject to mandatory sinking fund redemption.

## ARTICLE II

### GENERAL AUTHORIZATION AND BOND TERMS

Section 2.1. Amount, Issuance and Purpose of Bonds. Under and pursuant to the Act, the City of Elk Grove Community Facilities District No. 2003-1 (Poppy Ridge) Special Tax Bonds, Series 2015 in the aggregate principal amount of \$[par amount] will be issued for the purpose of (a) refunding and defeasing the Prior Bonds, (b) financing costs of the Project, (c) funding the Reserve Requirement, and (d) funding a portion of the Costs of Issuance.

Section 2.2. Type and Nature of Bonds. Subject to the provisions of Section 8.1, the Bonds will be secured by a first lien on and pledge of all the Net Taxes and amounts in the Special Tax Fund. Neither the faith and credit nor the taxing power of the City, the State of California or any political subdivision thereof other than the City is pledged to the payment of the Bonds. Except for the Net Taxes, no other taxes are pledged to the payment of the Bonds. The Bonds are not general obligations of the City, but are limited obligations of the City payable solely from certain amounts deposited by the City in the Special Tax Fund, as more fully described herein. The City's limited obligation to pay the principal of, premium, if any, and interest on the Bonds from amounts in the Special Tax Fund is absolute and unconditional, free of deductions and without any abatement, offset, recoupment, diminution or set-off whatsoever. No Owner of the Bonds may compel the exercise of the taxing power by the City (except the Special Taxes) or the forfeiture of any of its property. The principal of and interest on the Bonds and premiums upon the redemption thereof, if any, are not a debt of the City, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory limitation or restriction. The Bonds are not a legal or equitable pledge, charge, lien, or encumbrance upon any of the City's property, or upon any of its income, receipts or revenues, except the Net Taxes and other amounts in the Special Tax Fund which are, under the terms of this Fiscal Agent Agreement and the Act, set aside for the payment of the Bonds and interest thereon and neither the members of the City Council of the City nor any persons executing the Bonds are liable personally on the Bonds by reason of their issuance.

Notwithstanding anything to the contrary contained in this Fiscal Agent Agreement, the City will not be required to advance any money derived from any source of income other than the Net Taxes for the payment of the interest on or the principal of the Bonds, or for the performance of any covenants contained herein. The City may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose.

Section 2.3. Equality of Bonds and Pledge of Net Taxes. Pursuant to the Act and this Fiscal Agent Agreement, the Bonds will be equally secured by a pledge of and payable from the Net Taxes and other amounts in the Special Tax Fund, without priority for number, date of the Bonds, date of sale, date of execution, or date of delivery, and the payment of the interest on and principal of the Bonds and premiums upon the redemption thereof, will be exclusively paid from the Net Taxes and other amounts in the Special Tax Fund, which are hereby set aside for the payment of the Bonds. Amounts in the Special Tax Fund will constitute a trust fund held for the benefit of the Owners to be applied to the payment of the interest on and principal of the Bonds and so long as any of the Bonds or interest thereon remain Outstanding will not be used for any other purpose, except as permitted by this Fiscal Agent Agreement or any Supplemental Agreement. Notwithstanding any provision contained in this Fiscal Agent Agreement to the contrary, Net Taxes deposited in the Surplus Fund will no longer be considered to be pledged to

the Bonds, and none of the Surplus Fund, or amounts for Administrative Expenses retained by the City will be construed as a trust fund held for the benefit of the Owners.

Nothing in this Fiscal Agent Agreement or any Supplemental Agreement will preclude; (a) the redemption prior to maturity of any Bonds subject to call and redemption and payment of said Bonds from proceeds of refunding bonds issued under the Act as the same now exists or as hereafter amended, or under any other law of the State of California; or (b) the issuance, subject to the limitations contained herein, of Parity Bonds which will be payable from Net Taxes.

Section 2.4. Description of Bonds; Interest Rates. The Bonds will be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof. The Bonds of each issue will be numbered as desired by the Fiscal Agent.

The Bonds will be designated "CITY OF ELK GROVE COMMUNITY FACILITIES DISTRICT NO. 2003-1 (POPPY RIDGE) SPECIAL TAX BONDS, SERIES 2015." The Bonds will be dated as of their Delivery Date and will mature and be payable on September 1 in the years and in the aggregate principal amounts and will be subject to and will bear interest at the rates set forth in the table below, payable on March 1, 2016 and each Interest Payment Date thereafter:

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest Rate</u> <u>Per Annum</u>
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Interest will be payable on each Bond from the date established in accordance with Section 2.5 below on each Interest Payment Date thereafter until the principal sum of that Bond has been paid; provided, however, that if at the maturity date of any Bond funds are available for the payment or redemption thereof in full, in accordance with the terms of this Fiscal Agent Agreement, such Bonds will then cease to bear interest. Interest due on the Bonds will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

Section 2.5. Place and Form of Payment. The Bonds will be payable both as to principal and interest, and as to any premiums upon the redemption thereof, in lawful money of



the United States of America. The principal of the Bonds and any premiums due upon the redemption thereof will be payable upon presentation and surrender thereof at the Principal Office of the Fiscal Agent, or at the designated office of any successor Fiscal Agent. Interest on any Bond will be payable from the Interest Payment Date next preceding the date of authentication of that Bond, unless (i) such date of authentication is an Interest Payment Date in which event interest will be payable from such date of authentication, (ii) the date of authentication is after a Record Date but prior to the immediately succeeding Interest Payment Date, in which event interest will be payable from the Interest Payment Date immediately succeeding the date of authentication, or (iii) the date of authentication is prior to the close of business on the first Record Date occurring after the issuance of such Bond, in which event interest will be payable from the dated date of such Bond; provided, however, that if at the time of authentication of such Bond, interest is in default, interest on that Bond will be payable from the last Interest Payment Date to which the interest has been paid or made available for payment or, if no interest has been paid or made available for payment on that Bond, interest on that Bond will be payable from its dated date. Interest on any Bond will be paid to the person whose name will appear in the Bond Register as the Owner of such Bond as of the close of business on the Record Date. Such interest will be paid by check of the Fiscal Agent mailed by first class mail, postage prepaid, to such Bondowner at his or her address as it appears on the Bond Register. In addition, upon a request in writing received by the Fiscal Agent on or before the applicable Record Date from an Owner of \$1,000,000 or more in principal amount of the Bonds, payment will be made on the Interest Payment Date by wire transfer in immediately available funds to an account designated by such Owner.

Section 2.6. Form of Bonds. The Bonds and the certificate of authentication will be substantially in the form attached hereto as Exhibit A, which forms are hereby approved and adopted as the forms of such Bonds and of the certificate of authentication.

Notwithstanding any provision in this Fiscal Agent Agreement to the contrary, the City may, in its sole discretion, elect to issue the Bonds in book entry form.

Until definitive Bonds will be prepared, the City may cause to be executed and delivered in lieu of such definitive Bonds temporary bonds in fully registered form, subject to the same provisions, limitations and conditions as are applicable in the case of definitive Bonds, except that they may be in any denominations authorized by the City. Until exchanged for definitive Bonds, any temporary bond will be entitled and subject to the same benefits and provisions of this Fiscal Agent Agreement as definitive Bonds. If the City issues temporary Bonds, it will execute and furnish definitive Bonds without unnecessary delay and thereupon any temporary Bond may be surrendered to the Fiscal Agent at its office, without expense to the Owner, in exchange for a definitive Bond of the same issue, maturity, interest rate and principal amount in any authorized denomination. All temporary Bonds so surrendered will be cancelled by the Fiscal Agent and will not be reissued.

Section 2.7. Execution and Authentication. The Bonds will be signed on behalf of the City by the manual or facsimile signature of the Finance Director and by the manual or facsimile signature of the City Clerk, or any duly appointed deputy City Clerk, in their capacity as officers of the City, and the seal of the City (or a facsimile thereof) will be impressed, imprinted, engraved or otherwise reproduced thereon, and attested by the signature of the City Clerk. In case any one or more of the officers who will have signed or sealed any of the Bonds will cease to be such officer before the Bonds so signed and sealed have been authenticated and delivered by the Fiscal Agent (including new Bonds delivered pursuant to the provisions with

reference to the transfer and exchange of Bonds or to lost, stolen, destroyed or mutilated Bonds), such Bonds will nevertheless be valid and may be authenticated and delivered as herein provided, and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office.

Only the Bonds as will bear thereon such certificate of authentication in the form set forth in Exhibit A attached hereto will be entitled to any right or benefit under this Fiscal Agent Agreement, and no Bond will be valid or obligatory for any purpose until such certificate of authentication will have been duly executed by the Fiscal Agent.

Section 2.8. Bond Register. The Fiscal Agent will keep or cause to be kept, at its office, sufficient books for the registration and transfer of the Bonds which will upon reasonable prior notice be open to inspection by the City during all regular business hours, and, subject to the limitations set forth in Section 2.9 below, upon presentation for such purpose, the Fiscal Agent will, under such reasonable regulations as it may prescribe, register or transfer or cause to be transferred on said Bond Register, Bonds as herein provided.

The City and the Fiscal Agent may treat the Owner of any Bond whose name appears on the Bond Register as the absolute Owner of that Bond for any and all purposes, and the City and the Fiscal Agent will not be affected by any notice to the contrary. The City and the Fiscal Agent may rely on the address of the Bondowner as it appears in the Bond Register for any and all purposes. It will be the duty of the Bondowner to give written notice to the Fiscal Agent of any change in the Bondowner's address so that the Bond Register may be revised accordingly.

Section 2.9. Registration of Exchange or Transfer. Subject to the limitations set forth in the following paragraph, the registration of any Bond may, in accordance with its terms, be transferred upon the Bond Register by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Bond for cancellation at the office of the Fiscal Agent, accompanied by delivery of written instrument of transfer in a form acceptable to the Fiscal Agent and duly executed by the Bondowner or his or her duly authorized attorney.

Bonds may be exchanged at the office of the Fiscal Agent for a like aggregate principal amount of Bonds for other authorized denominations of the same maturity and issue. The Fiscal Agent will not collect from the Owner any charge for any new Bond issued upon any exchange or transfer, but will require the Bondowner requesting such exchange or transfer to pay any tax or other governmental charge required to be paid with respect to such exchange or transfer. Whenever any Bonds will be surrendered for registration of transfer or exchange, the City will execute and the Fiscal Agent will authenticate and deliver a new Bond or Bonds of the same issue and maturity, for a like aggregate principal amount; provided that the Fiscal Agent will not be required to register transfers or make exchanges of (i) Bonds for a period of 15 days next preceding any selection of the Bonds to be redeemed, or (ii) any Bonds chosen for redemption.

Section 2.10. Mutilated, Lost, Destroyed or Stolen Bonds. If any Bond will become mutilated, the City will execute, and the Fiscal Agent will authenticate and deliver, a new Bond of like tenor, date, issue and maturity in exchange and substitution for the Bond so mutilated, but only upon surrender to the Fiscal Agent of the Bond so mutilated. Every mutilated Bond so surrendered to the Fiscal Agent will be cancelled by the Fiscal Agent pursuant to Section 9.1. If any Bond will be lost, destroyed or stolen, evidence of such loss, destruction or theft may be

submitted to the Fiscal Agent and, if such evidence is satisfactory to the Fiscal Agent and, if any indemnity satisfactory to the Fiscal Agent will be given, the City will execute and the Fiscal Agent will authenticate and deliver, a new Bond of like tenor, maturity and issue, numbered and dated as the Fiscal Agent will determine in lieu of and in substitution for the Bond so lost, destroyed or stolen. Any Bond issued in lieu of any Bond alleged to be mutilated, lost, destroyed or stolen, will be equally and proportionately entitled to the benefits with all other Bonds issued hereunder. The Fiscal Agent will not treat both the original Bond and any replacement Bond as being Outstanding for the purpose of determining the principal amount of Bonds which may be executed, authenticated and delivered hereunder or for the purpose of determining any percentage of Bonds Outstanding hereunder, but both the original and replacement Bond will be treated as one and the same. Notwithstanding any other provision of this Section, in lieu of delivering a new Bond which has been mutilated, lost, destroyed or stolen, and which has matured, the Fiscal Agent may make payment with respect to such

Section 2.11. Validity of Bonds. The validity of the authorization and issuance of the Bonds will not be affected in any way by any defect in any proceedings taken by the City for the refunding of the Prior Bonds, and the recital contained in the Bonds that the same are issued pursuant to the Act and other applicable laws of the State will be conclusive evidence of their validity and of the regularity of their issuance.

## ARTICLE III

### CREATION OF FUNDS AND APPLICATION OF PROCEEDS

#### Section 3.1. Creation of Funds; Application of Proceeds.

(a) Creation of Funds. There is hereby created and established and will be maintained by the Fiscal Agent the following funds and accounts:

(1) The Community Facilities District No. 2003-1 Special Tax Fund (the "**Special Tax Fund**") (in which there will be established and created an Interest Account, a Principal Account, a Redemption Account, and a Reserve Account); and

(2) The Community Facilities District No. 2003-1 Surplus Fund (the "**Surplus Fund**"); and

The amounts on deposit in the foregoing funds, accounts and subaccounts will be held by the Fiscal Agent and the Fiscal Agent will invest and disburse the amounts in such funds, accounts and subaccounts in accordance with the provisions of this Article 3 and will disburse investment earnings thereon in accordance with the provisions of Section 3.8.

The City will establish and hold the Community Facilities District No. 2003-1 Improvement Fund (the "**Improvement Fund**") in accordance with Section 3.10.

(b) Application of Proceeds. Proceeds received from the Authority Trustee or deemed to have been received from the Authority Trustee from the sale of the Bonds to the Authority Trustee in the amount of \$[par amount].00 (which represents the par amount of the Bonds of \$[par amount].00 and which includes the amount of \$\_\_\_\_\_ (which is the amount of the compensation to be paid from proceeds of the CFD Bonds to the underwriter of the Authority Bonds), which will be deemed to have been received from the Authority Trustee), will be received by the Fiscal Agent and deposited or transferred on the Delivery Date as follows:

(i) \$\_\_\_\_\_ of the proceeds of the sale of the Bonds will be deposited into the Escrow Fund to be used to redeem the Prior Bonds pursuant to the terms of the Escrow Agreement.

(ii) \$\_\_\_\_\_ of the proceeds of the sale of the Bonds will be deposited into the Improvement Fund.

(iii) \$\_\_\_\_\_ of the proceeds of the sale of the Bonds representing a portion of the Costs of Issuance will be immediately transferred to the Authority Trustee for deposit in the Cost of Issuance Fund (as such term is defined in the Authority Indenture). In addition, the \$\_\_\_\_\_ deemed to have been received from the Authority Trustee will be deemed to have been deposited into the Cost of Issuance Fund and paid by the City to the underwriter of the Authority Bonds.

(iv) \$\_\_\_\_\_ of the proceeds of the sale of the Bonds will be transferred to the Reserve Account of the Special Tax Fund to fund the Reserve Requirement.

The Fiscal Agent may, in its discretion, establish a temporary fund or account in its books and records to facilitate such transfers.

In addition to the above transfers, the Prior Bonds Fiscal Agent will transfer \$\_\_\_\_\_ in funds on hand with respect to the Prior Bonds to the City for deposit in the Improvement Fund.

Section 3.2. Deposits to and Disbursements from Special Tax Fund.

(a) Except for the portion of any Prepayment to be deposited to the Redemption Account as specified in a Certificate of an Authorized Representative of the City, the Fiscal Agent will, on each date on which the Net Taxes are received from the City (pursuant to Section 5.2(a)), deposit the Net Taxes in the Special Tax Fund to be held in trust for the Owners. The Fiscal Agent will transfer the Net Taxes on deposit in the Special Tax Fund on the dates and in the amounts set forth in the following Sections, in the following order of priority, to:

- (1) The Interest Account of the Special Tax Fund;
- (2) The Principal Account of the Special Tax Fund;
- (3) The Redemption Account of the Special Tax Fund;
- (4) The Reserve Account of the Special Tax Fund; and
- (5) The Surplus Fund.

Section 3.3. [Reserved.] .

Section 3.4. Interest Account and Principal Account of the Special Tax Fund. The principal of and interest due on the Bonds until maturity, other than principal due upon redemption, will be paid by the Fiscal Agent from the Principal Account and the Interest Account of the Special Tax Fund, respectively. For the purpose of assuring that the payment of principal of and interest on the Bonds will be made when due, at least three Business Days prior to each March 1 and September 1, the Fiscal Agent will transfer from the Special Tax Fund, first to the Interest Account and then to the Principal Account, the amount required to pay interest on and principal of the Bonds on the immediately succeeding March 1 or September 1; provided, however, that to the extent that deposits have been made in the Interest Account or the Principal Account from the proceeds of the sale of an issue of the Bonds, or otherwise, the transfer from the Special Tax Fund need not be made; and provided, further, that, if amounts in the Special Tax Fund (exclusive of the Reserve Account) are inadequate to make the foregoing transfers, then any deficiency will be made up by transfers from the Reserve Account.

Section 3.5. Redemption Account of the Special Tax Fund.

(a) With respect to each September 1 on which a Sinking Fund Payment is due, after the deposits have been made to the Interest Account and the Principal Account of the Special Tax Fund as required by Section 3.4, the Fiscal Agent will next transfer into the Redemption Account of the Special Tax Fund from the Special Tax Fund the amount needed to make the balance in the Redemption Account five Business Days prior to each September 1 equal to the Sinking Fund Payment due on any Outstanding Bonds on such September 1;

provided, however, that, if amounts in the Special Tax Fund are inadequate to make the foregoing transfers, then any deficiency will be made up by an immediate transfer from the Reserve Account, if funded, pursuant to Section 3.6 below. Moneys so deposited in the Redemption Account will be used and applied by the Fiscal Agent to call and redeem Term Bonds in accordance with the Sinking Fund Payment schedule set forth in Section 4.1(b), and to redeem Parity Bonds in accordance with any Sinking Fund Payment schedule set forth in the Supplemental Agreement for such Parity Bonds.

(b) After making the deposits to the Interest Account and the Principal Account of the Special Tax Fund pursuant to Section 3.4 above and to the Redemption Account for Sinking Fund Payments then due pursuant to subparagraph (a) of this Section, and in accordance with the City's election to call Bonds for optional redemption as set forth in Section 4.1(a), or to call Parity Bonds for optional redemption as set forth in any Supplemental Agreement for Parity Bonds, the Fiscal Agent will transfer from the Special Tax Fund and deposit in the Redemption Account moneys available for the purpose and sufficient to pay the principal and the premiums, if any, payable on the Bonds called for optional redemption; provided, however, that amounts in the Special Tax Fund may be applied to optionally redeem Bonds only if immediately following such redemption the amount in the Reserve Account will equal the Reserve Requirement.

(c) Prepayments of Special Taxes deposited to the Redemption Account will be applied on the redemption date established pursuant to Section 4.1(c) for the use of such Prepayments to the payment of the principal of, premium, and interest on the Bonds to be redeemed with such Prepayments.

(d) Moneys set aside in the Redemption Account will be used solely for the purpose of redeeming Bonds and will be applied on or after the redemption date to the payment of principal of and premium, if any, on the Bonds to be redeemed upon presentation and surrender of such Bonds and in the case of an optional redemption or an extraordinary redemption from Prepayments to pay the interest thereon; provided, however, that in lieu or partially in lieu of such call and redemption, moneys deposited in the Redemption Account, other than Prepayments, may be used to purchase Outstanding Bonds in the manner hereinafter provided. Purchases of Outstanding Bonds may be made by the City at public or private sale as and when and at such prices as the City may in its discretion determine but only at prices (including brokerage or other expenses) not more than par plus accrued interest, plus, in the case of moneys set aside for an optional redemption, the premium applicable at the next following call date according to the premium schedule established pursuant to Section 4.1(a), or in the case of Parity Bonds the premium established in any Supplemental Agreement. Any accrued interest payable upon the purchase of Bonds may be paid from the amount reserved in the Interest Account of the Special Tax Fund for the payment of interest on the next following Interest Payment Date.

Section 3.6. Reserve Account of the Special Tax Fund. There will be maintained in the Reserve Account of the Special Tax Fund an amount equal to the Reserve Requirement. If funded, the amounts in the Reserve Account will be applied as follows:

(a) Moneys in the Reserve Account will be used solely for the purpose of paying the principal of, including Sinking Fund Payments, and interest on the Bonds when due in the event that the moneys in the Interest Account and the Principal Account of the Special Tax Fund are insufficient therefor or moneys in the Redemption Account of the Special Tax Fund are insufficient to make a Sinking Fund Payment when due. If the amounts in the Interest Account,

the Principal Account or the Redemption Account of the Special Tax Fund are insufficient to pay the principal of, including Sinking Fund Payments, or interest on any Bonds when due, the Fiscal Agent will withdraw from the Reserve Account for deposit in the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund, as applicable, moneys necessary for such purposes.

(b) Whenever moneys are withdrawn from the Reserve Account, after making the required transfers referred to in Sections 3.4 and 3.5 above, the Fiscal Agent will transfer to the Reserve Account from available moneys in the Special Tax Fund, or from any other legally available funds which the City elects to apply to such purpose, the amount needed to restore the amount of such Reserve Account to the Reserve Requirement. Moneys in the Special Tax Fund will be deemed available for transfer to the Reserve Account only if the Fiscal Agent determines that such amounts will not be needed to make the deposits required to be made to the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund on or before the next September 1. If amounts in the Special Tax Fund together with any other amounts transferred to replenish the Reserve Account are inadequate to restore the Reserve Account to the Reserve Requirement, then the City will include the amount necessary fully to restore the Reserve Account to the Reserve Requirement in the next annual Special Tax levy to the extent of the maximum permitted Special Tax rates.

(c) In connection with a redemption of Bonds pursuant to Section 4.1(a) or (c), or a partial defeasance of Bonds in accordance with Section 8.1, amounts in the Reserve Account may be applied to such redemption or partial defeasance so long as the amount on deposit in the Reserve Account following such redemption or partial defeasance equals the Reserve Requirement. The City will set forth in a Certificate of an Authorized Representative the amount in the Reserve Account to be transferred to the Redemption Account on a redemption date or to be transferred pursuant to Section 8.1(c) to partially defease Bonds, and the Fiscal Agent will make such transfer on the applicable redemption or defeasance date, subject to the limitation in the preceding sentence.

(d) To the extent that the Reserve Account is at the Reserve Requirement as of the first day of the final Bond Year for the Bonds, amounts in the Reserve Account may be applied to pay the principal of and interest due on the Bonds in the final Bond Year for such issue.

(e) Substitution of Surety. The City may at any time release any cash or investments on deposit from the Reserve Account, in whole or in part, by tendering to the Fiscal Agent: (1) a Reserve Account Credit Instrument, and (2) an opinion of Bond Counsel stating that such release will not, of itself, cause the interest on the Bonds or the Authority Bonds to become includable in gross income for purposes of federal income taxation. Upon tender of such items to the Fiscal Agent, the Fiscal Agent will transfer such funds from the Reserve Account to or upon the direction of the City.

If the Reserve Account is funded with a combination of cash and a Reserve Account Credit Instrument, the Fiscal Agent will deplete all cash balances before drawing on the Reserve Account Credit Instrument. With regard to replenishment, any available moneys provided by the City will be used first to reinstate the Reserve Account Credit Instrument and second, to replenish the cash in the Reserve Account. If the Reserve Account Credit Instrument is drawn upon, the City will make payment of interest on amounts advanced under the Reserve Account Credit Instrument after making any payments pursuant to this subsection

Prior to the expiration of any Reserve Account Credit Instrument, or upon the reduction of the rating of the provider thereof below the required rating, the City will be obligated either (a) to replace such Reserve Account Credit Instrument with a new Reserve Account Credit Instrument, or (b) to deposit or cause to be deposited with the Fiscal Agent an amount of funds such that the funds on deposit in the Reserve Account, together with all Reserve Account Credit Instruments held by the Fiscal Agent, is at least equal to the Reserve Requirement.

Section 3.7. Surplus Fund. After making the transfers required by Sections 3.4, 3.5 and 3.6, as soon as practicable after each September 1, and in any event prior to each October 1, the Fiscal Agent will transfer all remaining amounts in the Special Tax Fund to the Surplus Fund, unless on or prior to such date, it has received a Certificate of an Authorized Representative of the City directing that certain amounts be retained in the Special Tax Fund because the City has assumed such amounts would be available in the Special Tax Fund in calculating the amount of the levy of Special Taxes for such Fiscal Year pursuant to Section 5.2(b).

Moneys deposited in the Surplus Fund will be transferred by the Fiscal Agent at the direction of an Authorized Representative of the City as follows:

- (i) to the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund to pay the principal of, including Sinking Fund Payments, premium, if any, and interest on the Bonds when due in the event that moneys in the Special Tax Fund and the Reserve Account are insufficient therefor,
- (ii) to the Reserve Account in order to replenish the Reserve Account to the Reserve Requirement,
- (iii) to the City to pay additional Administrative Expenses, and
- (iv) for any other lawful purpose of the City.

The amounts in the Surplus Fund are not pledged to the repayment of the Bonds and may be used by the City for any lawful purpose.

Section 3.8. Investments. Moneys held in any of the Funds, Accounts and Subaccounts under this Fiscal Agent Agreement will be invested at the written direction of the City in accordance with the limitations set forth below only in Authorized Investments which will be deemed at all times to be a part of such Funds, Accounts and Subaccounts. Any loss resulting from such Authorized Investments will be credited or charged to the Fund, Account or Subaccount from which such investment was made, and any investment earnings on amounts deposited in the Special Tax Fund and the Surplus Fund, and each Account therein, will be deposited in those respective Funds and Accounts.

Moneys in the Funds, Accounts and Subaccounts held under this Fiscal Agent Agreement may be invested by the Fiscal Agent as directed in writing by the City, from time to time, in Authorized Investments subject to the following restrictions:

- (a) Moneys in the Interest Account, the Principal Account, and the Redemption Account of the Special Tax Fund will be invested only in Authorized Investments which will by their terms mature, or in the case of an Investment Agreement are available for withdrawal



without penalty, on such dates so as to ensure the payment of principal of, premium, if any, and interest on the Bonds as the same become due.

(b) Monies in the Reserve Account of the Special Tax Fund may be invested only in Authorized Investments which are available for withdrawal without penalty, on such dates so as to ensure the payment of principal of, premium, if any, and interest on the Bonds as the same become due.

(c) In the absence of written investment directions from the City, the Fiscal Agent will invest solely in Authorized Investments specified in clause (h) of the definition thereof. The Fiscal Agent will be entitled to rely upon any investment directions from the Authority as conclusive certification to the Fiscal Agent that the investments described therein are so authorized under the laws of the State of California and qualify as Authorized Investments.

The Fiscal Agent will sell, or present for redemption, any Authorized Investment whenever it may be necessary to do so in order to provide moneys to meet any payment or transfer to such Funds and Accounts or from such Funds and Accounts. For the purpose of determining at any given time the balance in any such Funds and Accounts, any such investments constituting a part of such Funds and Accounts will be valued at their cost. In making any valuations hereunder, the Fiscal Agent may utilize such computerized securities pricing services as may be available to it, including, without limitation, those available through its regular accounting system, and conclusively rely thereon. Notwithstanding anything herein to the contrary, the Fiscal Agent will not be responsible for any loss from investments, sales or transfers undertaken in accordance with the provisions of this Fiscal Agent Agreement.

The Fiscal Agent may act as principal or agent in the making or disposing of any investment. The Fiscal Agent may sell, or present for redemption, any Authorized Investment so purchased whenever it will be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Authorized Investment is credited, and, subject to the provisions of Section 7.4, the Fiscal Agent will not be liable or responsible for any loss resulting from such investment. For investment purposes, the Fiscal Agent may commingle the funds and accounts established hereunder, but will account for each separately.

The City acknowledges that, to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the City the right to receive brokerage confirmations of security transactions as they occur, the City specifically waives receipt of such confirmations to the extent permitted by law. The Fiscal Agent will furnish the City periodic cash transaction statements which include detail for all investment transactions made by the Fiscal Agent hereunder.

### Section 3.9. Valuation and Disposition of Investments.

(a) Except as otherwise provided in subsection (b) of this Section, the City covenants that all investments of amounts deposited in any fund or account created by or pursuant to this Agreement, or otherwise containing gross proceeds of the Bonds (within the meaning of section 148 of the Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Agreement or the Code) at Fair Market Value. The Fiscal Agent has no duty in connection with the determination of Fair Market Value other than to follow the investment directions of the City. For purposes of this Section 3.8, the term "Fair Market

Value” shall mean the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, or (iii) the investment is a United States Treasury Security -- State and Local Government Series which is acquired in accordance with applicable regulations of the United States Bureau of Public Debt.

(b) Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code and (unless valuation is undertaken at least annually) investments in the Reserve Account will be valued at their present value (within the meaning of section 148 of the Code).

#### Section 3.10. Improvement Fund.

(a) Establishment of Improvement Fund. The City will establish a separate fund known as the Improvement Fund to the credit of which deposits will be made as required by Section 3.02. Moneys in the Improvement Fund will be held in trust and will be disbursed by the City for the payment or reimbursement of costs of the Project. Prior to disbursement, amounts on deposit in the Improvement Fund will not be subject to a lien in favor of the Owners of the Bonds.

(b) Investment. Moneys in the Improvement Fund and the accounts established thereunder will be invested and deposited in accordance with the investment policy of the City and Section 3.9. Interest earnings and profits from the investment of amounts in the Improvement Fund will be retained by the City in the Improvement Fund to be used for the purposes of the Improvement Fund.

## ARTICLE IV

### REDEMPTION OF BONDS

#### Section 4.1. Redemption of Bonds.

##### (a) Optional Redemption.

The Bonds may be redeemed, at the option of the City, from any source of funds on any Interest Payment Date on or after [September] 1, 20\_\_, in whole, or in part and by lot, at a redemption price equal to the principal amount to be redeemed, plus a premium expressed below as a percentage of the principal amount so redeemed, plus accrued interest thereon to the date of redemption.

<u>Redemption Date</u>	<u>Redemption Premium</u>
On or after March 1, 20__ through March 1, 20__	
September 1, 20__ and March 1, 20__	
September 1, 20__ and March 1, 20__	
September 1, 20__ and thereafter	

Notwithstanding the foregoing, with the redemption price may include an additional premium if necessary, based on the certificate of an Independent Financial Consultant as set forth in Section 4.6, to redeem the corresponding portion of the Authority Bonds.

In the event the City elects to redeem Bonds as provided above, the City will give written notice to the Fiscal Agent of its election to so redeem, the redemption date and the principal amount of the Bonds to be redeemed. The notice to the Fiscal Agent will be given at least 60 but no more than 90 days prior to the redemption date, or by such later date as is acceptable to the Fiscal Agent, in its sole discretion.

(b) Mandatory Sinking Fund Redemption. The Term Bonds maturing on September 1, 20\_\_, are subject to redemption prior to their stated maturity, in part, by lot from amounts deposited into the Redemption 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 Term Bonds optionally redeemed:

<u>Mandatory Redemption Dates</u> <u>(September 1)</u>	<u>Sinking Fund</u> <u>Payment</u>
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\* Maturity

(c) Extraordinary Redemption. The Bonds are subject to extraordinary redemption as a whole, or in part on a pro rata basis among maturities, on any Interest Payment Date, and will be redeemed by the Fiscal Agent, from Prepayments deposited to the Redemption Account pursuant to Section 3.2, plus amounts transferred from the Reserve Account pursuant to Section 3.6(c), at a redemption price equal to the principal amount to be redeemed, plus a premium expressed below as a percentage of the principal amount so redeemed, plus accrued interest thereon to the date of redemption.

<u>Redemption Date</u>	<u>Redemption Premium</u>
On or after March 1, 20__ through March 1, 20__	
September 1, 20__ and March 1, 20__	
September 1, 20__ and March 1, 20__	
September 1, 20__ and thereafter	

Notwithstanding the foregoing, with the redemption price may include an additional premium if necessary, based on the certificate of an Independent Financial Consultant as set forth in Section 4.6, to redeem the corresponding portion of the Authority Bonds:

The provisions of Section 3.5(d) will govern the City's right to use moneys in the Redemption Account to purchase Bonds rather than redeem Bonds.

(d) Redemption of Parity Bonds. The redemption provisions for Parity Bonds will be set forth in a Supplemental Agreement.

Section 4.2. Selection of Bonds for Redemption. If fewer than all of the Bonds Outstanding are to be redeemed, the portion of any Bond of a denomination of more than \$5,000 to be redeemed will be in the principal amount of \$5,000 or an integral multiple thereof. In selecting portions of such Bonds for redemption, the Fiscal Agent will treat such Bonds as representing that number of Bonds of \$5,000 denominations which is obtained by dividing the principal amount of such Bonds to be redeemed in part by \$5,000. The procedure for the selection of Parity Bonds for redemption may be modified as set forth in the Supplemental Agreement for such Parity Bonds. The Fiscal Agent will promptly notify the City in writing of the Bonds, or portions thereof, selected for redemption.

Section 4.3. Notice of Redemption. When Bonds are due for redemption under Section 4.1 above or under another redemption provision set forth in a Supplemental Agreement relating to any Parity Bonds, the Fiscal Agent will give notice, in the name of the City, of the redemption of such Bonds. The City may instruct the Fiscal Agent to specify in the redemption notice that such redemption may be subject to receipt of funds sufficient to accomplish the redemption. Such notice of redemption will (a) specify the CUSIP numbers (if any), the bond numbers and the maturity date or dates of the Bonds selected for redemption, except that where all of the Bonds are subject to redemption, or all the Bonds of one maturity, are to be redeemed, the bond numbers of such issue need not be specified; (b) state the date fixed for redemption and surrender of the Bonds to be redeemed; (c) state the redemption price; (d) state the place or places where the Bonds are to be redeemed; (e) in the case of Bonds to be redeemed only in part, state the portion of such Bond which is to be redeemed; (f) state the date of issue of the Bonds as originally issued; (g) state the rate of interest borne by each Bond being redeemed; and (h) state any other descriptive information needed to identify accurately the Bonds being redeemed as will be specified by the Fiscal Agent. Such notice will further state that on the date fixed for redemption, there will become due and payable on each Bond or portion thereof called

for redemption, the principal thereof, together with any premium, and interest accrued to the redemption date, and that from and after such date, interest thereon will cease to accrue and be payable. At least 30 days but no more than 45 days prior to the redemption date, the Fiscal Agent will mail a copy of such notice, by first class mail, postage prepaid, to the respective Owners thereof at their addresses appearing on the Bond Register. The actual receipt by the Owner of any Bond of notice of such redemption will not be a condition precedent to redemption, and neither the failure to receive nor any defect in such notice will affect the validity of the proceedings for the redemption of such Bonds, or the cessation of interest on the redemption date. A certificate by the Fiscal Agent that notice of such redemption has been given as herein provided will be conclusive as against all parties and the Owner will not be entitled to show that he or she failed to receive notice of such redemption.

Any such redemption notice may specify that redemption on the specified date will be subject to receipt by the City of moneys sufficient to cause such redemption, and neither the City nor the Fiscal Agent will have any liability to the Owners or any other party as a result of its failure to redeem the Bonds as a result of insufficient moneys.

In addition to the foregoing notice, further notice will be given by the Fiscal Agent as set out below, but only if the Bonds are not owned by the Authority at the time the notice of redemption is given pursuant to this Section 4.3, provided that no defect in said further notice nor any failure to give all or any portion of such further notice will in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed.

At such time as the Bonds are not owned by the Authority, notice of redemption will be sent at least two days before notice of redemption is mailed to the Bondowners pursuant to the first paragraph of this Section by registered or certified mail or overnight delivery service to the Municipal Securities Rulemaking Board.

Upon the payment of the redemption price of any Bonds being redeemed, each check or other transfer of funds issued for such purpose will to the extent practicable bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

Section 4.4. Partial Redemption of Bonds. Upon surrender of any Bond to be redeemed in part only, the City will execute and the Fiscal Agent will authenticate and deliver to the Bondowner, at the expense of the City, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered, with the same interest rate and the same maturity.

Section 4.5. Effect of Notice and Availability of Redemption Money. Notice of redemption having been duly given, as provided in Section 4.3, and the amount necessary for the redemption having been made available for that purpose and being available therefor on the date fixed for such redemption:

(a) The Bonds, or portions thereof, designated for redemption will, on the date fixed for redemption, become due and payable at the redemption price thereof as provided in this Fiscal Agent Agreement, anything in this Fiscal Agent Agreement or in the Bonds to the contrary notwithstanding;

(b) Upon presentation and surrender thereof at the office of the Fiscal Agent, the redemption price of such Bonds will be paid to the Owners thereof;

(c) As of the redemption date the Bonds, or portions thereof so designated for redemption will be deemed to be no longer Outstanding and such Bonds, or portions thereof, will cease to bear further interest; and

(d) As of the date fixed for redemption no Owner of any of the Bonds or portions thereof so designated for redemption will be entitled to any of the benefits of this Fiscal Agent Agreement, or to any other rights, except with respect to payment of the redemption price and interest accrued to the redemption date from the amounts so made available.

Section 4.6. Certification of Independent Financial Consultant. The City will not be authorized to redeem Bonds pursuant to Section 4.1(a) or 4.1(c) unless it has provided the Fiscal Agent with a certificate of an Independent Financial Consultant to the effect that the proposed redemption, assuming a corresponding redemption of the Authority Bonds, and assuming continuing payment of Special Taxes by property owners not then in default, will not adversely impact the availability of Revenues (as defined in the Authority Indenture) in an amount sufficient to pay debt service on the Authority Bonds, as scheduled. In the event the Independent Financial Consultant is unable to provide such certificate, the redemption premium will be the amount that will be sufficient to enable the Independent Financial Consultant to deliver the required certificate.

## ARTICLE V

### COVENANTS AND WARRANTY

Section 5.1. Warranty. The City will preserve and protect the security pledged hereunder to the Bonds against all claims and demands of all persons.

Section 5.2. Covenants. So long as any of the Bonds issued hereunder are Outstanding and unpaid, the City makes the following covenants with the Bondowners under the provisions of the Act and this Fiscal Agent Agreement (to be performed by the City or its proper officers, agents or employees), which covenants are necessary and desirable to secure the Bonds and tend to make them more marketable; provided, however, that said covenants do not require the City to expend any funds or moneys other than the Special Taxes and other amounts deposited to the Special Tax Fund:

(a) Punctual Payment; Against Encumbrances. The City covenants that it will receive all Special Taxes in trust for the Owners and will instruct the Finance Director to deposit all Special Taxes in a distinct account of the City immediately upon their apportionment to the City, and the City will have no beneficial right or interest in the amounts so deposited except as provided by this Fiscal Agent Agreement. All such Special Taxes will be disbursed, allocated and applied solely to the uses and purposes set forth herein, and will be accounted for separately and apart from all other money, funds, accounts or other resources of the City. The City may semi-annually transfer from the Special Taxes so held an amount equal to one-half of the Administrative Expenses Cap as necessary to make timely payment of Administrative Expenses.

Not later than three (3) Business Days prior to each Interest Payment Date, the Finance Director shall withdraw an amount of Net Taxes from the account in which they are held and transfer: (i) to the Fiscal Agent for deposit in the respective accounts of the Special Tax Fund an amount, taking into account any amounts then on deposit in the respective accounts of the Special Tax Fund, such that the amount in the Interest Account, Principal Account and Redemption Account equals the principal, premium, if any, and interest due, and sinking fund payments, if any, on the Bonds on the next Interest Payment Date and (ii) to the Fiscal Agent for deposit in the Reserve Fund, an amount which when added to the amount then on deposit therein is equal to the Reserve Requirement. At such time as deposits to the Special Tax Fund equal the principal, premium, sinking fund payments, if any, and interest becoming due on the Bonds for the current Bond Year and the amount needed to restore the Reserve Fund balance to the Reserve Requirement, the amount in the Special Tax Fund in excess of such amount shall be available to the City to pay Administrative Expenses in excess of the Administrative Expense Cap; provided, however, that as soon as practicable after the receipt by the City of any prepayments of Special Taxes, but no later than ten (10) Business Days after such receipt, the City shall transfer such prepayments to the Fiscal Agent for deposit into the respective accounts of the Special Tax Fund to be used for the redemption of Bonds.

The City covenants that it will duly and punctually pay or cause to be paid the principal of and interest on every Bond issued hereunder, together with the premium, if any, thereon on the date, at the place and in the manner set forth in the Bonds and in accordance with this Fiscal Agent Agreement to the extent that Net Taxes and other amounts pledged hereunder are available therefor, and that the payments into the Funds and Accounts created hereunder will be made, all in strict conformity with the terms of the Bonds, and this Fiscal Agent Agreement,

and that it will faithfully observe and perform all of the conditions, covenants and requirements of this Fiscal Agent Agreement and of the Bonds issued hereunder.

The City will not mortgage or otherwise encumber, pledge or place any charge upon any of the Net Taxes except as provided in this Fiscal Agent Agreement, and will not issue any obligation or security having a lien or charge upon the Net Taxes superior to or on a parity with the Bonds. Nothing herein will prevent the City from issuing or incurring indebtedness which is payable from a pledge of Net Taxes which is subordinate in all respects to the pledge of Net Taxes to repay the Bonds.

(b) Levy of Special Tax. The City will comply with all requirements of the Act so as to assure the timely collection of Gross Taxes, including without limitation, the enforcement of delinquent Special Taxes.

(i) *Processing.* On or within five (5) Business Days of each June 1, the Fiscal Agent will provide the Finance Director with a notice stating the amount then on deposit in the Special Tax Fund and the other funds and accounts held by the Fiscal Agent under the Fiscal Agent Agreement, whether or not amounts need to be deposited into the Reserve Account to increase the amounts on deposit therein to the Reserve Requirement, and informing the City that the Special Taxes need to be levied under the Ordinance as necessary to provide for the Special Tax Requirement (as defined in clause (iv) below). The receipt of or failure to receive such notice by the Finance Director will in no way affect the obligations of the Finance Director under the following two paragraphs and the Fiscal Agent will not be liable for failure to provide such notice to the Finance Director. Upon receipt of such notice, the Finance Director will communicate with the Auditor to ascertain the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits or combinations during the preceding and then current year.

(ii) *Levy.* The Finance Director will effect the levy of the Special Taxes each Fiscal Year in accordance with the Ordinance by each August 1 that the Bonds are outstanding, or otherwise such that the computation of the levy is complete before the final date on which the Auditor will accept the transmission of the Special Tax amounts for the parcels within the CFD for inclusion on the next real property tax roll. Upon the completion of the computation of the amounts of the levy, the Finance Director will prepare or cause to be prepared, and will transmit to the Auditor, such data as the Auditor requires to include the levy of the Special Taxes on the next real property tax roll.

(iii) *Computation.* The Finance Director will fix and levy the amount of Special Taxes within the CFD in an amount sufficient, together with other amounts on deposit in the Special Tax Fund and available for such purpose, to pay (A) the principal of and interest on the Bonds when due, (B) the Administrative Expenses, including amounts necessary to discharge any rebate obligation, during such year and (C) any amounts required to replenish the Reserve Account to the Reserve Requirement (the "**Special Tax Requirement**"), taking into account the balances in such funds and in the Special Tax Fund. The Special Taxes so levied will not exceed the authorized amounts as provided in the proceedings under the Resolution of Formation.



(iv) *Collection.* The Special Taxes will be payable and be collected in the same manner and at the same time and in the same installment as the general taxes on real property are payable, and have the same priority, become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the ad valorem taxes on real property.

(c) Commence Foreclosure Proceedings. Under the Act, the City hereby covenants with and for the benefit of the Owners of the Bonds that it will order, and cause to be commenced as hereinafter provided, and thereafter diligently prosecute to judgment (unless such delinquency is theretofore brought current), an action in the superior court to foreclose the lien of any Special Tax or installment thereof not paid when due as provided in the following two paragraphs. The Finance Director will notify the City Attorney of any such delinquency of which the Finance Director is aware, and the City Attorney will commence, or cause to be commenced, such proceedings.

On or about January 30 and June 30 of each Fiscal Year, the Finance Director will compare the amount of Special Taxes theretofore levied in the CFD to the amount of Gross Taxes theretofore received by the City, and:

(i) *Individual Delinquencies.* If the Finance Director determines that any single parcel subject to the Special Tax in the CFD is delinquent in the payment of Special Taxes in the aggregate amount of \$3,000 or more, then the Finance Director will send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner within 60 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings will be commenced by the City within 120 days of such determination.

(ii) *Aggregate Delinquencies.* If the Finance Director determines that the total amount of delinquent Special Tax for the prior Fiscal Year for the entire CFD (including the total of delinquencies under subsection (i) above), exceeds 5% of the total Special Tax due and payable for the prior Fiscal Year, the City will notify or cause to be notified property owners who are then delinquent in the payment of Special Taxes (and demand immediate payment of the delinquency) within 60 days of such determination, and will commence foreclosure proceedings within 120 days of such determination against each parcel of land in the CFD with a Special Tax delinquency.

Notwithstanding the foregoing, the City may determine not to initiate foreclosure proceedings if (a) the amount in the Reserve Account is equal to the Reserve Requirement and (b) there have been no defaults in the payment of debt service on the related Bonds.

(d) Payment of Claims. The City will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the Net Taxes or other funds in the Special Tax Fund, or which might impair the security of the Bonds then Outstanding; provided that nothing herein contained will require the City to make any such payments so long as the City in good faith will contest the validity of any such claims.

(e) Books and Accounts. The City will keep proper books of records and accounts, separate from all other records and accounts of the City, in which complete and correct entries will be made of all transactions relating to the Project, the levy of the Special Tax and the deposits to the Special Tax Fund. Such books of records and accounts will at all times during

business hours be subject to the inspection of the Fiscal Agent or of the Owners of not less than 10% of the principal amount of the Bonds then Outstanding or their representatives authorized in writing.

(f) Maintenance of Special Taxes. The City covenants and agrees to not consent to or conduct proceedings with respect to a reduction in the Special Taxes that may be levied in the CFD below an amount, for any Fiscal Year, equal to 110% of the aggregate of the debt service due and payable with respect to the Bonds in such Fiscal Year, plus 100% of the City's reasonable estimate of Administrative Expenses for such Fiscal Year; provided, however, that the City may at any time reduce the Special Taxes to the extent that the amount of Special Taxes that would result from levying the Special Taxes at such maximum amounts would result in an amount of Special Taxes in excess of the amount required to comply with such covenant.

(g) Covenants to Defend. The City covenants that, in the event that any initiative is adopted by the qualified electors in the CFD which purports to reduce the minimum or the maximum Special Tax below the levels specified in Section 5.2(f) above or to limit the power of the City to levy the Special Taxes for the purposes set forth in Section 5.2(b) above, it will commence and pursue legal action in order to preserve its ability to comply with such covenants.

(i) Limitation on Right to Tender Bonds. The City hereby covenants that it will not adopt any policy pursuant to Section 53341.1 of the Act permitting the tender of Bonds in full payment or partial payment of any Special Taxes unless the City will have first received a certificate from an Independent Financial Consultant that the acceptance of such a tender will not result in the City having insufficient Net Taxes to pay the principal of and interest on the Bonds when due.

(j) Further Assurances. The City will make, execute and deliver any and all such further agreements, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Fiscal Agent Agreement and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in this Fiscal Agent Agreement.

(k) Tax Covenants. The City covenants as follows:

(i) *Private Activity Bond Limitation.* The City will assure that the proceeds of the Bonds are not so used as to cause the Authority Bonds to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code.

(ii) *Federal Guarantee Prohibition.* The City will not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Authority Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code.

(iii) *Rebate Requirement.* The City will take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Authority Bonds.

(iv) *No Arbitrage.* The City will not take, or permit or suffer to be taken by the Fiscal Agent or otherwise, any action with respect to the proceeds of the Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the Bonds would have caused the Authority Bonds to be "arbitrage bonds" within the meaning of section 148 of the Code.

(v) *Maintenance of Tax-Exemption.* The City will take all actions necessary to assure the exclusion of interest on the Authority Bonds from the gross income of the Owners of the Authority Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Authority Bonds. In addition, the City will not take any action or fail to take any action if the action or failure adversely affect the exclusion of interest on the Prior Bonds from the gross income of the owners of the Prior Bonds to the same extent as such interest was permitted to be excluded from gross income for federal income tax purposes on the date of issuance of the Prior Bonds.

(vi) *Record Retention.* The City will retain its records of all accounting and monitoring it carries out with respect to the Bonds for at least 3 years after the Bonds mature or are redeemed (whichever is earlier); however, if the Bonds are redeemed and refunded, the City will retain its records of accounting and monitoring at least 3 years after the earlier of the maturity or redemption of the obligations that refunded the Bonds.

(vii) *Compliance with Tax Certificate.* The City will comply with the provisions of the Tax Certificate and the Use of Proceeds Certificate with respect to the Bonds, which are incorporated herein as if fully set forth herein. The covenants of this Section will survive payment in full or defeasance of the Bonds.

(l) Continuing Disclosure. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Fiscal Agent Agreement, failure of the City to comply with the Continuing Disclosure Certificate will not be considered an Event of Default; however, the Original Purchaser of the Authority Bonds and any holder or beneficial owner of the Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

(m) State Reporting Requirements. The following requirements will apply to the Bonds, in addition to those requirements under the preceding clause (l):

(i) *Annual Reporting.* Not later than October 30 of each calendar year, beginning with the October 30 first succeeding the date of the Bonds, and in each calendar year thereafter until the October 30 following the final maturity of the Bonds, the Finance Director will cause the following information to be supplied to CDIAC: (i) the principal amount of the Bonds Outstanding; (ii) the balance in the Reserve Account; (iii) the amount of any capitalized interest funded from the proceeds of the Bonds and the amount thereof used for payment of the Bonds; (iv) the number of parcels in the CFD which are delinquent in the payment of Special Taxes, the amount of each delinquency, the length of time delinquent and when foreclosure was commenced for each delinquent parcel; (v) the balance in the Improvement Fund; and (vi) the assessed value of all parcels in the CFD subject to the levy of the Special Taxes as shown in most recent

equalized roll. The annual reporting will be made using such form or forms as may be prescribed by CDIAC.

(ii) *Other Reporting.* If at any time the Fiscal Agent fails to pay principal and interest due on any scheduled payment date for the Bonds, or if funds are withdrawn from the Reserve Account to pay principal and interest on the Bonds, the Fiscal Agent will notify the Finance Director of such failure or withdrawal in writing. The Finance Director will notify CDIAC and the Original Purchaser of the Authority Bonds of such failure or withdrawal within 10 days of such failure or withdrawal.

(iii) *Amendment.* The reporting requirements of this clause (m) may be amended from time to time, without action by the City or the Fiscal Agent, to reflect any amendments to Section 53359.5(b) or Section 53359.5(c) of the Act. The Finance Director will provide the Fiscal Agent with a copy of any such amendment. Notwithstanding the foregoing, any such amendment will not, in itself, affect the City's obligations under Section 4 of the Continuing Disclosure Certificate.

(iv) *No Liability.* None of the City and its officers, agents and employees, the Finance Director or the Fiscal Agent will be liable for any inadvertent error in reporting the information required by this clause (m).

## ARTICLE VI

### AMENDMENTS TO FISCAL AGENT AGREEMENT

Section 6.1. Supplemental Agreements or Orders Not Requiring Bondowner Consent. The City may from time to time, and at any time, without notice to or consent of any of the Bondowners, adopt Supplemental Agreements for any of the following purposes:

(a) to cure any ambiguity, to correct or supplement any provisions herein which may be inconsistent with any other provision herein, or to make any other provision with respect to matters or questions arising under this Fiscal Agent Agreement or in any additional resolution or order, provided that such action is not materially adverse to the interests of the Bondowners;

(b) to add to the covenants and agreements of and the limitations and the restrictions upon the City contained in this Fiscal Agent Agreement, other covenants, agreements, limitations and restrictions to be observed by the City which are not contrary to or inconsistent with this Fiscal Agent Agreement as theretofore in effect or which further secure Bond payments;

(c) to provide for the issuance of any Parity Bonds, and to provide the terms and conditions under which such Parity Bonds may be issued, subject to and in accordance with the provisions of this Fiscal Agent Agreement;

(d) to modify, amend or supplement this Fiscal Agent Agreement in such manner as to permit the qualification under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which will not materially adversely affect the interests of the Owners of the Bonds or any Parity Bonds then Outstanding; or

(e) to modify, alter or amend the rate and method of apportionment of the Special Taxes in any manner so long as such changes do not reduce the maximum Special Taxes that may be levied in each year on property within the CFD to an amount which is less than 110% of the principal and interest due in each corresponding future Bond Year plus Administrative Expenses with respect to the Bonds Outstanding as of the date of such amendment; or

(f) to modify, alter, amend or supplement this Fiscal Agent Agreement in any other respect which is not materially adverse to the Bondowners; or

(g) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest on the Authority Bonds.

Section 6.2. Supplemental Agreements or Orders Requiring Bondowner Consent. Exclusive of the Supplemental Agreements described in Section 6.1, the Owners of not less than a majority in aggregate principal amount of the Bonds Outstanding will have the right to consent to and approve the adoption by the City of such Supplemental Agreements as will be deemed necessary or desirable by the City for the purpose of waiving, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Fiscal Agent Agreement; provided, however, that nothing herein will permit, or be construed as permitting, (a) an extension of the maturity date of the principal, or the payment date of interest on, any Bond, (b) a reduction in the principal amount of, or redemption premium on, any

Bond or the rate of interest thereon, (c) a preference or priority of any Bond over any other Bond, or (d) a reduction in the aggregate principal amount of the Bonds the Owners of which are required to consent to such Supplemental Agreement, without the consent of the Owners of all Bonds then Outstanding.

If at any time the City will desire to adopt a Supplemental Agreement, which pursuant to the terms of this Section will require the consent of the Bondowners, the City will so notify the Fiscal Agent and will deliver to the Fiscal Agent a copy of the proposed Supplemental Agreement. The Fiscal Agent will, at the expense of the City, cause notice of the proposed Supplemental Agreement to be mailed, by first class mail, postage prepaid, to all Bondowners at their addresses as they appear in the Bond Register. Such notice will briefly set forth the nature of the proposed Supplemental Agreement and will state that a copy thereof is on file at the office of the Fiscal Agent for inspection by all Bondowners. The failure of any Bondowners to receive such notice will not affect the validity of such Supplemental Agreement when consented to and approved by the Owners of not less than a majority in aggregate principal amount of the Bonds Outstanding as required by this Section. Whenever at any time within one year after the date of the first mailing of such notice, the Fiscal Agent will receive an instrument or instruments purporting to be executed by the Owners of not less than a majority in aggregate principal amount of the Bonds Outstanding, which instrument or instruments will refer to the proposed Supplemental Agreement described in such notice, and will specifically consent to and approve the adoption thereof by the City substantially in the form of the copy referred to in such notice as on file with the Fiscal Agent, such proposed Supplemental Agreement, when duly adopted by the City, will thereafter become a part of the proceedings for the issuance of the Bonds. In determining whether the Owners of a majority of the aggregate principal amount of the Bonds have consented to the adoption of any Supplemental Agreement, Bonds which are owned by the City or by any person directly or indirectly controlling or controlled by or under the direct or indirect common control with the City, will be disregarded and will be treated as though they were not Outstanding for the purpose of any such determination.

Upon the adoption of any Supplemental Agreement and the receipt of consent to any such Supplemental Agreement from the Owners of not less than a majority in aggregate principal amount of the Outstanding Bonds in instances where such consent is required pursuant to the provisions of this section, this Fiscal Agent Agreement will be, and will be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under this Fiscal Agent Agreement of the City and all Owners of Outstanding Bonds will thereafter be determined, exercised and enforced hereunder, subject in all respects to such modifications and amendments.

Section 6.3. Notation of Bonds; Delivery of Amended Bonds. After the effective date of any action taken as hereinabove provided, the City may determine that the Bonds may bear a notation, by endorsement in form approved by the City, as to such action, and in that case upon demand of the Owner of any Outstanding Bond at such effective date and presentation of his Bond for the purpose at the office of the Fiscal Agent or at such additional offices as the Fiscal Agent may select and designate for that purpose, a suitable notation as to such action will be made on such Bonds. If the City will so determine, new Bonds so modified as, in the opinion of the City, will be necessary to conform to such action will be prepared and executed, and in that case upon demand of the Owner of any Outstanding Bond at such effective date such new Bonds will be exchanged at the office of the Fiscal Agent or at such additional offices as the Fiscal Agent may select and designate for that purpose, without cost to each Owner of Outstanding Bonds, upon surrender of such Outstanding Bonds.

## ARTICLE VII

### FISCAL AGENT

Section 7.1. Fiscal Agent. U.S. Bank National Association, will be the Fiscal Agent for the Bonds unless and until another Fiscal Agent is appointed by the City hereunder. The City may, at any time, appoint a successor Fiscal Agent satisfying the requirements of Section 7.2 below for the purpose of receiving all money which the City is required to deposit with the Fiscal Agent hereunder and to allocate, use and apply the same as provided in this Fiscal Agent Agreement.

The Fiscal Agent is hereby authorized to and will mail by first class mail, postage prepaid, or wire transfer in accordance with Section 2.5 above, interest payments to the Bondowners, to select Bonds for redemption, and to maintain the Bond Register. The Fiscal Agent is hereby authorized to pay the principal of and premium, if any, on the Bonds when the same are duly presented to it for payment at maturity or on call and redemption, to provide for the registration of transfer and exchange of Bonds presented to it for such purposes, to provide for the cancellation of Bonds all as provided in this Fiscal Agent Agreement, and to provide for the authentication of Bonds, and will perform all other duties assigned to or imposed on it as provided in this Fiscal Agent Agreement. The Fiscal Agent will keep accurate records of all funds administered by it and all Bonds paid, discharged and cancelled by it.

The Fiscal Agent is hereby authorized to redeem the Bonds when duly presented for payment at maturity, or on redemption prior to maturity. The Fiscal Agent will cancel all Bonds upon payment thereof in accordance with the provisions of Section 9.1.

The City will from time to time, subject to any agreement between the City and the Fiscal Agent then in force, pay to the Fiscal Agent compensation for its services, reimburse the Fiscal Agent for all its advances and expenditures, including, but not limited to, advances to and fees and expenses of independent accountants or counsel employed by it in the exercise and performance of its powers and duties hereunder, and indemnify and save the Fiscal Agent, its officers, directors, employees and agents, harmless against costs, claims, expenses (including legal fees and expenses) and liabilities, including, without limitation, fees and expenses of its attorneys, not arising from its own negligence or willful misconduct which it may incur in the exercise and performance of its powers and duties hereunder. The foregoing obligation of the City to indemnify the Fiscal Agent will survive the removal or resignation of the Fiscal Agent or the discharge of the Bonds.

Section 7.2. Removal of Fiscal Agent. The City may at any time at its sole discretion remove the Fiscal Agent initially appointed, and any successor thereto, by delivering to the Fiscal Agent a written notice of its decision to remove the Fiscal Agent and may appoint a successor or successors thereto; provided that any such successor will be a bank, national banking association or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least \$75,000,000, and subject to supervision or examination by federal or state authority. Any removal will become effective only upon acceptance of appointment by the successor Fiscal Agent. If any bank, national banking association or trust company appointed as a successor publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this section the combined capital and surplus of such bank, national banking association or trust company will be deemed to be its combined capital and surplus as set forth in its most

recent report of condition so published. Any removal of the Fiscal Agent and appointment of a successor Fiscal Agent will become effective only upon acceptance of appointment by the successor Fiscal Agent and notice being sent by the successor Fiscal Agent to the Bondowners of the successor Fiscal Agent's identity and address.

Section 7.3. Resignation of Fiscal Agent. The Fiscal Agent may at any time resign by giving written notice to the City and by giving to the Owners notice of such resignation, which notice will be mailed to the Owners at their addresses appearing in the registration books in the office of the Fiscal Agent. Upon receiving such notice of resignation, the City will promptly appoint a successor Fiscal Agent satisfying the criteria in Section 7.2 above by an instrument in writing. Any resignation or removal of the Fiscal Agent and appointment of a successor Fiscal Agent will become effective only upon acceptance of appointment by the successor Fiscal Agent.

If no appointment of a successor Fiscal Agent will be made pursuant to the foregoing provisions of this Section within forty-five (45) days after the Fiscal Agent will have given to the City written notice or after a vacancy in the office of the Fiscal Agent will have occurred by reason of its inability to act, the Fiscal Agent or any Bond Owner may apply to any court of competent jurisdiction to appoint a successor Fiscal Agent. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Fiscal Agent.

Section 7.4. Liability of Fiscal Agent. The recitals of fact and all promises, covenants and agreements contained herein and in the Bonds will be taken as statements, promises, covenants and agreements of the City, and the Fiscal Agent assumes no responsibility for the correctness of the same and makes no representations as to the validity or sufficiency of this Fiscal Agent Agreement, the Bonds, and will incur no responsibility in respect thereof, other than in connection with its duties or obligations specifically set forth herein, in the, or in the certificate of authentication assigned to or imposed upon the Fiscal Agent. The Fiscal Agent will be under no responsibility or duty with respect to the issuance of the Bonds for value. The Fiscal Agent will not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct.

The Fiscal Agent will be protected in acting upon any notice, resolution, request, consent, order, certificate, facsimile transmission, electronic mail, report, Bond, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Fiscal Agent may consult with counsel, who may be counsel to the City, with regard to legal questions, and the opinion of such counsel will be full and complete authorization and protection in respect of any action taken or suffered hereunder in good faith and in accordance therewith.

The Fiscal Agent will not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto satisfactorily established, if disputed.

Whenever in the administration of its duties under this Fiscal Agent Agreement the Fiscal Agent will deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of bad faith on the part of the Fiscal Agent, be deemed to be conclusively proved and established by a written certificate of the City, and such certificate will be full warrant to the Fiscal Agent for any action taken or suffered under



the provisions of this Fiscal Agent Agreement upon the faith thereof, but in its discretion the Fiscal Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

The Fiscal Agent will have no duty or obligation whatsoever to enforce the collection of Special Taxes or other funds to be deposited with it hereunder, or as to the correctness of any amounts received, but its liability will be limited to the proper accounting for such funds as it will actually receive. No provision in this Fiscal Agent Agreement will require the Fiscal Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of its rights or powers.

The Fiscal Agent will not be deemed to have knowledge of any default or event of default until an officer at the Fiscal Agent's corporate trust office responsible for the administration of its duties hereunder will have actual knowledge thereof or the Fiscal Agent will have received written notice thereof at its corporate trust office.

The Fiscal Agent will not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of enforced delay ("unavoidable delay") in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the project, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Fiscal Agent.

The Fiscal Agent agrees to accept and act upon instructions or directions pursuant to this Trust Agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Fiscal Agent will have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate will be amended and replaced whenever a person is to be added or deleted from the listing. If the Authority or the City elects to give the Fiscal Agent e-mail or facsimile instructions (or instructions by a similar electronic method) and the Fiscal Agent in its discretion elects to act upon such instructions, the Fiscal Agent's understanding of such instructions will be deemed controlling. The Fiscal Agent will not be liable for any losses, costs or expenses arising directly or indirectly from the Fiscal Agent's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction.

The permissive right of the Fiscal Agent to do things enumerated in this Fiscal Agent Agreement will not be construed as a duty and it will not be answerable for other than its negligence or willful misconduct.

The Fiscal Agent may execute any of the trusts or powers and perform the duties required of it hereunder either directly or by or through attorneys or agents and will not be liable for the acts or omissions of such attorneys or agents appointed with due care.

The Fiscal Agent will not be concerned with or accountable to anyone for the subsequent use or application of any moneys which will be released or withdrawn in accordance with the provisions.

The Fiscal Agent will have no responsibility or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of these Bonds.

The Fiscal Agent will be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of the Owners pursuant to the provisions of this Indenture unless such Owners will have offered to the Fiscal Agent reasonable security or indemnity against the costs, expenses and liabilities which may be incurred therein or thereby.

Section 7.5. Merger or Consolidation. Any company into which the Fiscal Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it will be a party or any company to which the Fiscal Agent may sell or transfer all or substantially all of its corporate trust business, will be the successor to the Fiscal Agent without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

## ARTICLE VIII

### DEFEASANCE AND PARITY BONDS

Section 8.1. Defeasance. If the City will pay or cause to be paid, or there will otherwise be paid, to the Owner of an Outstanding Bond the interest due thereon and the principal thereof, at the times and in the manner stipulated in this Fiscal Agent Agreement or any Supplemental Agreement, then the Owner of such Bond will cease to be entitled to the pledge of Net Taxes, and, other than as set forth below, all covenants, agreements and other obligations of the City to the Owner of such Bond under this Fiscal Agent Agreement and any Supplemental Agreement relating to such Parity Bond will thereupon cease, terminate and become void and be discharged and satisfied. In the event of a defeasance of all Outstanding Bonds pursuant to this Section, the Fiscal Agent will execute and deliver to the City all such instruments as may be desirable to evidence such discharge and satisfaction, and the Fiscal Agent will pay over or deliver to the City's general fund all money or securities held by it pursuant to this Fiscal Agent Agreement which are not required for the payment of the principal of, premium, if any, and interest due on such Bonds.

Any Outstanding Bond will be deemed to have been paid within the meaning expressed in the first paragraph of this Section if such Bond is paid in any one or more of the following ways:

(a) by paying or causing to be paid the principal of, premium, if any, and interest on such Bond, as and when the same become due and payable;

(b) by depositing with the Fiscal Agent, in trust, at or before maturity, money which, together with the amounts then on deposit in the Special Tax Fund and available for such purpose, is fully sufficient to pay the principal of, premium, if any, and interest on such Bond, as and when the same will become due and payable; or

(c) by depositing with the Fiscal Agent or another escrow bank appointed by the City, in trust, Federal Securities, in which the City may lawfully invest its money, in such amount as will be sufficient, together with the interest to accrue thereon and moneys then on deposit in the Special Tax Fund and available for such purpose, together with the interest to accrue thereon, to pay and discharge the principal of, premium, if any, and interest on such Bond, as and when the same will become due and payable;

then, at the election of the City, and notwithstanding that any Outstanding Bonds will not have been surrendered for payment, all obligations of the City under this Fiscal Agent Agreement and any Supplemental Agreement with respect to such Bond will cease and terminate, except for the obligation of the Fiscal Agent to pay or cause to be paid to the Owners of any such Bond not so surrendered and paid, all sums due thereon. Notice of such election will be filed with the Fiscal Agent not fewer than ten days prior to the proposed defeasance date, or such shorter period of time as may be acceptable to the Fiscal Agent. In connection with a defeasance under (b) or (c) above, there will be provided to the City a verification report from an independent nationally recognized certified public accountant stating its opinion as to the sufficiency of the moneys or securities deposited with the Fiscal Agent or the escrow bank to pay and discharge the principal of, premium, if any, and interest on all Outstanding Bonds to be defeased in accordance with this Section, as and when the same will become due and payable, and an opinion of Bond Counsel (which may rely upon the opinion of the certified public accountant) to the effect that

the Bonds being defeased have been legally defeased in accordance with this Fiscal Agent Agreement and any applicable Supplemental Agreement.

Upon a defeasance, the Fiscal Agent, upon request of the City, will release the rights of the Owners of such Bonds which have been defeased under this Fiscal Agent Agreement and any Supplemental Agreement and execute and deliver to the City all such instruments as may be desirable to evidence such release, discharge and satisfaction. In the case of a defeasance hereunder of all Outstanding Bonds, the Fiscal Agent will pay over or deliver to the City any funds held by the Fiscal Agent at the time of a defeasance, which are not required for the purpose of paying and discharging the principal of or interest on the Bonds when due. The Fiscal Agent will, at the written direction of the City, mail, first class, postage prepaid, a notice to the Bondowners whose Bonds have been defeased, in the form directed by the City, stating that the defeasance has occurred.

Defeasance will be accomplished only with an irrevocable deposit in escrow of certain investments referred to in this section. Further substitutions of securities in the escrow are not permitted. The deposit in the escrow must be sufficient, without reinvestment, to pay all principal and interest as scheduled on the Bonds to and including the date of redemption. Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

Section 8.2. Conditions for the Issuance of Parity Bonds and Other Additional Indebtedness. The City may at any time after the issuance and delivery of the Bonds hereunder issue Parity Bonds payable from the Net Taxes and other amounts deposited in the Special Tax Fund and secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding Bonds and any other Parity Bonds theretofore issued hereunder or under any Supplemental Agreement; provided, however, that Parity Bonds may only be issued for the purpose of refunding all or a portion of the Bonds then Outstanding. Parity Bonds that are issued solely to effect a partial refunding may be issued subject to the following additional specific conditions, which are hereby made conditions precedent to the issuance of any such Parity Bonds:

(a) The City will be in compliance with all covenants set forth in this Fiscal Agent Agreement and any Supplemental Agreement then in effect and a certificate of the City to that effect will have been filed with the Fiscal Agent; provided, however, that Parity Bonds may be issued notwithstanding that the City is not in compliance with all such covenants so long as immediately following the issuance of such Parity Bonds the City will be in compliance with all such covenants.

(b) The issuance of such Parity Bonds will have been duly authorized pursuant to the Act and all applicable laws, and the issuance of such Parity Bonds will have been provided for by a Supplemental Agreement duly adopted by the City, which will specify the following:

(1) The purpose for which such Parity Bonds are to be issued and the fund or funds into which the proceeds thereof are to be deposited, including a provision requiring the proceeds of such Parity Bonds to be applied solely for the purpose of refunding any Outstanding Bonds, including payment of all costs and the funding of all reserves incidental to or connected with such refunding;

(2) The authorized principal amount of such Parity Bonds;

(3) The date and the maturity date or dates of such Parity Bonds; provided that (i) each maturity date will fall on a September 1, (ii) all such Parity Bonds of like maturity will be identical in all respects, except as to number, and (iii) fixed serial maturities or Sinking Fund Payments, or any combination thereof, will be established to provide for the retirement of all such Parity Bonds on or before their respective maturity dates;

(4) The description of the Parity Bonds, the place of payment thereof and the procedure for execution and authentication;

(5) The denominations and method of numbering of such Parity Bonds;

(6) The amount and due date of each mandatory Sinking Fund Payment, if any, for such Parity Bonds;

(7) The amount, if any, to be deposited from the proceeds of such Parity Bonds in the Reserve Account to increase the amount therein to the Reserve Requirement;

(8) The form of such Parity Bonds; and

(9) Such other provisions as are necessary or appropriate and not inconsistent with this Fiscal Agent Agreement.

(c) The City will have provided the following documents, all of such documents dated or certified, as the case may be, as of the date of delivery of such Parity Bonds by the Fiscal Agent (unless the Fiscal Agent will accept any of such documents bearing a prior date):

(1) A certified copy of the Supplemental Agreement authorizing the issuance of such Parity Bonds;

(2) A written request of the City as to the delivery of such Parity Bonds;

(3) An opinion of Bond Counsel and/or general counsel to the City to the effect that (a) the City has the right and power under the Act to adopt this Fiscal Agent Agreement and the Supplemental Agreements relating to such Parity Bonds, and this Fiscal Agent Agreement and all such Supplemental Agreements have been duly and lawfully adopted by the City, are in full force and effect and are valid and binding upon the City and enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights); (b) this Fiscal Agent Agreement creates the valid pledge which it purports to create of the Net Taxes and other amounts as provided in this Fiscal Agent Agreement, subject to the application thereof to the purposes and on the conditions permitted by this Fiscal Agent Agreement; and (c) such Parity Bonds are valid and binding limited obligations of the City, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights) and the terms of

this Fiscal Agent Agreement and all Supplemental Agreements thereto and entitled to the benefits of this Fiscal Agent Agreement and all such Supplemental Agreements, and such Parity Bonds have been duly and validly authorized and issued in accordance with the Act (or other applicable laws) and this Fiscal Agent Agreement and all such Supplemental Agreements.

(4) A certificate of the City containing such statements as may be reasonably necessary to show compliance with the requirements of this Fiscal Agent Agreement;

(5) A certificate of an Independent Financial Consultant certifying that (i) issuance of the Parity Bonds results in debt service savings in each Bond Year for the Bonds to be refunded, (ii) the maturity date of the Parity Bonds will not exceed the latest maturity date of the Bonds being refunded, and (iii) issuance of the Parity Bonds will not adversely impact the ability of the Authority to pay debt service on the Authority Bonds; and

(6) Such further documents, money and securities as are required by the provisions of this Fiscal Agent Agreement and the Supplemental Agreement providing for the issuance of such Parity Bonds.

## ARTICLE IX

### MISCELLANEOUS

Section 9.1. Cancellation of Bonds. All Bonds surrendered to the Fiscal Agent for payment upon maturity or for redemption will be upon payment therefor, and any Bond purchased by the City as authorized herein and delivered to the Fiscal Agent for such purpose will be, cancelled forthwith and will not be reissued. The Fiscal Agent will destroy such Bonds, as provided by law, and, upon request of the City, furnish to the City a certificate of such destruction.

Section 9.2. Execution of Documents and Proof of Ownership. Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by this Fiscal Agent Agreement to be signed or executed by Bondowners may be in any number of concurrent instruments of similar tenor may be signed or executed by such Owners in person or by their attorneys appointed by an instrument in writing for that purpose, or by the bank, trust company or other depository for such Bonds. Proof of the execution of any such instrument, or of any instrument appointing any such attorney, and of the ownership of Bonds will be sufficient for the purposes of this Fiscal Agent Agreement (except as otherwise herein provided), if made in the following manner:

(a) The fact and date of the execution by any Owner or his or her attorney of any such instrument and of any instrument appointing any such attorney, may be proved by a signature guarantee of any bank or trust company located within the United States of America. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such signature guarantee will also constitute sufficient proof of his authority.

(b) As to any Bond, the person in whose name the same will be registered in the Bond Register will be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal of any such Bond, and the interest thereon, will be made only to or upon the order of the registered Owner thereof or his or her legal representative. All such payments will be valid and effectual to satisfy and discharge the liability upon such Bond and the interest thereon to the extent of the sum or sums to be paid. Neither the City nor the Fiscal Agent will be affected by any notice to the contrary.

Nothing contained in this Fiscal Agent Agreement will be construed as limiting the Fiscal Agent or the City to such proof, it being intended that the Fiscal Agent or the City may accept any other evidence of the matters herein stated which the Fiscal Agent or the City may deem sufficient. Any request or consent of the Owner of any Bond will bind every future Owner of the same Bond in respect of anything done or suffered to be done by the Fiscal Agent or the City in pursuance of such request or consent.

Section 9.3. Unclaimed Moneys. Anything in this Fiscal Agent Agreement to the contrary notwithstanding, any money held by the Fiscal Agent or the Fiscal Agent in trust for the payment and discharge of any of the Outstanding Bonds which remain unclaimed for two years after the date when such Outstanding Bonds have become due and payable, if such money was held by the Fiscal Agent or the Fiscal Agent at such date, or for two years after the date of deposit of such money if deposited with the Fiscal Agent or the Fiscal Agent after the date when such Outstanding Bonds become due and payable, will be repaid by the Fiscal Agent or the

Fiscal Agent to the City, as its absolute property and free from trust, and the Fiscal Agent or the Fiscal Agent will thereupon be released and discharged with respect thereto and the Owners will look only to the City for the payment of such Outstanding Bonds; provided, however, that, before being required to make any such payment to the City, the Fiscal Agent at the written request of the City or the Fiscal Agent will, at the expense of the City, cause to be mailed by first-class mail, postage prepaid, to the registered Owners of such Outstanding Bonds at their addresses as they appear on the registration books of the Fiscal Agent a notice that said money remains unclaimed and that, after a date named in said notice, which date will not be fewer than 30 days after the date of the mailing of such notice, the balance of such money then unclaimed will be returned to the City.

Section 9.4. Provisions Constitute Contract. The provisions of this Fiscal Agent Agreement will constitute a contract between the City and the Bondowners and the provisions will be construed in accordance with the laws of the State of California.

In case any suit, action or proceeding to enforce any right or exercise any remedy will be brought or taken and, should said suit, action or proceeding be abandoned, or be determined adversely to the Bondowners or the Fiscal Agent, then the City, the Fiscal Agent and the Bondowners will be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

After the issuance and delivery of the Bonds this Fiscal Agent Agreement will be irrevocable, but will be subject to modifications to the extent and in the manner provided in this Fiscal Agent Agreement, but to no greater extent and in no other manner.

Section 9.5. Future Contracts. Nothing herein contained will be deemed to restrict or prohibit the City from making contracts or creating bonded or other indebtedness payable from a pledge of the Net Taxes which is subordinate to the pledge hereunder, or which is payable from the general fund of the City or from taxes or any source other than the Net Taxes and other amounts pledged hereunder.

Section 9.6. Further Assurances. The City will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Fiscal Agent Agreement, and for the better assuring and confirming unto the Owners of the Bonds or any Parity Bonds the rights and benefits provided in this Fiscal Agent Agreement.

Section 9.7. Severability. If any covenant, agreement or provision, or any portion thereof, contained in this Fiscal Agent Agreement, or the application thereof to any person or circumstance, is held to be unconstitutional, invalid or unenforceable, the remainder of this Fiscal Agent Agreement and the application of any such covenant, agreement or provision, or portion thereof, to other persons or circumstances, will be deemed severable and will not be affected thereby, and this Fiscal Agent Agreement, the Bonds issued pursuant hereto will remain valid and the Bondowners will retain all valid rights and benefits accorded to them under the laws of the State of California.

Section 9.8. Notices. Any notices required to be given to the City with respect to the Bonds or this Fiscal Agent Agreement will be mailed, first class, postage prepaid, or personally delivered as follows:



If to the City:

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

If to the Trustee:

U.S. Bank National Association

Attention: Corporate Trust Department

IN WITNESS WHEREOF, THE CITY OF ELK GROVE, for and on behalf of its Community Facilities District No. 2003-1 (Poppy Ridge), has caused this Fiscal Agent Agreement to be signed by its Director of Finance and Administrative Services and City Clerk, and U.S. Bank National Association, in token of its acceptance of the duties hereunder, has caused this Fiscal Agent Agreement to be signed in its corporate name by its officers identified below, all as of the day and year first above written.

CITY OF ELK GROVE, for and on behalf of its Community Facilities District No. 2003-1 (Poppy Ridge)

By: \_\_\_\_\_  
Director of Finance and Administrative Services

ATTEST:

\_\_\_\_\_  
City Clerk

U.S. BANK NATIONAL ASSOCIATION, as Fiscal Agent

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

**EXHIBIT A**

**FORM OF SPECIAL TAX BOND, SERIES 2015**

R-\_\_

\$\_\_\_\_\_

UNITED STATES OF AMERICA  
STATE OF CALIFORNIA  
CITY OF ELK GROVE  
COMMUNITY FACILITIES DISTRICT NO. 2003-1  
(POPPY RIDGE)  
SPECIAL TAX BOND, SERIES 2015

**INTEREST RATE:** \_\_\_\_\_%      **MATURITY DATE:** SEPTEMBER 1, \_\_\_\_\_      **DATED DATE:** July \_\_, 2015      **CUSIP:** N/A

**REGISTERED OWNER:** U.S. BANK NATIONAL ASSOCIATION], as Trustee under that certain Indenture of Trust dated as of July 1, 2015 between the Elk Grove Finance Authority and U.S. Bank National Association

**PRINCIPAL AMOUNT:** \_\_\_\_\_ AND NO/100 DOLLARS

THE CITY OF ELK GROVE (the "City"), for and on behalf of City of Elk Grove Community Facilities District No. 2003-1 (Poppy Ridge) (the "CFD"), FOR VALUE RECEIVED, hereby promises to pay, solely from certain amounts held under the Fiscal Agent Agreement (as hereinafter defined), to the Registered Owner named above, or registered assigns, on the Maturity Date set forth above, unless redeemed prior thereto as hereinafter provided, the Principal Amount set forth above, and to pay interest on such Principal Amount from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication, unless (i) the date of authentication is an Interest Payment Date in which event interest will be payable from such date of authentication, (ii) the date of authentication is after a Record Date (as hereinafter defined) but prior to the immediately succeeding Interest Payment Date, in which event interest will be payable from the Interest Payment Date immediately succeeding the date of authentication, or (iii) the date of authentication is prior to the close of business on the first Record Date in which event interest will be payable from the Dated Date set forth above. Notwithstanding the foregoing, if at the time of authentication of this Bond interest is in default, interest on this Bond will be payable from the last Interest Payment Date to which the interest has been paid or made available for payment or, if no interest has been paid or made available for payment, interest on this Bond will be payable from the Dated Date set forth above. Interest will be paid semiannually on March 1 and September 1 (each an "Interest Payment Date"), commencing March 1, 2016, at the Interest Rate set forth above, until the Principal Amount is paid or made available for payment.

The principal of and premium, if any, on this Bond are payable to the Registered Owner in lawful money of the United States of America upon presentation and surrender of this Bond at the Principal Office of the Fiscal Agent (as such term is defined in the Fiscal Agent Agreement), initially U.S. Bank National Association (the "Fiscal Agent"). Interest on this Bond will be paid by

check of the Fiscal Agent mailed, by first class mail, postage prepaid, or in certain circumstances described in the Fiscal Agent Agreement by wire transfer to an account within the United States of America, to the Registered Owner as of the close of business on the fifteenth day of the month preceding the month in which the Interest Payment Date occurs (the "Record Date") at such Registered Owner's address as it appears on the registration books maintained by the Fiscal Agent.

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, Series 2015" (the "Bonds") issued in the aggregate principal amount of \$[par amount] pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, being Sections 53311, et seq., of the California Government Code (the "Act") for the purpose of refinancing outstanding special tax bonds of the City and paying certain costs related to the issuance of the Bonds. The issuance of the Bonds and the terms and conditions thereof are provided for by a resolution adopted by the City Council of the City acting in its capacity as the legislative body of the CFD (the "Legislative Body") on \_\_\_\_\_, 2015 and a Fiscal Agent Agreement executed in connection therewith (the "Fiscal Agent Agreement"), and this reference incorporates the Fiscal Agent Agreement herein, and by acceptance the Registered Owner of this Bond assents to said terms and conditions. The Fiscal Agent Agreement is adopted under and this Bond is issued under, and both are to be construed in accordance with, the laws of the State of California.

Pursuant to the Act and the Fiscal Agent Agreement, the principal of, premium, if any, and interest on this Bond are payable solely from the portion of the annual special taxes authorized under the Act to be levied and collected within the CFD (the "Special Taxes") and certain other amounts pledged to the repayment of the Bonds as set forth in the Fiscal Agent Agreement. Any amounts for the payment will be limited to the Special Taxes pledged and collected or foreclosure proceeds received following a default in payment of the Special Taxes and other amounts deposited to the Special Tax Fund established under the Fiscal Agent Agreement, except to the extent that other provision for payment has been made by the Legislative Body, as may be permitted by law. The City has covenanted for the benefit of the owners of the Bonds that under certain circumstances described in the Fiscal Agent Agreement it will commence and diligently pursue to completion appropriate foreclosure proceedings in the event of delinquencies of Special Tax installments levied for payment of principal and interest on the Bonds.

Optional Redemption. The Bonds may be redeemed, at the option of the City, from any source of funds on any Interest Payment Date on or after \_\_\_\_\_, in whole, or in part and by lot, at a redemption price equal to the principal amount to be redeemed, plus a premium expressed below as a percentage of the principal amount so redeemed, plus accrued interest thereon to the date of redemption.

<u>Redemption Date</u>	<u>Redemption Premium</u>
On or after March 1, 20__ through March 1, 20__	
September 1, 20__ and March 1, 20__	
September 1, 20__ and March 1, 20__	
September 1, 20__ and thereafter	

Notwithstanding the foregoing, with the redemption price may include an additional premium if necessary, based on the certificate of an Independent Financial Consultant, to redeem the corresponding portion of the Authority Bonds.

Mandatory Sinking Fund Redemption. The Term Bonds maturing on September 1, 20\_\_, are subject to redemption prior to their stated maturity, in part, by lot from amounts deposited into the Redemption 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 Term Bonds optionally redeemed:

Mandatory Redemption Dates (September 1)	Sinking Fund Payment
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\*

\* Maturity

Extraordinary Redemption. The Bonds are subject to extraordinary redemption as a whole, or in part on a pro rata basis among maturities, on any Interest Payment Date, and will be redeemed by the Fiscal Agent, from Prepayments deposited to the Redemption Account, plus amounts transferred from the Reserve Account, at a redemption price equal to the principal amount to be redeemed, plus a premium expressed below as a percentage of the principal amount so redeemed, plus accrued interest thereon to the date of redemption.

<u>Redemption Date</u>	<u>Redemption Premium</u>
On or after March 1, 20__ through March 1, 20__	
September 1, 20__ and March 1, 20__	
September 1, 20__ and March 1, 20__	
September 1, 20__ and thereafter	

Notwithstanding the foregoing, with the redemption price may include an additional premium if necessary, based on the certificate of an Independent Financial Consultant, to redeem the corresponding portion of the Authority Bonds.

In lieu of applying amounts in the Redemption Account to redeem Bonds, an Authorized Representative of the City may instruct the Fiscal Agent to apply such amounts to purchase Bonds as set forth in the Fiscal Agent Agreement.

Notice of redemption with respect to the Bonds to be redeemed will be mailed to the registered owners thereof not fewer than 30 nor more than 45 days prior to the redemption date by first class mail, postage prepaid, to the addresses set forth in the registration books. Neither a failure of the Registered Owner to receive such notice nor any defect therein will affect the validity of the proceedings for redemption. All Bonds or portions thereof so called for redemption will cease to accrue interest on the specified redemption date; provided that funds for the redemption are on deposit with the Fiscal Agent on the redemption date. Thereafter, the registered owners of such Bonds will have no rights except to receive payment of the redemption price upon the surrender of the Bonds.

This Bond will be registered in the name of the Registered Owner, as to both principal and interest, and the City and the Fiscal Agent may treat the Registered Owner as the absolute owner for all purposes and will not be affected by any notice to the contrary.

The Bonds are issuable only in fully registered form in the denomination of \$5,000 or any integral multiple thereof and may be exchanged for a like aggregate principal amount of Bonds of other authorized denominations of the same issue and maturity, all as more fully set forth in the Fiscal Agent Agreement. This Bond is transferable by the Registered Owner, in person or by his attorney duly authorized in writing, at the Principal Office of the Fiscal Agent, but only in the manner, subject to the limitations and upon payment of the charges provided in the Fiscal Agent Agreement, upon surrender and cancellation of this Bond. Upon such transfer, a new registered Bond of authorized denomination or denominations for the same aggregate principal amount of the same issue and maturity will be issued to the transferee in exchange therefor.

The Fiscal Agent will not be required to register transfers or make exchanges of (i) any Bonds for a period of 15 days next preceding any selection of the Bonds to be redeemed, or (ii) any Bonds chosen for redemption.

The rights and obligations of the City and of the registered owners of the Bonds may be amended at any time, and in certain cases without notice to or the consent of the registered owners, to the extent and upon the terms provided in the Fiscal Agent Agreement.

THE BONDS DO NOT CONSTITUTE OBLIGATIONS OF THE CITY OR THE CFD FOR WHICH THE CITY OR THE CFD IS OBLIGATED TO LEVY OR PLEDGE, OR HAS LEVIED OR PLEDGED, GENERAL OR SPECIAL TAXES, OTHER THAN THE SPECIAL TAXES REFERENCED HEREIN. THE BONDS ARE LIMITED OBLIGATIONS OF THE CITY PAYABLE FROM THE PORTION OF THE SPECIAL TAXES AND OTHER AMOUNTS PLEDGED UNDER THE FISCAL AGENT AGREEMENT BUT ARE NOT A DEBT OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OR RESTRICTION.

This Bond will not become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed will have been dated and signed by the Fiscal Agent.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by law to exist, happen and be performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other indebtedness of the City, does not exceed any debt limit prescribed by the laws or Constitution of the State of California.

IN WITNESS WHEREOF, the City of Elk Grove, for and on behalf of its City of Elk Grove Community Facilities District No. 2003-1 (Poppy Ridge) has caused this Bond to be dated as of July \_\_, 2015, to be signed on behalf of the City by the Director of Finance and Administrative Services by his facsimile signature and attested by the facsimile signature of the City Clerk and has caused its seal to be reproduced hereon.

[SEAL]

\_\_\_\_\_  
Director of Finance and  
Administrative Services

ATTEST:

\_\_\_\_\_  
City Clerk

[FORM OF FISCAL AGENT'S CERTIFICATE  
OF AUTHENTICATION AND REGISTRATION]

This is one of the Bonds described in the within-defined Fiscal Agent Agreement.

Dated: July \_\_, 2015

U.S. BANK NATIONAL ASSOCIATION, as  
Fiscal Agent

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

[FORM OF ASSIGNMENT]

For value received the undersigned do(es) hereby sell, assign and transfer unto

\_\_\_\_\_  
whose tax identification number is \_\_\_\_\_,  
the within-mentioned registered Bond and hereby irrevocably constitute(s) and appoint(s)

\_\_\_\_\_  
attorney to transfer the same on the books of the Fiscal Agent with full power of substitution in  
the premises.

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

Signature guaranteed: \_\_\_\_\_

NOTE: Signature(s) must be guaranteed by  
an eligible guarantor institution.

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



## PRELIMINARY OFFICIAL STATEMENT DATED \_\_\_\_\_, 2015

NEW ISSUE-FULL BOOK ENTRY

RATING: S&amp;P: \_\_

*In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however, to certain qualifications described in this Official Statement, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for purposes of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. See "LEGAL MATTERS — Tax Matters."*

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**ELK GROVE FINANCE AUTHORITY  
SPECIAL TAX REVENUE BONDS  
SERIES 2015**

Dated: Date of Delivery

Due: September 1, as shown on inside cover

The Special Tax Revenue Bonds, Series 2015 (the "Bonds") are being issued by the Elk Grove Finance Authority (the "Authority") to assist the City of Elk Grove, Sacramento County, California (the "City") in the financing and refinancing of certain improvements for its Community Facilities District No. 2003-1 (Poppy Ridge) ("Poppy Ridge CFD") and East Franklin Community Facilities District No. 2002-1 ("East Franklin CFD" and together, the "Districts" as described herein). All of the proceedings of the City to form the Districts and to levy the special taxes (described herein) for the construction and acquisition of the improvements have been undertaken pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, being California Government Code Section 53311, et seq. (the "Act").

**Refunding of Prior Bonds.** In 2005 and 2006 the City issued three series of bonds (collectively, the "Prior CFD Bonds") for the Districts to finance and refinance the construction and acquisition of certain public improvements related to new development in the Districts. The Bonds are being issued to refund the Prior CFD Bonds through the issuance of a series of special tax bonds for each District (the "East Franklin CFD Bonds" and "Poppy Ridge CFD Bonds," and together, the "CFD Bonds," as described herein) to be issued by the City concurrently with the Bonds. Proceeds of the CFD Bonds will also be used to fund a separate respective debt service reserve fund for each series of CFD Bonds, to pay the costs of issuance and to provide money for certain additional improvements with respect to the Districts. Proceeds of the Bonds will be used by the Authority to purchase the CFD Bonds and refund prior bonds issued by the Authority issued to purchase the Prior CFD Bonds.

**Security and Sources of Payment for the Bonds and CFD Bonds.** The Bonds are payable solely from "Revenues" pledged by the Authority under the Indenture (described herein), which consist primarily of payments received by the Authority from the City on the CFD Bonds, which payments are secured by liens of unpaid special taxes authorized under the Act, as more fully described herein. Each respective series of CFD Bonds are payable from special taxes (net of administration expenses) levied within the respective District and paid to the Authority as debt service on the respective CFD Bonds. Installments of principal and interest sufficient to meet annual CFD Bonds debt service are included on the regular county tax bills sent to owners of property against which there are unpaid special taxes. Scheduled payments under the CFD Bonds are calculated to be sufficient to permit the Authority to pay the principal of, premium, if any and interest on the Bonds when due. See "SECURITY FOR THE BONDS AND SOURCES OF PAYMENT THEREFOR."

**Bond Terms.** The Bonds will be issued in denominations of \$5,000 or any integral multiple of \$5,000. Interest is payable semiannually on each March 1 and September 1, commencing March 1, 2016. The Bonds will be initially issued only in book-entry form and registered to Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository of the Bonds. Principal and interest (and premium, if any) on the Bonds is payable by the Trustee to DTC, which remits such payments to its Participants for subsequent distribution to the registered owners as shown on the Trustee's books. See "THE BONDS - Bond Terms" and "- Book-Entry Only System."

**Redemption.** The Bonds are subject to optional redemption, sinking fund redemption and mandatory special redemption from the proceeds of early redemption of the East Franklin CFD Bonds or the Poppy Ridge CFD Bonds as a result of special tax prepayments. See "THE BONDS - Redemption."

**Risk Factors.** The Bonds may not be appropriate investments for certain individuals. See "RISK FACTORS" for a discussion of the risk factors that should be considered in evaluating the investment quality of the Bonds.

THE BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM AND SECURED SOLELY BY THE REVENUES AND FUNDS PLEDGED THEREFOR IN THE INDENTURE. THE BONDS ARE NOT A DEBT OR LIABILITY OF THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISIONS THEREOF OTHER THAN THE AUTHORITY TO THE LIMITED EXTENT DESCRIBED HEREIN, AND NEITHER THE FAITH AND CREDIT OF THE AUTHORITY, THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS ARE PLEDGED TO THE PAYMENT OF PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS AND NEITHER THE AUTHORITY (EXCEPT TO THE LIMITED EXTENT DESCRIBED HEREIN), THE CITY, THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE THEREFOR, NOR IN ANY EVENT SHALL THE BONDS OR ANY INTEREST THEREON BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AUTHORITY AS SET FORTH IN THE INDENTURE. NEITHER THE BONDS NOR THE OBLIGATION TO MAKE PAYMENTS ON THE EAST FRANKLIN CFD BONDS OR THE POPPY RIDGE CFD BONDS CONSTITUTES AN INDEBTEDNESS OF THE AUTHORITY, THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. THE AUTHORITY HAS NO TAXING POWER.

**Maturity Schedule**  
**(see inside cover)**

The Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, as Bond Counsel. Certain legal matters will be passed upon for the Authority and the City by the City Attorney. Jones Hall is also acting as Disclosure Counsel to the City. Stradling Yocca Carlson & Rauth is acting as counsel to the Underwriter. It is anticipated that the Bonds in definitive form will be available for delivery through the facilities of DTC in New York, New York on or about \_\_\_\_\_, 2015.

[Piper Jaffray]

The date of this Official Statement is: \_\_\_\_\_, 2015.

\* Preliminary, subject to change.

## MATURITY SCHEDULE\*

\$ \_\_\_\_\_\*  
**ELK GROVE FINANCE AUTHORITY SPECIAL TAX REVENUE BONDS**  
**Series 2015**

(Base CUSIP: †\_\_\_\_\_)

<u>Maturity</u> (September 1)	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP †</u>
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† CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. None of the Authority, the City or the Underwriter make any representation as to the occurrence of the CUSIP information.

\* Preliminary; subject to change.

## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

**No Offering May Be Made Except by this Official Statement.** No dealer, broker, salesperson or other person has been authorized by the Authority, the City or the Underwriter to give any information or to make any representations with respect to the Bonds or the CFD Bonds other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized by the Authority, the City or the Underwriter.

**No Unlawful Offers or Solicitations.** This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

**Effective Date.** This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the City, the Districts or any other parties described in this Official Statement, or in the condition of property within the Districts since the date of this Official Statement.

**Use of this Official Statement.** This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract with the purchasers of the Bonds.

**Preparation of this Official Statement.** The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

**Document References and Summaries.** All references to and summaries of the Indenture or other documents contained in this Official Statement are subject to the provisions of those documents and do not purport to be complete statements of those documents.

**Stabilization of and Changes to Offering Prices.** The Underwriter may over allot or take other steps that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. If commenced, the Underwriter may discontinue such market stabilization at any time. The Underwriter may offer and sell the Bonds to certain dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

**Bonds are Exempt from Securities Laws Registration.** The issuance and sale of the Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

**Estimates and Projections.** Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE AUTHORITY AND THE CITY DO NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ANY EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

**Internet Site.** The City maintains an Internet website, but the information that it contains is not incorporated in this Official Statement.

**ELK GROVE FINANCE AUTHORITY  
SACRAMENTO COUNTY, CALIFORNIA**

**BOARD OF DIRECTORS OF THE AUTHORITY  
AND MEMBERS OF THE CITY COUNCIL**

*Gary Davis, Chairperson and Mayor*  
*Pat Hume, Vice Chairperson and Vice Mayor*  
*Steven M. Detrick, Director and Council Member*  
*Darren Suen, Director and Council Member*  
*Steve Ly, Director and Council Member*

**CITY OFFICERS**

*Laura S. Gill, City Manager*  
*Brad Koehn, Director of Finance and Administrative Services*  
*Jonathon P. Hobbs, City Attorney*  
*Jason Lindgren, City Clerk*

**FINANCING SERVICES**

**BOND COUNSEL AND DISCLOSURE COUNSEL**

Jones Hall,  
A Professional Law Corporation  
San Francisco, California

**TRUSTEE**

U.S. Bank National Association  
San Francisco, California

**CASH FLOW VERIFICATION**

Causey, Demgen & Moore, Inc.  
Denver, Colorado

**CFD ADMINISTRATOR**

NBS  
Temecula, California

**FINANCIAL ADVISOR**

Fieldman Rolapp & Associates  
Irvine, California

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## Regional Map

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## OFFICIAL STATEMENT

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**ELK GROVE FINANCE AUTHORITY  
SPECIAL TAX REVENUE BONDS  
Series 2015**

This Official Statement, including the cover page and the appendices hereto, is provided to furnish information regarding the issuance by the Elk Grove Finance Authority (the "**Authority**") of its Special Tax Revenue Bonds, Series 2015 (the "**Bonds**") in the aggregate principal amount set forth above.

*Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Definitions of certain terms used herein and not defined herein have the meaning set forth in the Indenture or the respective Fiscal Agent Agreement described herein.*

### INTRODUCTION

*This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.*

*Capitalized terms used but not defined in this Official Statement have the meanings set forth in the Indenture (as defined below). See "APPENDIX A – Summary of Certain Provisions of Principal Legal Documents."*

**Purposes of the Bonds.** The Bonds are being issued by the Authority to assist the City of Elk Grove, California (the "**City**") in the financing and refinancing of costs of certain improvements of benefit to property within the City's East Franklin Community Facilities District No. 2002-1 (the "**East Franklin CFD**") and Community Facilities District No. 2003-1 (Poppy Ridge) (the "**Poppy Ridge CFD**") (collectively herein, the "**Districts**"). See "FINANCING PLAN."

\* Preliminary, subject to change.



**Financing Plan.** The City has previously issued (i) for the East Franklin CFD, the Special Tax Refunding Bonds, Series 2005, (ii) for the Poppy Ridge CFD, the Special Tax Refunding Bonds, Series 2005, and (iii) for the Poppy Ridge CFD, the Special Tax Bonds, Series 2006 (collectively, the "**Prior CFD Bonds**"). Each series of the Prior CFD Bonds will be refunded by the City concurrently with the issuance of the Bonds through the issuance by the City of a series of Special Tax Bonds, Series 2015 for each respective District (collectively, the "**CFD Bonds**").

The Prior CFD Bonds were issued to refinance bonds issued in 2002 and 2003 and to provide additional money for the construction and acquisition of certain public improvements of benefit to original development in each respective District. The City will refund the CFD Bonds concurrently with the issuance of the Bonds, and use a portion of the proceeds of the CFD Bonds to finance certain improvements of benefit to property in the Districts.

The Prior East Franklin CFD Bonds and the Prior Poppy Ridge CFD Bonds were purchased by the Authority with proceeds of the \$90,875,000 Elk Grove Finance Authority Special Tax Revenue Bonds (the "**2005 Authority Bonds**"); and \$15,900,000 Elk Grove Finance Authority Special Tax Revenue Bonds, Series 2006 (the "**2006 Authority Bonds**"). The outstanding 2005 Authority Bonds and 2006 Authority Bonds (together, the "**Prior Authority Bonds**") will be redeemed and defeased in connection with the refunding of the Prior East Franklin CFD Bonds and the Prior Poppy Ridge CFD Bonds. Proceeds of the Bonds will be used by the Authority to refund the 2005 Authority Bonds on a current basis and the 2006 Authority Bonds on an advance basis, and to simultaneously refund the Prior CFD Bonds by purchasing the newly issued CFD Bonds. See "FINANCING PLAN."

**Authority for Issuance.** The Bonds are issued pursuant to the provisions relating to the joint exercise of powers found in Chapter 5 of Division 7 of Title 1 of the California Government Code and the terms of an Indenture dated as of July 1, 2015 (the "**Indenture**") among the Authority, the City and U.S. Bank National Association (the "**Trustee**"). The CFD Bonds are issued by the City pursuant to a Fiscal Agent Agreement for each respective series of Bonds (each, a "**CFD Bonds Fiscal Agent Agreement**") between the City and U.S. Bank National Association (the "**Fiscal Agent**"), and the Mello-Roos Community Facilities Act of 1982, as amended, being California Government Code Section 53311, *et seq.* (the "**Act**").

**Security for the Bonds.** The Bonds are special obligations of the Authority, payable from and secured by "**Revenues**" (as defined herein) of the Authority consisting primarily of payments received by the Authority from the City in connection with the CFD Bonds. *No series of CFD Bonds or the pledge of special taxes to pay such CFD Bonds is cross-collateralized to any other series.* Scheduled payments under the CFD Bonds collectively are sufficient to provide the Authority with money to pay the principal of, premium, if any, and interest on the Bonds when due. See "SECURITY FOR THE BONDS AND SOURCES OF PAYMENT THEREFOR - Payment of the CFD Bonds" below.

The Bonds are secured by a priority lien on and security interest in all of the Revenues and any other amounts (including proceeds of the sale of the Bonds) held in certain funds established under to the Indenture. See "SECURITY FOR THE BONDS AND SOURCES OF PAYMENT THEREFOR - Revenues."

The CFD Bonds were issued upon and are secured by special taxes levied to pay for facilities (the "**Special Tax**" or "**Special Taxes**") levied against taxable property in each respective Community Facilities District, and such unpaid special taxes constitute a trust fund

for the redemption and payment of the principal of the respective CFD Bonds and the interest thereon.

The Special Taxes are to be levied by the City on taxable real property within the boundaries of each District. The CFD Bonds are also payable from the proceeds of any foreclosure actions brought following a delinquency in payment of the Special Taxes, and from amounts held in certain funds and accounts related to the CFD Bonds, including a respective separate reserve fund for each series of CFD Bonds, all as more fully described herein. The Special Tax applicable to each taxable parcel in the District will be levied and collected according to the tax liability determined by the City Council through the application of a rate and method of apportionment of Special Tax for each respective District (each, a "**Special Tax Formula**") which was approved by the City in connection with the original formation of the Districts. The Special Taxes represent liens on the parcels of land subject to a Special Tax and failure to pay the Special Taxes could result in proceedings to foreclose the delinquent property. See "SECURITY FOR THE BONDS AND SOURCES OF PAYMENT THEREFOR — Special Tax Methodology" and "APPENDIX A — RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX."

Unpaid special taxes do not constitute a personal indebtedness of the owners of the parcels within the Districts and the owners have made no commitment to pay the principal of or interest on the CFD Bonds or the Bonds or to support payment of the Bonds in any manner. In the event of delinquency, proceedings may be conducted only against the particular parcel securing the delinquent special tax.

*No series of CFD Bonds or the pledge of special taxes to pay such CFD Bonds is cross-collateralized to any other series.*

As further security for each respective series of the CFD Bonds, the City will deposit a portion of the proceeds of each respective series of CFD Bonds with the CFD Fiscal Agent, to be held in a separate debt service reserve account established each series under the respective CFD Fiscal Agent Agreement, and used if there are insufficient special tax revenues available to pay debt service on the respective CFD Bonds when due. *There is no cross-collateralization of the reserve accounts; the East Franklin CFD reserve account is only available to pay debt service on the East Franklin CFD Bonds and the Poppy Ridge CFD reserve account is only available to pay debt service on the Poppy Ridge CFD Bonds.* See "SECURITY FOR THE BONDS AND SOURCES OF PAYMENT THEREFOR – Reserve Accounts."

Additional CFD Bonds and additional Bonds to purchase them may be issued and secured on parity with the respective CFD Bonds and Bonds, provided certain conditions are met. See "SECURITY FOR THE BONDS AND SOURCES OF PAYMENT THEREFOR – Additional CFD Bonds and Bonds."

***The Community Facilities Districts and the CFD Bonds.*** Each District is comprised of land located within the City and was formed to finance a portion of certain infrastructure improvements of benefit to such respective District (collectively, the "**Improvements**") and necessary for development in the Districts to occur. The Improvements financed by the CFD Bonds for each District and significant single family residential home development planned for the Districts have been completed, with most of the completed homes sold to homeowners. See "THE DISTRICTS."

Property in the Districts is security for the respective Special Taxes. In connection with valuing property in the District, the City has obtained the 2014-15 County assessed valuation (the "**Assessed Valuation**") of the property in the District and supplemented such information with current improvement status available from City records. The aggregate estimated valuation of taxable property in the Districts is approximately \$3.01 billion, which is approximately 29.56\* times the \$101,810,000\* aggregate principal amount of the Bonds. The aggregate estimated valuation of taxable property in the East Franklin CFD is approximately \$1.68 billion, which is approximately 31.56\* times the \$53,080,000\* aggregate principal amount of the East Franklin CFD Bonds. The aggregate estimated valuation of taxable property in the Poppy Ridge CFD is approximately \$1.33 billion, which is approximately 27.38\* times the \$48,730,000\* aggregate principal amount of the Poppy Ridge CFD Bonds. See "OWNERSHIP AND VALUE OF PROPERTY WITHIN THE DISTRICTS."

***Risks of Investment.*** See the section of this Official Statement entitled "RISK FACTORS" for a discussion of special factors that should be considered, in addition to the other matters set forth herein, in considering the investment quality of the Bonds. **The general fund of the City is not liable and the full faith and credit of the City is not pledged for the payment of the interest on, or principal of or redemption premiums, if any, on the CFD Bonds or the Bonds. The CFD Bonds and the Bonds are not secured by a legal or equitable pledge of or charge, lien or encumbrance upon any property of the City or any of its income or receipts, except the money in the Special Tax Fund (described herein) established under the respective Fiscal Agent Agreement, and neither the payment of the interest on nor principal of or redemption premiums, if any, on the CFD Bonds or the Bonds is a general debt, liability or obligation of the City or the Authority.**

***Limited Scope of Official Statement.*** There follows in this Official Statement descriptions of the Authority, the Bonds, the Indenture, the City, the CFD Bonds, the CFD Bonds Fiscal Agent Agreements, and certain other documents. The descriptions and summaries of documents herein do not purport to be comprehensive or definitive, and reference is made to each such document for the complete details of all its respective terms and conditions. All statements herein with respect to such documents are qualified in their entirety by reference to each such document for the complete details of all of their respective terms and conditions. All statements herein with respect to certain rights and remedies are qualified by reference to laws and principles of equity relating to or affecting creditors' rights generally. Terms not defined herein shall have the meanings set forth in the Indenture or the Fiscal Agent Agreements, as applicable.

The information and expressions of opinion herein speak only as of the date of this Official Statement and are subject to change without notice. Neither delivery of this Official Statement nor any sale made hereunder nor any future use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the City since the date hereof.

All financial and other information presented in this Official Statement has been provided by the Authority and the City from their records, except for information expressly attributed to other sources. The presentation of information is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial or other affairs of the owners, the Districts, the Authority or the City. No representation is made that past experience,

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\* Preliminary; subject to change.

as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

## FINANCING PLAN

The Bonds are being issued for the following purposes: (i) to acquire the East Franklin CFD bonds, which will be issued by the City concurrently with the issuance of the Bonds, and (ii) to acquire the Poppy Ridge CFD bonds, which will be issued by the City concurrently with the issuance of the Bonds. Proceeds of the Bonds and the CFD Bonds will be used primarily to refund the Prior CFD Bonds and Prior Authority Bonds and to finance certain additional improvements of benefit to the Districts. Proceeds will also be used to fund separate reserve accounts for each series of CFD Bonds and to pay costs of issuance, as described below.

### Refunding of Prior Bonds

**Refunding of Prior CFD Bonds.** The Bonds are being issued primarily to refund the Prior CFD Bonds, which are: (i) for the East Franklin CFD, the Special Tax Refunding Bonds Series 2005 issued in the original principal amount of \$57,960,000, which refunded bonds issued in 2002 in the original principal amount of \$45,000,000 and bonds issued in 2003 in the original principal amount of \$7,460,000 [and financed projects with respect to the East Franklin CFD], (ii) for the Poppy Ridge CFD, the Special Tax Bonds Series 2005 issued in the original principal amount of \$32,915,000, which refunded bonds issued in 2003 in the original principal amount of \$29,570,000 and financed projects with respect to the Poppy Ridge CFD, and (iii) for the Poppy Ridge CFD, the Special Tax Bonds Series 2006 issued in the original principal amount of \$15,900,000, which financed improvements for the benefit of the Poppy Ridge CFD. The Prior CFD Bonds were issued to finance and refinance the construction and acquisition of certain public improvements within each respective District necessary for new home and other development to occur in such District. Such improvements have been completed. A portion of the proceeds of the CFD Bonds for each District will also be used to finance the construction and acquisition of additional improvements. See " – New Money Component" below.

**Refunding Escrow.** As to each series of Prior CFD Bonds, a portion of the proceeds of the respective CFD Bonds will be transferred to U.S. Bank National Association, acting as escrow agent (the "**Escrow Agent**") under an Escrow Deposit and Trust Agreement dated as of the date of issuance of the Bonds (the "**Escrow Agreement**"), among the City, the Authority and the Escrow Agent.

The amounts deposited from the proceeds of the CFD Bonds will be held by the Escrow Agent under the Escrow Agreement and invested in federal securities [consisting of United States Treasury Securities, State and Local Government Series]. These funds, together with any remaining amounts held in cash by the Escrow Agent, will be sufficient to pay and redeem the Prior CFD Bonds in full on their respective redemption dates, as described below, and to defease the outstanding Prior CFD Bonds as of the date of issuance of the CFD Bonds. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

**Refunding of Prior Authority Bonds.** The Prior East Franklin CFD Bonds and the Prior Poppy Ridge CFD Bonds serve as security for the Prior Authority Bonds. The defeasance and refunding of the Prior East Franklin CFD Bonds and Prior Poppy Ridge CFD Bonds, as described above, will cause (i) the outstanding 2005 Authority Bonds to be redeemed in full, on a current basis, on September 1, 2015, at a redemption price equal to 100% of the principal amount thereof, together with accrued interest to the redemption date, without premium, and (ii) the outstanding 2006 Authority Bonds to be redeemed in full, on an advance basis, on September 1, 2016, at a redemption price equal to 100% of the principal amount thereof, together with accrued interest to the redemption date, without premium.

Pursuant to the Escrow Agreement, on the redemption dates of the Prior East Franklin CFD Bonds and the Prior Poppy Ridge CFD Bonds, corresponding amounts of the Prior Authority Bonds will be redeemed. Amounts held by the Escrow Agent will be sufficient to pay and redeem the 2005 Authority Bonds and the 2006 Authority Bonds in full on their respective redemption dates, and to defease the outstanding Prior Authority Bonds as of the date of issuance of the Bonds. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

*The moneys held by the Escrow Agent under the Escrow Agreement are pledged to the payment of the Prior East Franklin CFD Bonds, the Prior Poppy Ridge CFD Bonds and the Prior Authority Bonds and will not be available for the payment of the Bonds, the East Franklin CFD Bonds or the Poppy Ridge CFD Bonds.*

### **New Money Component**

The City is authorized to issue bonds payable from Special Taxes in the Poppy Ridge CFD in the aggregate principal amount of not-to-exceed \$55,000,000. It has previously issued the Prior Poppy Ridge CFD Bonds in the aggregate principal amount of \$45,470,000, leaving a remaining bonding capacity of \$9,530,000. As part of the financing, the City is now issuing additional bonds secured by special taxes levied in the Poppy Ridge CFD in an amount not to exceed the remaining authorized principal amount for the purpose of financing additional facilities authorized in Poppy Ridge CFD. A portion of the proceeds of the Poppy Ridge CFD Bonds will be deposited in an improvement fund held by the City and will be used to finance certain infrastructure improvements of benefit to the property in Poppy Ridge CFD. The improvements to be financed consist of facilities previously approved under the Resolution of Formation for Poppy Ridge CFD adopted by the City Council on January 15, 2003.

The City is authorized to issue bonds payable from Special Taxes in the East Franklin CFD in the aggregate principal amount of not-to-exceed \$75,000,000. It has previously issued the Prior East Franklin CFD Bonds in the aggregate principal amount of \$52,460,000, leaving a remaining bonding capacity of \$22,540,000. As part of the financing, the City is now issuing additional bonds secured by special taxes levied in the East Franklin CFD in an amount not to exceed the remaining authorized principal amount for the purpose of financing additional facilities authorized in East Franklin CFD. A portion of the proceeds of the East Franklin CFD Bonds will be deposited in an improvement fund held by the City and will be used to finance certain infrastructure improvements of benefit to the property in East Franklin CFD. The improvements to be financed consist of facilities previously approved under the Resolution of Formation for East Franklin CFD adopted by the City Council on May 15, 2002.

**Estimated Sources and Uses of Funds**

**The Bonds.** The anticipated sources and uses of funds relating to the Bonds are as follows:

- Sources:  
 Principal Amount of the Bonds  
 Plus/Less: Original Issue Premium/Discount  
 Total Sources
- Uses:  
 Deposit to Purchase Fund [1]  
 Deposit to Costs of Issuance Fund [2]  
 Underwriter's Discount  
 Total Uses

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[1] To be used to acquire the East Franklin CFD Bonds and the Poppy Ridge CFD Bonds. Amount is net of the share of the Underwriter's discount allocable to the East Franklin CFD Bonds and the Poppy Ridge CFD Bonds.

[2] Costs of issuance include Trustee and Fiscal Agent fees, Bond Counsel fees, Disclosure Counsel fees, printing costs, and other related costs of issuing the Bonds and the CFD Bonds.

**CFD Bonds.** The anticipated sources and uses of funds relating to the CFD Bonds are as follows:

- |  |                             |                           |
|--|-----------------------------|---------------------------|
| <u>Sources:</u>                            | East Franklin<br><u>CFD</u> | Poppy Ridge<br><u>CFD</u> |
| Principal Amount of CFD Bonds              |                             |                           |
| Plus: Available Funds from Prior CFD Bonds |                             |                           |
| Less: Share of Underwriter's Discount      |                             |                           |
| Total Sources                              |                             |                           |
| <u>Uses:</u>                               |                             |                           |
| Deposit to Escrow Fund [1]                 |                             |                           |
| Improvement Fund [2]                       |                             |                           |
| Costs of Issuance                          |                             |                           |
| Deposit to Reserve Account [3]             |                             |                           |
| Total Uses                                 |                             |                           |

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[1] To be used to refund the Prior CFD Bonds.

[2] To be held by the City and used for improvements with respect to the respective District.

[3] Equal to the Reserve Requirement for the each respective series of CFD Bonds as of the Closing Date. See "SECURITY FOR THE BONDS AND SOURCES OF PAYMENT THEREFOR – Reserve Accounts."

## THE BONDS

*This section provides summaries of the Bonds and certain provisions of the Indenture. See "APPENDIX A – Summary of Certain Provisions of Principal Legal Documents" for a more complete summary of the Indenture. Capitalized terms used but not defined in this section have the meanings given in APPENDIX A.*

### **Authority for Issuance**

The Bonds are being issued under the Act, the Authority Resolution (which was adopted by the board of directors of the Authority on \_\_\_\_\_, 2015) and the Indenture. Under the Authority Resolution, the Bonds may be issued in a principal amount not to exceed \$110,000,000.

### **Bond Terms**

**General.** The Bonds will be dated their date of delivery, and will be issued in the aggregate principal amounts set forth on the inside cover page hereof. The Bonds will bear interest from their dated date at the rates per annum set forth on the inside cover page hereof, payable semiannually on each March 1 and September 1, commencing March 1, 2016 (each, an "**Interest Payment Date**"), and will mature in the amounts and on the dates set forth on the inside cover page hereof.

The Bonds will be issued in fully registered form in denominations of \$5,000 each or any integral multiple thereof.

**Payment of Interest and Principal.** Interest on the Bonds will be payable on each Interest Payment Date to the person whose name appears on the Bond Register as the Owner of such Bond as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check of the Trustee mailed on such Interest Payment Date by first class mail, postage prepaid, to the Owner at the address of such Owner as it appears on the Bond Register or by wire transfer to an account in the United States of America made on such Interest Payment Date upon instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds of a Series provided to the Trustee in writing at least 5 Business Days before the Record Date for such Interest Payment Date.

Principal of and premium (if any) on any Bond will be paid upon presentation and surrender of such Bond, at maturity or the prior redemption of such Bond, at the Trust Office of the Trustee.

**Calculation of Interest.** Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it will bear interest from such Interest Payment Date; or (b) it is authenticated on or before February 15, 2016, in which event it will bear interest from the Closing Date; provided, however, that if, as of the date of authentication of any Bond, interest on such Bond is in default, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on such Bond, or from the Closing Date if no interest has been paid or made available for payment.



## Redemption\*

**Optional Redemption.** The Bonds may be redeemed at the option of the Authority, from any source of available funds, prior to maturity on any Interest Payment Date on or after September 1, 20\_\_ as a whole, or in part from maturities corresponding proportionately to the maturities of the CFD Bonds simultaneously redeemed, if any redemption of CFD Bonds is being accomplished in conjunction with such optional redemption, and otherwise from such maturities as are selected by the Authority, and by lot within a maturity, at a redemption price equal to principal amount of the Bonds to be redeemed, plus a premium expressed below as a percentage of the principal amount so redeemed, plus accrued interest thereon to the date of redemption.

<u>Redemption Date</u>	<u>Redemption Premium</u>
On or after March 1, 20__ through March 1, 20__	
September 1, 20__ and March 1, 20__	
September 1, 20__ and March 1, 20__	
September 1, 20__ and thereafter	

The Authority will deliver to the Trustee a certificate of an Independent Accountant verifying that, following such optional prepayment of the CFD Bonds and redemption of the Bonds, the principal and interest generated from the remaining CFD Bonds is adequate to make the timely payment of principal and interest due on the Bonds that will remain Outstanding following such optional redemption.

**Special Mandatory Redemption.** The Bonds are subject to mandatory special redemption on any Interest Payment Date from proceeds of early redemption of CFD Bonds from prepayment of Special Taxes, in whole or in part, from maturities corresponding proportionately to the maturities of the CFD Bonds simultaneously redeemed, at the principal amount thereof, plus a premium expressed below as a percentage of the principal amount so redeemed, plus accrued interest to the date of redemption thereof:

<u>Redemption Date</u>	<u>Redemption Premium</u>
On or after March 1, 20__ through March 1, 20__	
September 1, 20__ and March 1, 20__	
September 1, 20__ and March 1, 20__	
September 1, 20__ and thereafter	

The Authority will deliver to the Trustee a certificate of an Independent Accountant verifying that, following such mandatory prepayment of the CFD Bonds and redemption of the Bonds, the principal and interest generated from the remaining CFD Bonds is adequate to make the timely payment of principal and interest due on the Bonds that will remain Outstanding following such optional redemption.

**Mandatory Sinking Fund Redemption of Bonds.** The Bonds maturing on September 1, 20\_\_, are subject to redemption prior to their stated maturity, in part, by lot from amounts deposited into the Principal 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 Bonds optionally redeemed:

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\* Preliminary; subject to change.

Mandatory Redemption Dates  
(September 1)

Principal  
Amount

\*

\* Maturity

For a description of the redemption provisions of the CFD Bonds, see "APPENDIX A – Summary of Certain Provisions of Principal Legal Documents."

**Notice of Redemption.** The Trustee on behalf, and at the expense, of the Authority will mail (by first class mail, postage prepaid) notice of any redemption to the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the Bond Register, and to the Securities Depositories and to the Municipal Securities Rulemaking Board, at least thirty (30) but not more than sixty (60) days prior to the date fixed for redemption. Neither failure to receive any such notice so mailed nor any defect therein will affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice will state the date of the notice, the redemption date, the redemption place and the redemption price and will designate the CUSIP numbers, the Bond numbers and the maturity or maturities (in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and will require that such Bonds be then surrendered at the Trust Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue after the redemption date.

In addition to the foregoing notice, further notice will be given by the Trustee in said form by first class mail to any Bondowner whose Bond has been called for redemption but who has failed to submit his Bond for payment by the date which is sixty days after the redemption date, but no defect in said further notice nor any failure to give or receive all or any portion of such further notice will in any manner defeat the effectiveness of a call for redemption.

**Rescission of Redemption Notice.** Any such redemption notice may specify that redemption on the specified date will be subject to receipt by the Authority of moneys sufficient to cause such redemption (and will specify the proposed source of such moneys), and neither the Authority nor the Trustee will have any liability to the Owners or any other party as a result of its failure to redeem the Bonds as a result of insufficient moneys. The Authority will have the right to rescind any redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption will be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation will not constitute an Event of Default hereunder. The Trustee will mail notice of rescission of redemption in the same manner notice of redemption was originally provided.

**Selection of Bonds of a Maturity for Redemption.** Unless otherwise provided under the Indenture, whenever provision is made in the Indenture or in the applicable Supplemental Indenture for the redemption of fewer than all of the Bonds of a maturity, the Trustee will select the Bonds to be redeemed from all Bonds of such maturity not previously called for redemption, by lot in any manner which the Trustee in its sole discretion will deem appropriate and fair. For purposes of such selection, all Bonds will be deemed to be comprised of separate \$5,000

authorized denominations, and such separate authorized denominations will be treated as separate Bonds which may be separately redeemed.

***Partial Redemption of Bonds.*** In the event only a portion of any Bond is called for redemption, then upon surrender of such Bond the Authority will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of the same maturity date, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond to be redeemed.

***Effect of Redemption.*** From and after the date fixed for redemption, if funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption will have been duly provided, such Bonds so called will cease to be entitled to any benefit under the Indenture other than the right to receive payment of the redemption price, and no interest will accrue on such Bonds from and after the redemption date specified in such notice.

***Certification of Independent Financial Consultant.*** The City will not be authorized to redeem CFD Bonds unless it has provided the Fiscal Agent with a certificate of an Independent Financial Consultant to the effect that the proposed redemption, assuming a corresponding redemption of the Bonds, and assuming continuing payment of Special Taxes by property owners not then in default, will not adversely impact the availability of Revenues in an amount sufficient to pay debt service on the Bonds, as scheduled. In the event the Independent Financial Consultant is unable to provide such certificate, the redemption premium for the CFD Bonds will be the amount that will be sufficient to enable the Independent Financial Consultant to deliver the required certificate.

### **Book-Entry Only System**

***General.*** The Bonds will be issued as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to actual purchasers of the Bonds (the “Beneficial Owners”) in the denominations set forth above, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants (as defined in this Official Statement) as described in this Official Statement. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See “APPENDIX F — DTC and the Book-Entry-Only System.”

If the book-entry-only system is no longer used with respect to the Bonds, the Bonds will be registered and transferred in accordance with the Indenture. See “–Registration, Transfer and Exchange of Bonds” below.

***Payments Made to DTC.*** While the Bonds are subject to the book-entry system, the principal and interest with respect to a Bond will be paid by the Trustee to DTC, which in turn is obligated to remit such payment to its DTC Participants for subsequent disbursement to Beneficial Owners of the Bonds, as described in “APPENDIX F — DTC and the Book-Entry-Only System.”

### **Registration, Transfer and Exchange of Bonds**

***Bond Register.*** The Trustee will keep or cause to be kept at its Trust Office sufficient records for the registration and transfer of the Bonds, which will be the Bond Register and will at

all times during regular business hours be open to inspection by the Authority upon reasonable notice; and, upon presentation for such purpose, the Trustee will, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said records, Bonds as provided under the Indenture.

***Transfer of Bonds.*** Subject to the book-entry only provisions of the Indenture, any Bond may in accordance with its terms, be transferred, upon the Bond Register, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed.

Whenever any Bond is surrendered for transfer, the Authority will execute and the Trustee will thereupon authenticate and deliver to the transferee a new Bond or Bonds of like Series, tenor, maturity and aggregate principal amount. No Bonds selected for redemption will be subject to transfer, nor will any Bond be subject to transfer during the 15 days prior to the selection of Bonds for redemption.

The cost of printing any Bonds and any services rendered or any expenses incurred by the Trustee in connection with any transfer or exchange will be paid by the Authority. However, the Owners of the Bonds will be required to pay any tax or other governmental charge required to be paid for any exchange or registration of transfer and the Owners of the Bonds will be required to pay the reasonable fees and expenses of the Trustee and Authority in connection with the replacement of any mutilated, lost or stolen Bonds.

***Exchange of Bonds.*** Bonds may be exchanged at the Trust Office of the Trustee for Bonds of the same Series, tenor and maturity and of other authorized denominations. No Bonds selected for redemption will be subject to exchange, nor will any Bond be subject to exchange during the 15 days prior to the selection of Bonds for redemption. The Owners of the Bonds will be required to pay any tax or other governmental charge required to be paid for any exchange and the Owners of the Bonds will be required to pay the reasonable fees and expenses of the Trustee and Authority in connection with the exchange of any Bonds.

## Estimated Debt Service Schedules

**The Bonds.** The table below presents the debt service schedule for the Bonds, assuming no special redemptions are made. The scheduled aggregate debt service on the Bonds is approximately equal to the aggregate of the scheduled debt service on the East Franklin CFD Bonds and the Poppy Ridge CFD Bonds.

### Annual Debt Service Schedule for the Bonds\*

<b>Year Ending September 1</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
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<sup>\*</sup>Preliminary; subject to change.

**The CFD Bonds.** The following table summarizes the anticipated debt service payments to be received by the Authority as the result of its ownership of the East Franklin CFD Bonds and the Poppy Ridge CFD Bonds.

The CFD Bonds mature on different dates, and have different debt service profiles. Consequently, the source of security for debt service on the Bonds, and the concentration of the revenues derived from the different Districts, will change over time as the Bonds mature.

**Annual Debt Service Schedules for the CFD Bonds<sup>\*</sup>**

<b>Year Ending September 1</b>	<b>East Franklin CFD Bonds</b>	<b>Poppy Ridge CFD Bonds</b>
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<sup>\*</sup> Preliminary; subject to change.

## SECURITY FOR THE BONDS AND SOURCES OF PAYMENT THEREFOR

*The Bonds are special obligations of the Authority, payable from and secured by Revenues (as defined herein) of the Authority consisting primarily of payments received by the Authority from the City on the CFD Bonds. Scheduled payments under the CFD Bonds collectively are sufficient to provide the Authority with money to pay the principal of, premium, if any, and interest on the Bonds when due. This section provides summaries of the security for the Bonds and certain provisions of the Indenture. See "APPENDIX A – Summary of Certain Provisions of Principal Legal Documents" for a more complete summary of the Indenture. Capitalized terms used but not defined in this section have the meanings given in APPENDIX A.*

### Limited Obligation

In order to secure the payment of the principal of, premium, if any, and interest on the Bonds in accordance with their terms and the provisions of the Indenture, and subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, the Authority pledges all of the Revenues and any other amounts (including proceeds of the sale of Bonds) held in any fund or account established pursuant to the Indenture, other than amounts on deposit in the Rebate Fund. This pledge constitutes a first pledge of and charge and lien upon such assets for the payment of the Bonds in accordance with their terms and will be valid and binding from and after issuance of the Bonds, without any physical delivery thereof or further act. The pledge is also irrevocable until all of the bonds issued under the Indenture are no longer Outstanding.

Under the Indenture, the Authority unconditionally transfers, assigns, and sets over to the Trustee for the benefit of the Owners, without recourse, all of the right, title and interest of the Authority in the CFD Bonds. Each series of CFD Bonds are a limited obligation of the City and secured by an irrevocable pledge of certain revenues of the City, consisting primarily of monies received by the City as payment of special taxes levied against property within each respective CFD which secures such CFD Bonds. Scheduled payments under the CFD Bonds are sufficient to provide the Authority with money to pay the principal of, premium, if any, and interest on the Bonds when due.

*No CFD Bonds issued under one CFD Fiscal Agent Agreement or the pledge of special taxes to pay such CFD Bonds is cross-collateralized to the CFD Bonds issued under the other CFD Fiscal Agent Agreement.*

All obligations of the Authority under the Indenture and the Bonds are special obligations of the Authority, payable solely from and secured by Revenues and the amounts in the funds established by the Indenture (except amounts in the Rebate Fund). All obligations of the City under each CFD Fiscal Agent Agreement are not general obligations of the City, but are limited obligations, payable solely from the special taxes and the funds pledged therefor under such CFD Fiscal Agent Agreement. Neither the faith and credit of the City nor of the State of California or any political subdivision thereof is pledged to the payment of the CFD Bonds.

The CFD Bonds are payable solely from and secured solely by the special taxes, net of administrative expenses, and the amounts in the Special Tax Fund created with respect to such CFD Bonds (the "**Special Tax Fund**") under the CFD Fiscal Agent Agreements. The City is not obligated to advance available surplus funds from the City treasury to cure any deficiency in any Special Tax Fund, provided, however, the City is not prevented, in its sole discretion, from so

advancing funds. Moneys in each respective CFD Special Tax Fund are available only for use with respect to the series of CFD Bonds to which such Special Tax Fund relates.

## **Revenues**

The Bonds are secured by a lien on and pledge of Revenues made in the Indenture, which consist primarily of amounts received by the Authority as the result of its ownership of the CFD Bonds.

The Indenture defines “**Revenues**” as follows:

- (a) all amounts received from the CFD Bonds;
- (b) any proceeds of the Bonds originally deposited with the Trustee and all moneys deposited and held from time to time by the Trustee in the funds and accounts established under the Indenture with respect to the Bonds (other than the Rebate Fund and the Surplus Fund); and
- (c) investment income with respect to any moneys held by the Trustee in the funds and accounts established under the Indenture with respect to the Bonds (other than investment income on moneys held in the Rebate Fund and the Surplus Fund).

## **Revenues; Flow of Funds**

**Revenues.** The Bonds are secured by a first lien on and pledge of all of the Revenues. Under the Indenture, all of the Revenues and the amounts in the funds established by the Indenture are pledged by the Authority first to secure the payment of the principal of and interest on the Bonds, all in accordance with their terms and the provisions of the Indenture. Said pledge constitutes a lien on and security interest in the Revenues upon the physical delivery thereof. In the Indenture, the Authority transfers in trust and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Revenues and all of the right, title and interest of the Authority in the CFD Bonds. The Trustee shall be entitled to and shall collect and receive all of the Revenues, and any Revenues collected or received by the Authority as the agent of the Trustee shall be deemed to be held, and to have been collected or received, by the Authority and shall be paid by the Authority to the Trustee. The Trustee also is entitled to and may take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the City under the CFD Bonds.

**Collection by the Trustee.** The Trustee will collect and receive all of the Revenues, and any Revenues collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and will forthwith be paid by the Authority to the Trustee. Under the Indenture, the Trustee is directed to establish, maintain and hold in trust a special fund designated as the "Revenue Fund" and deposit the Revenues, when and as received by the Trustee, therein; provided that the Trustee shall deposit any Revenues that represent payment of the redemption price of any CFD Bonds into the Redemption Fund. All moneys at any time held in the Revenue Fund shall be held in trust for the benefit of the Owners and shall be disbursed, allocated, and applied solely for payment of the Bonds and for any other uses and purposes set forth in the Indenture. Subject to the provisions of the Indenture regarding the remedies and rights of the Bond Owners, the Trustee is also entitled to and will take all steps, actions and proceedings reasonably necessary in its



judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the City under the CFD Bonds.

***Application of Revenues.*** On each Interest Payment Date and date for redemption of the Bonds, the Trustee will transfer from the Revenue Fund, and deposit into the following respective accounts for the Bonds, the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

Interest Account. On each Interest Payment Date and redemption date, the Trustee will deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest becoming due and payable on such Interest Payment Date on all Outstanding Bonds or to be paid on the Bonds being redeemed on such date.

No deposit need be made into the Interest Account if the amount contained in such account is at least equal to the interest becoming due and payable upon all Outstanding Bonds on the next succeeding Interest Payment Date or redemption date, as applicable.

All moneys in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it becomes due and payable (including accrued interest on any Bonds redeemed prior to maturity).

If the amounts on deposit in the Interest Account on any Interest Payment Date or redemption date are insufficient for any reason to pay the aggregate amount of interest then coming due and payable on the Outstanding Bonds, the Trustee will apply such amounts to the payment of interest on each of the Outstanding Bonds on a pro rata basis.

Principal Account. On each Interest Payment Date and redemption date on which the principal of the Bonds will be payable, the Trustee will deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of, and premium (if any) on, the Bonds coming due and payable on such Interest Payment Date, or required to be redeemed on such date; provided, however, that no amount will be deposited to effect a mandatory special redemption unless the Trustee has first received a certificate of an Independent Accountant certifying that such deposit to effect the redemption of the Bonds will not impair the ability of the Authority to make timely payment of the principal of and interest on the Bonds, assuming for such purposes that the City continues to make timely payments on all CFD Bonds not then in default.

All moneys in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of (i) paying the principal of the Bonds at the maturity thereof or (ii) paying the principal of any Bonds upon the redemption thereof.

***Deficiencies.*** If on any Interest Payment Date or date for redemption the amount on deposit in the Revenue Fund is inadequate to make the transfers described above as a result of a payment default on an issue of CFD Bonds, the Trustee will immediately notify the City of the amount needed to make the required deposits under “Application of Revenues” above. In the event that within 5 Business Days of delivering such notice the Trustee receives additional payments from the City to cure such shortfall, the Trustee will deposit such amounts to the account designated in writing by the City.

***Deposit into Rebate Fund.*** On each Interest Payment Date after making the transfers described above, upon receipt of a Request of the Authority to do so, the Trustee will transfer from the Revenue Fund to the Rebate Fund for deposit in the accounts in the Rebate Fund the amounts specified in such Request.

***Surplus Fund.*** On September 1 of each year, after making the deposits described above, the Trustee will transfer all amounts remaining on deposit in the Revenue Fund to the Surplus Fund.

### **Reserve Fund Only for CFD Bonds**

The Authority has not established a debt service reserve fund for the Bonds, but the City has established a debt service reserve fund for each of the CFD Bonds. See “Security for the CFD Bonds - Reserve Accounts” below.

### **Surplus Fund**

Any amounts transferred to the Surplus Fund will no longer be considered Revenues and are not pledged to repay the Bonds. So long as CFD Bonds are outstanding, on September 1 of each year, after setting aside any amount specified in a Request of the Authority as necessary to pay Administrative Expenses, any moneys remaining in the Surplus Fund will be transferred to the City and used for any lawful purpose.

### **Additional CFD Bonds and Bonds**

***Additional Authority Bonds.*** The Authority may by Supplemental Indenture establish one or more additional Series of Bonds (“**Additional Bonds**”) secured on parity with the Bonds, subject to the conditions set forth in the Indenture, which include the condition that after the issuance of the Additional CFD Bonds, the Revenues to be received from all bonds of the Districts will be sufficient in time and amount to satisfy the debt service requirements on all Bonds and Additional Bonds until the final maturity date of the Bonds.

[Additional parameters for Additional Bonds- to come]

***Authority Conditions for Issuance of Additional Series of Bonds.*** Before Additional Bonds may be issued and delivered, the Authority will file the following documents with the Trustee (upon which documents the Trustee may conclusively rely in determining whether the conditions precedent to the issuance of such Series of Bonds have been satisfied) (i) an executed copy of the Supplemental Indenture authorizing such Series; (ii) the CFD Bonds to be purchased with the proceeds of the Additional Bonds, registered in the name of the Trustee; (iii) a Certificate of the Authority stating that no Event of Default has occurred and is then continuing and, (iv) a Certificate of an Independent Financial Consultant or the underwriter of the proposed Additional Bonds to the effect the Revenues to be received from all bonds of the Districts will be sufficient in time and amount to satisfy the debt service requirements on all Bonds and Additional Bonds until the final maturity date of the Bonds; (v) an Opinion of Counsel meeting the requirements of the Indenture.

**Additional CFD Bonds.** Under each CFD Bonds Fiscal Agent Agreement and as to each District, the City may by Supplemental Fiscal Agent Agreement establish one or more additional series of bonds secured under the Fiscal Agent Agreement, equally and ratably with CFD Bonds previously issued. The City may issue, and the Fiscal Agent may authenticate and deliver to the purchasers thereof, bonds of any series so established, in such principal amount as shall be determined by the City, but only upon compliance by the City with the provisions of the CFD Bonds Fiscal Agent Agreement and any additional requirements set forth in the related Supplemental Fiscal Agent Agreement. As a condition to issuing additional CFD Bonds, the City must provide a certificate of an Independent Financial Consultant certifying that (i) issuance of the parity CFD Bonds will not adversely impact the ability of the Authority to pay debt service on the Bonds and, for refunding bonds, (ii) issuance of the parity CFD Bonds results in debt service savings in each Bond Year for the CFD Bonds to be refunded, and (iii) the maturity date of the parity CFD Bonds will not exceed the latest maturity date of the CFD Bonds being refunded. See "APPENDIX A – Summary of Certain Provisions of Principal Legal Documents" for additional conditions to issuing additional CFD Bonds.

### **Security for the CFD Bonds**

*The provisions of the East Franklin CFD Fiscal Agent Agreement and the Poppy Ridge CFD Fiscal Agent Agreement (each a "CFD Fiscal Agent Agreement") with respect to security and sources of payment for the East Franklin CFD Bonds and the Poppy Ridge CFD Bonds are substantially identical, and will be described together in this section except as otherwise set forth below.*

*This section contains only a brief description of those provisions of each CFD Fiscal Agent Agreement, which are further described in APPENDIX A. Capitalized terms used but not defined in this section have the meanings given in APPENDIX A.*

The CFD Bonds constitute a limited obligation of the City that is secured by a first lien on and pledge of, and is payable solely from, Net Taxes (defined below) collected in each respective CFD and amounts deposited by the City in each Special Tax Fund. The City's limited obligation to pay the principal of and interest on the CFD Bonds from Net Taxes collected in each respective CFD and amounts in each Special Tax Fund is absolute and unconditional.

The CFD Bonds do not constitute a legal or equitable pledge, charge, lien or encumbrance upon any of either CFD's property, or upon any of its income, receipts or revenues, except the Net Taxes collected in the respective CFD and other amounts in the respective Special Tax Fund.

**Except for the Net Taxes for each CFD, neither the credit nor the taxing power of the City is pledged for the payment of the CFD Bonds or related interest, and no Owner of the Bonds may compel the exercise of taxing power by the City or the forfeiture of any of its property. The principal of and interest on the CFD Bonds are not a debt of the City, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory limitation or restriction.**

**Special Taxes; Gross Taxes; Net Taxes.** The "Special Taxes" for each CFD are levied and collected according to the special tax formula contained in the rate and method of apportionment established for that respective CFD. See "– Special Tax Methodology," APPENDIX C-1 and APPENDIX C-2.

The “**Net Taxes**” pledged by the City to the CFD Bonds is defined in each CFD Fiscal Agent Agreement as “**Gross Taxes**” minus amounts set aside to pay the “**Administrative Expenses Cap**” (which, for Fiscal Year 2015-16, is \$25,000 for East Franklin CFD and \$25,000 for Poppy Ridge CFD, in each case the Administrative Expenses Cap may escalate by 2% each Fiscal Year).

“**Gross Taxes**” is defined as the proceeds of the Special Taxes received by the City, including any scheduled payments and any prepayments of, or interest on, such Special Taxes, and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest on such amount. “Gross Taxes” do not include any penalties collected in connection with delinquent Special Taxes or any interest in excess of the interest due on the CFD Bonds.

**Allocation of Special Taxes.** Except for the portion of any Prepayment to be deposited to the Redemption Account, the Fiscal Agent will, on each date on which the Net Taxes are received from the City, deposit the Net Taxes in each Special Tax Fund to be held in trust for the Authority, as sole Owner of the CFD Bonds. The Fiscal Agent will transfer the Net Taxes on deposit in each Special Tax Fund on the dates and in the amounts set forth in each CFD Fiscal Agent Agreement, in the following order of priority, to:

- (1) the Interest Account of each Special Tax Fund;
- (2) the Principal Account of each Special Tax Fund;
- (3) the Redemption Account of each Special Tax Fund;
- (4) the Reserve Account of each Special Tax Fund; and
- (5) each Surplus Fund.

*Neither series of CFD Bonds is secured by Special Taxes from the other CFD; the East Franklin CFD Special Taxes are available only to pay debt service on the East Franklin CFD Bonds and the Poppy Ridge CFD Special Taxes are available only to pay debt service on the Poppy Ridge CFD Bonds.*

**Parity CFD Bonds.** Under each CFD Fiscal Agent Agreement, the City covenants that it will not mortgage or otherwise encumber, pledge or place any charge upon any of the Net Taxes (except as provided in each CFD Fiscal Agent Agreement), and will not issue any obligation or security having a lien or charge upon the Net Taxes superior to or on a parity with the Bonds, except for parity bonds issued in accordance with the CFD Fiscal Agent Agreement. See “- Additional CFD Bond and Bonds” above.

Nothing in each CFD Fiscal Agent Agreement prevents the City from issuing or incurring indebtedness payable from a pledge of Net Taxes that is subordinate in all respects to the pledge of Net Taxes to repay the related CFD Bonds.

**Priority of Lien.** Each installment of the Special Taxes, and any interest and penalties on the Special Taxes, constitutes a lien on the parcel of land on which it was imposed until paid. This lien is co-equal to and independent of the lien for general taxes, the lien of any other community facilities district special taxes and special assessment liens. See “OWNERSHIP AND VALUE OF PROPERTY WITHIN THE DISTRICTS - Direct and Overlapping Governmental Obligations.”

**Separate CFD Bonds Reserve Accounts.** A separate reserve fund (each, a "CFD Bonds Reserve Account" and collectively, the "CFD Bonds Reserve Accounts") for each series of CFD Bonds is established by each CFD Bonds Fiscal Agent Agreement to be held by the Fiscal Agent for the benefit of the Authority as the Owner of the CFD Bonds. *Moneys in each CFD Bonds Reserve Account may only be used for the particular series of CFD Bonds to which the respective CFD Bonds Reserve Account relates.*

*The Authority has not established a debt service reserve fund for the Bonds.*

Upon delivery of the CFD Bonds, the amount on deposit in each CFD Bonds Reserve Account will be established by depositing certain proceeds of the CFD Bonds in the amount of the "**Reserve Requirement**" for the respective CFD Bonds, which is as of any date of calculation, the least of (i) Maximum Annual Debt Service as of such date, (ii) 125% of average Annual Debt Service on all respective CFD Bonds Outstanding as of such date and (iii) 10% of the original principal amount of the respective CFD Bonds, or such lesser amount that, pursuant to the Internal Revenue Code, may be borrowed and invested at an unrestricted yield when all debt service reserve funds maintained with respect to all CFD Bonds issued in conjunction with the Bonds issued to purchase the CFD Bonds are taken into consideration. "**Maximum Annual Debt Service**" means the maximum sum obtained for any Bond Year prior to the final maturity of the respective CFD Bonds by adding the following for each Bond Year: (1) the principal amount of all such Outstanding CFD Bonds payable in such Bond Year either at maturity or pursuant to a Sinking Fund Payment; and (2) the interest payable on the aggregate principal amount of all such CFD Bonds Outstanding in such Bond Year if the respective CFD Bonds are retired as scheduled. With respect to each series of CFD Bonds, "**Annual Debt Service**" means the principal amount of any such Outstanding CFD Bonds payable in a Bond Year either at maturity or pursuant to a Sinking Fund Payment and any interest payable on any such Outstanding CFD Bonds in such Bond Year, if such CFD Bonds are retired as scheduled.

Moneys in each CFD Bonds Reserve Account will be invested and deposited in accordance with the respective Fiscal Agent Agreement. Interest earnings and profits resulting from the investment of moneys in each CFD Bonds Reserve Account and other moneys in such CFD Bonds Reserve Account will remain therein until the balance exceeds the applicable Reserve Requirement.

All or a portion of the Reserve Account may be satisfied with the acquisition of a financial instrument meeting the requirements of a "Reserve Account Credit Instrument." "**Reserve Account Credit Instrument**" is defined to mean an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company, provided that all of the following requirements are met:

(a) the long-term credit rating of such bank or insurance company from either Moody's Ratings Services or Standard & Poor's is "AA" or better (without regard to numerical or other modification);

(b) such letter of credit or surety bond has a term of at least 12 months;

(c) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released pursuant to the Fiscal Agent Agreement; and

(d) the Fiscal Agent is authorized under such letter of credit or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Interest Account or the Principal Account for the purpose of making payments required under the respective Fiscal Agent Agreement.

THE AUTHORITY AND THE CITY HAVE NO OBLIGATION TO REPLENISH THE CFD BONDS RESERVE ACCOUNTS EXCEPT TO THE EXTENT THAT DELINQUENT SPECIAL TAXES ARE PAID OR PROCEEDS FROM FORECLOSURE SALES ARE REALIZED.

***Covenant to Commence Foreclosure Proceedings.*** Under the Act, the City will covenant in each CFD Fiscal Agent Agreement with and for the benefit of the Authority, as the owners of the CFD Bonds, that it will order, and cause to be commenced as described below, and thereafter diligently prosecute to judgment (unless such delinquency is theretofore brought current), an action in the superior court to foreclose the lien of any Special Tax or installment thereof not paid when due as provided in the following two paragraphs. The Finance Director will notify the City Attorney of any such delinquency of which the Finance Director is aware, and the City Attorney will commence, or cause to be commenced, such proceedings.

On or about January 30 and June 30 of each Fiscal Year, the Finance Director will compare the amount of Special Taxes theretofore levied in each CFD to the amount of Gross Taxes theretofore received by the City, and:

(i) *Individual Delinquencies.* If the Finance Director determines that any single parcel subject to the Special Tax in the CFD is delinquent in the payment of Special Taxes in the aggregate amount of \$3,000 or more, then the Finance Director will send or cause to be sent a notice of delinquency (and a demand for immediate payment of the delinquent amounts) to the property owner within 60 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings will be commenced by the City within 120 days of such determination.

(ii) *Aggregate Delinquencies.* If the Finance Director determines that the total amount of delinquent Special Tax for the prior Fiscal Year for the entire CFD (including the total of delinquencies under paragraph (i) above), exceeds 5% of the total Special Tax due and payable for the prior Fiscal Year, the City will notify or cause to be notified property owners who are then delinquent in the payment of Special Taxes (and demand immediate payment of the delinquency) within 60 days of such determination, and will commence foreclosure proceedings within 120 days of such determination against each parcel of land in the CFD with a Special Tax delinquency.

Notwithstanding the foregoing, the City may determine not to initiate foreclosure proceedings if (a) the amount in the CFD Bonds Reserve Account for such CFD is equal to the Reserve Requirement and (b) there have been no defaults in the payment of debt service on the related CFD Bonds.

The owners of the Bonds benefit from the CFD Bonds Reserve Account established pursuant to each CFD Bonds Fiscal Agent Agreement; however, if delinquencies in the payment of the Special Taxes with respect to the CFD Bonds are significant enough to completely deplete the applicable CFD Bonds Reserve Account, there could be a default or a delay in payments of principal and interest to the owners of the Bonds pending prosecution of foreclosure proceedings and receipt by the City of the proceeds of foreclosure sales. Provided that it is not levying the Special Tax at the annual Maximum Special Tax rates set forth in the

Special Tax Formula, the City may adjust (but not to exceed the annual Maximum Special Tax) the Special Taxes levied on all property within the applicable District subject to the Special Tax to provide an amount required to pay debt service on the respective CFD Bonds and to replenish the respective CFD Bonds Reserve Account.

Under current law, a judgment debtor (property owner) has at least 140 days from the date of service of the notice of levy in which to redeem the property to be sold. If a judgment debtor fails to redeem and the property is sold, his or her only remedy is an action to set aside the sale, which must be brought within 90 days of the date of sale. If, as a result of such an action a foreclosure sale is set aside, the judgment is revived and the judgment creditor is entitled to interest on the revived judgment as if the sale had not been made (California Code of Civil Procedure Section 701.680).

Foreclosure by court action is subject to normal litigation delays, the nature and extent of which are largely dependent upon the nature of the defense, if any, put forth by the debtor and the condition of the calendar of the superior court of the county. Such foreclosure actions can be stayed by the superior court on generally accepted equitable grounds or as the result of the debtor's filing for relief under the Federal bankruptcy laws. The Act provides that, upon foreclosure, the Special Tax lien will have the same lien priority as is provided for *ad valorem* taxes and special assessments.

No assurances can be given that the real property subject to a judicial foreclosure sale will be sold or, if sold, that the proceeds of sale will be sufficient to pay any delinquent Special Tax installment. The Act does not require the District to purchase or otherwise acquire any lot or parcel of property foreclosed upon if there is no other purchaser at such sale.

Section 53356.6 of the Act requires that property sold pursuant to foreclosure under the Act be sold for not less than the amount of judgment in the foreclosure action, plus post-judgment interest and authorized costs, unless the consent of the owners of 75% of the outstanding Bonds is obtained. However, under Section 53356.6 of the Act, the District, as judgment creditor, is entitled to purchase any property sold at foreclosure using a "credit bid," where the District could submit a bid crediting all or part of the amount required to satisfy the judgment for the delinquent amount of the Special Tax. If the District becomes the purchaser under a credit bid, the District must pay the amount of its credit bid into the redemption fund established for the Bonds, but this payment may be made up to 24 months after the date of the foreclosure sale.

**Other Covenants of the City.** In each CFD Fiscal Agent Agreement, the City will make the following covenants (among others).

*Punctual Payment.* It will duly and punctually pay or cause to be paid the principal of and interest on each respective series of CFD Bonds, to the extent that Net Taxes and other amounts pledged under the respective CFD Fiscal Agent Agreement are available for such payment.

*Against Encumbrance.* It will not mortgage or otherwise encumber, pledge or place any charge upon any of the Net Taxes except as provided in the respective CFD Fiscal Agent Agreement, and will not issue any obligation or security having a lien or charge upon the Net Taxes superior to or on a parity with the CFD Bonds. Nothing in each CFD Fiscal Agent Agreement prevents the City from issuing or incurring indebtedness payable from a pledge of

Net Taxes that is subordinate in all respects to the pledge of Net Taxes to repay the related series of CFD Bonds.

*Levy of Special Tax.* The City will comply with all requirements of the Mello-Roos Act so as to assure the timely collection of Gross Taxes, including without limitation, the enforcement of delinquent Special Taxes.

*Processing.* On or within 5 Business Days of each June 1, the CFD Fiscal Agent will provide the Finance Director with a notice stating the amount then on deposit in the Special Tax Fund and the other funds and accounts held by the Fiscal Agent under the respective CFD Fiscal Agent Agreement, whether or not amounts need to be deposited into the Reserve Account to increase the amounts on deposit in such account to the Reserve Requirement, and informing the City that the Special Taxes need to be levied under the Ordinance as necessary to provide for the amount set forth in clause (iii) below. The receipt of or failure to receive such notice by the Finance Director will in no way affect the obligations of the Finance Director under the following two paragraphs and the Fiscal Agent will not be liable for failure to provide such notice to the Finance Director. Upon receipt of such notice, the Finance Director will communicate with the Auditor to ascertain the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits or combinations during the preceding and then current year.

*Levy.* The Finance Director will effect the levy of the Special Taxes each Fiscal Year in accordance with the Ordinance by each August 1 that the CFD Bonds are outstanding, or otherwise such that the computation of the levy is complete before the final date on which Auditor will accept the transmission of the Special Tax amounts for the parcels within each District for inclusion on the next real property tax roll. Upon the completion of the computation of the amounts of the levy, the Finance Director will prepare or cause to be prepared, and will transmit to the Auditor, such data as the Auditor requires to include the levy of the Special Taxes on the next real property tax roll.

*Computation.* The Finance Director will fix and levy the amount of Special Taxes within each District in an amount sufficient, together with other amounts on deposit in the related Special Tax Fund and available for such purpose, to pay (A) the principal of and interest on the related CFD Bonds when due, (B) the Administrative Expenses, including amounts necessary to discharge any rebate obligation, during such year and (C) any amounts required to replenish the related Reserve Account to the Reserve Requirement, taking into account the balances in such funds and in the Special Tax Fund. The Special Taxes so levied may not exceed the authorized amounts as provided in the proceedings under each Resolution of Formation.

*Collection.* The Special Taxes will be payable and be collected in the same manner and at the same time and in the same installment as the general taxes on real property are payable, and have the same priority, become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the ad valorem taxes on real property.

*Maintenance of Special Taxes.* The City will not consent to or conduct proceedings with respect to a reduction in the Special Taxes that may be levied in the District below an amount, for any Fiscal Year, equal to 110% of the aggregate of the debt service due and payable with



respect to the Bonds in the corresponding Bond Year, plus 100% of the City's reasonable estimate of Administrative Expenses for such Bond Year; provided, however, that the City may at any time reduce the Special Taxes to the extent that the amount of Special Taxes that would result from levying the Special Taxes at such maximum amounts would result in an amount of Special Taxes in excess of the amount required to comply with such covenant.

**Special Tax Methodology**

The Special Tax authorized under the Act applicable to land within each District will be levied and collected according to the tax liability determined by the City through the application of the appropriate amount or rate as described in the respective Special Tax Formulas set forth in APPENDIX C-1 and APPENDIX C-2. The following paragraphs in this section summarize certain provisions of the Special Tax Formula for each District. Capitalized terms set forth in this section and not otherwise defined have the meanings set forth in the respective Special Tax Formula.

**East Franklin CFD.** Each Fiscal Year using the definitions set forth in the Special Tax Formula, all Taxable Property within the District shall be classified as Developed Property or Undeveloped Property, and shall be subject to Special Taxes as described below. Developed Property shall be further assigned to a Land Use Class as specified in the below. Undeveloped Property shall be further assigned to a Land Use Class as specified in the next table.

**Maximum Special Tax for Developed Property**

<u>Land Use Class</u>	<u>Description</u>	<u>Maximum Special Tax Per Unit/Acre</u>
1	Residential Property	\$840 per Unit
2	Multi-Family Property	\$4,200 per Net Acre
3	Non-Residential Property	\$4,200 per Net Acre

**Maximum Special Tax for Undeveloped Property**

<u>Land Use Class</u>	<u>Description</u>	<u>Maximum Special Tax Per Unit/Acre</u>
4	Final Map Residential Property	\$840 per Lot
5	Large Lot Property	\$4,100 per Gross Acre
6	Tentative Map Property	\$3,200 per Gross Acre
7	Other Taxable Property	\$3,200 per Gross Acre

In some instances an Assessor's Parcel of Developed Property may contain more than one Land Use Class. The Maximum Special Tax levied on an Assessor's Parcel shall be the sum of the Maximum Special Tax levies that can be imposed on all Land Use Classes located on that Assessor's Parcel. The CFD Administrator's allocation to each type of property shall be final.

For each Fiscal Year, the City Council shall levy the Special Tax until the amount of the Special Tax levied equals the Special Tax Requirement. "**Special Tax Requirement**" means that amount required in any Fiscal Year for the CFD 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 Bond Reserve Funds for all Outstanding Bonds; (v) pay directly for acquisition or construction of authorized facilities to be constructed or acquired by the CFD, 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; less (b) a credit for funds available to reduce the annual Special Tax levy, as determined by the CFD Administrator pursuant to the Indenture. The Special Tax shall be levied each Fiscal Year as follows:

First: The Special Tax shall be levied on each Assessor's Parcel of Developed Property at 100% of the applicable Maximum Special Tax;

Second: If additional monies are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Final Map Residential Property at up to 100% of the Maximum Special Tax for Final Map Residential Property;

Third: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Large Lot Property at up to 100% of the Maximum Special Tax for Large Lot Property;

Fourth: If additional monies are needed to satisfy the Special Tax Requirement after the first three steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel of Tentative Map Property at up to 100% of the Maximum Special Tax for Tentative Map Property; and,

Fifth: If additional monies are needed to satisfy the Special Tax Requirement after the first four steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel of Other Taxable Property at up to 100% of the Maximum Special Tax for Other Taxable Property.

Notwithstanding the above the City Council may, in any Fiscal Year, levy Proportionately less than 100% of the Maximum Special Tax in step one (above), when (i) the City Council is no longer required to levy a Special Tax pursuant to steps two through five above in order to meet the Special Tax Requirement; (ii) all authorized CFD Bonds have already been issued or the City Council has covenanted that it will not issue any additional CFD Bonds (except refunding bonds) to be supported by Special Taxes; and (iii) all authorized facilities have been constructed or acquired and paid for from Bonds and/or Special Taxes.

Notwithstanding the above, under no circumstances will the Special Tax 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 annually up to the Maximum Special Tax as a consequence of delinquency or default by the owner of any other Assessor's Parcel within the District.

**Poppy Ridge CFD.** Each Fiscal Year using the definitions above, all Taxable Property within the CFD shall be classified as Developed Property or Undeveloped Property, and shall be subject to Facilities Special Taxes (referred to as the Special Taxes throughout this Official Statement) and to Public Safety Special Taxes as described below. (The Facilities Special Taxes and the Public Safety Special Taxes are referred to as the "**Combined Special Tax**" under this caption.) Developed Property shall be further assigned to a Land Use Class as

specified in the below. Undeveloped Property shall be further assigned to a Land Use Class as specified in the next table.

**Maximum Special Tax for Developed Property**

<u>Land Use Class</u>	<u>Description</u>	<u>Maximum Facilities Special Tax Per Unit/Acre</u>	<u>Maximum Public Safety Special Tax Per Unit/Acre</u>
1	Residential Property	\$965 per Unit	\$191.20 per Unit*
2	Multi-Family Property	\$4,825 per Net Acre	\$146.58 per Unit*
3	Non-Residential Property	\$4,825 per Net Acre	\$318.67 per Net Acre*

\*Fiscal Year 2014-15 maximum, figures subject to increases in each Fiscal Year.

On each July 1 the Maximum Public Safety Special Tax shall be increased by the lesser of Local Consumer Price Index (the "CPI") for the San Francisco-Oakland-San Jose Area for All Urban Consumers or 5% of the amount in effect for the previous Fiscal Year. The CPI used shall be as determined by the Bureau of Labor Statistics from April to April. The Maximum Facilities Special Tax does not increase annually.

The Maximum Special Tax that may be levied on Developed Property is the sum of the Maximum Facilities Special Tax and the Maximum Public Safety Special Tax.

**Maximum Facilities Special Tax for Undeveloped Property**

<u>Land Use Class</u>	<u>Description</u>	<u>Maximum Facilities Special Tax Per Lot/Acre</u>
4	Final Map Residential Property	\$965 per Lot
5	Large Lot Property	\$4,710 per Gross Acre
6	Tentative Map Property	\$3,675 per Gross Acre
7	Other Taxable Property	\$3,675 per Gross Acre

Undeveloped Property is not subject to the Public Safety Special Tax.

In some instances an Assessor's Parcel of Developed Property may contain more than one Land Use Class. The Maximum Special Tax levied on an Assessor's Parcel shall be the sum of the Maximum Special Tax levies that can be imposed on all Land Use Classes located on that Assessor's Parcel. The CFD Administrator's allocation to each type of property shall be final.

For each Fiscal Year, the City shall levy the Combined Special Tax until the amount of the Special Tax levied equals the Special Tax Requirement. "Special Tax Requirement" means that amount required in any Fiscal Year for the CFD 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 authorized facilities to be constructed or acquired by the CFD, 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 Public Safety Costs for Developed

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.

The Combined Special Tax shall be levied each Fiscal Year as follows:

First: The Combined Special Tax shall be levied on each Assessor's Parcel of Developed Property at 100% of the applicable Maximum Special Tax;

Second: If additional monies are needed to satisfy the Special Tax Requirement after the first step has been completed, the Facilities Special Tax shall be levied Proportionately on each Assessor's Parcel of Final Map Residential Property at up to 100% of the Maximum Special Tax for Final Map Residential Property. Under no circumstances shall Public Safety Special Taxes be levied under this second step;

Third: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, the Facilities Special Tax shall be levied Proportionately on each Assessor's Parcel of Large Lot Property at up to 100% of the Maximum Special Tax for Large Lot Property. Under no circumstances shall Public Safety Special Taxes be levied under this third step;

Fourth: If additional monies are needed to satisfy the Special Tax Requirement after the first three steps have been completed, then the Facilities Special Tax shall be levied Proportionately on each Assessor's Parcel of Tentative Map Property at up to 100% of the Maximum Special Tax for Tentative Map Property. Under no circumstances shall Public Safety Special Taxes be levied under this fourth step; and;

Fifth: If additional monies are needed to satisfy the Special Tax Requirement after the first four steps have been completed, then the Facilities Special Tax shall be levied Proportionately on each Assessor's Parcel of Other Taxable Property at up to 100% of the Maximum Special Tax for Other Taxable Property. Under no circumstances shall Public Safety Special Taxes be levied under this fifth step.

Notwithstanding the above the Council may, in any Fiscal Year, levy Proportionately less than 100% of the Maximum Special Tax in step one (above), when (i) the Council is no longer required to levy a Combined Special Tax pursuant to steps two through five above in order to meet the Special Tax Requirement; (ii) all authorized CFD Bonds have already been issued or the Council has covenanted that it will not issue any additional CFD Bonds (except refunding bonds) to be supported by Special Taxes; and (iii) all authorized facilities have been constructed or acquired and paid for from Bonds and/or Special Taxes.

Notwithstanding the above, under no circumstances will the Facilities Special Tax 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 annually up to the Maximum Special Tax as a consequence of delinquency or default by the owner of any other Assessor's Parcel within the CFD.

**Priority of Lien.** The principal of and interest on the CFD Bonds are payable from the Special Tax authorized to be collected within each respective District, and payment of the Special Tax is secured by a lien on certain real property within such District. Such lien is co-equal to and independent of the lien for general taxes and any other liens imposed under the Act, regardless of when they are imposed on the property in the District. The imposition of

additional special taxes, assessments and general property taxes will increase the amount of independent and co-equal liens which must be satisfied in foreclosure. The City, the County and certain other public agencies are authorized by the Act to form other community facilities districts and improvement areas and, under other provisions of State law, to form special assessment districts, either or both of which could include all or a portion of the land within such District.

Private liens, such as deeds of trust securing loans obtained by owners of property in the District, may be placed upon property in the District at any time. Under California law, the Special Taxes have priority over all existing and future private liens imposed on property subject to the lien of the Special Taxes.

Parcels in the Districts are subject to a bonded special tax lien and non-bonded special taxes and assessments for services. See "OWNERSHIP AND VALUE OF PROPERTY IN THE DISTRICTS – Direct and Overlapping Debt."

***Limited Obligation Upon Delinquency.*** ALL OBLIGATIONS OF THE AUTHORITY UNDER THE TRUST AGREEMENT AND THE BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM AND SECURED BY REVENUES. THE CFD BONDS ARE LIMITED OBLIGATION BONDS UNDER THE ACT AND ARE PAYABLE SOLELY FROM AND ARE SECURED SOLELY BY THE SPECIAL TAXES AND THE AMOUNTS IN THE SPECIAL TAX FUND AND THE AMOUNTS IN THE LOCAL OBLIGATION RESERVE FUNDS.

THE AUTHORITY AND THE CITY HAVE NO OBLIGATION TO ADVANCE MONIES TO PAY BOND DEBT SERVICE IN THE EVENT OF DELINQUENT SPECIAL TAXES. BONDOWNERS SHOULD NOT RELY UPON THE CITY TO ADVANCE MONIES TO THE SPECIAL TAX FUND. NOTWITHSTANDING THE FOREGOING, THE CITY MAY, AT ITS SOLE OPTION AND IN ITS SOLE DISCRETION ELECT TO ADVANCE AVAILABLE SURPLUS FUNDS OF THE CITY TO PAY FOR ANY DELINQUENT SPECIAL TAXES PENDING SALE, REINSTATEMENT, OR REDEMPTION OF ANY DELINQUENT PROPERTY.

## THE DISTRICTS

This Official Statement presents certain information describing East Franklin CFD and Poppy Ridge CFD on a combined basis for informational purposes. However, the Bonds are secured by two distinct revenue streams: debt service on the East Franklin CFD Bonds and debt service on the Poppy Ridge CFD Bonds. See "SECURITY FOR THE BONDS AND SOURCES OF PAYMENT THEREFOR."

*There is no cross-collateralization of security or reserve funds among the Districts.* Neither series of CFD Bonds secures the payment of debt service on the other series, or is available to make up any shortfall in funds to pay debt service on the other series of CFD Bonds: the East Franklin CFD Special Taxes are available only to pay debt service on the East Franklin CFD Bonds and the Poppy Ridge CFD Special Taxes are available only to pay debt service on the Poppy Ridge CFD Bonds. See "SECURITY FOR THE BONDS AND SOURCES OF PAYMENT THEREFOR - Security for the CFD Bonds."

### General

The City is located approximately 4 miles south of the City of Sacramento along Interstate 5 and State Highway 99. The City was incorporated on July 1, 2000 and has grown from a 2001 population of approximately 75,300 to a current population of approximately 162,000.

The Districts lie within the City in an area in which land uses are designated primarily residential, with recent development proceeding in accordance with approved specific plans.

The City has experienced substantial growth between its incorporation in 2000 and 2015, and the Districts largely comprise a part of the new home developments from that period and are within a primarily residential portion of the City. Land in the Districts is nearly built-out and are part of the transition from previous land use for agricultural or grazing purposes toward a mixture of urban land uses, which transition has also occurred in other areas of the City since 2000. As the real estate downturn recovers, residential demand appears to be growing and new development appears to be reactivating in the City, with homebuilders planning to offer new homes for sale in several areas, including near to the Districts.

**Flood Zone.** According to the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Map (FIRM), Community Panel 060262-0315D with an effective date of February 4, 1998, and Community Panel 060262-0320E effective July 6, 1998, a portion of the Districts was in the 100-year flood plain, however subsequent drainage improvements and Letter Of Map Revisions (LOMRs) have removed those areas from the 100-year floodplain to allow development to proceed.

**Seismicity.** According to the State of California Seismic Safety Commission, the Sacramento Metropolitan area in which the Districts are located is designated as Earthquake Zone 3, a moderate damage zone, which is the lowest risk zone in California. The designation represents a projection only; notwithstanding the designation, substantial damage to property in the Districts could occur at any time from one or more earthquakes.

**Utilities and Schools.** Utility services for parcels in the Districts are provided by the City, the Sacramento County Water Agency, County Sanitation District No. 1 and Sacramento

Municipal Utilities District. Students in the Districts attend schools that are part of the Elk Grove Unified School District.

**East Franklin CFD No. 2002-1**

The East Franklin CFD is generally located east of Interstate 5 and Franklin Boulevard, south of Elk Grove Boulevard, west of Bruceville Road and north of Poppy Ridge Road. The District contains 1,248 gross acres and at the time of its formation was projected to include 4,908 single-family homes, 17 acres of multi-family property and 47 acres of commercial property at full build-out. Home construction began in early 2002. As of the end of January 1, 2015, approximately 4,718 single-family homes had been constructed and no additional single-family building permits had been issued for single-family parcels. The East Franklin CFD also includes one multifamily use parcel, which has been developed, and 21 commercial use parcels, 19 of which have been developed. See the tables under the caption "OWNERSHIP AND VALUE OF PROPERTY IN THE DISTRICTS" below.

The maximum annual special tax in the East Franklin CFD in Fiscal Year 2014-15 was \$840 for single family homes and \$4,200 per net acre for multi-family and commercial properties.

**Poppy Ridge CFD No. 2003-1**

The Poppy Ridge CFD is generally located east of Interstate 5 and Franklin Boulevard, south of Poppy Ridge Road, west of Bruceville Road and north of Bilby Road, and is entirely within the boundaries of the City.

The Poppy Ridge CFD consists of approximately 910 gross acres. At the time of its formation, Poppy Ridge CFD was projected to contain 3,798 single family homes, 460 multi-family units and 2.9 acres of commercial property at full build-out. Home construction began in 2003. As of the end of January 1, 2015, approximately 3,955 single-family homes had been constructed and an additional 47 single-family building permits had been issued for single-family parcels. The Poppy Ridge CFD also includes one commercial use parcel, which has been developed and 154 multi-family use parcels, which have been developed. See the tables under the caption "OWNERSHIP AND VALUE OF PROPERTY IN THE DISTRICTS – Valuation of Property" below.

The maximum annual facilities special tax in the Poppy Ridge CFD in Fiscal Year 2014-15 was \$965 for single family homes and \$4,825 per net acre for multi-family and commercial properties.

## OWNERSHIP AND VALUE OF PROPERTY WITHIN THE DISTRICTS

### Ownership of Property

*Unpaid Special Taxes do not constitute a personal indebtedness of the owners of the parcels within the Districts and the owners have made no commitment to pay the principal of or interest on the CFD Bonds or the Bonds or to support payment of the CFD Bonds or the Bonds in any manner. There is no assurance that the owners have the ability to pay the special taxes or that, even if they have the ability, they will choose to pay such taxes. An owner may elect to not pay the special taxes when due and cannot be legally compelled to do so. Neither the City nor any Bondholder will have the ability at any time to seek payment from the owners of property within the Districts of any special tax or any principal or interest due on the CFD Bonds or the Bonds, or the ability to control who becomes a subsequent owner of any property within the Districts.*

The property in the Districts is comprised principally of homes occupied by homeowners, and to a lesser extent, finished lots, some with homes under construction by homebuilders, lots under construction, multifamily and commercial parcels, and unsubdivided land available for development. See “-Valuation of Property in the Districts” below.

**Top Taxpayers.** The following tables show the top ten payers of the special taxes of the Districts based on the Fiscal Year 2014-15 Special Tax Levy and parcel classifications.



**CITY OF ELK GROVE  
TOP TEN PROPERTY OWNERS  
CFD No. 2002-1 (East Franklin)  
Fiscal Year 2014-15**

Owner	Parcel Count	Land Value (1)	Structure Value (1)	Total Value (1)	FY 2014-15 Special Tax Levy	% of FY 2014-15 Special Tax Levy
DONAHUE SCHRIBER REALTY GROUP L P	15	\$9,563,548	\$46,425,000	\$55,988,548	\$134,232	3.20%
ELK GROVE FRANKLIN RETAIL LLC	6	6,225,675	19,268,884	25,494,559	41,580	0.99%
AGAVE ASSOCIATES L P	1	1,861,536	29,467,560	31,329,096	37,674	0.90%
CORP PRESIDING BISHOP CHURCH OF JESUS CHRIST LDS	1	827,880	5,246,098	6,073,978	14,784	0.35%
BHT ELK GROVE KB LLC	191	1,455,112	847,598	2,302,710	11,760	0.28%
LI FAMILY TRUST	7	660,368	1,476,461	2,136,829	5,880	0.14%
ANTHONY HAMPTON TRUST	5	420,561	804,839	1,225,400	4,200	0.10%
LILI LIAO 2014 REVOCABLE TRUST	5	379,344	755,544	1,134,888	4,200	0.10%
CHRISTOPHER AB LIVING TRUST	4	309,497	783,692	1,093,189	3,360	0.08%
THR CA LIMITED PARTNERSHIP	4	276,246	775,503	1,051,749	3,360	0.08%
All Others	<u>4,708</u>	<u>409,622,839</u>	<u>1,137,790,490</u>	<u>1,547,413,329</u>	<u>3,930,360</u>	<u>93.77%</u>
<b>TOTAL</b>	<b>4,947</b>	<b>\$431,602,606</b>	<b>\$1,243,641,669</b>	<b>\$1,675,244,275</b>	<b>\$4,191,390</b>	<b>100.00%</b>

Source: NBS

(1) The Total Assessed Value per County of Sacramento as of January 1, 2014.

**CITY OF ELK GROVE  
TOP TEN PROPERTY OWNERS  
CFD No. 2003-1 (Poppy Ridge)  
Fiscal Year 2014-15**

Owner	Parcel Count	Land Value (1)	Structure Value (1)	Total Value (1)	FY 2014-15 Special Tax Levy	% of FY 2014-15 Special Tax Levy
MOHANNA MOHAMMED H	1	\$717,241	\$1,766,463	\$2,483,704	\$13,655	0.35%
TANG FAMILY TRUST	4	370,551	775,268	1,145,819	3,860	0.10%
PHAM FAMILY TRUST	4	335,694	721,371	1,057,065	3,860	0.10%
YANG YANFENG & LI HUIJUAN	3	247,549	448,725	696,274	2,895	0.07%
WU FAMILY TRUST	3	225,418	473,378	698,796	2,895	0.07%
LAWTON FAMILY TRUST	3	339,262	658,770	998,032	2,895	0.07%
BIAN FULIANG & TONG YUE	3	250,827	538,237	789,064	2,895	0.07%
TAYLOR MORRISON CA LLC	54	643,458	-	643,458	2,895	0.07%
BUI LAI T	3	243,777	775,436	1,019,213	2,895	0.07%
LIU SHENG TRUST	3	257,140	639,833	896,973	2,895	0.07%
ALL OTHERS	<u>4,105</u>	<u>356,973,779</u>	<u>966,961,314</u>	<u>1,323,935,093</u>	<u>3,838,092</u>	<u>98.93%</u>
<b>TOTAL</b>	<b>4,186</b>	<b>\$360,604,696</b>	<b>\$973,758,795</b>	<b>\$1,334,363,491</b>	<b>\$3,879,732</b>	<b>100.00%</b>

Source: NBS

(1) The Total Assessed Value per County of Sacramento as of January 1, 2014.

## Tax Collections and Delinquencies

**Historical Collections and Delinquencies.** The following tables summarize the delinquency status of property in the Districts for 2009-10 through 2013-14, as of June 30 in each Fiscal Year. The Districts currently participate in the “Teeter Plan” whereby they receive annually the full amount of their shares of Special Tax levies, including delinquent property taxes. See “- Teeter Plan” below.

### CITY OF ELK GROVE HISTORICAL SPECIAL TAX COLLECTIONS AND DELINQUENCIES The Districts in Aggregate

Fiscal Year	Amount Levied	Amount Delinquent	No. of Parcels Levied	No. of Parcels Delinquent	% of Amount Delinquent (1)
2009-10	\$7,672,810	\$179,994	8,579	251	2.35%
2010-11	7,612,384	90,195	8,591	134	1.18
2011-12	7,412,878	55,765	8,595	92	0.75
2012-13	7,857,952	40,147	8,655	59	0.51
2013-14	7,857,910	27,045	8,748	43	0.34
2014-15 (2)	8,071,122	108,542	8,849	197	1.34

Source: NBS

(1) As of May 1, 2015, 0.07% or less remained delinquent for each Fiscal Year 2009-10 through 2012-13, and 0.12% remained delinquent for Fiscal Year 2013-14.

(2) As of May 1, 2015.

### CITY OF ELK GROVE HISTORICAL SPECIAL TAX COLLECTIONS AND DELINQUENCIES CFD No. 2002-1 (East Franklin)

Fiscal Year	Amount Levied	Amount Delinquent	No. of Parcels Levied	No. of Parcels Delinquent	% of Amount Delinquent (1)
2009-10	\$4,082,289	\$85,019	4,709	129	2.08%
2010-11	4,060,123	46,032	4,721	74	1.13
2011-12	3,994,236	22,644	4,721	41	0.57
2012-13	4,158,672	15,540	4,732	26	0.37
2013-14	4,158,658	9,585	4,739	15	0.23
2014-15 (2)	4,191,390	55,629	4,739	104	1.33

Source: NBS

(1) As of May 1, 2015, 0.00% remained delinquent for each Fiscal Year 2009-10 through 2012-13, and 0.04% remained delinquent for Fiscal Year 2013-14.

(2) As of May 1, 2015.

### CITY OF ELK GROVE HISTORICAL SPECIAL TAX COLLECTIONS AND DELINQUENCIES CFD No. 2003-1 (Poppy Ridge)

Fiscal Year	Amount Levied	Amount Delinquent	No. of Parcels Levied	No. of Parcels Delinquent	% of Amount Delinquent (1)
2009-10	\$3,590,520	\$94,975	3,870	122	2.65%
2010-11	3,552,261	44,163	3,870	60	1.24%
2011-12	3,418,642	33,122	3,874	51	0.97%
2012-13	3,699,280	24,607	3,923	33	0.67%
2013-14	3,699,252	17,460	4,009	28	0.47%
2014-15 (2)	3,879,732	52,913	4,110	93	1.36%

Source: NBS

(1) As of May 1, 2015, 0.00% remained delinquent for Fiscal Year 2009-10, 0.07% remained delinquent for Fiscal Years 2010-11 and 2011-12, 0.16% remained delinquent for Fiscal Year 2012-13, and 0.22% remained delinquent for Fiscal Year 2013-14.

(2) As of May 1, 2015.

**Teeter Plan.** In 1949, the California Legislature enacted an alternative method for the distribution of property taxes to local agencies. This method, known as the “**Teeter Plan**,” is found in Sections 4701-4717 of the California Revenue and Taxation Code. Upon adoption and implementation of this method by a county board of supervisors, local agencies for which the county collects property taxes and certain other public agencies and taxing areas located in the county receive annually the full amount of their shares of property taxes and other levies collected on the secured roll, including delinquent property taxes which have yet to be collected. While the county bears the risk of loss on unpaid delinquent taxes, it retains the penalties associated with delinquent taxes when they are paid. In turn, the Teeter Plan provides participating local agencies with stable cash flow and the elimination of collection risk.

Once adopted, a county’s Teeter Plan will remain in effect in perpetuity unless the board of supervisors orders its discontinuance or unless, prior to the commencement of a Fiscal Year, a petition for discontinuance is received and joined in by resolutions of the governing bodies of not less than two-thirds of the participating districts in the county. An electing county may, however, decide to discontinue the Teeter Plan with respect to any levying agency in the county if the board of supervisors, by action taken not later than July 15 of a Fiscal Year, elects to discontinue the procedure with respect to such levying agency and the rate of secured tax delinquencies in that agency in any year exceeds 3% of the total of all taxes levied on the secured roll by that agency.

Under the Teeter Plan, a county must initially provide a participating local agency with 95% of the estimated amount of the then-accumulated tax delinquencies (excluding penalties) for that agency. After the initial distribution, each participating local agency receives annually 100% of the secured property tax levies to which it is otherwise entitled, regardless of whether the county has actually collected the levies.

If any tax or assessment which was distributed to a Teeter Plan participant is subsequently changed by correction, cancellation or refund, a pro rata adjustment for the amount of the change is made on the records of the treasurer and auditor of the county. Such adjustment for a decrease in the tax or assessment is treated by the county as an interest-free offset against future advances of tax levies under the Teeter Plan.

The Districts participate in the County of Sacramento’s Teeter Plan. Under the County’s Teeter plan, the County decides whether or not to purchase a district’s delinquent direct levies each year. The County’s Teeter Plan is subject to certain conditions and limitations. The County has purchased the Districts’ Fiscal Year 2013-14 delinquent taxes as shown in the preceding tables. *There can be no assurance that the County will not modify or eliminate its Teeter Plan, or choose to remove Districts from its Teeter Plan, while the Bonds are outstanding.*

## **Valuation of Property**

The value of the land within the Districts is a critical factor in determining the investment quality of the Bonds. If a property owner defaults in the payment of a Special Tax, the City’s only remedy is to foreclose on the delinquent property in an attempt to obtain funds with which

to pay the delinquent Special Taxes. See "SECURITY FOR THE BONDS AND SOURCES OF PAYMENT THEREFOR - Security for the CFD Bonds – Covenants of the City" and "RISK FACTORS - Bankruptcy Delays." Reductions in District property values due to a downturn in the economy, natural disasters such as earthquakes or floods, stricter land use regulations or other events could have an adverse impact on the security for payment of the Special Taxes.

The Special Tax is levied on each parcel within the Districts and only the respective individual parcel is responsible for such Special Tax. In comparing the aggregate value of the real property within the Districts and the principal amount of the Bonds, it should be noted that only the Assessor's parcel of real property upon which there is a delinquent Special Tax can be foreclosed upon. All of the real property within the Districts cannot be foreclosed upon as a whole to pay delinquent Special Taxes unless all of the property is subject to delinquent Special Taxes. Individual parcels may be foreclosed upon to pay delinquent Special Taxes levied against such parcels only. See "SECURITY FOR THE BONDS AND SOURCES OF PAYMENT THEREFOR - Security for the CFD Bonds."

The principal amount of the Bonds will not be allocated pro-rata among the parcels within the Districts; rather, the annual Special Taxes for the Districts will be billed annually for each parcel within the Districts. Upon sale of developed parcels, the buyer typically acquires the property subject to the unpaid portion of any special taxes and special taxes levied against the parcel purchased. Special Taxes and special taxes are not required to be removed from the property and are not required to be, but may be, paid off in full upon transfer of property or upon development of the property.

**Assessed Valuations.** In connection with valuing property in the Districts, the City has obtained the 2014-15 County assessed valuation (the "**Assessed Valuation**") of the property in the Districts. Due to the recent and ongoing nature of development of homes in the Districts, the County assessed valuations are not in all cases reflective of most current development status, as is the case with certain properties in the Districts. As provided by Article XIII A of the California Constitution, county assessors' assessed values are to reflect market value as of the date the property was last assessed (or 1975, whichever is more recent), increased by a maximum of 2% per year. Properties may be reassessed by the County only upon a change of at least 51% ownership of existing property or upon new construction. The assessed values of parcels in the Districts thus reflect, for undeveloped parcels, the estimate of the County Assessor (the "**Assessor**") of market value when acquired (or 1975, whichever is later), possibly increased by 2% per year, and for parcels on which construction has occurred since their date of acquisition, the Assessor's estimate of market value as of the time of construction, possibly increased by 2% per year. The actual market value of parcels in the Districts, if sold at foreclosure, may be higher or lower than the Assessor's assessed values, depending upon the date of the Assessor's most recent assessment. The actual fair market value of any parcel can often be more accurately established through an arms-length sale or an appraisal by an independent appraiser.

**Total Value Estimate of All Property.** The aggregate property valuation of the property in the Districts has been compiled using the County Assessed Valuation, as described above. The total estimated valuation of all property in the Districts subject to the Special Taxes for various categories of property in the combined Districts is shown below.

**CITY OF ELK GROVE  
ASSESSED VALUATION BY CATEGORY  
The Districts in Aggregate  
Fiscal Year 2014-15**

<b>Development Status</b>	<b>No. of Parcels</b>	<b>Total Assessed Value (1)</b>	<b>Maximum Special Tax</b>	<b>FY 2014-15 Special Tax Levy</b>	<b>% of FY 2014- 15 Special Tax Levy</b>
Developed Residential	8,673	\$2,858,723,658	\$7,779,695	\$7,779,695	96.46%
Developed Multi-Family	155	55,797,488	87,176	87,176	1.09%
Developed Non-Residential	21	88,277,241	204,251	204,251	2.45%
Undeveloped Final Map	279	2,908,908	243,735	-	0.00%
Undeveloped Large Lot	5	3,900,471	134,141	-	0.00%
<b>Total</b>	<b>9,133</b>	<b>\$3,009,607,766</b>	<b>\$8,448,997</b>	<b>\$8,071,122</b>	<b>100.00%</b>

Source: NBS

(1) The Total Assessed Value per County of Sacramento as of January 1, 2014.

**CITY OF ELK GROVE  
ASSESSED VALUATION BY CATEGORY  
CFD No. 2002-1 (East Franklin)  
Fiscal Year 2014-15**

<b>Development Status</b>	<b>No. of Parcels</b>	<b>Total Assessed Value (1)</b>	<b>Maximum Special Tax</b>	<b>FY 2014-15 Special Tax Levy</b>	<b>% of FY 2014-15 Special Tax Levy</b>
Developed Residential	4,718	\$1,552,709,274	\$3,963,120	\$3,963,120	94.55%
Developed Multi-Family	1	31,329,096	37,674	37,674	0.90%
Developed Non-Residential	20	85,793,537	190,596	190,596	4.55%
Undeveloped Final Map	204	2,347,397	171,360	-	0.00%
Undeveloped Large Lot	4	3,064,971	75,030	-	0.00%
<b>Total</b>	<b>4,947</b>	<b>\$1,675,244,275</b>	<b>\$4,437,780</b>	<b>\$4,191,390</b>	<b>100.00%</b>

Source: NBS

(1) The Total Assessed Value per County of Sacramento as of January 1, 2014.

**CITY OF ELK GROVE  
 ASSESSED VALUATION BY CATEGORY  
 CFD No. 2003-1 (Poppy Ridge)  
 Fiscal Year 2014-15**

Development Status	No. of Parcels	Total Assessed Value (1)	Maximum Special Tax	FY 2014-15 Special Tax Levy	% of FY 2014- 15 Special Tax Levy
Developed Residential	3,955	\$1,306,014,384	\$3,816,575	\$3,816,575	98.37%
Developed Multi-Family	154	24,468,392	49,502	49,502	1.28%
Developed Non-Residential	1	2,483,704	13,655	13,655	0.35%
Undeveloped Final Map	75	561,511	72,375	-	0.00%
Undeveloped Large Lot	1	835,500	59,111	-	0.00%
<b>Total</b>	<b>4,186</b>	<b>\$1,334,363,491</b>	<b>\$4,011,217</b>	<b>\$3,879,732</b>	<b>100.00%</b>

Source: NBS

(1) The Total Assessed Value per County of Sacramento as of January 1, 2014.

**Direct Debt Value to Lien Ratios.** The following tables set forth the estimated assessed value-to-lien ratios for each District, and in the aggregate, based upon Fiscal Year 2014-15 assessed values and the estimated principal amounts of the CFD Bonds. Parcels in the Districts may have additional overlapping liens not shown below. See “- Overlapping Debt Value to Lien Ratios” and “- Direct and Overlapping Governmental Liens.”

**CITY OF ELK GROVE  
 SUMMARY OF VALUES AND VALUE TO LIEN RATIO  
 (Direct Debt)  
 The Districts in Aggregate  
 Fiscal Year 2014-15**

Assessed Value-to-Lien Ratio	No. of Parcels	FY 2014-15 Special Tax Levy	% of FY 2014-15 Special Tax Levy	Total Assessed Value (1)	Direct CFD Debt (2)
0.00 to 2.99:1	56	\$52,790	0.65%	\$125,457	\$663,923
3.00 to 4.99:1	6	5,146	0.06%	221,192	64,640
5.00 to 9.99:1	6	5,290	0.07%	497,588	66,792
10.00 to 14.99:1	43	51,291	0.64%	9,009,485	645,796
15.00 to 19.99:1	690	630,707	7.81%	145,125,227	7,948,641
20.00 to 24.99:1	1,861	1,685,860	20.89%	484,141,951	21,248,319
25.00 to 29.99:1	2,435	2,274,347	28.18%	788,491,074	28,679,921
30.00 to 39.99:1	2,880	2,580,593	31.97%	1,108,035,134	32,566,063
Greater than 40:1	872	785,097	9.73%	467,151,279	9,925,905
Undeveloped parcels	284	-	0.00%	6,809,379	-
<b>Totals</b>	<b>9,133</b>	<b>\$8,071,122</b>	<b>100.00%</b>	<b>\$3,009,607,766</b>	<b>\$101,810,000</b>

Source: NBS

(1) The Total Assessed Value per County of Sacramento as of January 1, 2014.

(2) Preliminary; subject to change.

**CITY OF ELK GROVE  
 SUMMARY OF VALUES AND VALUE TO LIEN RATIO  
 (Direct Debt)  
 CFD No. 2002-1 (East Franklin)  
 Fiscal Year 2014-15**

Assessed	No. of	FY 2014-15	% of FY 2014-15	Total Assessed	Direct CFD
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Value-to-Lien Ratio	Parcels	Special Tax Levy	Special Tax Levy	Value (1)	Debt (2)
0.00 to 2.99:1	10	\$8,400	0.20%	\$42,000	\$106,378
3.00 to 4.99:1	0	-	0.00%	-	-
5.00 to 9.99:1	4	3,360	0.08%	342,845	42,551
10.00 to 14.99:1	18	15,120	0.36%	2,565,941	191,481
15.00 to 19.99:1	303	258,539	6.17%	59,422,498	3,274,158
20.00 to 24.99:1	844	708,960	16.91%	204,923,793	8,978,310
25.00 to 29.99:1	1,201	1,095,121	26.13%	381,760,730	13,868,669
30.00 to 39.99:1	1,702	1,476,644	35.23%	642,810,520	18,700,308
Greater than 40:1	657	625,246	14.92%	377,963,580	7,918,146
Undeveloped parcels	208	-	0.00%	5,412,368	-
<b>Totals</b>	<b>4,947</b>	<b>\$4,191,390</b>	<b>100.00%</b>	<b>\$1,675,244,275</b>	<b>\$53,080,000</b>

Source: NBS

(1) The Total Assessed Value per County of Sacramento as of January 1, 2014.

(2) Preliminary; subject to change.

**CITY OF ELK GROVE  
SUMMARY OF VALUES AND VALUE TO LIEN RATIO  
(Direct Debt)  
CFD No. 2003-1 (Poppy Ridge)  
Fiscal Year 2014-15**

Assessed Value-to-Lien Ratio	No. of Parcels	FY 2014-15 Special Tax Levy	% of FY 2014-15 Special Tax Levy	Total Assessed Value (1)	Direct CFD Debt (2)
0.00 to 2.99:1	46	\$44,390	1.14%	\$83,457	\$557,545
3.00 to 4.99:1	6	5,146	0.13%	221,192	64,640
5.00 to 9.99:1	2	1,930	0.05%	154,743	24,241
10.00 to 14.99:1	25	36,171	0.93%	6,443,544	454,315
15.00 to 19.99:1	387	372,168	9.59%	85,702,729	4,674,483
20.00 to 24.99:1	1,017	976,900	25.18%	279,218,158	12,270,009
25.00 to 29.99:1	1,234	1,179,226	30.39%	406,730,344	14,811,252
30.00 to 39.99:1	1,178	1,103,948	28.45%	465,224,614	13,865,755
Greater than 40:1	215	159,852	4.12%	89,187,699	2,007,759
Undeveloped parcels	76	-	0.00%	1,397,011	-
<b>Totals</b>	<b>4,186</b>	<b>\$3,879,732</b>	<b>100.00%</b>	<b>\$1,334,363,491</b>	<b>\$48,730,000</b>

Source: NBS

(1) The Total Assessed Value per County of Sacramento as of January 1, 2014.

(2) Preliminary; subject to change.

**Overlapping Debt Value to Lien Ratios.** The following tables set forth the estimated assessed value-to-lien ratios for each District, and in the aggregate, based upon Fiscal Year 2014-15 assessed values and the outstanding liens in each District. See “- Direct and Overlapping Governmental Liens.”

**CITY OF ELK GROVE  
SUMMARY OF VALUES AND VALUE TO LIEN RATIO  
(Overlapping Debt)  
The Districts in Aggregate  
Fiscal Year 2014-15**

<b>Assessed Value-to-Lien Ratio</b>	<b>No. of Parcels</b>	<b>FY 2014-15 Special Tax Levy</b>	<b>% of FY 2014-15 Special Tax Levy</b>	<b>Total Assessed Value (1)</b>	<b>Total Overlapping Debt (2)</b>
0.00 to 2.99:1	62	\$57,936	0.72%	\$346,649	\$874,592
3.00 to 4.99:1	1	965	0.01%	64,420	14,666
5.00 to 9.99:1	11	8,846	0.11%	1,099,817	136,175
10.00 to 14.99:1	396	372,418	4.61%	79,211,785	5,817,681
15.00 to 19.99:1	2,245	2,031,846	25.17%	571,827,101	32,019,411
20.00 to 24.99:1	3,164	2,911,575	36.07%	1,040,340,504	46,355,363
25.00 to 29.99:1	1,898	1,673,434	20.73%	731,977,096	26,981,476
30.00 to 39.99:1	970	880,124	10.90%	474,353,043	14,322,977
Greater than 40:1	102	133,976	1.66%	103,577,972	2,353,184
Undeveloped parcels	284	0	0.00%	6,809,379	665,222
<b>Totals</b>	<b>9,133</b>	<b>\$8,071,122</b>	<b>100.00%</b>	<b>\$3,009,607,766</b>	<b>\$129,540,746</b>

Source: NBS

(1) The Total Assessed Value per County of Sacramento as of January 1, 2014.

(2) The Overlapping Debt represents the amount of overlapping debt outstanding as of May 1, 2015, and the preliminary estimated amount of the CFD Bonds to be issued.

**CITY OF ELK GROVE  
SUMMARY OF VALUES AND VALUE TO LIEN RATIO  
(Overlapping Debt)  
CFD No. 2002-1 (East Franklin)  
Fiscal Year 2014-15**

<b>Assessed Value-to-Lien Ratio</b>	<b>No. of Parcels</b>	<b>FY 2014-15 Special Tax Levy</b>	<b>% of FY 2014-15 Special Tax Levy</b>	<b>Total Assessed Value (1)</b>	<b>Total Overlapping Debt (2)</b>
0.00 to 2.99:1	10	\$8,400	0.20%	\$42,000	\$130,440
3.00 to 4.99:1	0	-	0.00%	-	-
5.00 to 9.99:1	9	7,560	0.18%	9	115,871
10.00 to 14.99:1	196	168,659	4.02%	196	2,661,496
15.00 to 19.99:1	1,020	856,800	20.44%	1,020	13,640,231
20.00 to 24.99:1	1,556	1,393,321	33.24%	1,556	22,370,544
25.00 to 29.99:1	1,161	984,110	23.48%	1,161	16,003,196
30.00 to 39.99:1	692	641,458	15.30%	692	10,461,008
Greater than 40:1	95	131,082	3.13%	95	2,303,017
Undeveloped parcels	208	-	0.00%	5,412,368	482,257
<b>Totals</b>	<b>4,947</b>	<b>\$4,191,390</b>	<b>100.00%</b>	<b>\$1,675,244,275</b>	<b>\$68,168,060</b>

Source: NBS

(1) The Total Assessed Value per County of Sacramento as of January 1, 2014.

(2) The Overlapping Debt represents the amount of overlapping debt outstanding as of May 1, 2015, and the preliminary estimated amount of the CFD Bonds to be issued.



**CITY OF ELK GROVE  
SUMMARY OF VALUES AND VALUE TO LIEN RATIO  
(Overlapping Debt)  
CFD No. 2003-1 (Poppy Ridge)  
Fiscal Year 2014-15**

<b>Assessed Value-to-Lien Ratio</b>	<b>No. of Parcels</b>	<b>FY 2014-15 Special Tax Levy</b>	<b>% of FY 2014-15 Special Tax Levy</b>	<b>Total Assessed Value (1)</b>	<b>Total Overlapping Debt (2)</b>
0.00 to 2.99:1	52	\$49,536	1.28%	\$304,649	\$744,152
3.00 to 4.99:1	1	965	0.02%	64,420	14,666
5.00 to 9.99:1	2	1,286	0.03%	135,024	20,304
10.00 to 14.99:1	200	203,759	5.25%	42,612,793	3,156,185
15.00 to 19.99:1	1,225	1,175,046	30.29%	327,027,067	18,379,180
20.00 to 24.99:1	1,608	1,518,255	39.13%	537,915,991	23,984,819
25.00 to 29.99:1	737	689,324	17.77%	296,559,643	10,978,279
30.00 to 39.99:1	278	238,666	6.15%	126,263,585	3,861,968
Greater than 40:1	7	2,894	0.07%	2,083,308	50,167
Undeveloped parcels	76	-	0.00%	1,397,011	182,965
<b>Totals</b>	<b>4,186</b>	<b>\$3,879,732</b>	<b>100.00%</b>	<b>\$1,334,363,491</b>	<b>\$61,372,686</b>

Source: NBS

(1) The Total Assessed Value per County of Sacramento as of January 1, 2014.

(2) The Overlapping Debt represents the amount of overlapping debt outstanding as of May 1, 2015, and the preliminary estimated amount of the CFD Bonds to be issued.

**Historical Assessed Values.** The tables below show a five-year history of assessed valuations of the property that was levied a Special Tax in each Fiscal Year in the Districts.

**CITY OF ELK GROVE  
SUMMARY OF HISTORICAL ASSESSED VALUES  
The Districts in Aggregate**

Fiscal Year	Land Value (1)(2)	Structure Value (1)(2)	Total Assessed Value (1)(2)	% change in Total Assessed Value
2010-11	\$675,323,318	\$1,888,656,648	\$2,563,979,966	-
2011-12	670,616,306	1,814,618,721	2,485,235,027	-3.07%
2012-13	640,612,981	1,692,358,595	2,332,971,576	-6.13%
2013-14	697,973,059	1,905,364,512	2,603,337,571	11.59%
2014-15 (3)	785,964,443	2,216,833,944	3,002,798,387	15.34%

Source: NBS

- (1) The Total Assessed Value per County of Sacramento as of January 1 of each Fiscal Year.
- (2) The Assessed Values are provided for each parcel that was levied a special tax in each Fiscal Year.
- (3) The aggregated Assessed Value for all taxable parcels within the boundaries of the Districts equals \$3,009,607,766.

**CITY OF ELK GROVE  
SUMMARY OF HISTORICAL ASSESSED VALUES  
CFD No. 2002-1 (East Franklin)**

Fiscal Year	Land Value (1)(2)	Structure Value (1)(2)	Total Assessed Value (1)(2)	% change in Total Assessed Value
2010-11	\$367,066,061	\$1,078,485,156	\$1,445,551,217	-
2011-12	369,655,309	1,031,863,461	1,401,518,770	-3.05%
2012-13	354,415,984	964,488,739	1,318,904,723	-5.89%
2013-14	380,812,513	1,076,769,008	1,457,581,521	10.51%
2014-15 (3)	426,526,758	1,243,305,149	1,669,831,907	14.56%

Source: NBS

- (1) The Total Assessed Value per County of Sacramento as of January 1 of each Fiscal Year.
- (2) The Assessed Values are provided for each parcel that was levied a special tax in each Fiscal Year.
- (3) The Assessed Value for all taxable parcels within CFD No. 2002-1 equals \$1,675,244,275.

**CITY OF ELK GROVE  
SUMMARY OF HISTORICAL ASSESSED VALUES  
CFD No. 2003-1 (Poppy Ridge)**

Fiscal Year	Land Value (1)(2)	Structure Value (1)(2)	Total Assessed Value (1)(2)	% change in Total Assessed Value
2010-11	\$308,257,257	\$810,171,492	\$1,118,428,749	-
2011-12	300,960,997	782,755,260	1,083,716,257	-3.10%
2012-13	286,196,997	727,869,856	1,014,066,853	-6.43%
2013-14	317,160,546	828,595,504	1,145,756,050	12.99%
2014-15 (3)	359,437,685	973,528,795	1,332,966,480	16.34%

Source: NBS

- (1) The Total Assessed Value per County of Sacramento as of January 1 of each Fiscal Year.
- (2) The Assessed Values are provided for each parcel that was levied a special tax in each Fiscal Year.
- (3) The Assessed Value for all taxable parcels within CFD No. 2003-1 equals \$1,334,363,491.

**Direct and Overlapping Governmental Liens**

**Effective Tax Rates.** Property in the Districts is subject to annual charges and assessments (which are billed to property owners on a semi-annual basis). The following tables set forth the total effective tax rate for a typical parcel of Developed Property in each District based on Fiscal Year 2014-15 tax rates.

**CITY OF ELK GROVE  
SAMPLE PROPERTY TAX BILL AND  
EFFECTIVE PROPERTY TAX RATE ON TYPICAL PARCEL  
CFD No. 2002-1 (East Franklin)**

**Estimated Property Characteristics**

Average Assessed Value (1)	\$329,797.00
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**Ad Valorem**

**Tax Rate**

General Purpose Ad Valorem Tax (Proposition 13)	1.0000%	\$3,297.97
Los Rios College General Obligation Bonds	0.0113%	<u>37.27</u>
<b>Total Ad Valorem Taxes</b>	<b>1.0113%</b>	<b>3,335.24</b>

**Special/Direct Assessments and Taxes**

Consumnes CSD - District Wide Landscape & Lighting	\$339.00
Sacramento County Water Agency Water & Drainage Studies - Zone 13	6.94
State of California Maintenance District No. 9	18.66
City of Elk Grove East Franklin CFD No. 2002-1	840.00
City of Elk Grove Street Lighting Maintenance District No. 1 (Zone 1)	17.88
City of Elk Grove Street Maintenance District No. 1 (Zone 1)	174.22
City of Elk Grove CFD No. 2003-2 (Police Services)	414.27
City of Elk Grove Maintenance Services CFD No. 2006-1	610.80
Elk Grove Unified School District MR - CFD No. 1	<u>200.00</u>
<b>Total Special/Direct Assessments and Taxes</b>	<b>\$2,621.77</b>

<b>Total Estimated Annual Property Taxes</b>	<b>\$5,957.01</b>
<b>Effective Tax Rate</b>	<b>1.8063%</b>

*Source: Alliant Tax Research.*

(1) Based upon average of total land and structure assessed value for all single family residential parcels within the East Franklin CFD.

**CITY OF ELK GROVE  
SAMPLE PROPERTY TAX BILL AND  
EFFECTIVE PROPERTY TAX RATE ON TYPICAL PARCEL  
CFD No. 2003-1 (Poppy Ridge)**

**Estimated Property Characteristics**

Average Assessed Value (1) \$330,219.00

**Ad Valorem**

	<b><u>Tax Rate</u></b>	
General Purpose Ad Valorem Tax (Proposition 13)	1.0000%	\$3,302.19
Los Rios College General Obligation Bonds	<u>0.0113%</u>	<u>37.31</u>
<b>Total Ad Valorem Taxes</b>	<b>1.0113%</b>	<b>3,339.50</b>

**Special/Direct Assessments and Taxes**

Consumnes CSD - District Wide Landscape & Lighting	\$339.00
Sacramento County Water Agency Water & Drainage Studies - Zone 13	6.94
State of California Maintenance District No. 9	18.66
City of Elk Grove Poppy Ridge CFD No. 2003-1	965.00
City of Elk Grove Poppy Ridge CFD No. 2003-1 Services	191.20
City of Elk Grove Street Lighting Maintenance District No. 1 (Zone 1)	17.88
City of Elk Grove Street Maintenance District No. 1 (Zone 1)	174.22
City of Elk Grove Maintenance Services CFD No. 2006-1	610.80
Elk Grove Unified School District MR - CFD No. 1	<u>200.00</u>
<b>Total Special/Direct Assessments and Taxes</b>	<b>\$2,523.70</b>

<b>Total Estimated Annual Property Taxes</b>	<b>\$5,863.20</b>
<b>Effective Tax Rate</b>	<b>1.7756%</b>

*Source: Alliant Tax Research.*

(1) Based upon average of total land and structure assessed value for all single family residential parcels within the Poppy Ridge CFD.

**Overlapping Public Debt.** Contained within the boundaries of each District are certain overlapping local agencies providing public services and assessing property taxes, assessments, special taxes and other charges on the property in that District. Many of these local agencies have outstanding debt.

The current and estimated direct and overlapping obligations affecting the property in the Districts are shown in the following tables. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the District divided by the district's total taxable assessed value. The tables were prepared by California Municipal Statistics, Inc., and are included for general information purposes only. The City has not reviewed this report for completeness or accuracy and makes no representation in connection therewith.

**CITY OF ELK GROVE  
DIRECT AND OVERLAPPING BONDED DEBT  
As of May 1, 2015  
CFD No. 2002-1 (East Franklin)**

2014-15 Local Secured Assessed Valuation: \$1,675,244,275

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 5/1/15</u>
Los Rios Community College District General Obligation Bonds	1.046%	\$ 3,778,871
Elk Grove Unified School District Community Facilities District No. 1	6.325	11,309,189
<b>City of Elk Grove Community Facilities District No. 2002-1</b>	<b>100.000</b>	<b><u>47,850,000</u></b> (1)
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$62,938,060</b>
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
Sacramento County General Fund Obligations	1.270%	\$ 3,522,288
Sacramento County Pension Obligation Bonds	1.270	12,372,878
Sacramento County Board of Education Certificates of Participation	1.270	92,231
Los Rios Community College District Certificates of Participation	1.046	59,306
City of Elk Grove Lease Revenue Bonds	10.103	<u>2,093,286</u>
<b>TOTAL GROSS OVERLAPPING GENERAL FUND DEBT</b>		<b>\$18,139,989</b>
Less: Sacramento County supported obligations		79,209
City of Elk Grove Lease Revenue Bonds supported by enterprise revenues		<u>997,140</u>
<b>TOTAL NET OVERLAPPING GENERAL FUND DEBT</b>		<b>\$17,063,640</b>
 <b>GROSS COMBINED TOTAL DEBT</b>		 <b>\$81,078,049 (2)</b>
<b>NET COMBINED TOTAL DEBT</b>		<b>\$80,001,700</b>

- (1) Excludes East Franklin CFD Bonds to be sold, but includes Prior East Franklin CFD Bonds being refunded as described herein.  
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2014-15 Assessed Valuation:

<b>Direct Debt (\$47,850,000)</b> .....	<b>2.86%</b>
Total Direct and Overlapping Tax and Assessment Debt.....	3.76%
Gross Combined Total Debt .....	4.84%
Net Combined Total Debt .....	4.78%

.....  
Source: California Municipal Statistics Inc.

**CITY OF ELK GROVE  
DIRECT AND OVERLAPPING BONDED DEBT  
As of May 1, 2015  
CFD No. 2003-1 (Poppy Ridge)**

2014-15 Local Secured Assessed Valuation: \$1,334,363,491

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 5/1/15</u>
Los Rios Community College District General Obligation Bonds	0.851%	\$ 3,075,687
Elk Grove Unified School District Community Facilities District No. 1	5.351	9,566,999
<b>City of Elk Grove Community Facilities District No. 2003-1</b>	<b>100.000</b>	<b><u>40,945,000</u></b> (1)
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$53,587,686

OVERLAPPING GENERAL FUND DEBT:

Sacramento County General Fund Obligations	1.034%	\$ 2,866,849
Sacramento County Pension Obligation Bonds	1.034	10,070,493
Sacramento County Board of Education Certificates of Participation	1.034	75,069
Los Rios Community College District Certificates of Participation	0.851	48,270
City of Elk Grove Lease Revenue Bonds	8.223	<u>1,703,761</u>
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		\$14,764,442
Less: Sacramento County supported obligations		64,470
City of Elk Grove Lease Revenue Bonds supported by enterprise revenues		<u>811,589</u>
TOTAL NET OVERLAPPING GENERAL FUND DEBT		\$13,888,383
 GROSS COMBINED TOTAL DEBT		 \$68,352,128 (2)
NET COMBINED TOTAL DEBT		\$67,476,069

(1) Excludes Poppy Ridge CFD Bonds to be sold, but includes Prior Poppy Ridge CFD Bonds being refunded as described herein.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2014-15 Assessed Valuation:

<b>Direct Debt (\$40,945,000)</b> .....	<b>3.07%</b>
Total Direct and Overlapping Tax and Assessment Debt .....	4.02%
Gross Combined Total Debt .....	5.12%
Net Combined Total Debt .....	5.06%

Source: California Municipal Statistics Inc.

Property in the Districts is currently subject to the overlapping tax and assessment liens shown in the overlapping debt statements above, including the lien of special taxes for the Elk Grove Unified School District Community Facilities District No. 1 ("**CFD No. 1**"). As of June 30, 2014, CFD No. 1 had total debt outstanding of \$182,043,915. In 2014-15, the total special tax levied with respect to CFD No. 1 was \$14,921,063. Property in the District is also subject to the *ad valorem* tax lien for the Los Rios Community College District General Obligation Bonds (the "**CCD Bonds**"). As of June 30, 2014, the CCD Bonds were outstanding in the principal amount of \$370,270,000. Property in the District is also subject to certain special taxes and assessments to fund services, as shown above under "- Effective Tax Rates."

## RISK FACTORS

*The purchase of the Bonds described in this Official Statement involves a degree of risk that may not be appropriate for some investors. The following includes a discussion of some of the risks that should be considered before making an investment decision.*

### **Limited Obligation to Pay Debt Service**

**The Bonds.** The Bonds are special obligations of the Authority payable solely from and secured solely by the Revenues and funds pledged therefor in the Indenture, consisting primarily of debt service on the CFD Bonds. See "SECURITY FOR THE BONDS AND SOURCES OF PAYMENT THEREFOR."

**The CFD Bonds.** The City has no obligation to pay principal of or interest on the CFD Bonds if Special Tax collections are delinquent or insufficient, other than from amounts, if any, on deposit in the Reserve Account established for the CFD Bonds or funds derived from the foreclosure and sale of parcels for Special Tax delinquencies. The City is not obligated to advance funds to pay debt service on the CFD Bonds.

### **Levy and Collection of the Special Taxes**

**General.** The principal source of payment of principal of and interest on the CFD Bonds is the proceeds of the annual levy and collection of the Special Tax against property within the applicable District.

**Limitation on Special Tax Rate.** The annual levy of the Special Tax on any parcel is limited to the maximum Special Tax rate authorized in the applicable Special Tax Formula. The levy cannot be made at a higher rate even if the failure to do so means that the estimated proceeds of the levy and collection of the Special Tax, together with other available funds, will not be sufficient to pay debt service on the CFD Bonds.

**No Relationship Between Property Value and Special Tax Levy.** Because the Special Tax Formula is not based on property value, the levy of the Special Tax will rarely, if ever, result in a uniform relationship between the value of particular parcels of Taxable Property and the amount of the levy of the Special Tax against those parcels. Thus, there will rarely, if ever, be a uniform relationship between the value of the parcels of Taxable Property and their proportionate share of debt service on the CFD Bonds, and certainly not a direct relationship.

**Factors that Could Lead to Special Tax Deficiencies.** The following are some of the factors that might cause the levy of the Special Tax on any particular parcel of Taxable Property to vary from the Special Tax that might otherwise be expected:

**Transfers to Governmental Entities.** The number of parcels of Taxable Property could be reduced through the acquisition of Taxable Property by a governmental entity (by exercise of its rights as mortgage guarantor, or for other reasons) and failure of the government to pay the Special Tax based upon a claim of exemption or, in the case of the federal government or an agency thereof, immunity from taxation, thereby resulting in an increased tax burden on the remaining taxed parcels.

**Property Tax Delinquencies.** Failure of the owners of Taxable Property to pay property taxes (and, consequently, the Special Tax), or delays in the collection of or

inability to collect the Special Tax by tax sale or foreclosure and sale of the delinquent parcels, could result in a deficiency in the collection of Special Taxes. For a summary of Special Tax collections in the Districts, see "OWNERSHIP AND VALUE OF PROPERTY WITHIN THE DISTRICTS – Tax Collections and Delinquencies."

***Delays Following Delinquencies and Foreclosure Sales.*** The CFD Bonds Fiscal Agent Agreement provides that the Special Tax is to be collected in the same manner as ordinary *ad valorem* property taxes are collected and, except as provided in the special covenant for foreclosure described in "SECURITY FOR THE BONDS AND SOURCES OF PAYMENT THEREFOR - Security for the CFD Bonds" and in the Mello-Roos Act, is subject to the same penalties and the same procedure, sale and lien priority in case of delinquency as is provided for ordinary *ad valorem* property taxes. Under these procedures, if taxes are unpaid for a period of five years or more, the property is subject to sale by the County.

If sales or foreclosures of property are necessary, there could be a delay in payments to the Authority, as owner of the CFD Bonds, pending such sales or the prosecution of foreclosure proceedings and receipt by the City of the proceeds of sale if the Reserve Account for the applicable CFD Bonds is depleted. See "SECURITY FOR THE BONDS AND SOURCES OF PAYMENT THEREFOR - Security for the CFD Bonds."

### **Payment of Special Taxes is not a Personal Obligation of the Property Owners**

Property Owners are not personally obligated to pay their respective Special Taxes. Rather, the Special Taxes are obligations only against the respective parcels against which they are levied. If, after a default in the payment of the Special Tax and a foreclosure sale, the resulting proceeds are insufficient, taking into account other obligations also constituting a lien against the parcel, the City has no personal recourse against the parcel owner.

### **Assessed Valuations**

The City has not commissioned an appraisal of the parcels in either CFD in connection with the issuance of the Bonds. Therefore, the estimated valuation of the Taxable Property in the Districts set forth in this Official Statement are based on the County Assessor's values. The assessed value is not an indication of what a willing buyer might pay for a property. The assessed value is not evidence of future value because future facts and circumstances may differ significantly from the present.

No assurance can be given that any of the Taxable Property in the Districts could be sold for the assessed value if that property should become delinquent and subject to foreclosure proceedings.

### **Property Values**

The value of Taxable Property within the Districts is a critical factor in determining the investment quality of the Bonds. If a parcel owner defaults in the payment of the Special Taxes, the City's only remedy is to foreclose on the delinquent property.

The following is a discussion of specific risk factors that could affect the value of property in the Districts.



***Prolonged Economic Downturn.*** Land values in and around the City have been adversely affected by current economic conditions. To the extent that the economic downturn is prolonged, property values could remain flat for an indefinite period.

Declines in home values in the Districts could also result in property owner unwillingness or inability to pay mortgage payments, as well as *ad valorem* property taxes and Special Taxes, when due. Under such circumstances, bankruptcies are likely to increase. Bankruptcy by homeowners with delinquent Special Taxes would delay the commencement and completion of foreclosure proceedings.

***Risks Related to Mortgage Loans.*** Although residential projects that have their homes built and occupied by homeowners are typically viewed as providing bondholders with strong credits, some of the recent home purchasers, especially those during 2004 to 2007, may face challenges in making their mortgage and tax payments on a timely basis, due to their initial high loan to value ratios, creative mortgage loan structures, and current negative equity levels.

Recent events in the United States and world-wide capital markets have adversely affected the availability of mortgage loans to homeowners, including potential buyers of homes within the Districts. Any such unavailability could hinder the ability of the current homeowners to resell their homes, and adversely affect the market prices available to current homeowners.

***Natural Disasters.*** The value of the parcels in the Districts in the future can be adversely affected by a variety of natural occurrences, particularly those that may affect infrastructure and other public improvements and private improvements on the parcels in the Districts and the continued habitability and enjoyment of such private improvements. For example, the areas in and surrounding the Districts, like those in much of California, may be subject to earthquakes or other unpredictable seismic activity, however, the Districts are not located in a seismic special studies zone.

Other natural disasters could include, without limitation, landslides, floods, droughts or tornadoes. One or more natural disasters could occur and could result in damage to improvements of varying seriousness. The damage may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost, or because repair or replacement will not facilitate habitability or other use, or because other considerations preclude such repair or replacement. Under any of these circumstances there could be significant delinquencies in the payment of Special Taxes, and the value of the parcels may well depreciate.

***Hazardous Substances.*** One of the most serious risks in terms of the potential reduction in the property values is a claim with regard to a hazardous substance. In general, the owners and operators of property may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner or operator is obligated to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the

hazardous substance. The effect, therefore, should any of the Taxable Property in the Districts be affected by a hazardous substance, is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

Although the City is not aware that the owner or operator of any of the Taxable Property in the Districts has such a current liability, it is possible that such liabilities do currently exist. Further, it is possible that liabilities may arise in the future resulting from the existence, currently, on the parcel of a substance presently classified as hazardous but that has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently on the parcel of a substance not presently classified as hazardous but that may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the property values that would otherwise be realized upon a delinquency.

*No information is available as to the existence of any hazardous substances within the Districts.*

**Other Factors.** Other factors that could adversely affect property values in the Districts include, among others, relocation of employers out of the area, shortages of water, electricity, natural gas or other utilities, and destruction of property caused by man-made disasters.

### **California Drought; State of Emergency Proclamation**

On January 17, 2014, with California facing water shortfalls in the then-driest year in recorded state history, Governor Edmund G. Brown Jr. proclaimed a State of Emergency and directed state officials to take all necessary actions to prepare for these drought conditions. In the State of Emergency declaration, Governor Brown directed state officials to assist farmers and communities that are economically impacted by dry conditions and to ensure the State can respond if Californians face drinking water shortages. The Governor also directed state agencies to use less water and hire more firefighters and initiated a greatly expanded water conservation public awareness. In addition, the proclamation gave state water officials more flexibility to manage supply throughout California under drought conditions.

The Governor's drought State of Emergency follows a series of actions the administration has taken to ensure that California is prepared for record dry conditions. In May 2013, Governor Brown issued an Executive Order to direct state water officials to expedite the review and processing of voluntary transfers of water and water rights. In December 2014, the Governor formed a Drought Task Force to review expected water allocations, California's preparedness for water scarcity and whether conditions merit a drought declaration.

On April 1, 2015, for the first time in state history, the Governor directed the State Water Resources Control Board to implement mandatory water reductions in cities and towns across California to reduce water usage by 25%. This savings amounts to approximately 1.5 million acre-feet of water over the following nine months.

California set a new "low water" mark on April 1, 2015, with its early-April snowpack measurement. The statewide electronic reading of the snowpack's water content stood at 5 percent of the April 1st average. April 1, 2015's content was only 1.4 inches, or 5%, of the 28-inch average. The lowest previous reading since 1950 was 25% of average, so water year 2015 is the driest winter in California's written record.

The implementation of mandatory water reductions is ongoing. The Authority cannot predict how long the drought conditions will last, what effect drought conditions may have on property values or whether or to what extent water reduction requirements may affect the Districts.

### **Other Possible Claims Upon the Property Values**

While the Special Taxes are secured by the Taxable Property in the Districts, the security only extends to the value of such property that is not subject to priority and parity liens and similar claims.

Tables listing of the outstanding governmental obligations affecting each District are set forth above under "OWNERSHIP AND VALUE OF PROPERTY WITHIN THE DISTRICTS – Direct and Overlapping Governmental Liens."

In addition, other governmental obligations may be authorized and undertaken or issued in the future, the tax, assessment or charge for which may become an obligation of one or more of the parcels within the Districts, and may be secured by a lien on a parity with the lien of the Special Taxes securing the CFD Bonds.

In general, the Special Taxes, and all other taxes, assessments and charges also collected on the tax roll, are on a parity, that is, are of equal priority. Questions of priority become significant when collection of one or more of the taxes, assessments or charges is sought by some other procedure, such as foreclosure and sale. If proceedings are brought to foreclose a delinquency, the Special Taxes will generally be on parity with the other taxes, assessments and charges, and will share the proceeds of such foreclosure proceedings on a pro-rata basis.

## **Enforcement of Special Taxes on Governmentally Owned Properties**

**General.** The ability of the City to foreclose the lien of delinquent unpaid Special Tax installments may be limited with regard to properties in which the Federal Deposit Insurance Corporation (the “**FDIC**”), the Drug Enforcement Agency, the Internal Revenue Service, or other federal agency has or obtains an interest.

Federal courts have held that, based on the supremacy clause of the United States Constitution, in the absence of Congressional intent to the contrary, a state or local agency cannot foreclose to collect delinquent taxes or assessments if foreclosure would impair the federal government interest.

The supremacy clause of the United States Constitution reads as follows: “This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the contrary notwithstanding.”

This means that, unless Congress has otherwise provided, if a federal governmental entity owns a parcel that is subject to Special Taxes within the Districts, but does not pay taxes and assessments levied on the parcel (including Special Taxes), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the City wishes to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government’s mortgage interest. In *Rust v. Johnson* (9th Circuit; 1979) 597 F.2d 174, the United States Court of Appeal, Ninth Circuit held that the Federal National Mortgage Association (“**FNMA**”) is a federal instrumentality for purposes of this doctrine, and not a private entity, and that, as a result, an exercise of state power over a mortgage interest held by FNMA constitutes an exercise of state power over property of the United States.

Neither the City nor the Authority has undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the parcels subject to the Special Taxes within the Districts. No assurance can be given as to the likelihood that the risks described above will materialize while the CFD Bonds are outstanding.

**FDIC.** If any financial institution making any loan secured by real property within the Districts is taken over by the FDIC, and prior thereto or thereafter the loan (or loans) goes into default, resulting in ownership of the property by the FDIC, then the ability of the City to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid Special Taxes may be limited.

The FDIC’s policy statement regarding the payment of state and local real property taxes (the “**Policy Statement**”) provides that property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property’s value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they

become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC-owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

The Policy Statement states that the FDIC generally will not pay non-ad valorem taxes, including special taxes and assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Special taxes imposed under the Mello-Roos Act and a special tax formula, which determines the special tax due each year, are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity. The Ninth Circuit issued a ruling on August 28, 2001, in which it determined that the FDIC, as a federal agency, is exempt from Mello-Roos special taxes.

The Authority and the City are unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of Special Taxes on a parcel within the Districts, in which the FDIC has or obtains an interest, although prohibiting the lien of the Special Taxes to be foreclosed out at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a foreclosure sale. Such an outcome could cause a draw on either the Reserve Accounts established for the CFD Bonds and perhaps, ultimately, if enough property were to become owned by the FDIC, a default in payment on the CFD Bonds.

***Exemptions Under Special Tax Formula and the Mello-Roos Act.*** Certain properties are exempt from the Special Tax in accordance with the Special Tax Formula and the Mello-Roos Act, which provides that properties or entities of the state, federal or local government are exempt from the Special Tax; provided, however, that property within the Districts acquired by a public entity through a negotiated transaction or by gift or devise, which is not otherwise exempt from the Special Tax, will continue to be subject to the Special Tax.

In addition, although the Mello-Roos Act provides that if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment, the constitutionality and operation of these provisions of the Act have not been tested, meaning that such property could become exempt from the Special Tax. The Mello-Roos Act further provides that no other properties or entities are exempt from the Special Tax unless the properties or entities are expressly exempted in a resolution of consideration to levy a new special tax or to alter the rate or method of apportionment of an existing special tax.

## **Depletion of Reserve Accounts**

The City will establish and maintain a Reserve Account for each series of CFD Bonds that may be used to pay principal of and interest on the related CFD Bonds if insufficient funds are available from the proceeds of the levy and collection of the Special Taxes against property within the applicable District. See "SECURITY FOR THE BONDS AND SOURCES OF PAYMENT THEREFOR - Security for the CFD Bonds – Reserve Accounts."

If funds in a Reserve Account for a series of CFD Bonds are depleted, the funds can be replenished from the proceeds of the levy and collection of the Special Tax that are in excess of the amount required to pay all amounts to be paid to the Authority under the applicable CFD Fiscal Agent Agreement. However, no replenishment from the proceeds of a Special Tax levy can occur so long as the proceeds that are collected from the levy of the Special Tax against property within a District at the maximum Special Tax rates, together with other available funds, remain insufficient to pay all such amounts. Thus, it is possible that a Reserve Account for a series of CFD Bonds will be depleted and not be replenished by the levy of the Special Tax.

*Each Reserve Account for the CFD Bonds is available only for the series of CFD Bonds to which it relates and no series of CFD Bonds or the pledge of Special Taxes to pay such CFD Bonds is cross-collateralized to any other series.*

## **Bankruptcy Delays**

The payment of the Special Taxes, and the ability of the City to foreclose the lien of a delinquent unpaid Special Tax, may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by State laws relating to judicial foreclosure.

The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

Although bankruptcy proceedings would not cause the Special Taxes to become extinguished, bankruptcy of a property owner or any other person claiming an interest in the property could result in a delay in superior court foreclosure proceedings and could result in the possibility of Special Tax installments not being paid in part or in full. Such a delay would increase the likelihood of a delay or default in payment of the principal of and interest on the CFD Bonds, as applicable.

## **Disclosure to Future Purchasers**

The City has recorded, in the Office of the County Recorder, a notice of the Special Tax lien with respect to the Districts. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider the obligations represented by the Special Taxes in the purchase of a parcel of land or a home in the Districts, or the lending of money secured by property in the Districts.

## **No Acceleration; Right to Pursue Remedies**

Neither the Bonds nor the CFD Bonds contain a provision allowing for acceleration if a payment default or other default occurs under the Indenture or the CFD Bonds Fiscal Agent Agreements. See “APPENDIX A – Summary of Certain Provisions of Principal Legal Documents.”

So long as the Bonds are in book-entry form, DTC will be the sole Bond Owner and will be entitled to exercise all rights and remedies of Bond Owners under the Bonds and the Indenture.

## **Loss of Tax Exemption**

As discussed under the caption “LEGAL MATTERS – Tax Matters,” interest on the Bonds might become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued as a result of future acts or omissions of the Authority in violation of its covenants in the Indenture, or of the City in violation of its covenants in the CFD Bonds Fiscal Agent Agreements.

The Indenture does not contain a special redemption feature triggered by the occurrence of an event of taxability. As a result, if interest on the Bonds were to be includable in gross income for purposes of federal income taxation, the Bonds would continue to remain outstanding until maturity unless earlier redeemed pursuant to mandatory redemption. See “THE BONDS – Redemption.”

In addition, Congress has considered in the past, is currently considering and may consider in the future, legislative proposals, including some that carry retroactive effective dates, that, if enacted, would alter or eliminate the exclusion from gross income for federal income tax purposes of interest on municipal bonds, such as the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation.

## **Voter Initiatives**

Under the California Constitution, the power of initiative is reserved to the voters for the purpose of enacting statutes and constitutional amendments. Since 1978, the voters have exercised this power through the adoption of Proposition 13 and similar measures, including Proposition 218, which was approved in the general election held on November 5, 1996, and Proposition 26, which was approved on November 2, 2010.

Any such initiative may affect the collection of fees, taxes and other types of revenue by local agencies such as the City. Subject to overriding federal constitutional principles, such collection may be materially and adversely affected by voter-approved initiatives, possibly to the extent of creating cash-flow problems in the payment of outstanding obligations such as the CFD Bonds.

Proposition 218—Voter Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges—Initiative Constitutional Amendment, added Articles XIII C and XIII D to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges.

On November 2, 2010, California voters approved Proposition 26, entitled the "Supermajority Vote to Pass New Taxes and Fees Act". Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as "fees." Proposition 26 amended Articles XIII A and XIII C of the State Constitution. The amendments to Article XIII A limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature. Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes require a majority vote and taxes for specific purposes ("special taxes") require a two-thirds vote.

The Special Taxes and the CFD Bonds were each authorized by not less than a two-thirds vote of the landowners within the CFD who constituted the qualified electors at the time of such voted authorization. The City believes, therefore, that issuance of the CFD Bonds does not require the conduct of further proceedings under the Act, Proposition 218 or Proposition 26.

Like their antecedents, Proposition 218 and Proposition 26 are likely to undergo both judicial and legislative scrutiny before the impact on the Districts can be determined. Certain provisions of Proposition 218 and Proposition 26 may be examined by the courts for their constitutionality under both State and federal constitutional law, the outcome of which cannot be predicted.

### **Secondary Market for Bonds**

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that any Bonds can be sold for any particular price. Prices of bond issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

No assurance can be given that the market price for the Bonds will not be affected by the introduction or enactment of any future legislation (including without limitation amendments to the Internal Revenue Code), or changes in interpretation of the Internal Revenue Code, or any action of the Internal Revenue Service, including but not limited to the publication of proposed or final regulations, the issuance of rulings, the selection of the Bonds for audit examination, or the course or result of any Internal Revenue Service audit or examination of the Bonds or obligations that present similar tax issues as the Bonds.

### **THE AUTHORITY**

The Authority is a joint exercise of powers authority duly organized and operating pursuant to Article 1 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the California Government Code, and pursuant to a Joint Exercise of Powers Agreement entered into in 2005 by and among the City and the Elk Grove Parking Authority, and is qualified to assist in financing projects and certain public improvements and to issue the Bonds under the Marks-Roos Local Bond Pooling Act of 1985, being Article 4 of Chapter 5, Division 7, Title 1 of the California Government Code. The Authority has no taxing power. The Authority and the City are each separate and distinct legal entities, and the debts and obligations of one such entity are not debts or obligations of the other entity.



The Authority was established for the purpose of financing the acquisition, construction, improvement and equipping of public capital improvements. The governing board of the Authority is the City Council of the City.

## LEGAL MATTERS

### Tax Matters

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the Authority and the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the "**Tax Code**"), that must be satisfied subsequent to the issuance of the Bonds. The Authority and the City have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. *De minimis* original issue discount and original issue premium is disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Bonds under federal individual and corporate alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Bond is amortized each year over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Bond premium is not deductible for federal income tax purposes. Owners of premium Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Bonds.

In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Bonds other than as expressly described above.

### **Absence of Litigation**

The Authority and the City will certify at the time the Bonds are issued that no litigation is pending or threatened concerning the validity of the Bonds or the CFD Bonds and that no action, suit or proceeding is known by the Authority or the City to be pending that would restrain or enjoin the delivery of the Bonds or the CFD Bonds, or contest or affect the validity of the Bonds or the CFD Bonds, or any proceedings of the Authority or the City taken with respect to the Bonds or the CFD Bonds.

### **Legal Opinion**

All proceedings in connection with the issuance of the Bonds are subject to the approval as to their legality of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. The unqualified opinion of Bond Counsel approving the validity of the Bonds is attached as APPENDIX D.

## **RATINGS**

Standard & Poor's Rating Services ("**S&P**") has assigned the rating shown on the cover page hereof. Such rating reflects only the view of S&P and an explanation of the significance of such ratings may be obtained from S&P at: Standard & Poor's Rating Services, 55 Water Street, New York, New York 10041. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds. The City and the Authority assume no obligation to attempt to maintain any rating on the Bonds.

## VERIFICATION OF MATHEMATICAL COMPUTATIONS

Causey, Demgen & Moore, Inc., Certified Public Accountants, Denver, Colorado, independent accountants, upon delivery of the Bonds, will deliver one or more reports on the mathematical accuracy of certain computations contained in schedules provided to them which were prepared by the City relating to the sufficiency of moneys and securities deposited into the Escrow Fund to pay, when due, the principal, whether at maturity or upon prior prepayment, interest and prepayment premium requirements of the Prior East Franklin CFD Bonds, the Prior Poppy Ridge CFD Bonds and the Prior Authority Bonds.

## UNDERWRITING

Piper Jaffray & Co., Incorporated (the “**Underwriter**”), has agreed to purchase the Bonds at a purchase price of \$\_\_\_\_\_ (being the principal amount of the Bonds (\$\_\_\_\_\_)) *less/plus* net original issue discount/premium of \$\_\_\_\_\_ and *less* an underwriter's discount of \$\_\_\_\_\_).

[Add'l language to come from PJC]

The Underwriter may change the initial public offering prices of the Bonds from time to time. The agreement under which the Underwriter has agreed to purchase the Bonds provides that the Underwriter will purchase all the Bonds if any are purchased, and that the obligation to make such purchase is subject to certain terms and conditions set forth therein, including, among others, the approval of certain legal matters by counsel.

## CONTINUING DISCLOSURE

The City, on behalf of itself and the Authority, will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the Districts (the “**Annual Report**”) by not later than nine months following the end of the City's Fiscal Year (currently March 31 based on the City's Fiscal Year ending June 30), commencing March 31, 2016, with the report for the Fiscal Year ending June 30, 2015, and to provide notices of the occurrence of certain listed events.

These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5), as amended (the “**Rule**”). The specific nature of the information to be contained in the Annual Report or the notices of listed events is set forth in APPENDIX E.”

In the past five years, the City and the Authority have had certain instances where filings pursuant previous continuing disclosure obligation under the Rule were made late, as follows:

[To come]

The City and the Authority have had no other instances in the previous five years in which they failed to comply in all material respects with any previous continuing disclosure obligation.

## PROFESSIONALS INVOLVED IN THE OFFERING

All proceedings in connection with the issuance of the Bonds are subject to the approval of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Jones Hall, A Professional Law Corporation, is also acting as Disclosure Counsel to the Authority. U.S. Bank National Association, San Francisco, California, will act as the Trustee. Stradling Yocca Carlson & Rauth, Newport Beach, California, is acting as counsel to the Underwriter.

The City has retained Fieldman Rolapp & Associates, Irvine, California, as financial advisor (the "**Financial Advisor**") in connection with the issuance of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The Financial Advisor is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

The compensation of Bond Counsel, Disclosure Counsel, the Trustee, the Financial Advisor and Underwriter's counsel is contingent upon issuance of the Bonds.

## EXECUTION

The execution and delivery of this Official Statement have been duly authorized by the Authority and the City.

ELK GROVE FINANCE AUTHORITY

By: \_\_\_\_\_  
Treasurer

CITY OF ELK GROVE

By: \_\_\_\_\_  
Director of Finance and Administrative  
Services

**APPENDIX A**

**SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS**

## APPENDIX B

### GENERAL INFORMATION REGARDING THE CITY OF ELK GROVE

*The following information concerning the City of Elk Grove ("Elk Grove"), the County of Sacramento (the "County") and the State of California (the "State") are presented as general background information. The Series Bonds are a limited obligation of the Authority and are not an obligation of the City, the County or the State nor are the taxing the power of the County and the State are pledged to the payment of the Bonds.*

#### General

Elk Grove is located in south Sacramento County 4 miles south of Sacramento and 92 miles east of San Francisco along State Route 99. Elk Grove is a general law city and was incorporated on July 1, 2000. Elk Grove has a Council-Manager form of municipal government. The City Council appoints the City Manager who is responsible for the day-to-day administration of city business and the coordination of all city departments. The City Council is composed of five members elected bi-annually at large to four-year alternating terms. The Mayor is selected by the City Council from among its members. Elk Grove provides the following services to the community: public safety community services, planning services, public works, general administrative services and capital improvements

#### Population

Population in Sacramento County reflects continued growth as shown in the following table. Population rose 62.7% in the 1940s and 81.4% in the 1950's. During the 1970's 1980's, and 1990's population growth totaled 23.5%, 32.9%, and 16.2 respectively. Since 1980, population growth has totaled 60.7%.

The following table lists population figures for the City, the County and the State as of January 1 for the last five years.

#### CITY OF ELK GROVE, COUNTY OF SACRAMENTO, STATE OF CALIFORNIA POPULATION ESTIMATES

<u>Calendar Year</u>	<u>City of Elk Grove</u>	<u>County of Sacramento</u>	<u>State of California</u>
2010	153,015	1,418,788	37,253,956
2011	154,440	1,427,961	37,427,946
2012	155,937	1,435,153	37,678,563
2013	158,734	1,442,752	37,984,138
2014	160,688	1,454,406	38,340,074

*Source: State Department of Finance estimates (as of January 1).*

#### Employment and Industry

The unemployment rate in the Sacramento-Roseville-Arden Arcade MSA was 6.0 percent in March 2015, down from a revised 6.3 percent in February 2015, and below the year-ago estimate of 8.1 percent. This compares with an unadjusted unemployment rate of 6.5 percent for California and 5.6 percent for the nation during the same period. The unemployment

rate was 5.8 percent in El Dorado County, 5.1 percent in Placer County, 6.0 percent in Sacramento County, and 7.0 percent in Yolo County.

The table below provides information about employment rates and employment by industry type for the Sacramento Metropolitan Statistical Area (which includes Sacramento, Placer, Yolo and El Dorado Counties) for calendar years 2010 through 2014.

**SACRAMENTO-ARDEN ARCADE-ROSEVILLE MSA**  
**El Dorado, Placer, Sacramento, Yolo Counties**  
**Employment by Industry**  
**Annual Averages**

	2010	2011	2012	2013	2014
<b>Civilian Labor Force</b> <sup>(1)</sup>	1,048,500	1,044,400	1,049,500	1,046,800	1,049,200
Employment	918,700	920,900	941,100	956,100	974,100
Unemployment	129,700	123,600	108,300	90,800	75,100
Unemployment Rate	12.4%	11.8%	10.3%	8.7%	7.2%
<b>Wage and Salary Employment</b> <sup>(2)</sup>					
Agriculture	8,100	8,200	8,600	8,900	9,200
Mining and Logging	400	500	400	500	500
Construction	38,400	36,900	38,400	43,300	45,500
Manufacturing	32,800	33,200	33,900	34,000	34,800
Wholesale Trade	22,800	23,700	25,200	25,000	24,700
Retail Trade	88,000	89,400	91,800	93,800	95,600
Transportation, Warehousing and Utilities	21,800	21,100	22,000	22,900	23,400
Information	17,200	16,300	15,600	14,800	13,700
Finance and Insurance	36,200	34,700	35,700	36,300	35,300
Real Estate and Rental and Leasing	12,200	12,000	12,500	13,100	13,400
Professional and Business Services	102,300	104,400	111,100	114,600	119,100
Educational and Health Services	115,100	116,900	121,300	128,400	134,900
Leisure and Hospitality	80,200	81,700	84,500	88,700	91,900
Other Services	28,100	28,000	28,600	29,000	30,400
Federal Government	14,700	14,000	13,700	13,500	13,500
State Government	110,900	109,700	108,200	109,900	113,500
Local Government	104,700	100,900	99,600	99,200	100,400
Total, All Industries <sup>(3)</sup>	833,800	831,500	851,100	875,700	899,600

<sup>(1)</sup> Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

<sup>(2)</sup> Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

<sup>(3)</sup> Totals may not add due to rounding.

Source: State of California Employment Development Department.

## Major Employers

The major employers in the County are shown below.

**COUNTY OF SACRAMENTO  
MAJOR EMPLOYERS- LISTED ALPHABETICALLY  
(As of April 1, 2015)**

<b>Employer Name</b>	<b>Location</b>	<b>Industry</b>
Aerojet Rocketdyne Inc	Rancho Cordova	Aerospace Industries (Mfrs)
Air Resources Board Tstg Off	Sacramento	Engineers-Environmental
Ampac Fine Chemicals Llc	Rancho Cordova	Chemicals-Manufacturers
California Prison Ind Auth	Folsom	State Govt-Correctional Institutions
California State University Corrections Dept	Sacramento	Schools-Universities & Colleges Academic State Govt-Correctional Institutions
Delta Dental Plan of Missouri	Rancho Cordova	Insurance
Dept of Transportation In Ca	Sacramento	Government Offices-State
Disabled American Veterans	Sacramento	Veterans' & Military Organizations
Employment Development Dept	Sacramento	Government-Job Training/Voc Rehab Svcs
Environmental Protection Agcy	Sacramento	State Government-Environmental Programs
Exposition & Fair	Sacramento	Government Offices-State
Gen Corp Inc	Rancho Cordova	Aerospace Industries (Mfrs)
Intel Corp	Sacramento	Semiconductor Devices (Mfrs)
Intel Corp	Folsom	Semiconductor Devices (Mfrs)
Mercy General Hospital	Sacramento	Hospitals
Mercy San Juan Medical Ctr	Carmichael	Hospitals
Municipal Services Agency	Sacramento	Government Offices-County
Sacramento Bee	Sacramento	Newspapers (Publishers/Mfrs)
Sacramento Regional Transit	Sacramento	Bus Lines
Sacramento State	Sacramento	Schools-Universities & Colleges Academic
Smud Customer Svc Ctr	Sacramento	Electric Companies
Sutter Memorial Hospital	Sacramento	Hospitals
Uc Davis Medical Ctr	Sacramento	Hospitals
Water Resource Dept	Sacramento	State Government-Environmental Programs

*Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2015 2nd Edition.*



## Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and nontax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

The following table summarizes the total effective buying income for the City, the County, the State and the United States for the period 2009 through 2013. Effecting buying income data is not yet available for calendar year 2014.

### COUNTY OF SACRAMENTO Effective Buying Income 2008 through 2012

Year	Area	Total Effective Buying Income (000s' Omitted)	Median Household Effective Buying Income
2009	City of Elk Grove	\$ 1,608,468	62,921
	Sacramento County	31,079,118	47,353
	California	844,823,319	49,736
	United States	6,571,536,768	43,252
2010	City of Elk Grove	\$ 1,467,530	58,340
	Sacramento County	28,891,811	44,449
	California	801,393,028	47,177
	United States	6,365,020,076	41,368
2011	City of Elk Grove	\$ 1,448,003	57,646
	Sacramento County	28,869,888	44,185
	California	814,578,458	41,062
	United States	6,438,704,664	41,253
2012	City of Elk Grove	\$ 3,484,185	59,391
	Sacramento County	28,956,570	43,682
	California	864,088,828	47,307
	United States	6,737,867,730	41,358
2013	City of Elk Grove	\$ 3,630,230	60,163
	Sacramento County	29,591,998	44,536
	California	858,676,636	48,340
	United States	6,982,757,379	43,715

*Source: The Neilson Company Inc..*

## Commercial Activity

Summaries of historic taxable sales within the City and the County during the past five years in which data is available are shown in the following tables. Annual figures are not yet available for calendar years 2014 or 2015.

Total taxable sales during the calendar year 2013 in the City were reported to be \$1,766,626,000 a 9.54% increase over the total taxable sales of \$1,612,796,000 reported during calendar year 2012.

### CITY OF ELK GROVE Taxable Transactions (Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2009	1,676	1,143,753	2,275	1,296,072
2010	1,736	1,182,881	2,363	1,336,535
2011	1,669	1,316,732	2,278	1,495,590
2012	1,649	1,432,329	2,236	1,612,796
2013	1,723	1,567,749	2,299	1,766,626

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Total taxable sales during calendar year 2013 in the County were reported to be \$20,097,095,000 a 5.28% increase over the total taxable sales of \$19,089,848,000 reported during calendar year 2012.

### COUNTY OF SACRAMENTO Taxable Transactions (Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2009	22,197	11,252,319	31,644	16,563,853
2010	23,158	11,615,687	32,789	16,904,528
2011	22,198	12,502,808	31,682	18,003,765
2012	22,211	13,366,459	31,507	19,089,848
2013	22,629	14,171,006	31,709	20,097,095

Source: California State Board of Equalization, Taxable Sales in California.

## Construction Activity

The following tables show a five-year summary of the valuation of building permits issued in the City and the County. Annual figures are not yet available for calendar year 2014.

### CITY OF ELK GROVE Total Building Permit Valuations (Dollars in Thousands) 2009 through 2013

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<u>Permit Valuation</u>					
New Single-family	\$43,383.5	\$60,351.9	\$58,744.6	\$68,297.2	\$84,221.3
New Multi-family	0.0	9,120.0	22,133.0	0.0	0.0
Res. Alterations/Additions	<u>3,171.7</u>	<u>4,585.2</u>	<u>7,581.0</u>	<u>4,989.5</u>	<u>5,801.4</u>
Total Residential	\$46,555.2	\$74,057.1	\$88,458.6	\$73,286.7	\$90,022.6
New Commercial	\$6,650.0	\$24,512.0	\$16,554.1	\$44,215.0	\$12,257.5
New Industrial	0.0	0.0	0.0	248.0	589.0
New Other	5,862.8	4,551.8	1,453.8	571.0	6,927.9
Com. Alterations/Additions	<u>9,156.7</u>	<u>8,938.4</u>	<u>9,472.0</u>	<u>24,498.7</u>	<u>8,811.9</u>
Total Nonresidential	\$21,669.5	\$38,002.2	\$27,479.9	\$69,532.7	\$28,586.3
<u>New Dwelling Units</u>					
Single Family	201	296	252	406	379
Multiple Family	<u>0</u>	<u>115</u>	<u>273</u>	<u>0</u>	<u>0</u>
TOTAL	201	411	525	406	379

Source: Construction Industry Research Board, Building Permit Summary.

### COUNTY OF SACRAMENTO Total Building Permit Valuations (Dollars in Thousands) 2009 through 2013

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<u>Permit Valuation</u>					
New Single-family	\$199,795.8	\$199,008.8	\$189,634.5	\$248,826.3	\$388,935.7
New Multi-family	8,310.0	32,680.9	64,390.8	48,632.8	13,637.4
Res. Alterations/Additions	<u>173,522.6</u>	<u>181,074.7</u>	<u>202,757.1</u>	<u>143,291.7</u>	<u>201,418.7</u>
Total Residential	\$381,628.4	\$412,764.5	\$456,782.4	\$440,750.8	\$603,991.8
New Commercial	\$76,831.2	\$52,031.6	\$77,164.9	\$155,651.6	\$146,191.2
New Industrial	3,892.4	2,481.3	3,232.4	648.1	1,360.7
New Other	57,847.7	56,735.4	3,290.1	3,788.0	22,007.6
Com. Alterations/Additions	<u>369,332.1</u>	<u>242,724.5</u>	<u>287,939.6</u>	<u>248,426.0</u>	<u>279,324.0</u>
Total Nonresidential	\$507,903.4	\$353,972.8	\$371,627.0	\$408,513.7	\$448,883.5
<u>New Dwelling Units</u>					
Single Family	881	843	727	1,290	1,764
Multiple Family	<u>92</u>	<u>338</u>	<u>606</u>	<u>343</u>	<u>145</u>
TOTAL	973	1,181	1,333	1,633	1,909

Source: Construction Industry Research Board, Building Permit Summary.

**APPENDIX C-1**  
**RATE AND METHOD OF APPORTIONMENT OF**  
**SPECIAL TAXES**  
**East Franklin CFD (East Franklin)**

**APPENDIX C-2**

**RATE AND METHOD OF APPORTIONMENT OF  
SPECIAL TAXES  
Poppy Ridge CFD (Poppy Ridge)**

**APPENDIX D**  
**FORM OF BOND COUNSEL OPINION**

## APPENDIX E

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$ \_\_\_\_\_  
**ELK GROVE FINANCE AUTHORITY  
SPECIAL TAX REVENUE BONDS  
SERIES 2015**

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered by the City of Elk Grove (the "City"), for and on behalf of itself and the Elk Grove Finance Authority (the "Authority"), in connection with the issuance by the Authority of the Special Tax Revenue Bonds captioned above (the "Bonds").

The Bonds are generally secured by revenues derived from debt service payments made on two series of bonds to be issued by the City concurrently with the Bonds: (i) the City of Elk Grove East Franklin Community Facilities District No. 2002-1 Special Tax Bonds, Series 2015 and (ii) the City of Elk Grove Community Facilities District No. 2003-1 (Poppy Ridge) Special Tax Bonds, Series 2015 (together, the "CFD Bonds"). The CFD Bonds are generally secured by special taxes levied against taxable property in each respective Community Facilities District.

The Bonds are being issued under an Indenture of Trust, dated as of July 1, 2015 (the "Indenture"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee").

The City, on behalf of itself, City of Elk Grove East Franklin Community Facilities District No. 2002-1 and the City of Elk Grove Community Facilities District No. 2003-1 (Poppy Ridge) (the "Districts"), and the Authority, hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

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

"*Annual Report*" means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Annual Report Date*" means the date that is 9 months after the end of the City's Fiscal Year (currently March 31 based on the City's Fiscal Year end of June 30).

"*Dissemination Agent*" means [NBS] or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

"*Listed Events*" means any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“Official Statement” means the final official statement executed by the City in connection with the issuance of the Bonds.

“Participating Underwriter” means Piper Jaffray & Co., Incorporated, the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

### Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2016, with the report for the 2014-15 Fiscal Year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. 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(c). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.



Section 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following:

(a) The audited financial statements of the City and the Authority, together with the following statement:

THE CITY'S AND THE AUTHORITY'S ANNUAL FINANCIAL STATEMENTS ARE PROVIDED SOLELY TO COMPLY WITH THE SECURITIES EXCHANGE COMMISSION STAFF'S INTERPRETATION OF RULE 15C2-12. NO FUNDS OR ASSETS OF THE CITY OR THE AUTHORITY OTHER THAN THOSE PLEDGED UNDER THE INDENTURE ARE REQUIRED TO BE USED TO PAY DEBT SERVICE ON THE BONDS, AND NEITHER THE CITY NOR THE AUTHORITY ARE OBLIGATED TO ADVANCE AVAILABLE FUNDS FROM ANY SOURCE TO COVER ANY DELINQUENCIES. INVESTORS SHOULD NOT RELY ON THE FINANCIAL CONDITION OF THE CITY OR THE AUTHORITY IN EVALUATING WHETHER TO BUY, HOLD OR SELL THE BONDS.

The audited financial statements shall be prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If such audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Outstanding principal amount of the Bonds as of the end of the most recent Fiscal Year.

(c) The assessed values and levy amount of Special Taxes for the Districts on a combined basis.

(d) The following additional items relating to each District:

(i) Outstanding principal amount of the CFD Bonds as of the end of the most recent Fiscal Year.

(ii) Balance of the Reserve Account for the CFD Bonds, and a statement of the applicable Reserve Requirement for the Reserve Account, as of September 1 of the current Fiscal Year.

(iii) A table showing the summary of values and value to lien ratios (direct debt) for Taxable Property (per the County Assessor's records) for the current Fiscal Year substantially in the form contained in the Official Statement.

(iv) A table showing a history of special tax collections and delinquencies (per the County Assessor's records) for the current Fiscal Year substantially in the form contained in the Official Statement.

(v) With respect to delinquent Special Taxes as of June 30 of the preceding Fiscal Year, (i) a statement of whether or not the District continues to participate in the Alternative Method of Distribution of Tax Levies and Collections described in Revenue and Taxation Code Section 4701 et seq., or an equivalent procedure, (ii) a list of all

parcels delinquent in the payment of Special Taxes in the aggregate of \$3,000 or more (and information relating to the length of delinquency and status of any foreclosure, including results of foreclosure sales), (iii) the total dollar amount of delinquencies and (iv) in the event (A) that the total delinquencies within the District as of June 30 of the preceding Fiscal Year exceed 5% of the Special Tax for the preceding Fiscal Year or (B) there are 10 or fewer owners of real property within the District, determined by reference to the latest available secured property tax roll of the County, delinquency information for each parcel delinquent in the payment of Special Tax, amounts of delinquencies, length of delinquency and status of any foreclosure of each such parcel (including results of foreclosure sale).

(vi) The amount of prepayments of the Special Taxes for the most recently completed Fiscal Year.

(vii) Any changes to the Rate and Method of Apportionment of Special Tax for the District as of June 30 of the preceding Fiscal Year.

(viii) Annual information required to be filed by the City with the California Debt and Investment Advisory Commission pursuant to the CFD Act and relating generally to outstanding District bond amounts, fund balances, assessed values, special tax delinquencies and foreclosure information.

(d) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the City shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(e) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

#### Section 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the City or other obligated person.
- (13) The consummation of a merger, consolidation, or acquisition involving the City or an obligated person, or the sale of all or substantially all of the assets of the City or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

(c) The City acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), and (a)(14) of this Section 5 contain the qualifier "if material." The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that the City determines the event's occurrence is material for purposes of U.S. federal securities law.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. 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 Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be NBS. Any Dissemination Agent may resign by providing 30 days' written notice to the City.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate 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 type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture 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.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate 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 Certificate. 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 Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the City fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. (a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the City hereunder, and shall not be deemed to be acting in any fiduciary capacity for the City, the Bond holders or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: \_\_\_\_\_, 2015

CITY OF ELK GROVE

By: \_\_\_\_\_  
Director of Finance and Administrative  
Services

AGREED AND ACCEPTED:  
NBS,  
as Dissemination Agent

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT A**

**NOTICE OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Elk Grove Finance Authority

Name of Issue: Elk Grove Finance Authority Special Tax Revenue Bonds Series  
2015

Date of Issuance: \_\_\_\_\_, 2015

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by the Indenture, dated as of July 1, 2015, by and between the City and U.S. Bank National Association, as trustee. The City anticipates that the Annual Report will be filed by \_\_\_\_\_.

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

DISSEMINATION AGENT:

\_\_\_\_\_

By: \_\_\_\_\_  
Its: \_\_\_\_\_

## APPENDIX F

### DTC AND THE BOOK-ENTRY-ONLY SYSTEM

*The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.*

*Neither the issuer of the Bonds (the "Issuer") nor the trustee, fiscal agent or paying agent appointed with respect to the Bonds (the "Agent") take any responsibility for the information contained in this Appendix.*

*No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.*

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and



dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC is rated “AA+” by Standard & Poor’s. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices will be sent to DTC. If less than all of the Securities within a maturity are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Principal, redemption price and interest payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. If applicable, a Beneficial Owner will give notice to elect to have its Securities purchased or tendered, through its Participant, to tender/remarketing agent, and will effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to tender/remarketing agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to tender/remarketing agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the Issuer or the Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

**[\$[par amount]**  
**CITY OF ELK GROVE**  
**EAST FRANKLIN COMMUNITY FACILITIES DISTRICT NO. 2002-1**  
**SPECIAL TAX BONDS, SERIES 2015**

**[\$[par amount]**  
**CITY OF ELK GROVE**  
**COMMUNITY FACILITIES DISTRICT NO. 2003-1 (POPPY RIDGE)**  
**SPECIAL TAX BONDS, SERIES 2015**

**CFD BONDS PURCHASE AGREEMENT**

This CFD BONDS PURCHASE AGREEMENT (this "**Purchase Agreement**"), dated as of July \_\_, 2015, is between the Elk Grove Finance Authority (the "**Authority**"), a joint powers authority organized and existing under the laws of the State of California and the City of Elk Grove (the "**City**"), a general law city and municipal corporation organized and existing under and by virtue of the Constitution and laws of the State of California, for and on behalf of East Franklin Community Facilities District 2002- 1 and Community Facilities District 2003-1 (Poppy Ridge).

**BACKGROUND:**

1. The Authority is a joint exercise of powers authority duly organized and existing under the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "**Act**"), and is authorized pursuant to Article 4 of the Act (the "**Bond Law**") to borrow money for the purpose of financing the acquisition of bonds, notes and other obligations to provide financing or refinancing for public capital improvements of local agencies within the State of California.

2. The City is issuing (i) the City of Elk Grove East Franklin Community Facilities District No. 2002-1 Special Tax Bonds, Series 2015 and (ii) the City of Elk Grove Community Facilities District No. 2003-1 (Poppy Ridge) Special Tax Bonds, Series 2015 (the "**CFD Bonds**") to refund the following outstanding bonds (collectively, the "**Prior Bonds**"):

(i) \$57,960,000 City of Elk Grove East Franklin Community Facilities District No. 2002-1 Special Tax Bonds (the "**Series 2005 East Franklin Bonds**") pursuant to a Fiscal Agent Agreement, dated as of August 1, 2005, between the City and U.S. Bank National Association, as fiscal agent (the "**Prior Bonds Fiscal Agent**"); and

(ii) \$32,915,000 City of Elk Grove Community Facilities District No. 2003-1 (Poppy Ridge) Special Tax Bonds (the "**Series 2005 Poppy Ridge Bonds**") pursuant to a Fiscal Agent Agreement, dated as of August 1, 2005, between the City and the Prior Bonds Fiscal Agent; and

(iii) \$15,900,000 City of Elk Grove Community Facilities District No. 2003-1 (Poppy Ridge) Special Tax Bonds, Series 2006 (the "**Series 2006 Poppy Ridge Bonds**") pursuant to a Fiscal Agent Agreement, dated as of August 1, 2005 and a First Supplemental Fiscal Agent Agreement, dated as of May 1, 2006, between the City and the Prior Bonds Fiscal Agent.

3. The Authority has authorized the issuance of its Special Tax Revenue Bonds, Series 2015 in the aggregate principal amount of \$\_\_\_\_\_ (the "**Bonds**"), under an Indenture of Trust dated as of July 1, 2015 (the "**Authority Bond Indenture**"), by and between the Authority and U.S. Bank National Association, as trustee (the "**Trustee**"), and under the Bond Law for the purpose of providing the funds required to acquire the CFD Bonds.

4. The Authority and the City desire to enter into this CFD Bonds Purchase Agreement providing for the purchase and sale of the CFD Bonds by the City to the Authority and containing the other agreements herein set forth.

**NOW, THEREFORE**, in consideration of the mutual agreements herein contained, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Authority and the City agree as follows:

1. Upon the terms and conditions and upon the basis of the representations, warranties and agreements hereinafter set forth, the City hereby commits to sell to the Authority and does hereby sell to the Authority, and the Authority hereby commits to purchase from the City and does hereby purchase from the City with the proceeds of the Authority Bonds all of the \$\_\_\_\_\_ combined aggregate principal amount of the CFD Bonds. The CFD Bonds will bear the annual interest rates and mature at the times set forth in Exhibit A attached hereto and hereby made a part hereof. The aggregate purchase price of the CFD Bonds is set forth below and the individual purchase price of each issue of the CFD Bonds will be as set forth in Exhibit A.

2. All terms not herein defined will have the meanings given such terms in the Indenture of Trust authorizing the issuance of the Authority Bonds.

3. The City confirms that there are no substantial conditions precedent to the issuance by the City and to the sale (as provided herein) and the delivery to the Authority of the CFD Bonds.

4. The parties hereto hereby specify July \_\_, 2015, as the date of closing of the purchase of the CFD Bonds hereunder (the "**Closing Date**"). The CFD Bonds will be registered in the name of the Trustee, as assignee of the Authority. On the Closing Date, the City will issue and deliver the CFD Bonds to the Trustee upon payment by the Trustee of the purchase price of the CFD Bonds in the aggregate amount of \$\_\_\_\_\_, being the aggregate principal amount of the CFD Bonds. Said purchase price will be paid from the proceeds of sale of the Authority Bonds, and will be paid by the Trustee from the Purchase Fund established under the Authority Bond Indenture.

5. The CFD Bonds will be as described in the Official Statement dated as of the date hereof, relating to the Authority Bonds (the "**Official Statement**") and will be issued and secured under the provisions of the resolution adopted by the City on \_\_\_\_\_, 2015 (the "**Resolution**") and the Fiscal Agent Agreements with respect to each series of CFD Bonds, each dated as of July 1, 2015 (the "**Fiscal Agent Agreements**"), and each between the City and U.S. Bank National Association, as fiscal agent. The CFD Bonds and interest thereon will be payable from Special Taxes levied and collected in accordance with the Resolution and the Fiscal Agent Agreements.

6. Any action under this Purchase Agreement taken by the Authority, including payment for and acceptance of the CFD Bonds, and delivery and execution of any receipt for the CFD Bonds and any other instruments in connection with the closing on the Closing Date, will be valid and sufficient for all purposes and binding upon the Authority, provided that any such action will not impose any obligation or liability upon the Authority other than as may arise as expressly set forth in this Purchase Agreement.

7. It is a condition to the City's sale and delivery of the CFD Bonds to the Authority, and to the Authority's purchase of the CFD Bonds and the obligations of the Authority to accept delivery of and to pay for the CFD Bonds, that the entire aggregate principal amount of the CFD Bonds authorized by the Resolutions and the Fiscal Agent Agreements will be delivered by the City, and accepted and paid for by the Authority, on the Closing Date.

8. The City has furnished some, but not all, of the information contained in the Official Statement and hereby authorizes the use of that information by the Authority in connection with the public offering and sale of the Authority Bonds.

9. The City represents and warrants to the Authority that:

(a) The City is a general law city and municipal corporation organized and existing under the Constitution and laws of the State of California, and has, and on the Closing Date will have, full legal right, power and authority (i) to enter into this Purchase Agreement, the Continuing Disclosure Certificate relating to the Bonds and the CFD Bonds (the "**Continuing Disclosure Certificate**") and the Fiscal Agent Agreements (collectively, the "**City Documents**"), (ii) to adopt the Resolution, (iii) to issue, sell and deliver the CFD Bonds to the Authority as provided herein, and (iv) to carry out and consummate the transactions contemplated by the Resolution, the City Documents and the Official Statement;

(b) By all necessary official action of the City, the City has duly authorized and approved the execution and delivery of, and the performance by the City of the obligations contained in, the City Documents and as of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered, the City Documents will constitute the legally valid and binding obligations of the City enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors' rights generally;

(c) The City has complied, and will at the Closing be in compliance in all respects, with the terms of the City Documents;

(d) The execution and delivery of City Documents and the CFD Bonds, the adoption of the Resolutions and compliance with the provisions of each thereof, and the carrying out and consummation of the transactions contemplated by the Official Statement, will not conflict with or constitute a breach of or a default under any applicable law or administrative regulation of the State of California or the United States, or any applicable judgment, decree, agreement or other instrument to which the City is a party or is otherwise subject;

(e) To the knowledge of the City, at the time of the City's acceptance hereof and at all times subsequent thereto up to and including the Closing Date, with respect to information describing the City, the CFDs, the City Documents and the Resolution and other resolutions relating to the CFDs, the Official Statement does not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(f) Except as described in the Official Statement, there is no action, suit, proceeding or investigation before or by any court, public board or body pending or, to the knowledge of the City, threatened, wherein an unfavorable decision, ruling or finding would: (i) affect the creation, organization, existence or powers of the City or the titles of its members and officers to their respective offices, (ii) enjoin or restrain the issuance, sale and delivery of the CFD Bonds, the levy and receipt of the Reassessments which secure the CFD Bonds, or the pledge thereof, (iii) in any way question or affect any of the rights, powers, duties or obligations of the City with respect to the moneys pledged or to be pledged to pay the principal of, premium, if any, or interest on the CFD Bonds, (iv) in any way question or affect any authority for the issuance of the CFD Bonds, or the validity or enforceability of the CFD Bonds, the Resolution or the City Documents, or (v) in any way question or affect the City Documents or the transactions contemplated by the City Documents, the Official Statement, the Resolution, the other documents referred to in the Official Statement, or any other agreement or instrument to which the City is a party relating to the CFD Bonds;

(g) The City will furnish such information, execute such instruments and take such other action in cooperation with the Authority, as the Authority may reasonably request, to qualify the Authority Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Authority may designate, and will assist, if necessary therefor, in the continuance of such qualifications in effect as long as required for the distribution of the Authority Bonds; provided, however, that the City will not be required to qualify as a foreign corporation or to file any general consents to service of process under the laws of any state;

(h) The issuance and sale of the CFD Bonds is not subject to any transfer or other documentary stamp taxes of the State of California or any political subdivision thereof;

(i) The City has never failed to comply with a continuing disclosure undertaking pursuant to Rule 15c2-12; and

(j) Any certificate signed by any official of the City authorized to do so will be deemed a representation and warranty by the City to the Authority as to the statements made therein.

10. If between the date of this Purchase Agreement and the date ninety (90) days after the Closing Date an event occurs which is materially adverse to the purpose for which the Official Statement is to be used which is not disclosed in the Official Statement, the City will notify the Authority of such fact.

11. At 9:00 a.m., Pacific Time, on the Closing Date, or at such other time or on such other date as is mutually agreed by the City and the Authority, (a) the City will deliver the CFD Bonds to the Trustee in definitive form, duly executed, together with the other documents hereinafter mentioned, (b) subject to the terms and conditions hereof, the Trustee solely from moneys held under the Authority Bond Indenture will accept such delivery and pay the purchase price of the CFD Bonds as referenced in paragraph 1 hereof by wire transfer or other funds which are good funds on the Closing Date, (c) the Trustee will deposit into the funds established under the Fiscal Agent Agreements the amounts described in the Fiscal Agent Agreements. Delivery and payment, as aforesaid, will be made at such place as will have been mutually agreed upon by the City, the Trustee and the Authority.

12. The Authority has entered into this Purchase Agreement in reliance upon the representations, warranties and agreements of the City contained herein and to be contained in the documents and instruments to be delivered on the Closing Date, and upon the performance by the City of its obligations hereunder, both as of the date hereof and as of the Closing Date. Accordingly, the Authority's obligations under this Purchase Agreement to purchase, to accept delivery of and to pay for the CFD Bonds will be subject to the performance by the City of its obligations to be performed hereunder and under such documents and instruments at or prior to the Closing Date, and will also be subject to the following conditions:

(a) The representations and warranties of the City contained herein will be true, complete and correct on the date hereof and on and as of the Closing Date, as if made on the Closing Date;

(b) On the Closing Date the Resolution and the City Documents will be in full force and effect, and will not have been amended, modified or supplemented, and the Official Statement will not have been amended, modified or supplemented, except in either case as may have been agreed to by both the Authority and the Underwriter;

(c) As of the Closing Date, all official action of the City relating to the CFD Bonds, including but not limited to the Resolution, will be in full force and effect, and there will have been taken all such actions as, in the opinion of Jones Hall, A Professional Law Corporation ("**Bond Counsel**"), will be necessary or appropriate in connection therewith, with the issuance of the Authority Bonds and the CFD Bonds, and with the transactions contemplated hereby, all as described in the Official Statement;

(d) The Authority will have the right to terminate the Authority's obligations under this Purchase Agreement to purchase, to accept delivery of and to pay for the CFD Bonds by notifying the City of its election to do so if, after the execution hereof and prior to the Closing: (i) either the marketability of the Authority Bonds or the market price of the Authority Bonds, in the opinion of the Authority, has been materially and adversely affected by any decision issued by a court of the United States (including the United States Tax Court) or of the State of California, by any ruling or regulation (final, temporary or proposed) issued by or on behalf of the Department of the Treasury of the United States, the Internal Revenue Service, or other governmental agency of the United States, or any governmental agency of the State of California, or by a tentative decision with respect to legislation reached by a committee of the House of Representatives or the Senate of the Congress of the United States, or by legislation enacted by, pending in, or favorably reported to either the House of Representatives or the Senate of the Congress of the United States or either house of the Legislature of the State of California, or formally proposed to the Congress of the United States by the President of the United States or to the Legislature of the State of California by the Governor of the State of California in an executive communication, affecting the tax status of the Authority or the City, their property or income, their bonds (including the Authority Bonds) or the interest thereon, or any tax exemption granted or authorized by the Bond Law; (ii) the United States will have become engaged in: hostilities which have resulted in a declaration of war or national emergency, or there will have occurred any other outbreak of hostilities, or a local, national or international calamity or crisis, financial or otherwise, the effect of such outbreak, calamity or crisis being such as, in the reasonable opinion of the Authority, would affect materially and adversely the ability of the Authority to market the Authority Bonds (it being agreed by the Authority that there is no outbreak, calamity or crisis of such a character as of the date hereof); (iii) there will have occurred a general suspension of trading on the New York Stock Exchange or the declaration of a general banking moratorium by the United States, New York State or California State authorities; (iv) there will have occurred a withdrawal or downgrading of any rating assigned to any securities of the City by a national municipal bond rating agency; (v) any Federal or California court, authority or regulatory body will take action materially and adversely affecting the ability of a developer to proceed with the development as contemplated by the Official Statement; (vi) an event described in paragraph 12 hereof occurs which in the opinion of the Authority requires a supplement or amendment to the Official Statement, and such supplement or amendment is not agreed to by the City; and

(e) On or prior to the Closing Date, the Authority will have received each of the following documents:

(1) All documents and opinions required to be received by the Trustee prior to the application of proceeds of the Authority Bonds to the purchase of the CFD Bonds;

(2) Opinions, in form and substance satisfactory to the City and the Authority, dated as of the Closing Date, of Bond Counsel, approving, without qualification, the validity of the CFD Bonds;

(3) A letter of Bond Counsel, dated the date of the Closing and addressed to the Authority and the Underwriter, to the effect that the opinion referred to in the preceding subparagraph (2) may be relied upon by the Authority to the same extent as if such opinion were addressed to it;

(4) A supplemental opinion, dated the date of the Closing and addressed to the Authority and the Underwriter, of Bond Counsel to the effect that this Purchase Agreement has been duly authorized, executed and delivered by, and, assuming due authorization, execution and delivery by the Authority, constitutes a legal, valid and binding agreement of the City enforceable in accordance with its terms, except as such enforceability may be limited by the application of equitable principles if equitable remedies are sought, and that the statements contained in the Official Statement (including the cover page and the Appendices thereto), insofar as such statements purport to summarize certain provisions of the CFD Bonds, the City Documents or the Resolution, accurately summarize the information presented therein;

(5) A certificate dated the Closing Date, addressed to the Authority and the Underwriter, signed by a City official having knowledge of the facts to the effect that:

(i) The representations and warranties of the City contained herein are true and correct in all material respects on and as of the Closing Date as if made on the Closing Date;

(ii) Except as described in the Official Statement, there is no action, suit, proceeding or investigation before or by any court, public board or body pending or threatened, wherein an unfavorable decision, ruling or finding would: (A) affect the creation, organization, existence or powers of the City, or the titles of its members and officers to their respective offices, (B) enjoin or restrain the issuance, sale and delivery of the CFD Bonds, the levy or collection of the Special Taxes or any other moneys or property pledged or to be pledged under the Resolution or the Fiscal Agent Agreements, or the pledge thereof, (C) in any way question or affect any of the rights, powers, duties or obligations of the City with respect to the moneys and assets pledged or to be pledged to pay the principal of, premium, if any, or interest on the CFD Bonds, (D) in any way question or affect any authority for the issuance of the CFD Bonds, or the validity or enforceability of the CFD Bonds, the Resolution or the City Documents, or (E) in any way question or affect this Purchase Agreement or the transactions contemplated by the City Documents, the Resolution, the Official Statement or the documents referred to in the Official Statement;

(iii) The City has complied with all agreements, covenants and arrangements, and satisfied all conditions, on its part to be complied with or satisfied on or prior to the Closing Date; and

(iv) To the best of its knowledge, no event affecting the City has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purposes for which it is necessary to disclose therein in order to make the statements not misleading in any respect;

(6) An opinion, dated the date of Closing and addressed to the Authority and the Underwriter, of the City Attorney, to the effect that (A) the City Documents have been duly authorized, executed and delivered by, and, assuming due authorization, execution and delivery, constitute the legal, valid and binding agreement of the City enforceable in accordance with their terms, except as such enforceability may be limited by the application of equitable principles if equitable remedies are sought, (B) the Resolution has been duly adopted, is in full force and effect and has not been modified, amended or rescinded, and (C) except as described in the Official Statement, there is no action, suit, proceeding or investigation before or by any court, public board or body pending or threatened, wherein an unfavorable decision, ruling or finding would: (i) affect the creation, organization, existence or powers of the City, or the CFDs; (ii) enjoin or restrain the issuance, sale and delivery of the CFD Bonds, the receipt of any other moneys or property pledged or to be pledged under the Indentures or the pledge thereof; (iii) in any way question or affect any of the rights, powers, duties or obligations of the City with respect to the moneys and assets pledged or to be pledged to pay the principal of, premium, if any, or interest on the CFD Bonds; (iv) in any way question or affect any authority for the issuance of the CFD Bonds, or the validity or enforceability of the CFD Bonds, the Resolution or the CFD Documents; (v) in any way question or affect this Purchase Agreement or the transactions contemplated by the City Documents, the Official Statement or the documents referred to in the Official Statement and (vi) the statements in the Official Statements relating to the City are true and accurate;

(7) Such additional legal opinions, certificates, instruments and documents as the Authority may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the Closing Date, of the City's representations and warranties contained herein and of the statements and information contained in the Official Statement; and

(8) Executed copies of the Fiscal Agent Agreements.

(9) The Resolution, certified by authorized officers as a true copy and/or as having been adopted or executed (as applicable), with only such amendments, modifications or supplements as may have been agreed to by the Authority and the Underwriter.

All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Purchase Agreement will be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Authority, but the approval of the Authority will not be unreasonably withheld. Receipt of, and payment for, the CFD Bonds will constitute evidence of the satisfactory nature of such as to the Authority. The performance of any and all obligations of the City hereunder and the performance of any and all conditions contained herein for the benefit of the Authority may be waived by the Authority in its sole discretion.

If the City will be unable to satisfy the conditions to the obligations of the Authority to purchase, accept delivery of and pay for the CFD Bonds contained in this Purchase Agreement, or if the obligations of the Authority to purchase, accept delivery of and pay for the CFD Bonds will be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement will terminate, and neither the Authority nor the City will be under further obligation hereunder, except that the respective obligations of the City and the Authority set forth in paragraphs 15 and 16 hereof will continue in full force and effect.

14. The Authority and the City will determine which portion of expenses incurred in connection with issuance of the Authority Bonds and the CFD Bonds will be paid by each respective entity, in such proportion as is in compliance with all applicable laws.

15. To the extent permitted by law, the City will indemnify and hold harmless the Authority and the Trustee, and their respective officers, directors, employees and agents, against any and all losses, claims, damages, liabilities, costs and expenses (including without limitation fees and disbursements of counsel and other expenses) incurred by them or any of them in connection with investigating or defending any loss, claim, damages, liability or any suit, action or proceeding, joint or several, to which they or any of them may become subject under the laws of the State of California or under federal tax law, insofar as such losses, claims, damages, liabilities, costs and expenses (or any suit, action or proceeding in respect thereof) arise out of or are based upon the issuance and sale of the CFD Bonds or any untrue statement or alleged untrue statement of a material fact contained in the Official Statement or in any amendment or supplement thereto, or any omission or alleged omission to state therein a material fact relating to the City, the CFDs or the CFD Bonds which is required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. This indemnity agreement will be in addition to any liability which the City or the CFDs may otherwise have.

16. This Purchase Agreement is made solely for the benefit of the City and the Authority (including their successors and assigns), and no other person will acquire or have any right hereunder or by virtue hereof. All of the City's representations, warranties and agreements contained in this Purchase Agreement will remain operative and in full force and effect regardless of: (i) any investigations made by or on behalf of the Authority or (ii) delivery of and payment for the CFD Bonds pursuant to this Purchase Agreement. The agreements contained in this paragraph and in paragraph 15 will survive any termination of this Purchase Agreement.

17. This Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered will be an original, but all such counterparts will together constitute but one and the same instrument.

18. In case any one or more of the provisions contained herein will for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provision hereof.

19. The validity, interpretation and performance of this Purchase Agreement will be governed by the laws of the State of California.



IN WITNESS WHEREOF, the Authority and the City have caused this Purchase Agreement to be executed by their duly authorized officers all as of the date first above written.

ELK GROVE FINANCE AUTHORITY

By \_\_\_\_\_  
Treasurer

CITY OF ELK GROVE, for and on behalf of EAST FRANKLIN COMMUNITY FACILITIES  
DISTRICT 2002- 1 AND COMMUNITY FACILITIES 2003-1 (POPPY RIDGE)

By \_\_\_\_\_  
Director of Finance and Administrative Services

**EXHIBIT A**  
**Maturity Schedules**

**[\$par amount]**  
**CITY OF ELK GROVE**  
**EAST FRANKLIN COMMUNITY FACILITIES DISTRICT NO. 2002-1**  
**SPECIAL TAX BONDS, SERIES 2015**

**[\$par amount]**  
**CITY OF ELK GROVE**  
**COMMUNITY FACILITIES DISTRICT NO. 2003-1 (POPPY RIDGE)**  
**SPECIAL TAX BONDS, SERIES 2015**

**CFD BONDS PURCHASE AGREEMENT**

This CFD BONDS PURCHASE AGREEMENT (this "**Purchase Agreement**"), dated as of July \_\_, 2015, is between the Elk Grove Finance Authority (the "**Authority**"), a joint powers authority organized and existing under the laws of the State of California and the City of Elk Grove (the "**City**"), a general law city and municipal corporation organized and existing under and by virtue of the Constitution and laws of the State of California, for and on behalf of East Franklin Community Facilities District 2002- 1 and Community Facilities District 2003-1 (Poppy Ridge).

BACKGROUND:

1. The Authority is a joint exercise of powers authority duly organized and existing under the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "**Act**"), and is authorized pursuant to Article 4 of the Act (the "**Bond Law**") to borrow money for the purpose of financing the acquisition of bonds, notes and other obligations to provide financing or refinancing for public capital improvements of local agencies within the State of California.

2. The City is issuing (i) the City of Elk Grove East Franklin Community Facilities District No. 2002-1 Special Tax Bonds, Series 2015 and (ii) the City of Elk Grove Community Facilities District No. 2003-1 (Poppy Ridge) Special Tax Bonds, Series 2015 (the "**CFD Bonds**") to refund the following outstanding bonds (collectively, the "**Prior Bonds**"):

(i) \$57,960,000 City of Elk Grove East Franklin Community Facilities District No. 2002-1 Special Tax Bonds (the "**Series 2005 East Franklin Bonds**") pursuant to a Fiscal Agent Agreement, dated as of August 1, 2005, between the City and U.S. Bank National Association, as fiscal agent (the "**Prior Bonds Fiscal Agent**"); and

(ii) \$32,915,000 City of Elk Grove Community Facilities District No. 2003-1 (Poppy Ridge) Special Tax Bonds (the "**Series 2005 Poppy Ridge Bonds**") pursuant to a Fiscal Agent Agreement, dated as of August 1, 2005, between the City and the Prior Bonds Fiscal Agent; and

(iii) \$15,900,000 City of Elk Grove Community Facilities District No. 2003-1 (Poppy Ridge) Special Tax Bonds, Series 2006 (the "**Series 2006 Poppy Ridge Bonds**") pursuant to a Fiscal Agent Agreement, dated as of August 1, 2005 and a First Supplemental Fiscal Agent Agreement, dated as of May 1, 2006, between the City and the Prior Bonds Fiscal Agent.

3. The Authority has authorized the issuance of its Special Tax Revenue Bonds, Series 2015 in the aggregate principal amount of \$\_\_\_\_\_ (the "**Bonds**"), under an Indenture of Trust dated as of July 1, 2015 (the "**Authority Bond Indenture**"), by and between the Authority and U.S. Bank National Association, as trustee (the "**Trustee**"), and under the Bond Law for the purpose of providing the funds required to acquire the CFD Bonds.

4. The Authority and the City desire to enter into this CFD Bonds Purchase Agreement providing for the purchase and sale of the CFD Bonds by the City to the Authority and containing the other agreements herein set forth.

**NOW, THEREFORE**, in consideration of the mutual agreements herein contained, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Authority and the City agree as follows:

1. Upon the terms and conditions and upon the basis of the representations, warranties and agreements hereinafter set forth, the City hereby commits to sell to the Authority and does hereby sell to the Authority, and the Authority hereby commits to purchase from the City and does hereby purchase from the City with the proceeds of the Authority Bonds all of the \$\_\_\_\_\_ combined aggregate principal amount of the CFD Bonds. The CFD Bonds will bear the annual interest rates and mature at the times set forth in Exhibit A attached hereto and hereby made a part hereof. The aggregate purchase price of the CFD Bonds is set forth below and the individual purchase price of each issue of the CFD Bonds will be as set forth in Exhibit A.

2. All terms not herein defined will have the meanings given such terms in the Indenture of Trust authorizing the issuance of the Authority Bonds.

3. The City confirms that there are no substantial conditions precedent to the issuance by the City and to the sale (as provided herein) and the delivery to the Authority of the CFD Bonds.

4. The parties hereto hereby specify July \_\_, 2015, as the date of closing of the purchase of the CFD Bonds hereunder (the "**Closing Date**"). The CFD Bonds will be registered in the name of the Trustee, as assignee of the Authority. On the Closing Date, the City will issue and deliver the CFD Bonds to the Trustee upon payment by the Trustee of the purchase price of the CFD Bonds in the aggregate amount of \$\_\_\_\_\_, being the aggregate principal amount of the CFD Bonds. Said purchase price will be paid from the proceeds of sale of the Authority Bonds, and will be paid by the Trustee from the Purchase Fund established under the Authority Bond Indenture.

5. The CFD Bonds will be as described in the Official Statement dated as of the date hereof, relating to the Authority Bonds (the "**Official Statement**") and will be issued and secured under the provisions of the resolution adopted by the City on \_\_\_\_\_, 2015 (the "**Resolution**") and the Fiscal Agent Agreements with respect to each series of CFD Bonds, each dated as of July 1, 2015 (the "**Fiscal Agent Agreements**"), and each between the City and U.S. Bank National Association, as fiscal agent. The CFD Bonds and interest thereon will be payable from Special Taxes levied and collected in accordance with the Resolution and the Fiscal Agent Agreements.

6. Any action under this Purchase Agreement taken by the Authority, including payment for and acceptance of the CFD Bonds, and delivery and execution of any receipt for the CFD Bonds and any other instruments in connection with the closing on the Closing Date, will be valid and sufficient for all purposes and binding upon the Authority, provided that any such action will not impose any obligation or liability upon the Authority other than as may arise as expressly set forth in this Purchase Agreement.

7. It is a condition to the City's sale and delivery of the CFD Bonds to the Authority, and to the Authority's purchase of the CFD Bonds and the obligations of the Authority to accept delivery of and to pay for the CFD Bonds, that the entire aggregate principal amount of the CFD Bonds authorized by the Resolutions and the Fiscal Agent Agreements will be delivered by the City, and accepted and paid for by the Authority, on the Closing Date.

8. The City has furnished some, but not all, of the information contained in the Official Statement and hereby authorizes the use of that information by the Authority in connection with the public offering and sale of the Authority Bonds.

9. The City represents and warrants to the Authority that:

(a) The City is a general law city and municipal corporation organized and existing under the Constitution and laws of the State of California, and has, and on the Closing Date will have, full legal right, power and authority (i) to enter into this Purchase Agreement, the Continuing Disclosure Certificate relating to the Bonds and the CFD Bonds (the "**Continuing Disclosure Certificate**") and the Fiscal Agent Agreements (collectively, the "**City Documents**"), (ii) to adopt the Resolution, (iii) to issue, sell and deliver the CFD Bonds to the Authority as provided herein, and (iv) to carry out and consummate the transactions contemplated by the Resolution, the City Documents and the Official Statement;

(b) By all necessary official action of the City, the City has duly authorized and approved the execution and delivery of, and the performance by the City of the obligations contained in, the City Documents and as of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered, the City Documents will constitute the legally valid and binding obligations of the City enforceable in accordance with their

respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors' rights generally;

(c) The City has complied, and will at the Closing be in compliance in all respects, with the terms of the City Documents;

(d) The execution and delivery of City Documents and the CFD Bonds, the adoption of the Resolutions and compliance with the provisions of each thereof, and the carrying out and consummation of the transactions contemplated by the Official Statement, will not conflict with or constitute a breach of or a default under any applicable law or administrative regulation of the State of California or the United States, or any applicable judgment, decree, agreement or other instrument to which the City is a party or is otherwise subject;

(e) To the knowledge of the City, at the time of the City's acceptance hereof and at all times subsequent thereto up to and including the Closing Date, with respect to information describing the City, the CFDs, the City Documents and the Resolution and other resolutions relating to the CFDs, the Official Statement does not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(f) Except as described in the Official Statement, there is no action, suit, proceeding or investigation before or by any court, public board or body pending or, to the knowledge of the City, threatened, wherein an unfavorable decision, ruling or finding would: (i) affect the creation, organization, existence or powers of the City or the titles of its members and officers to their respective offices, (ii) enjoin or restrain the issuance, sale and delivery of the CFD Bonds, the levy and receipt of the Reassessments which secure the CFD Bonds, or the pledge thereof, (iii) in any way question or affect any of the rights, powers, duties or obligations of the City with respect to the moneys pledged or to be pledged to pay the principal of, premium, if any, or interest on the CFD Bonds, (iv) in any way question or affect any authority for the issuance of the CFD Bonds, or the validity or enforceability of the CFD Bonds, the Resolution or the City Documents, or (v) in any way question or affect the City Documents or the transactions contemplated by the City Documents, the Official Statement, the Resolution, the other documents referred to in the Official Statement, or any other agreement or instrument to which the City is a party relating to the CFD Bonds;

(g) The City will furnish such information, execute such instruments and take such other action in cooperation with the Authority, as the Authority may reasonably request, to qualify the Authority Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Authority may designate, and will assist, if necessary therefor, in the continuance of such qualifications in effect as long as required for the distribution of the Authority Bonds; provided, however, that the City will not be required to qualify as a foreign corporation or to file any general consents to service of process under the laws of any state;

(h) The issuance and sale of the CFD Bonds is not subject to any transfer or other documentary stamp taxes of the State of California or any political subdivision thereof;

(i) The City has never failed to comply with a continuing disclosure undertaking pursuant to Rule 15c2-12; and

(j) Any certificate signed by any official of the City authorized to do so will be deemed a representation and warranty by the City to the Authority as to the statements made therein.

10. If between the date of this Purchase Agreement and the date ninety (90) days after the Closing Date an event occurs which is materially adverse to the purpose for which the Official Statement is to be used which is not disclosed in the Official Statement, the City will notify the Authority of such fact.

11. At 9:00 a.m., Pacific Time, on the Closing Date, or at such other time or on such other date as is mutually agreed by the City and the Authority, (a) the City will deliver the CFD Bonds to the Trustee in definitive form, duly executed, together with the other documents hereinafter mentioned, (b) subject to the terms and conditions hereof, the Trustee solely from moneys held under the Authority Bond Indenture will accept such delivery and pay the purchase price of the CFD Bonds as referenced in paragraph 1 hereof by wire transfer or other funds which are good funds on the Closing Date, (c) the Trustee will deposit into the funds established under the Fiscal Agent Agreements the amounts described in the Fiscal Agent Agreements. Delivery and payment, as aforesaid, will be made at such place as will have been mutually agreed upon by the City, the Trustee and the Authority.

12. The Authority has entered into this Purchase Agreement in reliance upon the representations, warranties and agreements of the City contained herein and to be contained in the documents and instruments to be delivered on the Closing Date, and upon the performance by the City of its obligations hereunder, both as of the date hereof and as of the Closing Date. Accordingly, the Authority's obligations under this Purchase Agreement to purchase, to accept delivery of and to pay for the CFD Bonds will be subject to the performance by the City of its obligations to be performed hereunder and under such documents and instruments at or prior to the Closing Date, and will also be subject to the following conditions:

(a) The representations and warranties of the City contained herein will be true, complete and correct on the date hereof and on and as of the Closing Date, as if made on the Closing Date;

(b) On the Closing Date the Resolution and the City Documents will be in full force and effect, and will not have been amended, modified or supplemented, and the Official Statement will not have been amended, modified or supplemented, except in either case as may have been agreed to by both the Authority and the Underwriter;

(c) As of the Closing Date, all official action of the City relating to the CFD Bonds, including but not limited to the Resolution, will be in full force and effect, and there will have been taken all such actions as, in the opinion of Jones Hall, A Professional Law Corporation ("**Bond Counsel**"), will be necessary or appropriate in connection therewith, with the issuance of the Authority Bonds and the CFD Bonds, and with the transactions contemplated hereby, all as described in the Official Statement;

(d) The Authority will have the right to terminate the Authority's obligations under this Purchase Agreement to purchase, to accept delivery of and to pay for the CFD Bonds by notifying the City of its election to do so if, after the execution hereof and prior to the Closing: (i) either the marketability of the Authority Bonds or the market price of the Authority Bonds, in the opinion of the Authority, has been materially and adversely affected by any decision issued by a court of the United States (including the United States Tax Court) or of the State of California, by any ruling or regulation (final, temporary or proposed) issued by or on behalf of the Department of the Treasury of the United States, the Internal Revenue Service, or other governmental agency of the United States, or any governmental agency of the State of California, or by a tentative decision with respect to legislation reached by a committee of the House of Representatives or the Senate of the Congress of the United States, or by legislation enacted by, pending in, or favorably reported to either the House of Representatives or the Senate of the Congress of the United States or either house of the Legislature of the State of California, or formally proposed to the Congress of the United States by the President of the United States or to the Legislature of the State of California by the Governor of the State of California in an executive communication, affecting the tax status of the Authority or the City, their property or income, their bonds (including the Authority Bonds) or the interest thereon, or any tax exemption granted or authorized by the Bond Law; (ii) the United States will have become engaged in: hostilities which have resulted in a declaration of war or national emergency, or there will have occurred any other outbreak of hostilities, or a local, national or international calamity or crisis, financial or otherwise, the effect of such outbreak, calamity or crisis being such as, in the reasonable opinion of the Authority, would affect materially and adversely the ability of the Authority to market the Authority Bonds (it being agreed by the Authority that there is no outbreak, calamity or crisis of such a character as of the date hereof); (iii) there will have occurred a general suspension of trading on the New York Stock Exchange or the declaration of a general banking moratorium by the United States, New York State or California State authorities; (iv) there will have occurred a withdrawal or downgrading of any rating assigned to any securities of the City by a national municipal bond rating agency; (v) any Federal or California court, authority or regulatory body will take action materially and adversely affecting the ability of a developer to proceed with the development as contemplated by the Official Statement; (vi) an event described in paragraph 12 hereof occurs which in the opinion of the Authority requires a supplement or amendment to the Official Statement, and such supplement or amendment is not agreed to by the City; and

(e) On or prior to the Closing Date, the Authority will have received each of the following documents:

(1) All documents and opinions required to be received by the Trustee prior to the application of proceeds of the Authority Bonds to the purchase of the CFD Bonds;

(2) Opinions, in form and substance satisfactory to the City and the Authority, dated as of the Closing Date, of Bond Counsel, approving, without qualification, the validity of the CFD Bonds;

(3) A letter of Bond Counsel, dated the date of the Closing and addressed to the Authority and the Underwriter, to the effect that the opinion referred to in the preceding subparagraph (2) may be relied upon by the Authority to the same extent as if such opinion were addressed to it;

(4) A supplemental opinion, dated the date of the Closing and addressed to the Authority and the Underwriter, of Bond Counsel to the effect that this Purchase Agreement has been duly authorized, executed and delivered by, and, assuming due authorization, execution and delivery by the Authority, constitutes a legal, valid and binding agreement of the City enforceable in accordance with its terms, except as such enforceability may be limited by the application of equitable principles if equitable remedies are sought, and that the statements contained in the Official Statement (including the cover page and the Appendices thereto), insofar as such statements purport to summarize certain provisions of the CFD Bonds, the City Documents or the Resolution, accurately summarize the information presented therein;

(5) A certificate dated the Closing Date, addressed to the Authority and the Underwriter, signed by a City official having knowledge of the facts to the effect that:

(i) The representations and warranties of the City contained herein are true and correct in all material respects on and as of the Closing Date as if made on the Closing Date;

(ii) Except as described in the Official Statement, there is no action, suit, proceeding or investigation before or by any court, public board or body pending or threatened, wherein an unfavorable decision, ruling or finding would: (A) affect the creation, organization, existence or powers of the City, or the titles of its members and officers to their respective offices, (B) enjoin or restrain the issuance, sale and delivery of the CFD Bonds, the levy or collection of the Special Taxes or any other moneys or property pledged or to be pledged under the Resolution or the Fiscal Agent Agreements, or the pledge thereof, (C) in any way question or affect any of the rights, powers, duties or obligations of the City with respect to the moneys and assets pledged or to be pledged to pay the principal of, premium, if any, or interest on the CFD Bonds, (D) in any way question or affect any authority for the issuance of the CFD Bonds, or the validity or enforceability of the CFD Bonds, the Resolution or the City Documents, or (E) in any way question or affect this Purchase Agreement or the transactions contemplated by the City Documents, the Resolution, the Official Statement or the documents referred to in the Official Statement;

(iii) The City has complied with all agreements, covenants and arrangements, and satisfied all conditions, on its part to be complied with or satisfied on or prior to the Closing Date; and

(iv) To the best of its knowledge, no event affecting the City has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purposes for which it is necessary to disclose therein in order to make the statements not misleading in any respect;

(6) An opinion, dated the date of Closing and addressed to the Authority and the Underwriter, of the City Attorney, to the effect that (A) the City Documents have been duly authorized, executed and delivered by, and, assuming due authorization, execution and delivery, constitute the legal, valid and binding agreement of the City enforceable in accordance with their terms, except as such enforceability may be limited by the application of equitable principles if equitable remedies are sought, (B) the Resolution has been duly adopted, is in full force and effect and has not been modified, amended or rescinded, and (C) except as described in the Official Statement, there is no action, suit, proceeding or investigation before or by any court, public board or body pending or threatened, wherein an unfavorable decision, ruling or finding would: (i) affect the creation, organization, existence or powers of the City, or the CFDs; (ii) enjoin or restrain the issuance, sale and delivery of the CFD Bonds, the receipt of any other moneys or property pledged or to be pledged under the Indentures or the pledge thereof; (iii) in any way question or affect any of the rights, powers, duties or obligations of the City with respect to the moneys and assets pledged or to be pledged to pay the principal of, premium, if any, or interest on the CFD Bonds; (iv) in any way question or affect any authority for the issuance of the CFD Bonds, or the validity or enforceability of the CFD Bonds, the Resolution or the CFD Documents; (v) in any way question or affect this Purchase Agreement or the transactions contemplated by the City Documents, the Official Statement or the documents referred to in the Official Statement and (vi) the statements in the Official Statements relating to the City are true and accurate;

(7) Such additional legal opinions, certificates, instruments and documents as the Authority may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the Closing Date, of the City's representations and warranties contained herein and of the statements and information contained in the Official Statement; and

(8) Executed copies of the Fiscal Agent Agreements.

(9) The Resolution, certified by authorized officers as a true copy and/or as having been adopted or executed (as applicable), with only such amendments, modifications or supplements as may have been agreed to by the Authority and the Underwriter.

All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Purchase Agreement will be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Authority, but the approval of the Authority will not be unreasonably withheld. Receipt of, and payment for, the CFD Bonds will constitute evidence of the satisfactory nature of such as to the Authority. The performance of any and all obligations of the City hereunder and the performance of any and all conditions contained herein for the benefit of the Authority may be waived by the Authority in its sole discretion.

If the City will be unable to satisfy the conditions to the obligations of the Authority to purchase, accept delivery of and pay for the CFD Bonds contained in this Purchase Agreement, or if the obligations of the Authority to purchase, accept delivery of and pay for the CFD Bonds will be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement will terminate, and neither the Authority nor the City will be under further obligation hereunder, except that the respective obligations of the City and the Authority set forth in paragraphs 15 and 16 hereof will continue in full force and effect.

14. The Authority and the City will determine which portion of expenses incurred in connection with issuance of the Authority Bonds and the CFD Bonds will be paid by each respective entity, in such proportion as is in compliance with all applicable laws.

15. To the extent permitted by law, the City will indemnify and hold harmless the Authority and the Trustee, and their respective officers, directors, employees and agents, against any and all losses, claims, damages, liabilities, costs and expenses (including without limitation fees and disbursements of counsel and other expenses) incurred by them or any of them in connection with investigating or defending any loss, claim, damages, liability or any suit, action or proceeding, joint or several, to which they or any of them may become subject under the laws of the State of California or under federal tax law, insofar as such losses, claims, damages, liabilities, costs and expenses (or any suit, action or proceeding in respect thereof) arise out of or are based upon the issuance and sale of the CFD Bonds or any untrue statement or alleged untrue statement of a material fact contained in the Official Statement or in any amendment or supplement thereto, or any omission or alleged omission to state therein a material fact relating to the City, the CFDs or the CFD Bonds which is required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. This indemnity agreement will be in addition to any liability which the City or the CFDs may otherwise have.

16. This Purchase Agreement is made solely for the benefit of the City and the Authority (including their successors and assigns), and no other person will acquire or have any right hereunder or by virtue hereof. All of the City's representations, warranties and agreements contained in this Purchase Agreement will remain operative and in full force and effect regardless of: (i) any investigations made by or on behalf of the Authority or (ii) delivery of and payment for the CFD Bonds pursuant to this Purchase Agreement. The agreements contained in this paragraph and in paragraph 15 will survive any termination of this Purchase Agreement.

17. This Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered will be an original, but all such counterparts will together constitute but one and the same instrument.

18. In case any one or more of the provisions contained herein will for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provision hereof.

19. The validity, interpretation and performance of this Purchase Agreement will be governed by the laws of the State of California.



IN WITNESS WHEREOF, the Authority and the City have caused this Purchase Agreement to be executed by their duly authorized officers all as of the date first above written.

ELK GROVE FINANCE AUTHORITY

By \_\_\_\_\_  
Treasurer

CITY OF ELK GROVE, for and on behalf of EAST FRANKLIN COMMUNITY FACILITIES DISTRICT 2002- 1 AND COMMUNITY FACILITIES 2003-1 (POPPY RIDGE)

By \_\_\_\_\_  
Director of Finance and Administrative Services

**EXHIBIT A**  
**Maturity Schedules**

## **ESCROW AGREEMENT**

This ESCROW AGREEMENT (this "Agreement") is made and entered into as of July \_\_, 2015, among the CITY OF ELK GROVE, a general law city organized and existing under the laws of the State of California (the "City"), the ELK GROVE FINANCE AUTHORITY, a joint powers authority organized and existing under the laws of the State of California (the "Authority") and U.S. Bank National Association, a national banking association organized and existing under the laws of the United States of America, acting as fiscal agent for the Prior CFD Bonds and trustee for the Prior Authority Bonds hereinafter referred to, and acting as escrow agent hereunder (the "Escrow Bank");

### **BACKGROUND:**

1. The City has previously issued the following series of bonds (collectively, the "Prior CFD Bonds"):

- (i) \$57,960,000 City of Elk Grove East Franklin Community Facilities District No. 2002-1 Special Tax Refunding Bonds, Series 2005 (the "Series 2005 East Franklin Bonds"); and
- (ii) \$32,915,000 City of Elk Grove Community Facilities District No. 2003-1 (Poppy Ridge) Special Tax Refunding Bonds, Series 2005 (the "Series 2005 Poppy Ridge Bonds"); and
- (iii) \$15,900,000 City of Elk Grove Community Facilities District No. 2003-1 (Poppy Ridge) Special Tax Bonds, Series 2006 (the "Series 2006 Poppy Ridge Bonds").

2. The Authority has previously issued the following bonds (collectively, the "Prior Authority Bonds") for the purpose of acquiring the Prior CFD Bonds, which were pledged as security for the Prior Authority Bonds:

- (i) \$90,875,000 Elk Grove Finance Authority Special Tax Revenue Bonds (the "2005 Authority Bonds"); and
- (ii) \$15,900,000 Elk Grove Finance Authority Special Tax Revenue Bonds, Series 2006 (the "2006 Authority Bonds").

3. The City has determined that it is in the best interests of the City at this time to provide for the refinancing of the Prior CFD Bonds and redemption of the related Prior Authority Bonds.

4. In order to provide the funds for said purpose, the City has determined to issue (i) the City of Elk Grove East Franklin Community Facilities District No. 2002-1 Special Tax Bonds, Series 2015 and (ii) the City of Elk Grove Community Facilities District No. 2003-1 (Poppy Ridge) Special Tax Bonds, Series 2015 (together, the "CFD Bonds"), each pursuant to a Fiscal Agent Agreement, dated as of July 1, 2015 (the "Fiscal Agent Agreements"), between the City and U.S. Bank National Association, as fiscal agent.

5. The Authority has determined to issue its Special Tax Revenue Bonds, Series 2015 (the "Authority Bonds") pursuant to an Indenture of Trust, dated as of July 1, 2015 (the "Indenture"), between the Authority and U.S. Bank National Association, as trustee, and will use the proceeds to purchase the CFD Bonds.

6. The Escrow Bank acts as fiscal agent with respect to the Prior CFD Bonds and trustee with respect to the Prior Authority Bonds.

7. The City and the Escrow Bank wish to enter into this Agreement for the purpose of providing the terms and conditions relating to the deposit and application of moneys and Federal Securities to provide for the payment and prepayment of the Prior CFD Bonds, pursuant to and in accordance with the provisions of Article 6 of the Fiscal Agent Agreements, each between the Escrow Bank, acting as fiscal agent, and the City, under which the Prior CFD Bonds were executed and delivered (the "Prior Fiscal Agent Agreements") and for the redemption of the Prior Authority Bonds, pursuant to and in accordance with the provisions of Article 7 of the Trust Agreement, between the Escrow Bank, acting as trustee, and the Authority, under which the Prior Authority Bonds were executed and delivered (the "Prior Trust Agreement").

NOW, THEREFORE, in consideration of the above premises and of the mutual promises and covenants herein contained and for other valuable consideration, the parties hereto do hereby agree as follows:

**Section 1. Definition of Federal Securities.** As used herein, the term "Federal Securities" means obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including:

- (a) U.S. Treasury obligations;
- (b) All direct or fully guaranteed obligations;
- (c) Farmers Home Administration;
- (d) General Services Administration;
- (e) Guaranteed Title XI financing;
- (f) Government National Mortgage Association (GNMA); and
- (g) State and Local Government Series.

**Section 2. Appointment of Escrow Bank.** The City and the Authority hereby appoint the Escrow Bank as escrow bank for all purposes of this Agreement and in accordance with the terms and provisions of this Agreement, and the Escrow Bank hereby accepts such appointment.

**Section 3. Establishment of Escrow Fund.** There is hereby created the Escrow Fund to be held by the Escrow Bank, separate and apart from any funds or accounts of the Escrow Bank, Authority or the City, as an irrevocable escrow securing payment of principal of and interest on the Prior CFD Bonds and the Prior Authority Bonds as hereinafter set forth. The following accounts will be established within the Escrow Fund:

- (a) CFD 2002-1 Escrow Account; and
- (b) CFD 2003-1 Escrow Account.

All cash and Federal Securities in the Escrow Fund are hereby irrevocably pledged as a special fund for the payment of the Prior CFD Bonds and the Prior Authority Bonds in accordance with the provisions of the Prior Fiscal Agent Agreements and the Prior Trust Agreement. If at any time the Escrow Bank will receive actual knowledge that the cash and Federal Securities in the Escrow Fund will not be sufficient to make any payment required by Section 5 hereof, the Escrow Bank will notify the City of such fact and the City will immediately cure such deficiency from any source of legally available funds.

**Section 4. Deposit into Escrow Fund; Investment of Amounts.** Concurrently with delivery of the Authority Bonds and the purchase of the CFD Bonds as set forth in the Indenture, the City and the Authority will cause to be transferred to the Escrow Bank for deposit into the Escrow Fund the amount of \$\_\_\_\_\_ from proceeds of the Authority Bonds all in immediately available funds. Of said amount, \$\_\_\_\_\_ will be deposited in the CFD 2002-1 Escrow Account and \$\_\_\_\_\_ will be deposited in the CFD 2003-1 Escrow Account.

In addition, the Escrow Agent, in its capacity as fiscal agent for the Prior CFD Bonds and trustee for the Prior Authority Bonds, will transfer the following amounts with respect to the Prior CFD Bonds:

(a) To the CFD 2002-1 Escrow Account: from the Bond Fund for the Series 2005 East Franklin Bonds the amount of \$\_\_\_\_\_, and from the Reserve Fund for the Series 2005 East Franklin Bonds the amount of \$\_\_\_\_\_, for a total deposit to the CFD 2002-1 Escrow Account of \$\_\_\_\_\_.

(b) [To the CFD 2003-1 Escrow Account: from the Bond Fund for the Series 2005 Poppy Ridge Bonds the amount of \$\_\_\_\_\_, and from the Reserve Fund for the Series 2005 Poppy Ridge Bonds the amount of \$\_\_\_\_\_, from the Bond Fund for the Series 2006 Poppy Ridge Bonds the amount of \$\_\_\_\_\_, and from the Reserve Fund for the Series 2006 Poppy Ridge Bonds the amount of \$\_\_\_\_\_, for a total deposit to the CFD 2002-1 Escrow Account of \$\_\_\_\_\_.]

(c) To the Improvement Fund held by the City: from the Bond Fund for the Series 2005 Poppy Ridge Bonds the amount of \$\_\_\_\_\_, and from the Reserve Fund for the Series 2005 Poppy Ridge Bonds the amount of \$\_\_\_\_\_, from the Bond Fund for the Series 2006 Poppy Ridge Bonds the amount of \$\_\_\_\_\_, and from the Reserve Fund for the Series 2006 Poppy Ridge Bonds the amount of \$\_\_\_\_\_.]

With respect to the \$\_\_\_\_\_ deposited in the CFD 2002-1 Escrow Account, the Escrow Bank will: (i) invest \$\_\_\_\_\_ of the moneys deposited into the CFD 2002-1 Escrow Account in the Federal Securities described in Exhibit A hereto; and (ii) hold the remaining \$\_\_\_ in cash uninvested. With respect to the \$\_\_\_\_\_ deposited in the CFD 2003-1 Escrow Account, the Escrow Bank will: (i) invest \$\_\_\_\_\_ of the moneys deposited into the CFD 2002-1 Escrow Account in the Federal Securities described in Exhibit A hereto; and (ii) hold the remaining \$\_\_\_ in cash uninvested. The Federal Securities and cash will be deposited with and held by the Escrow Bank in the Escrow Fund solely for the uses and purposes set forth herein. The Escrow Bank will have no lien upon or right of set off against the Federal Securities and cash at any time on deposit in the Escrow Fund.

Upon receipt by the Escrow Bank of a certification of an independent certified public accountant or firm of certified public accountants that the Federal Securities and cash set forth in the preceding paragraph, together with interest to be derived therefrom, will be in an amount which will at all times be at least sufficient without reinvestment to make the payments specified in Section 5, the Federal Securities and cash will be deposited with and held by the Escrow Bank in the Escrow Fund solely for the uses and purposes set forth herein.

**Section 5. Instructions as to Application of Deposit.** The total amount of Federal Securities and cash deposited in the Escrow Fund pursuant to Section 4 will be applied by the Escrow Bank to the prepayment of the Prior CFD Bonds and the Prior Authority Bonds on the dates and in the amounts set forth on Exhibit B attached hereto. Any amounts remaining in the Escrow Fund following the full prepayment of the Prior Bonds will be transferred by the Escrow Bank to the Fiscal Agent for the Bonds, for deposit to the Bond Fund.

**Section 6. Investment of Any Remaining Moneys.** At the written direction of the City, the Escrow Bank will invest and reinvest any proceeds received from any of the Federal Securities acquired pursuant to Section 4 (the "Original Federal Securities"), and the cash originally deposited into the Escrow Fund, for a period ending not later than the date on which such proceeds or cash are required for the purposes specified in Section 5 and maturing in an amount at least equal to their purchase price, in Federal Securities; provided, however, that with respect to any such reinvestment, such written directions of the City will be accompanied by an opinion of nationally recognized bond counsel ("Bond Counsel") that investment in accordance with such directions will not affect, for Federal income tax purposes, the exemption from Federal income taxes of the interest on the Prior Bonds or with respect to the Bonds. In the event any such investment or reinvestment is required to be made in United States Treasury Securities - State and Local Government Series, the City will at its cost cause to be prepared all necessary subscription forms therefor in sufficient time to enable the Escrow Bank to acquire such securities. In the event that the City will fail to file any such written directions with the Escrow Bank concerning the reinvestment of any such proceeds, such proceeds will be held uninvested by the Escrow Bank.

**Section 7. Substitution or Withdrawal of Federal Securities.** The City may at any time direct the Escrow Bank to substitute Federal Securities for any or all of the Original Federal Securities then deposited in the Escrow Fund, or to withdraw and transfer to the City any portion of the Federal Securities then deposited in the Escrow Fund or any interest income resulting from reinvestment of moneys pursuant to Section 5 in excess of the amounts necessary for the purpose specified in Section 4 hereof, provided that any such direction and substitution or withdrawal will be accompanied by: (a) a certification of an independent certified public accountant or firm of certified public accountants of favorable national reputation experienced in the refunding of obligations of political subdivisions that the Federal Securities then to be so deposited in the Escrow Fund together with interest to be derived therefrom, or in the case of withdrawal the Federal Securities to be remaining in the Escrow Fund following such withdrawal together with the interest to be derived therefrom and any other amounts in Escrow Fund, will be in an amount at all times at least sufficient without reinvestment to make the payments specified in Section 4; and (b) an opinion of Bond Counsel that the substitution or withdrawal will not affect, for Federal income tax purposes, the exclusion from gross income for federal income tax purposes of the interest on the Prior Bonds or with respect to the Bonds.

**Section 8. Application of Prior Funds.** On the date of original delivery of the CFD Bonds, the Escrow Bank will withdraw from the funds established pursuant to the Prior Fiscal Agent Agreements and transfer to the Escrow Fund the amounts set forth in Section 4. Following the full prepayment of the Prior CFD Bonds and the Prior Authority Bonds, the

Escrow Agent will transfer any amounts remaining in any funds under the Prior Fiscal Agent Agreements to the City for transfer to the Fiscal Agent for the CFD Bonds and any amounts remaining in any funds under the Prior Indenture to the Authority for transfer to the Trustee for the Authority Bonds.

**Section 9. Election to Redeem; Notices.** The City hereby irrevocably elects to redeem the Series 2005 East Franklin Bonds and the Series 2005 Poppy Ridge Bonds on September 1, 2015, and the Series 2006 Poppy Ridge Bonds [on September 1, 2016], all in accordance with the provisions of the Prior Fiscal Agent Agreements. The Authority hereby irrevocably elects to redeem the 2005 Authority Bonds on September 1, 2015, and the 2006 Authority Bonds [on September 1, 2016], all in accordance with the provisions of the Indenture.

The Escrow Agent is hereby directed to give notice of redemption of the 2005 Authority Bonds and the 2006 Authority Bonds, in its capacity as Prior Trustee for the Prior Authority Bonds, in accordance with the Indenture, at the expense of the Authority. In addition, the Escrow Bank is directed to give a Notice of Defeasance of the 2005 Authority Bonds and the 2006 Authority Bonds on the issuance date of the Authority Bonds, to the Municipal Securities Rulemaking Board Electronic Municipal Market Access (EMMA) system accessible at the [emma.msrb.org](http://emma.msrb.org) website.

**Section 10. Application of Certain Terms of Prior Agreements.** All of the terms of the Prior Fiscal Agent Agreements relating to the making of payments of principal of and interest on the Prior CFD Bonds are incorporated in this Agreement as if set forth in full herein. All of the terms of the Prior Trust Agreement relating to the making of payments of principal of and interest on the Prior Authority Bonds are incorporated in this Agreement as if set forth in full herein.

**Section 11. Compensation to Escrow Bank.** From proceeds of the CFD Bonds or the Special Taxes, the City will pay the Escrow Bank full compensation for its duties under this Agreement, including out-of-pocket costs such as publication costs, prepayment expenses, legal fees and other costs and expenses relating hereto and, in addition, all fees, costs and expenses relating to the purchase of any Federal Securities after the date hereof. Under no circumstances will amounts deposited in or credited to the Escrow Fund be deemed to be available for said purposes.

**Section 12. Immunities and Liabilities of Escrow Bank.**

(i) The Escrow Bank undertakes to perform only such duties as are expressly and specifically set forth in this Agreement and no implied duties or obligations will be read into this Agreement against the Escrow Bank.

(ii) The Escrow Bank will not have any liability hereunder except to the extent of its own gross negligence or willful misconduct. The Escrow Bank will have no duty or responsibility under this Agreement in the case of any default in the performance of the covenants or agreements contained in the Prior Fiscal Agent Agreements or the Prior Trust Agreement.

(iii) The Escrow Bank may consult with counsel of its own choice (which may be counsel to the City) and the opinion of such counsel will be full and complete authorization to take or suffer in good faith any action in accordance with such opinion of counsel.

(iv) The Escrow Bank will not be responsible for any of the recitals or representations contained herein.

(v) The Escrow Bank will not be liable for the accuracy of any calculations provided as to the sufficiency of the moneys or Federal Securities deposited with it to pay the principal of, and interest, or premiums, if any, on the Prior CFD Bonds or the Prior Authority Bonds.

(vi) The Escrow Bank will not be liable for any action or omission of the City or the Authority under this Agreement, the Prior Fiscal Agent Agreements or the Prior Trust Agreement.

(vii) Whenever in the administration of this Agreement the Escrow Bank deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or willful misconduct on the part of the Escrow Bank, be deemed to be conclusively proved and established by a certificate of an authorized representative of the City or the Authority, and such certificate will, in the absence of negligence or willful misconduct on the part of the Escrow Bank, be full warrant to the Escrow Bank for any action taken or suffered by it under the provisions of this Agreement upon the faith thereof.

(viii) The Escrow Bank may conclusively rely, as to the truth and accuracy of the statements and correctness of the opinions and the calculations provided, and will be protected and indemnified, in acting, or refraining from acting, upon any written notice, instruction, request, certificate, document or opinion furnished to the Escrow Bank signed or presented by the proper party, and it need not investigate any fact or matter stated in such notice, instruction, request, certificate or opinion.

(ix) The Escrow Bank may at any time resign by giving written notice to the City of such resignation. The City will promptly appoint a successor Escrow Bank by the resignation date. Resignation of the Escrow Bank will be effective upon acceptance of appointment by a successor Escrow Bank. If the City does not promptly appoint a successor, the Escrow Bank may petition any court of competent jurisdiction for the appointment of a successor Escrow Bank, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Escrow Bank. After receiving a notice of resignation of an Escrow Bank, the City may appoint a temporary Escrow Bank to replace the resigning Escrow Bank until the City appoints a successor Escrow Bank. Any such temporary Escrow Bank so appointed by the City will immediately and without further act be superseded by the successor Escrow Bank so appointed.

(x) The City covenants to indemnify and hold harmless the Escrow Bank against any loss, liability or expense, including legal fees, in connection with the performance of any of its duties hereunder, except the Escrow Bank will not be indemnified against any loss, liability or expense resulting from its gross negligence or willful misconduct.

**Section 13. Amendment.** This Agreement may be amended by the parties hereto, (i) without the consent of the owners of the Prior Authority Bonds, but only if such amendment is made (a) to cure, correct or supplement any ambiguous or defective provision contained herein, (b) to pledge additional security to the payment of the principal, premium, if any, and interest represented by the Prior Authority Bonds, or (c) to deposit additional monies for the purposes of this Agreement, or (ii) with the consent of 100% of the owners of the Prior Authority Bonds outstanding, and only if there will have been filed with the City, the Authority and the Escrow Bank a written opinion of Bond Counsel stating that any such amendment will not materially adversely affect the interests of the owners of the Prior Authority Bonds or the Authority Bonds, and that any such amendment will not cause interest on the Prior Authority Bonds or with



respect to the Authority Bonds to become includable in the gross income of the owners thereof for federal income tax purposes.

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

**Section 15. Applicable Law.** This Agreement will be governed by and construed in accordance with the laws of the State of California.

**Section 16. Severability.** In the event any provision of this Agreement will be held invalid or unenforceable by any court of competent jurisdiction, such holding will not invalidate or render unenforceable any other provision hereof.

**IN WITNESS WHEREOF,** the parties hereto have each caused this Agreement to be executed by their duly authorized officers all as of the date first above written.

CITY OF ELK GROVE

By \_\_\_\_\_

ELK GROVE FINANCE AUTHORITY

By \_\_\_\_\_

U.S. Bank National Association, as Escrow Bank

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

**EXHIBIT A**

**SCHEDULE OF ORIGINAL FEDERAL SECURITIES**

**[To come]**

**EXHIBIT B**

**SCHEDULES OF PAYMENT AND PREPAYMENT**

**[To come]**

**CERTIFICATION**  
**ELK GROVE FINANCE AUTHORITY RESOLUTION NO. FA2015-01**

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

*I, Jason Lindgren, Secretary of the Finance Authority of the City of Elk Grove, California, do hereby certify that the foregoing resolution was duly introduced, approved, and adopted by the Board of Directors of the Elk Grove Finance Authority at a regular meeting of the Elk Grove Finance Authority held on the June 24, 2015 by the following vote:*

**AYES:**        **BOARDMEMBERS:**        *Davis, Hume, Detrick, Ly, Suen*

**NOES :**       **BOARDMEMBERS:**        *None*

**ABSTAIN :**   **BOARDMEMBERS:**        *None*

**ABSENT:**     **BOARDMEMBERS:**        *None*

  
\_\_\_\_\_  
**Jason Lindgren, Secretary**  
**Elk Grove Finance Authority**