

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

15160 JACKSON ROAD
RANCHO MURIETA, CA. 95683



SPECIAL BOARD MEETING September 5, 2014 at 2:00 p.m. District Administration Building

NOTICE IS HEREBY GIVEN that the President of the Board of Directors of the Rancho Murieta Community Services District has called a Special Meeting of the Board to be held on September 5, 2014 at 2:00 p.m., at the Rancho Murieta Community Services District Board Room at 15160 Jackson Road, Rancho Murieta.

AGENDA

1. **CALL TO ORDER, ROLL CALL** - Determination of Quorum - President Pasek **(Roll Call)** 2:00
2. **ADOPT AGENDA (Motion)** 2:05
*The running times listed on this agenda are only estimates and may be discussed earlier or later than shown. At the discretion of the Board, an item may be moved on the agenda and or taken out of order. **TIMED ITEMS** as specifically noted, such as Hearings or Formal Presentations of community-wide interest, will not be taken up earlier than listed.*
3. **COMMENTS FROM THE PUBLIC** 2:10
*For this Special Meeting, members of the public may **ONLY** comment on items specifically agendized. Members of the public wishing to address a specific agendized item are encouraged to offer their public comment during consideration of that item. With certain exceptions, the Board may not discuss or take action on items that are not on the agenda.*
If you wish to address the Board at the time of the agendized item, as a courtesy, please state your name and address, and reserve your comments to no more than 3 minutes so that others may be allowed to speak. (5 min.)
4. **CONSIDER ADOPTION OF RESOLUTION 2014-20, AMENDING RESOLUTION NO. 2014-16 CONCERNING RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX** (Discussion/Action) **(Motion) (Roll Call Vote)** (10 min.) 2:15
5. **TIMED ITEM - PUBLIC HEARING – FORMATION OF COMMUNITY FACILITIES DISTRICT NO. 2014-1 (RANCHO NORTH/MURIETA GARDENS) (CFD 2014-1), PROPOSED RATE AND METHOD OF APPORTIONMENT OF THE SPECIAL TAX FOR CFD 2014-1, AND RELATED DEBT ISSUANCE** 2:25
(Time is approximate but will not be conducted before 2:25 p.m.)
 - a. Opening remarks by Board President.
 - b. Presentation by Staff.
 - c. Opening of public hearing for public comment or protests, if any.
 - d. Board discussion/questions.
 - e. Close of public hearing.

- f. **Consider adoption of Resolution 2014-21, Formation of CFD 2014-1 (Rancho North/Murieta Gardens) (Motion) (Roll Call Vote)**
 - g. **Consider adoption of Resolution 2014-22, Calling for Special Election (Motion) (Roll Call Vote)**
 - h. Special Election/Tabulation of ballots by District Secretary.
 - i. **Consider adoption of Resolution 2014-23, Canvassing Results of Special Election (Motion) (Roll Call Vote)**
 - j. **Introduction of Ordinance 2014-03, Authorizing Levy of Special Tax (Motion to waive reading full text of Ordinance) (Motion to continue consideration of Ordinance to next regular meeting)**
6. **CONSIDER ADOPTION OF RESOLUTION 2014-24, AUTHORIZING ISSUANCE OF BONDS** (Discussion/Action) (Motion) **(Roll Call Vote)** (5 min.) 3:05
 7. **CONSIDERATION OF APPROVAL OF AGREEMENT WITH WILMINGTON TRUST, N.A., FOR FISCAL AGENT/TRUSTEE SERVICES IN CONNECTION WITH THE ISSUANCE AND SALE OF RANCHO NORTH/MURIETA GARDENS MELLO-ROOS SPECIAL TAX BONDS** (Discussion/Action) (Motion) **(Roll Call Vote)** (5 min.) 3:10
 8. **DIRECTOR COMMENTS/SUGGESTIONS** 3:15
 9. **ADJOURNMENT** (Motion) 3:20

Note: This agenda is posted pursuant to the provisions of the Government Code commencing at Section 54950. The date of this posting is September 3, 2014. Posting locations are: 1) District Office; 2) Plaza Foods; 3) Rancho Murieta Association; 4) Murieta Village Association.

MEMORANDUM

Date: September 3, 2014
To: Board of Directors
From: Joseph Blake, General Manager
Richard Shanahan, District General Counsel
Subject: Consider Adoption of Resolution 2014-20, Amending the Rate and Method of Apportionment of the Special Tax for Community Facility District 2014-1 (Rancho North/Murieta Gardens)

RECOMMENDED ACTION

Adopt Resolution 2014-20, a resolution amending the proposed rate and method of apportionment of the special tax to be levied within Community Facility District 2014-1.

BACKGROUND

On August 1, 2014, the Board adopted Resolution 2014-16 which stated the Board's intent to establish Community Facility District No. 2014-1 (Rancho North/Murieta Gardens) ("CFD 2014-1"). Resolution 2014-16 also provided, among other things, a rate, method of apportionment, and manner of collection of the special tax ("RMA") that is proposed to be levied within CFD 2014-1. This special tax is required to pay for the planned public infrastructure facilities and improvements to the District's Water Treatment Plant # 1.

Following the Board's adoption of Resolution 2014-16, District consultant Willdan Financial Services determined that certain clarifications needed to be made to the proposed method of apportionment of the special tax. District staff, with the assistance of Willdan, Youmans Consulting, EPS, and Fulbright & Jaworski LLP, have prepared a revised version of the RMA document that clarifies such method of apportionment and makes minor clean-up changes to the document. The proposed changes to the RMA have been discussed with the landowners' representatives, who agree that the proposed changes are necessary to more clearly explain the allocation of the special tax burden on properties within CFD 2014-1 once development takes place.

Resolution 2014-20 amends the RMA document adopted by the Board via Resolution 2014-16.

RESOLUTION NO. 2014-20

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE RANCHO MURIETA COMMUNITY SERVICES DISTRICT AMENDING THE RATE AND METHOD OF APPORTIONMENT OF THE SPECIAL TAX FOR COMMUNITY FACILITIES DISTRICT NO. 2014-1 (RANCHO NORTH/MURIETA GARDENS)

WHEREAS, the Board of Directors (“Board”) of the Rancho Murieta Community Services District (“District”) adopted Resolution No. 2014-16 on August 1, 2014 stating its intent to establish Community Facility District No. 2014-1 (Rancho North/Murieta Gardens) (“CFD 2014-1”) pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, commencing with Section 53311 of the California Government Code (the “Act”);

WHEREAS, Resolution No. 2014-16 also described in detail the proposed rate, method of apportionment, and manner of collection of the special tax to be levied within CFD 2014-1, which special tax is required to pay for the public infrastructure facilities and improvements to the District’s Water Treatment Plant # 1 and related costs (“Special Tax”); and

WHEREAS, certain revisions to the proposed rate, method of apportionment, and manner of collection of the Special Tax (discussion of which was attached to Resolution No. 2014-16 as Exhibit A) are needed to clarify the method of apportionment proposed to be used for the Special Tax.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE RANCHO MURIETA COMMUNITY SERVICES DISTRICT DOES HEREBY RESOLVE AS FOLLOWS:

- Section 1. The Board hereby adopts the revised schedule of the rate and method of apportionment and manner of collection of the Special Tax for CFD 2014-1 as more particularly described in Exhibit A, which is attached hereto and is incorporated herein by this reference. This new Exhibit A supersedes the schedule adopted by the Board on August 1, 2014 via Resolution No. 2014-16 (attached to that resolution as Exhibit A).
- Section 2. If any provision of this resolution or of Exhibit A is inconsistent or conflicts with a provision of any other District resolution, rule, regulation or policy, the provision of this resolution or of Exhibit A shall prevail and such inconsistent or conflicting provision of that prior resolution, rule, regulation or policy is hereby repealed.
- Section 3. This resolution shall take effect upon its adoption.

PASSED, APPROVED AND ADOPTED this 5th day of September, 2014, by the following Roll Call Vote:

Ayes:
Noes:
Abstain:
Absent:

**Gerald Pasek, President of the Board
Rancho Murieta Community Services
District**

ATTEST:

**Suzanne Lindenfeld
District Secretary**

DRAFT

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

RANCHO MURIETA COMMUNITY SERVICES DISTRICT COMMUNITY FACILITIES DISTRICT NO. 2014-1 (RANCHO NORTH/MURIETA GARDENS)

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels within Community Facilities District No. 2014-1 (CFD No. 2014-1) of the Rancho Murieta Community Services District, other than Assessor's Parcels classified as Exempt Property as defined herein, and collected each Fiscal Year commencing in Fiscal Year 2014-2015, in an amount determined by the CFD Administrator through the application of the procedures described below. All of the real property within CFD No. 2014-1, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acreage" means the land area in acres of an Assessor's Parcel as shown on the Assessor's Parcel Map or, if the land area is not shown on an Assessor's Parcel Map, the land area in acres shown on a recorded Subdivision document recorded with the County. The square footage of an Assessor's Parcel is equal to the Acreage of such parcel multiplied by 43,560.

"Act" means the Mello-Roos Communities Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2 of Title 5 of the Government Code of the State of California.

"Administrative Expenses" means the following actual or reasonably estimated expenses related to the administration of CFD No. 2014-1: the costs of determining the amount of the levy of Special Taxes, the collection of Special Taxes, including the expenses of collecting delinquencies, the payment of a proportional share of salaries and benefits of any District employees and District overhead whose duties are related to the administration of CFD No. 2014-1, costs associated with responding to public inquiries regarding CFD No. 2014-1, and any and all other costs incurred in connection with the administration of CFD No. 2014-1.

"Assessor's Parcel" means a lot or parcel within CFD No. 2014-1 shown on an Assessor's Parcel Map with an assigned assessor's parcel number.

"Assessor's Parcel Map" means an official map of the Assessor of the County designating parcels by assessor's parcel number.

"Authorized Facilities" means those facilities eligible to be funded by CFD No. 2014-1.

"Boundary Map" means a recorded map of CFD No. 2014-1 which indicates by a boundary line the extent of the territory identified to be subject to the levy of Special Taxes.

"Building Permit" means a permit issued for the construction of a Residential or Nonresidential structure.

"Calendar Year" means the period commencing January 1 of any year and ending the following December 31.

“CFD Administrator” means an official of the District, or designee thereof, responsible for determining the Special Tax Requirement, and providing for the levy and collection of the Special Taxes for CFD No. 2014-1.

“CFD No. 2014-1” means Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens) of the Rancho Murieta Community Services District established by the District under the Act to fund Authorized Facilities.

“County” means the County of Sacramento.

“Debt Service” means the total amount of bond principal, interest, and the scheduled sinking fund payments of the bonds.

“Developed Parcel” means a parcel receiving one of the following development approvals from the County:

| <u>Land Use</u> | <u>Development Approval</u> |
|------------------------------|-----------------------------|
| Single Family Parcel | Final Subdivision Map |
| Multi-Family Use Residential | Building Permit issuance |
| Nonresidential Use | Building Permit issuance |

“District” means the Rancho Murieta Community Services District.

“District Board” means the Board of Directors of the District, acting as the legislative body of CFD No. 2014-1.

“Estimated Special Tax Delinquency Amount” means an amount equal to a reasonable estimate of delinquencies expected to occur in the Fiscal Year in which Special Taxes will be levied.

“Exempt Property” means all Assessor’s Parcels within CFD No. 2014-1 that are exempt from the Special Tax pursuant to the Act or Section G herein.

“Final Map Parcel” means a Taxable Parcel designated for new development, which is part of a Final Subdivision Map. Once a parcel is classified as a Final Map Parcel, it shall remain a Final Map Parcel.

“Final Subdivision Map” means a recorded map in compliance with the Subdivision Map Act (California Government Code § 66410 et seq.).

“Fiscal Year” means the period commencing on July 1 of any year and ending the following June 30.

“Indenture” means the indenture, fiscal agent agreement, resolution or other instrument pursuant to which CFD No. 2014-1 bonds are issued, as modified, amended and/or supplemented from time to time or any instrument(s) replacing the same.

“Maximum Special Tax” means for each Assessor’s Parcel of Taxable Property, the maximum Special Tax determined in accordance with Section C, which may be levied in a given Fiscal Year on such Assessor’s Parcel.

“Maximum Special Tax Revenue” means the greatest amount of revenue that can be collected in total from a group of parcels (such as developed parcels) by levying the Maximum Special Tax.

“Maximum CFD Special Tax Revenue” means the sum of the Maximum Special Tax levied on all Taxable Parcels in the CFD in a Fiscal Year.

“Multifamily” or **“Multifamily Residential Parcel”** means any parcel designated or developed for more than one residential dwelling unit per parcel. Such uses may consist of apartments,

condominiums, townhomes, time-share units, row houses, duplexes, or triplexes.

“Nonresidential Parcel” means a Taxable Parcel with land uses other than Residential Uses.

“Original Parcel” means an Assessor’s Parcel identified and assigned a Maximum Special Tax in Table 1 of Section C.1 below.

“Outstanding Bonds” means all CFD No. 2014-1 bonds, notes or other debt instruments which are outstanding under an Indenture or other documentation of such debt.

“Property Owner Association Property” means, for each Fiscal Year, any Assessor’s Parcel that was owned by a property owner association, including any master or sub-association, as of January 1 of the prior Fiscal Year.

“Proportionately” means for Taxable Property that the ratio of the actual Special Tax levy to Maximum Special Tax is the same for all Assessor’s Parcels.

“Public Property” means all Assessor’s Parcels which, as of the January 1 preceding the Fiscal Year in which the Special Tax is being levied, are (i) owned by, dedicated to, or irrevocably offered for dedication to the federal government, the State, the County, District or any other public agency (each, a “Public Entity”), provided, however, that any property leased by a Public Entity to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified according to its use; or (ii) encumbered by an unmanned utility easement making impractical its utilization for other than the purpose set forth in the easement.

“Single-Family Parcel” means, in any Fiscal Year, all parcels in the CFD for which a Building Permit was issued or may be issued for construction of a dwelling unit designated for Residential Use other than Multifamily Residential Use.

“Special Tax” means the special tax authorized to be levied within CFD No. 2014-1 pursuant to this Rate and Method of Apportionment and the Act to fund the Special Tax Requirement.

“Special Tax Requirement” means for each Fiscal Year, the amount, as determined by the CFD Administrator, to: (i) pay Debt Service on all Outstanding Bonds due in the calendar year commencing in such Fiscal Year; (ii) pay periodic costs associated with the Outstanding Bonds, including but not limited to the costs of credit enhancements and federal rebate payments due in the Calendar Year commencing in such Fiscal Year; (iii) pay Administrative Expenses associated with Special Tax; (iv) establish or replenish any operational reserve fund; (v) pay incidental expenses related to the Authorized Facilities; (vi) fund the Estimated Special Tax Delinquency Amount; (vii) pay directly for the acquisition or construction of Authorized Facilities; and (viii) fund the shortfall, if any, in Special Tax revenues collected in the preceding Fiscal Year necessary to fund the Special Tax Requirement for such Fiscal Year where the shortfall resulting from delinquencies in the payment of Special Taxes exceeded the Estimated Special Tax Delinquency Amount.

“Subdivision” means a subdivision of property by recordation of a final map, parcel map or lot line adjustment, pursuant to the Subdivision Map Act (California Government Code Section 66140 *et seq.*); recordation of a condominium plan pursuant to California Civil Code 1352 that creates individual lots for which building permits may be issued; other actions that result in a change of Assessor’s Parcel boundaries or numbering within CFD No. 2014-1; or a combination of the foregoing.

“Successor Parcel” means an Assessor’s Parcel created by the Subdivision of one or more Original Parcels or other Successor Parcels.

“Taxable Acreage” means that area of a parcel that is determined by the Administrator to become a Taxable Parcel or Parcels upon further Subdivision. In determining the Taxable

Acreage of a Taxable Parcel, the CFD Administrator should consider the development potential of a Taxable Parcel.

“Taxable Property” or “Taxable Parcel” means a parcel that is not exempt from the Special Tax pursuant to the Act or Section G.

“Tentative Map” means a tentative subdivision map as defined by the Subdivision Map Act.

“Undeveloped Parcel” means a Taxable Parcel that is not a Developed Parcel or Final Map Parcel.

B. CLASSIFICATION OF ASSESSOR’S PARCELS

Each Fiscal Year, beginning with Fiscal Year 2014-2015, each Assessor’s Parcel shall first be classified by the CFD Administrator as an Original Parcel or a Successor Parcel. In addition, each such Fiscal Year, each Successor Parcel shall be further classified by the CFD Administrator as Taxable Property or Exempt Property. In addition, each such Fiscal Year, Taxable Property shall be further classified by the CFD Administrator as a Developed Parcel, Final Map Parcel, or Undeveloped Parcel. Commencing with Fiscal Year 2014-2015 and for each subsequent Fiscal Year, all Taxable Property shall be subject to the levy of Special Taxes pursuant to Section C below.

C. MAXIMUM SPECIAL TAX

1. Original Parcels

Each Fiscal Year commencing in Fiscal Year 2014-2015, each Assessor’s Parcel classified as an Original Parcel shall be subject to the Special Tax. The Maximum Special Tax for each Original Parcel shall be equal to the amount shown in Table 1 below.

TABLE 1
FISCAL YEAR 2014-2015
MAXIMUM SPECIAL TAX

| APN | Maximum Special Tax |
|--------------|----------------------------|
| 073-0470-004 | \$24,336 |
| 073-0470-005 | \$36,786 |
| 073-0470-006 | \$1,132 |
| 073-0180-029 | \$22,638 |
| 073-0090-062 | \$28,297 |
| 073-0790-023 | \$113,188 |
| 073-0800-003 | \$155,633 |
| 073-0800-007 | \$566 |
| 073-0800-008 | \$84,891 |
| 073-0800-009 | \$70,743 |

2. Successor Parcels

For any Fiscal Year, each Assessor's Parcel classified as a Successor Parcel shall be subject to the Special Tax. For Successor Parcels that were valid Assessor's Parcels in the previous Fiscal Year, the Maximum Special Tax for the current Fiscal Year shall be equal to the Maximum Special Tax assigned to such Assessor's Parcel in the previous Fiscal Year. For Successor Parcels that were not valid Assessor's Parcels in the previous Fiscal Year, the Maximum Special Tax shall be determined by the CFD Administrator based on the method of apportionment described in Section D below and shall apply for all future years that such Assessor's Parcel is valid and the Special Tax is applicable.

D. METHOD OF APPORTIONMENT OF SPECIAL TAX

Commencing with Fiscal Year 2014-2015 and for each following Fiscal Year, the District Board shall apportion the annual Special Tax as set forth below until the amount of Special Taxes equals the Special Tax Requirement.

First: All Original Parcels will be assigned the Maximum Special Tax shown in Table 1 of Section C above.

Second: All Successor Parcels that have been assigned a Maximum Special Tax in a previous Fiscal Year will be assigned that same Maximum Special Tax for the current Fiscal Year.

Third: Each Successor Parcel that has not been assigned a Maximum Special Tax in a previous Fiscal Year will be assigned a Maximum Special Tax by the CFD Administrator using the following apportionment formula:

- a) For each Subdivision, (i) all Original Parcels and Successor Parcels that were assigned a Maximum Special Tax in a previous Fiscal Year but are no longer valid Assessor's Parcels shall be designated "Parent Parcels" and (ii) all Successor Parcels that are within the boundaries of CFD No. 2014-1 but have not been assigned a Maximum Special Tax in a previous Fiscal Year shall be designated "Child Parcels".
- b) The ~~sum of~~ Maximum Special ~~Taxes~~Tax assigned to ~~the~~a Parent ~~Parcels~~Parcel included within the Subdivision shall be apportioned to the Child Parcels based on the following procedures:
 - (1) If the Subdivision creates Single-Family Parcels or condominiums, divide the sum of the Maximum Special ~~Taxes~~Tax assigned to the Parent ~~Parcels~~Parcel by the number Final Map Parcels in the Subdivision.
 - (2) If the Subdivision creates Multifamily Parcels or Nonresidential Parcels allocate the Maximum Special ~~Taxes~~Tax based upon each Child Parcel's proportionate Taxable Acreage of Taxable Parcels within the Subdivision. Under no circumstances shall the sum of Maximum Special Tax amounts for the Child Parcels associated with any Subdivision be less than the sum of Maximum Special Tax amounts of the Parent Parcels associated with such Subdivision (all Child Parcels shall henceforth be considered Successor Parcels). If a Tentative Map has been approved for all or portions of the Subdivision, the CFD Administrator shall use the Tentative Map to assign Taxable Acreage to Child Parcels. If the Subdivision creates Single-Family Parcels, use the procedures in the following section to assign the Maximum Special Tax to Single-Family Parcels.
 - (3) If Child Parcels are created by means other than a Subdivision allocate the Maximum

Special ~~Taxes~~Tax based upon each Child Parcel's proportionate Taxable Acreage of Taxable Parcels. The CFD Administrator shall use development records and other records of the County to determine the developable portion of a Child Parcel to determine the Taxable Acreage of such parcels.

Fourth: The Administrator will compute the Special Tax Requirement. The Administrator then will determine the tax levy for each Taxable Parcel using the following process:

- a. Compute the Special Tax Requirement using the definition of Special Tax Requirement in **Section 2**.
- b. Compute 100 percent of the Maximum Special Tax ~~Revenue~~revenue for all Developed Parcels.
- c. If the amount from **Step b** is greater than the ~~Annual Costs~~Special Tax Requirement in **Step a**, Proportionately reduce the Special Tax levy on all Developed Parcels until just equal to the Special Tax Requirement.
- ~~d. If the amount from Step b is greater than the Annual Costs in Step a, increase Proportionately the Assigned Special Tax levy for each Developed Parcel until the Special Tax revenue from the levy of the Assigned Special Tax on all Developed Parcels equals Special Tax Requirement calculated in Step a.~~
- ~~d.~~ e. If the amount from **Step b** is less than ~~Annual Costs~~the Special Tax Requirement in **Step a**, increase proportionately the Maximum Special Tax levy for each Final Map Parcel up to 100 percent of the Maximum Special Tax for each Final Map Parcel until the sum of the amount computed in ~~Section~~Step b for all Developed Parcels plus the levy of the Maximum Special Tax on Final Map Parcels equals the Special Tax Requirement.
- ~~e.~~ f. If the amounts from **Step b** for all Developed Parcels and ~~Step e~~d for all Final Map Parcels together are less than ~~Annual Costs~~the Special Tax Requirement in **Step a**, increase proportionately the Maximum Special Tax levy for each Undeveloped Parcel up to 100 percent of the Maximum Special Tax for each Undeveloped Parcel until the sum of the amounts computed in **Steps b** and ~~e~~d plus the levy of Maximum Special Tax on Undeveloped Parcels equals the Special Tax Requirement.
- ~~f.~~ g. Levy on each Taxable Parcel the amount calculated above.
- ~~g.~~ h. Prepare the ~~Tax Collection Schedule~~tax collection schedule and, unless an alternative method of collection has been selected pursuant to **Section I**, send it to the County Auditor requesting that it be placed on the general, secured property tax roll for the Fiscal Year. The Tax Collection Schedule will not be sent later than the date required by the Auditor for such inclusion.

~~The Administrator will make every effort to correctly calculate the Special Tax for each Parcel. It will be the burden of the taxpayer to correct any errors in determining which Parcels are subject to the Special Tax and their Special Tax assignments.~~

Fifth: If as a result of the allocation of the Maximum Special Tax to Child Parcels results in tax burdens that seem disproportionate to other such Child Parcels, a property owner may request that the CFD Administrator reapportion the Maximum Special Tax across other Taxable Parcels with 100-percent consent of all affected property owners.

E. PREPAYMENT OF SPECIAL TAX

1. Prepayment in Full

The obligation of the property within CFD No. 2014-1 to pay the Special Tax may be satisfied through prepayment as described herein only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of the Assessor's Parcel intending to prepay the Special Tax obligation shall provide the CFD Administrator with written notice of intent to prepay. Within 30 days of receipt of such written notice, the CFD Administrator shall notify such owner of the prepayment amount for such Assessor's Parcel. The CFD Administrator may charge such owner a reasonable fee for providing this service. Prepayment must be made not less than 30 days prior to a date that notice of redemption of CFD No. 2014-1 Outstanding Bonds from the proceeds of such prepayment may be given to the Trustee pursuant to the Indenture that is specified in the report of the Special Tax Prepayment Amount (defined below).

The Special Tax Prepayment Amount shall be calculated as summarized below (capitalized terms defined in the following paragraphs of this section):

| | |
|-------------|----------------------------------|
| | Bond Redemption Amount |
| plus (+) | Redemption Premium |
| plus (+) | Future Facilities Amount |
| plus (+) | Defeasance Amount |
| plus (+) | Administrative Fees and Expenses |
| less (-) | Reserve Fund Credit |
| less (-) | Capitalized Interest Credit |
| less (-) | Reinvestment Earnings Credit |
| equals (=): | Special Tax Prepayment Amount |

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

Paragraph No.:

1. Confirm that no Special Tax Delinquencies apply to such Assessor's Parcel.
2. Divide the Maximum Special Tax for such Assessor's Parcel by the total estimated Maximum Special Tax levy for CFD No. 2014-1 that could be levied in the current fiscal year excluding any Assessor's Parcels that have been prepaid (the "Prepayment Percentage").
3. Multiply the Prepayment Percentage by the amount of bonds that are expected to be outstanding under the Indenture after the first interest and/or principal payment date following the current Fiscal Year (the "Bond Redemption Amount").
4. Multiply the Bond Redemption Amount calculated in paragraph 3 by the applicable redemption premium (i.e. the redemption price less 100 percent), if any, on the Outstanding Bonds referenced in paragraph 3 (the "Redemption Premium").
5. Compute the "Future Facilities Costs" which is equal to \$4,136,099 minus (i) the cost of Authorized Facilities previously paid from the Improvement Fund, (ii) moneys currently on deposit in the Improvement Fund and available to pay for Authorized Facilities, and (iii) moneys currently on deposit in an escrow fund that are expected to be available to finance the costs of Authorized Facilities.
6. Multiply the Prepayment Percentage by the Future Facilities Costs computed in paragraph 5

(the “Future Facilities Amount”).

7. Add the amount (if any) needed to pay interest on the Bond Redemption Amount between the prepayment date and the redemption date to the Special Tax levied on such Assessor’s Parcel in the current Fiscal Year that has not yet been paid (the “Defeasance Amount”).
8. Determine the administrative fees and expenses associated with computation of the Special Tax Prepayment Amount and redemption of previously issued bonds (“Administrative Fees and Expenses”).
9. Determine the expected reduction in the reserve requirement (as defined in the Indenture) associated with the prepayment (the “Reserve Fund Credit”). If the amount on deposit in the reserve fund at the time of prepayment is less than the reserve requirement (as defined in the Indenture) then the Reserve Fund Credit shall equal zero.
10. If any capitalized interest for the Previously Issued Bonds will not have been expended as of the date immediately following the first interest and/or principal payment following the current Fiscal Year, that amount shall be multiplied by the Prepayment Percentage (the “Capitalized Interest Credit”).
11. Determine the amount the CFD Administrator reasonably expects to derive from the reinvestment of the Bond Redemption Amount, the Defeasance Amount and the Future Facilities Amount between the date of prepayment and the date those funds are expended (the “Reinvestment Earnings Credit”).
12. The Special Tax prepayment amount is equal to the sum of the amounts computed in paragraphs 3, 4, 6, 7 and 8 less the amounts computed in paragraphs 9, 10 and 11 (the “Special Tax Prepayment Amount”).

The Bond Redemption Amount, Redemption Premium and Defeasance Amount less the Reserve Fund Credit, Capitalized Interest Credit and Reinvestment Earnings Credit associated with those amounts shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make debt service payments. The Future Facilities Amount less the portion of the Reinvestment Earnings Credit associated with that amount shall be deposited into the Improvement Fund. The Administrative Fees and Expenses associated with the prepayment shall be retained by CFD No. 2014-1.

The Special Tax Prepayment Amount may be insufficient to redeem a full \$5,000 increment of Outstanding Bonds. In such cases, the increment above \$5,000 or integral multiple thereof will be retained in the appropriate fund established under the Indenture to be used with the next prepayment of CFD No. 2014-1 bonds or to make debt service payments.

Upon confirmation of the payment of the current Fiscal Year’s Special Tax levy associated with paragraph 7 (above), the CFD Administrator shall remove the current Fiscal Year’s Special Tax levy for such Assessor’s Parcel from the County tax rolls. For any Assessor’s Parcel that is prepaid, the County shall cause a suitable notice to be recorded in compliance with the Act to indicate that the prepayment of the Special Tax and the release of the Special Tax lien on such Assessor’s Parcel, and the obligation of such Assessor’s Parcel to pay the Special Tax shall cease.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless, at the time of such proposed prepayment, the amount of Maximum Special Taxes that may be levied on Taxable Property within CFD No. 2014-1 both prior to and after the proposed prepayment is at least equal to the sum of (i) the Administrative Expenses as defined in Section A above and (ii) 1.10 times the annual debt service on the Outstanding Bonds for each remaining Fiscal Year.

2. Prepayment in Part

The obligation of an Assessor's Parcel to pay the Special Tax may be partially prepaid as described herein, provided that a partial prepayment may only be made if there are no delinquent Special Taxes associated with such Assessor's Parcel at the time of partial prepayment. The full Special Tax Prepayment Amount shall be calculated as described in Section E.1 above, then the partial prepayment amount will be determined by using the following formula:

$$PP = [(PE - A) \times F] + A$$

These terms have the following meaning:

PP = the partial prepayment amount

PE = the Special Tax Prepayment Amount determined according to Section E.1 above

F = the percentage, expressed as a decimal, by which the owner of the Assessor's Parcel is partially prepaying the Special Tax

A = the Administrative Fees and Expenses calculated in paragraph 8 of Section E.1 above

The owner of any Assessor's Parcel who desires to make a partial prepayment shall notify the CFD Administrator of such owner's intent and the percentage of Special Tax obligation that the owner intends to prepay. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Special Tax within 30 days of the request and may charge a reasonable fee for providing this service. The CFD Administrator shall (i) distribute or cause to be distributed the funds remitted to it according to Section E.1 and (ii) indicate in the records of CFD No. 2014-1 that there has been a partial prepayment of the Special Tax.

F. TERMINATION OF SPECIAL TAX

The Special Tax shall be levied as long as necessary to meet the Special Tax Requirement for a period not to exceed fifty years commencing with Fiscal Year 2014-15, provided however that the Special Tax will cease to be levied in an earlier Fiscal Year if the CFD Administrator has determined that all required interest and principal payments on CFD No. 2014-1 bonds have been paid.

G. EXEMPTIONS

For each Subdivision that takes place within CFD No. 2014-1, for the Fiscal Year immediately following the Subdivision of such property, the CFD Administrator shall classify as Exempt Property all Public Property and Property Owner Association Property resulting from such Subdivision. If an Assessor's Parcel of Taxable Property becomes Public Property or Property Owner Association Property in its entirety, it will remain Taxable Property and must be prepaid in full in accordance with Section E.1 above prior to it being transferred to the public entity or property owner's association.

H. APPEALS

Any property owner claiming that the amount or application of the Special Tax is not correct may file a written notice of appeal with the CFD Administrator not later than twelve months after having paid the first installment of the Special Tax that is disputed. The CFD Administrator shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and rule on the appeal. If the decision of the CFD Administrator requires that the Special Tax for an Assessor's Parcel be modified or changed in favor of the property owner, a cash refund shall not be made, but an adjustment shall be made to the Special

Tax on that Assessor's Parcel in the subsequent Fiscal Year(s) to compensate for the overpayment of the Special Tax.

I. MANNER OF COLLECTION

The annual Special Taxes shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that the Special Taxes may be billed and collected at a different time or in a different manner if necessary to meet the financial obligations of CFD No. 2014-1.

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| Document 2 ID | file://H:\ClientDocs\8846\Resolutions & Policies\Rancho Murieta CSD CFD RMA FINAL (CLEAN).docx |
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RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

RANCHO MURIETA COMMUNITY SERVICES DISTRICT COMMUNITY FACILITIES DISTRICT NO. 2014-1 (RANCHO NORTH/MURIETA GARDENS)

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels within Community Facilities District No. 2014-1 (CFD No. 2014-1) of the Rancho Murieta Community Services District, other than Assessor's Parcels classified as Exempt Property as defined herein, and collected each Fiscal Year commencing in Fiscal Year 2014-2015, in an amount determined by the CFD Administrator through the application of the procedures described below. All of the real property within CFD No. 2014-1, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acreage" means the land area in acres of an Assessor's Parcel as shown on the Assessor's Parcel Map or, if the land area is not shown on an Assessor's Parcel Map, the land area in acres shown on a recorded Subdivision document recorded with the County. The square footage of an Assessor's Parcel is equal to the Acreage of such parcel multiplied by 43,560.

"Act" means the Mello-Roos Communities Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2 of Title 5 of the Government Code of the State of California.

"Administrative Expenses" means the following actual or reasonably estimated expenses related to the administration of CFD No. 2014-1: the costs of determining the amount of the levy of Special Taxes, the collection of Special Taxes, including the expenses of collecting delinquencies, the payment of a proportional share of salaries and benefits of any District employees and District overhead whose duties are related to the administration of CFD No. 2014-1, costs associated with responding to public inquiries regarding CFD No. 2014-1, and any and all other costs incurred in connection with the administration of CFD No. 2014-1.

"Assessor's Parcel" means a lot or parcel within CFD No. 2014-1 shown on an Assessor's Parcel Map with an assigned assessor's parcel number.

"Assessor's Parcel Map" means an official map of the Assessor of the County designating parcels by assessor's parcel number.

"Authorized Facilities" means those facilities eligible to be funded by CFD No. 2014-1.

"Boundary Map" means a recorded map of CFD No. 2014-1 which indicates by a boundary line the extent of the territory identified to be subject to the levy of Special Taxes.

"Building Permit" means a permit issued for the construction of a Residential or Nonresidential structure.

"Calendar Year" means the period commencing January 1 of any year and ending the following December 31.

“CFD Administrator” means an official of the District, or designee thereof, responsible for determining the Special Tax Requirement, and providing for the levy and collection of the Special Taxes for CFD No. 2014-1.

“CFD No. 2014-1” means Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens) of the Rancho Murieta Community Services District established by the District under the Act to fund Authorized Facilities.

“County” means the County of Sacramento.

“Debt Service” means the total amount of bond principal, interest, and the scheduled sinking fund payments of the bonds.

“Developed Parcel” means a parcel receiving one of the following development approvals from the County:

| <u>Land Use</u> | <u>Development Approval</u> |
|------------------------------|-----------------------------|
| Single Family Parcel | Final Subdivision Map |
| Multi-Family Use Residential | Building Permit issuance |
| Nonresidential Use | Building Permit issuance |

“District” means the Rancho Murieta Community Services District.

“District Board” means the Board of Directors of the District, acting as the legislative body of CFD No. 2014-1.

“Estimated Special Tax Delinquency Amount” means an amount equal to a reasonable estimate of delinquencies expected to occur in the Fiscal Year in which Special Taxes will be levied.

“Exempt Property” means all Assessor’s Parcels within CFD No. 2014-1 that are exempt from the Special Tax pursuant to the Act or Section G herein.

“Final Map Parcel” means a Taxable Parcel designated for new development, which is part of a Final Subdivision Map. Once a parcel is classified as a Final Map Parcel, it shall remain a Final Map Parcel.

“Final Subdivision Map” means a recorded map in compliance with the Subdivision Map Act (California Government Code § 66410 et seq.).

“Fiscal Year” means the period commencing on July 1 of any year and ending the following June 30.

“Indenture” means the indenture, fiscal agent agreement, resolution or other instrument pursuant to which CFD No. 2014-1 bonds are issued, as modified, amended and/or supplemented from time to time or any instrument(s) replacing the same.

“Maximum Special Tax” means for each Assessor’s Parcel of Taxable Property, the maximum Special Tax determined in accordance with Section C, which may be levied in a given Fiscal Year on such Assessor’s Parcel.

“Maximum Special Tax Revenue” means the greatest amount of revenue that can be collected in total from a group of parcels (such as developed parcels) by levying the Maximum Special Tax.

“Maximum CFD Special Tax Revenue” means the sum of the Maximum Special Tax levied on all Taxable Parcels in the CFD in a Fiscal Year.

“Multifamily” or **“Multifamily Residential Parcel”** means any parcel designated or

developed for more than one residential dwelling unit per parcel. Such uses may consist of apartments, condominiums, townhomes, time-share units, row houses, duplexes, or triplexes.

“Nonresidential Parcel” means a Taxable Parcel with land uses other than Residential Uses.

“Original Parcel” means an Assessor’s Parcel identified and assigned a Maximum Special Tax in Table 1 of Section C.1 below.

“Outstanding Bonds” means all CFD No. 2014-1 bonds, notes or other debt instruments which are outstanding under an Indenture or other documentation of such debt.

“Property Owner Association Property” means, for each Fiscal Year, any Assessor’s Parcel that was owned by a property owner association, including any master or sub-association, as of January 1 of the prior Fiscal Year.

“Proportionately” means for Taxable Property that the ratio of the actual Special Tax levy to Maximum Special Tax is the same for all Assessor’s Parcels.

“Public Property” means all Assessor’s Parcels which, as of the January 1 preceding the Fiscal Year in which the Special Tax is being levied, are (i) owned by, dedicated to, or irrevocably offered for dedication to the federal government, the State, the County, District or any other public agency (each, a “Public Entity”), provided, however, that any property leased by a Public Entity to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified according to its use; or (ii) encumbered by an unmanned utility easement making impractical its utilization for other than the purpose set forth in the easement.

“Single-Family Parcel” means, in any Fiscal Year, all parcels in the CFD for which a Building Permit was issued or may be issued for construction of a dwelling unit designated for Residential Use other than Multifamily Residential Use.

“Special Tax” means the special tax authorized to be levied within CFD No. 2014-1 pursuant to this Rate and Method of Apportionment and the Act to fund the Special Tax Requirement.

“Special Tax Requirement” means for each Fiscal Year, the amount, as determined by the CFD Administrator, to: (i) pay Debt Service on all Outstanding Bonds due in the calendar year commencing in such Fiscal Year; (ii) pay periodic costs associated with the Outstanding Bonds, including but not limited to the costs of credit enhancements and federal rebate payments due in the Calendar Year commencing in such Fiscal Year; (iii) pay Administrative Expenses associated with Special Tax; (iv) establish or replenish any operational reserve fund; (v) pay incidental expenses related to the Authorized Facilities; (vi) fund the Estimated Special Tax Delinquency Amount; (vii) pay directly for the acquisition or construction of Authorized Facilities; and (viii) fund the shortfall, if any, in Special Tax revenues collected in the preceding Fiscal Year necessary to fund the Special Tax Requirement for such Fiscal Year where the shortfall resulting from delinquencies in the payment of Special Taxes exceeded the Estimated Special Tax Delinquency Amount.

“Subdivision” means a subdivision of property by recordation of a final map, parcel map or lot line adjustment, pursuant to the Subdivision Map Act (California Government Code Section 66140 *et seq.*); recordation of a condominium plan pursuant to California Civil Code 1352 that creates individual lots for which building permits may be issued; other actions that result in a change of Assessor’s Parcel boundaries or numbering within CFD No. 2014-1; or a combination of the foregoing.

“Successor Parcel” means an Assessor’s Parcel created by the Subdivision of one or more Original Parcels or other Successor Parcels.

“**Taxable Acreage**” means that area of a parcel that is determined by the Administrator to become a Taxable Parcel or Parcels upon further Subdivision. In determining the Taxable Acreage of a Taxable Parcel, the CFD Administrator should consider the development potential of a Taxable Parcel.

“**Taxable Property**” or “**Taxable Parcel**” means a parcel that is not exempt from the Special Tax pursuant to the Act or Section G.

“**Tentative Map**” means a tentative subdivision map as defined by the Subdivision Map Act.

“**Undeveloped Parcel**” means a Taxable Parcel that is not a Developed Parcel or Final Map Parcel.

B. CLASSIFICATION OF ASSESSOR’S PARCELS

Each Fiscal Year, beginning with Fiscal Year 2014-2015, each Assessor’s Parcel shall first be classified by the CFD Administrator as an Original Parcel or a Successor Parcel. In addition, each such Fiscal Year, each Successor Parcel shall be further classified by the CFD Administrator as Taxable Property or Exempt Property. In addition, each such Fiscal Year, Taxable Property shall be further classified by the CFD Administrator as a Developed Parcel, Final Map Parcel, or Undeveloped Parcel. Commencing with Fiscal Year 2014-2015 and for each subsequent Fiscal Year, all Taxable Property shall be subject to the levy of Special Taxes pursuant to Section C below.

C. MAXIMUM SPECIAL TAX

1. Original Parcels

Each Fiscal Year commencing in Fiscal Year 2014-2015, each Assessor’s Parcel classified as an Original Parcel shall be subject to the Special Tax. The Maximum Special Tax for each Original Parcel shall be equal to the amount shown in Table 1 below.

TABLE 1
FISCAL YEAR 2014-2015
MAXIMUM SPECIAL TAX

| APN | Maximum Special Tax |
|--------------|----------------------------|
| 073-0470-004 | \$24,336 |
| 073-0470-005 | \$36,786 |
| 073-0470-006 | \$1,132 |
| 073-0180-029 | \$22,638 |
| 073-0090-062 | \$28,297 |
| 073-0790-023 | \$113,188 |
| 073-0800-003 | \$155,633 |
| 073-0800-007 | \$566 |
| 073-0800-008 | \$84,891 |
| 073-0800-009 | \$70,743 |

2. Successor Parcels

For any Fiscal Year, each Assessor's Parcel classified as a Successor Parcel shall be subject to the Special Tax. For Successor Parcels that were valid Assessor's Parcels in the previous Fiscal Year, the Maximum Special Tax for the current Fiscal Year shall be equal to the Maximum Special Tax assigned to such Assessor's Parcel in the previous Fiscal Year. For Successor Parcels that were not valid Assessor's Parcels in the previous Fiscal Year, the Maximum Special Tax shall be determined by the CFD Administrator based on the method of apportionment described in Section D below and shall apply for all future years that such Assessor's Parcel is valid and the Special Tax is applicable.

D. METHOD OF APPORTIONMENT OF SPECIAL TAX

Commencing with Fiscal Year 2014-2015 and for each following Fiscal Year, the District Board shall apportion the annual Special Tax as set forth below until the amount of Special Taxes equals the Special Tax Requirement.

First: All Original Parcels will be assigned the Maximum Special Tax shown in Table 1 of Section C above.

Second: All Successor Parcels that have been assigned a Maximum Special Tax in a previous Fiscal Year will be assigned that same Maximum Special Tax for the current Fiscal Year.

Third: Each Successor Parcel that has not been assigned a Maximum Special Tax in a previous Fiscal Year will be assigned a Maximum Special Tax by the CFD Administrator using the following apportionment formula:

- a) For each Subdivision, (i) all Original Parcels and Successor Parcels that were assigned a Maximum Special Tax in a previous Fiscal Year but are no longer valid Assessor's Parcels shall be designated "Parent Parcels" and (ii) all Successor Parcels that are within the boundaries of CFD No. 2014-1 but have not been assigned a Maximum Special Tax in a previous Fiscal Year shall be designated "Child Parcels".
- b) The Maximum Special Tax assigned to a Parent Parcel included within the Subdivision shall be apportioned to the Child Parcels based on the following procedures:
 - (1) If the Subdivision creates Single-Family Parcels or condominiums, divide the sum of the Maximum Special Tax assigned to the Parent Parcel by the number Final Map Parcels in the Subdivision.
 - (2) If the Subdivision creates Multifamily Parcels or Nonresidential Parcels allocate the Maximum Special Tax based upon each Child Parcel's proportionate Taxable Acreage of Taxable Parcels within the Subdivision. Under no circumstances shall the sum of Maximum Special Tax amounts for the Child Parcels associated with any Subdivision be less than the sum of Maximum Special Tax amounts of the Parent Parcels associated with such Subdivision (all Child Parcels shall henceforth be considered Successor Parcels). If a Tentative Map has been approved for all or portions of the Subdivision, the CFD Administrator shall use the Tentative Map to assign Taxable Acreage to Child Parcels. If the Subdivision creates Single-Family Parcels, use the procedures in the following section to assign the Maximum Special Tax to Single-Family Parcels.
 - (3) If Child Parcels are created by means other than a Subdivision allocate the Maximum

Special Tax based upon each Child Parcel's proportionate Taxable Acreage of Taxable Parcels. The CFD Administrator shall use development records and other records of the County to determine the developable portion of a Child Parcel to determine the Taxable Acreage of such parcels.

Fourth: The Administrator will compute the Special Tax Requirement. The Administrator then will determine the tax levy for each Taxable Parcel using the following process:

- a. Compute the Special Tax Requirement using the definition of Special Tax Requirement in **Section 2**.
- b. Compute 100 percent of the Maximum Special Tax revenue for all Developed Parcels.
- c. If the amount from **Step b** is greater than the Special Tax Requirement in **Step a**, Proportionately reduce the Special Tax levy on all Developed Parcels until just equal to the Special Tax Requirement.
- d. If the amount from **Step b** is less than the Special Tax Requirement in **Step a**, increase proportionately the Maximum Special Tax levy for each Final Map Parcel up to 100 percent of the Maximum Special Tax for each Final Map Parcel until the sum of the amount computed in **Step b** for all Developed Parcels plus the levy of the Maximum Special Tax on Final Map Parcels equals the Special Tax Requirement.
- e. If the amounts from **Step b** for all Developed Parcels and **Step d** for all Final Map Parcels together are less than the Special Tax Requirement in **Step a**, increase proportionately the Maximum Special Tax levy for each Undeveloped Parcel up to 100 percent of the Maximum Special Tax for each Undeveloped Parcel until the sum of the amounts computed in **Steps b** and **d** plus the levy of Maximum Special Tax on Undeveloped Parcels equals the Special Tax Requirement.
- f. Levy on each Taxable Parcel the amount calculated above.
- g. Prepare the tax collection schedule and, unless an alternative method of collection has been selected pursuant to **Section I**, send it to the County Auditor requesting that it be placed on the general, secured property tax roll for the Fiscal Year. The Tax Collection Schedule will not be sent later than the date required by the Auditor for such inclusion.

Fifth: If as a result of the allocation of the Maximum Special Tax to Child Parcels results in tax burdens that seem disproportionate to other such Child Parcels, a property owner may request that the CFD Administrator reapportion the Maximum Special Tax across other Taxable Parcels with 100-percent consent of all affected property owners.

E. PREPAYMENT OF SPECIAL TAX

1. Prepayment in Full

The obligation of the property within CFD No. 2014-1 to pay the Special Tax may be satisfied through prepayment as described herein only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of the Assessor's Parcel intending to prepay the Special Tax obligation shall provide the CFD Administrator with written notice of intent to prepay. Within 30 days of receipt of such written notice, the CFD Administrator shall notify such owner of the prepayment amount for such Assessor's Parcel. The CFD Administrator may charge such owner a reasonable fee for providing this service. Prepayment must be made not less than 30 days prior to a date that notice of redemption of CFD No. 2014-1 Outstanding Bonds from the

proceeds of such prepayment may be given to the Trustee pursuant to the Indenture that is specified in the report of the Special Tax Prepayment Amount (defined below).

The Special Tax Prepayment Amount shall be calculated as summarized below (capitalized terms defined in the following paragraphs of this section):

| | |
|-------------|----------------------------------|
| | Bond Redemption Amount |
| plus (+) | Redemption Premium |
| plus (+) | Future Facilities Amount |
| plus (+) | Defeasance Amount |
| plus (+) | Administrative Fees and Expenses |
| less (-) | Reserve Fund Credit |
| less (-) | Capitalized Interest Credit |
| less (-) | Reinvestment Earnings Credit |
| equals (=): | Special Tax Prepayment Amount |

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

Paragraph No.:

1. Confirm that no Special Tax Delinquencies apply to such Assessor's Parcel.
2. Divide the Maximum Special Tax for such Assessor's Parcel by the total estimated Maximum Special Tax levy for CFD No. 2014-1 that could be levied in the current fiscal year excluding any Assessor's Parcels that have been prepaid (the "Prepayment Percentage").
3. Multiply the Prepayment Percentage by the amount of bonds that are expected to be outstanding under the Indenture after the first interest and/or principal payment date following the current Fiscal Year (the "Bond Redemption Amount").
4. Multiply the Bond Redemption Amount calculated in paragraph 3 by the applicable redemption premium (i.e. the redemption price less 100 percent), if any, on the Outstanding Bonds referenced in paragraph 3 (the "Redemption Premium").
5. Compute the "Future Facilities Costs" which is equal to \$4,136,099 minus (i) the cost of Authorized Facilities previously paid from the Improvement Fund, (ii) moneys currently on deposit in the Improvement Fund and available to pay for Authorized Facilities, and (iii) moneys currently on deposit in an escrow fund that are expected to be available to finance the costs of Authorized Facilities.
6. Multiply the Prepayment Percentage by the Future Facilities Costs computed in paragraph 5 (the "Future Facilities Amount").
7. Add the amount (if any) needed to pay interest on the Bond Redemption Amount between the prepayment date and the redemption date to the Special Tax levied on such Assessor's Parcel in the current Fiscal Year that has not yet been paid (the "Defeasance Amount").
8. Determine the administrative fees and expenses associated with computation of the Special Tax Prepayment Amount and redemption of previously issued bonds ("Administrative Fees and Expenses").
9. Determine the expected reduction in the reserve requirement (as defined in the Indenture) associated with the prepayment (the "Reserve Fund Credit"). If the amount on deposit in the reserve fund at the time of prepayment is less than the reserve requirement (as defined in the Indenture) then the Reserve Fund Credit shall equal zero.

10. If any capitalized interest for the Previously Issued Bonds will not have been expended as of the date immediately following the first interest and/or principal payment following the current Fiscal Year, that amount shall be multiplied by the Prepayment Percentage (the “Capitalized Interest Credit”).
11. Determine the amount the CFD Administrator reasonably expects to derive from the reinvestment of the Bond Redemption Amount, the Defeasance Amount and the Future Facilities Amount between the date of prepayment and the date those funds are expended (the “Reinvestment Earnings Credit”).
12. The Special Tax prepayment amount is equal to the sum of the amounts computed in paragraphs 3, 4, 6, 7 and 8 less the amounts computed in paragraphs 9, 10 and 11 (the “Special Tax Prepayment Amount”).

The Bond Redemption Amount, Redemption Premium and Defeasance Amount less the Reserve Fund Credit, Capitalized Interest Credit and Reinvestment Earnings Credit associated with those amounts shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make debt service payments. The Future Facilities Amount less the portion of the Reinvestment Earnings Credit associated with that amount shall be deposited into the Improvement Fund. The Administrative Fees and Expenses associated with the prepayment shall be retained by CFD No. 2014-1.

The Special Tax Prepayment Amount may be insufficient to redeem a full \$5,000 increment of Outstanding Bonds. In such cases, the increment above \$5,000 or integral multiple thereof will be retained in the appropriate fund established under the Indenture to be used with the next prepayment of CFD No. 2014-1 bonds or to make debt service payments.

Upon confirmation of the payment of the current Fiscal Year’s Special Tax levy associated with paragraph 7 (above), the CFD Administrator shall remove the current Fiscal Year’s Special Tax levy for such Assessor’s Parcel from the County tax rolls. For any Assessor’s Parcel that is prepaid, the County shall cause a suitable notice to be recorded in compliance with the Act to indicate that the prepayment of the Special Tax and the release of the Special Tax lien on such Assessor’s Parcel, and the obligation of such Assessor’s Parcel to pay the Special Tax shall cease.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless, at the time of such proposed prepayment, the amount of Maximum Special Taxes that may be levied on Taxable Property within CFD No. 2014-1 both prior to and after the proposed prepayment is at least equal to the sum of (i) the Administrative Expenses as defined in Section A above and (ii) 1.10 times the annual debt service on the Outstanding Bonds for each remaining Fiscal Year.

2. Prepayment in Part

The obligation of an Assessor’s Parcel to pay the Special Tax may be partially prepaid as described herein, provided that a partial prepayment may only be made if there are no delinquent Special Taxes associated with such Assessor’s Parcel at the time of partial prepayment. The full Special Tax Prepayment Amount shall be calculated as described in Section E.1 above, then the partial prepayment amount will be determined by using the following formula:

$$PP = [(PE - A) \times F] + A$$

These terms have the following meaning:

PP = the partial prepayment amount

PE = the Special Tax Prepayment Amount determined according to Section E.1 above

F = the percentage, expressed as a decimal, by which the owner of the Assessor’s Parcel is

partially prepaying the Special Tax
A = the Administrative Fees and Expenses calculated in paragraph 8 of Section E.1 above

The owner of any Assessor's Parcel who desires to make a partial prepayment shall notify the CFD Administrator of such owner's intent and the percentage of Special Tax obligation that the owner intends to prepay. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Special Tax within 30 days of the request and may charge a reasonable fee for providing this service. The CFD Administrator shall (i) distribute or cause to be distributed the funds remitted to it according to Section E.1 and (ii) indicate in the records of CFD No. 2014-1 that there has been a partial prepayment of the Special Tax.

F. TERMINATION OF SPECIAL TAX

The Special Tax shall be levied as long as necessary to meet the Special Tax Requirement for a period not to exceed fifty years commencing with Fiscal Year 2014-15, provided however that the Special Tax will cease to be levied in an earlier Fiscal Year if the CFD Administrator has determined that all required interest and principal payments on CFD No. 2014-1 bonds have been paid.

G. EXEMPTIONS

For each Subdivision that takes place within CFD No. 2014-1, for the Fiscal Year immediately following the Subdivision of such property, the CFD Administrator shall classify as Exempt Property all Public Property and Property Owner Association Property resulting from such Subdivision. If an Assessor's Parcel of Taxable Property becomes Public Property or Property Owner Association Property in its entirety, it will remain Taxable Property and must be prepaid in full in accordance with Section E.1 above prior to it being transferred to the public entity or property owner's association.

H. APPEALS

Any property owner claiming that the amount or application of the Special Tax is not correct may file a written notice of appeal with the CFD Administrator not later than twelve months after having paid the first installment of the Special Tax that is disputed. The CFD Administrator shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and rule on the appeal. If the decision of the CFD Administrator requires that the Special Tax for an Assessor's Parcel be modified or changed in favor of the property owner, a cash refund shall not be made, but an adjustment shall be made to the Special Tax on that Assessor's Parcel in the subsequent Fiscal Year(s) to compensate for the overpayment of the Special Tax.

I. MANNER OF COLLECTION

The annual Special Taxes shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that the Special Taxes may be billed and collected at a different time or in a different manner if necessary to meet the financial obligations of CFD No. 2014-1.

RESOLUTION NO. 2014-21

RESOLUTION OF FORMATION OF THE BOARD OF DIRECTORS OF THE RANCHO MURIETA COMMUNITY SERVICES DISTRICT DETERMINING THE VALIDITY OF PRIOR PROCEEDINGS AND ESTABLISHING RANCHO MURIETA CSD COMMUNITY FACILITIES DISTRICT NO. 2014-1 (RANCHO NORTH/MURIETA GARDENS)

WHEREAS, the Board of Directors (the "Board") of the Rancho Murieta Community Services District (the "District") has heretofore adopted Resolution No. 2014-16 ("Resolution of Intention") stating its intention to form Rancho Murieta CSD Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens) ("CFD 2014-1") pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, commencing with Section 53311 of the California Government Code (the "Act"); and

WHEREAS, a copy of the Resolution of Intention is on file with the District Secretary and incorporated herein by reference; and

WHEREAS, pursuant to the Act and in accordance with applicable laws, this Board held a public hearing on the formation of CFD 2014-1 and the incurring of bonded indebtedness with respect to CFD 2014-1; and

WHEREAS, at said hearing all persons not exempt from the special tax desiring to be heard on all matters pertaining to the formation of CFD 2014-1 were heard and a full and fair hearing was held; and

WHEREAS, at said hearing evidence was presented to the Board on said matters before it, and this Board at the conclusion of said hearing is fully advised concerning such matters.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE RANCHO MURIETA COMMUNITY SERVICES DISTRICT DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. Pursuant to Section 53325.1(b) of the California Government Code, the Board finds and determines that the proceedings prior hereto were valid and in conformity with the requirements of the Act.

Section 2. A community facilities district to be designated "Rancho Murieta Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens)" is hereby established pursuant to the Act.

Section 3. The description and map of the boundaries of CFD 2014-1 on file in the District Secretary's office and as described in the Resolution of Intention and incorporated herein by reference shall be the boundaries of CFD 2014-1. The map of the proposed boundaries of CFD 2014-1 has been recorded in the Office of the County

Recorder of Sacramento County, California (Book 117 of Maps of Assessment and Community Facilities District at page 0012 and as Instrument No. 20140811-0003).

Section 4. The facilities proposed to be financed by CFD 2014-1 are public infrastructure facilities and other governmental facilities with an estimated useful life of five years or longer, which CFD 2014-1 is authorized by law to construct, own or operate and that are necessary to meet increased demands placed upon the District as a result of development or rehabilitation occurring within the proposed CFD 2014-1, including but not limited to improvements to the District's Water Treatment Plant #1, and related costs including designs, inspections, professional fees, connection fees and acquisition costs (the "Facilities"). Such Facilities need not be physically located within CFD 2014-1. The Facilities are more fully described in the report presented to this Board at the public hearing (the "Report").

Section 5. Except where funds are otherwise available, it is the intention of the Board to levy annually in accordance with procedures contained in the Act a special tax (the "Special Tax") within CFD 2014-1 sufficient to pay for the costs of financing the acquisition and/or construction of the Facilities, including the principal of and interest on the bonds proposed to be issued to finance the Facilities and other periodic costs, the establishment and replenishment of reserve funds, the remarketing, credit enhancement and liquidity fees, the costs of administering the levy and collection of the Special Tax and all other costs of the levy of the Special Tax and issuance of the bonds, including any foreclosure proceedings, architectural, engineering, inspection, legal, fiscal, and financial consultant fees, discount fees, interest on bonds due and payable prior to the expiration of one year from the date of completion of facilities (but not to exceed two years), election costs and all costs of issuance of the bonds, including, but not limited to, fees for bond counsel, disclosure counsel, financing consultants and printing costs, and all other administrative costs of the tax levy and bond issue. The Special Tax will be secured by recordation of a continuing lien against all non-exempt real property in CFD 2014-1. In the first year in which such a Special Tax is levied, the levy shall include a sum sufficient to repay to the District all amounts, if any, transferred to CFD 2014-1 pursuant to Section 53314 of the Act and interest thereon. The schedule of the rate and method of apportionment and manner of collection of the Special Tax is described in detail in Exhibit A attached hereto and by this reference incorporated herein. The Special Tax is based upon the cost of financing the Facilities in CFD 2014-1, the demand that

each parcel will place on the Facilities and the benefit (direct and/or indirect) received by each parcel from the Facilities.

The Special Tax is apportioned to each parcel on the foregoing basis pursuant to Section 53325.3 of the Act. In the event that a portion of the property within CFD 2014-1 shall become for any reason exempt, wholly or partially, from the levy of the Special Tax, the Board shall, on behalf of CFD 2014-1, increase the levy to the extent necessary upon the remaining property within CFD 2014-1 which is not delinquent or exempt in order to yield the required payments, subject to the maximum tax. Under no circumstances, however, shall the Special Tax levied in any fiscal year against any parcel used for private residential purposes be increased as a consequence of delinquency or default by the owner or owners of any other parcel or parcels within CFD 2014-1 by more than 10 percent above the amount that would have been levied in that fiscal year had there never been any such delinquencies or defaults. Furthermore, the maximum special tax authorized to be levied against any parcel used for private residential purposes shall not be increased over time in excess of 2 percent per year.

Section 6. Upon recordation of a Notice of Special Tax Lien pursuant to Section 3114.5 of the Streets and Highways Code, a continuing lien to secure each levy of the Special Tax shall attach to all non-exempt real property in CFD 2014-1, and the lien with respect to the Special Tax shall continue in force and effect until the Special Tax obligation is prepaid or otherwise permanently satisfied and the lien canceled in accordance with law.

Section 7. The Special Tax to be levied in CFD 2014-1 has not been precluded by protests by owners of one-half or more of the land in the territory included in CFD 2014-1 pursuant to California Government Code Section 53324.

Section 8. The Report is ordered to be kept on file with the minutes of these proceedings and open for public inspection.

Section 9. Pursuant to and in compliance with the provisions of California Government Code Section 50075.1, the Board hereby establishes the following accountability measures pertaining to the levy by CFD 2014-1 of the Special Tax:

- (a) Such Special Tax shall be levied for the specific purposes set forth herein.
- (b) The proceeds of the levy of such Special Tax shall be applied only to the specific purposes set forth herein.

- (c) CFD 2014-1 shall establish an account or accounts into which the proceeds of such Special Tax shall be deposited.
- (d) The General Manager, or his designee, acting for and on behalf of CFD 2014-1, shall annually file a report with the Board as required pursuant to California Government Code Section 50075.3.

Section 10. The General Manager, or his designee, is designated to be responsible for preparing or causing to be prepared annually a current roll of Special Tax levy obligations by assessor's parcel number and for estimating future Special Tax levies pursuant to Section 53340.1 of the California Government Code.

Section 11. The voting procedure with respect to the imposition of the Special Tax, incurring bonded indebtedness and establishing an appropriations limit of the CFD shall be by hand delivered or mailed ballot election.

Section 12. This Resolution shall take effect upon its adoption.

PASSED, APPROVED AND ADOPTED this 5th day of September, 2014, by the following Roll Call Vote:

Ayes:

Noes:

Abstain:

Absent:

Gerald Pasek, President of the Board
Rancho Murieta Community Services
District

ATTEST:

Suzanne Lindenfeld
District Secretary

EXHIBIT A

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

DRAFT



Rancho Murieta Community Services District

Community Facilities District No 2014-1
(Rancho North/Murieta Gardens)

CFD REPORT

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I. Introduction

WHEREAS, the Board of Directors of the Rancho Murieta Community Services District (hereinafter referred to as the “Board”), in the State of California, did, pursuant to the terms and provisions of Chapter 2.5 of Part 1, of Division 2, of Title 5 of the Government Code of the State of California, as amended (the “Act”), adopt a Resolution of Intention for the proposed formation of Rancho Murieta Community Services District Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens) (“CFD No. 2014-1”).

WHEREAS, this Community Facilities District Report (“Report”) is being provided to the Board and generally contains the following:

A brief description of the public facilities (the “Facilities”) which are required to adequately meet the needs of CFD No. 2014-1;

An estimate of the cost of financing such Facilities, as defined below, including incidental expenses, determination of the amount of any Special Tax, collection of any Special Tax, and all other related costs as provided for in Section 53345.3 of the Act, and including all costs associated with the creation of CFD No. 2014-1, or costs otherwise incurred by the City in order to carry out the authorized purposes of CFD No. 2014-1; and

The rate and method of apportionment of the Special Tax in sufficient detail to allow each property owner within the proposed CFD No. 2014-1 to calculate the Maximum Special Tax that may be levied against their property.

For particulars, reference is made to the Resolution of Intention, Resolution No. 2014-16 as previously approved on August 1st, 2014. All capitalized terms not defined herein are defined in the Rate and Method of Apportionment of Special Tax section of this report.

NOW THEREFORE Willdan Financial Services, the appointed responsible firm directed to prepare the Report, pursuant to the provisions of the Code, does hereby submit the following:

II. General Description & Boundaries of CFD No. 2014-1

CFD No. 2014-1 encompasses approximately 828 acres of land within the wooded hills of eastern Sacramento County, generally located east of Interstate 5, south of United States Highway 50, west of California State Highway 49, and more specifically within the boundaries of the Rancho Murieta Community Services District.

The property is expected to be developed into uses subject to a Mello-Roos special tax levy. At build-out, CFD No. 2014-1 is currently expected to consist of hotel, commercial, residential, and mixed use properties.

A description of the exterior boundaries of the territory proposed for inclusion in CFD No. 2014-1, including properties and parcels of land proposed to be subject to the levy of a Special Tax by CFD No. 2014-1, is shown on the boundary map designated as “MAP OF PROPOSED BOUNDARIES OF RANCHO MURIETA COMMUNITY SERVICES DISTRICT, COMMUNITY FACILITIES DISTRICT NO. 2014-1 (RANCHO NORTH/MURIETA GARDENS)”, which is on file in the office of the Board of Directors of the Rancho Murieta Community Services District (“RMCS D”), and was recorded with the County Recorder of the County of Sacramento on August 11, 2014 in Book 117 of Maps of Assessment and Community Facilities Districts at page 0012 and as Instrument Number 20140811-0003. A copy of the map is attached hereto as Exhibit A and hereby incorporated by reference. The boundary of CFD No. 2014-1 specifically includes the following County of Sacramento Assessor’s Parcels denoted by Assessor’s Parcel Number (“APN”):

APN

073-0470-004
073-0470-005
073-0470-006
073-0180-029
073-0090-062
073-0790-023
073-0800-003
073-0800-007
073-0800-008
073-0800-009

III. Description of Facilities

CFD No. 2014-1 is being formed to help finance public infrastructure facilities and other governmental facilities with an estimated useful life of five years or longer that are necessary to meet increased demands placed on the District as a result of development or rehabilitation occurring within CFD No. 2014-1. Improvements include, but are not limited to, CFD No. 2014-1's share of the improvements to the District's Water Treatment Plant #1 and related costs including design, construction, inspections, professional fees, connection fees and acquisition costs as more particularly described in the Rancho North Properties and Murieta Gardens Financing and Service Agreement between the CFD No. 2014-1 property owners and the District dated May 27, 2014.

IV. Cost Estimates and Maximum Special Tax Rates

CFD No. 2014-1's share of the construction and incidental costs of the Facilities are estimated to be approximately \$4,136,100. A private placement term bond issuance with a coupon rate of 6.5% has been used to determine the annual Special Tax Requirement that would be necessary to support the construction of these facilities and the incidental costs associated with issuing the bonds.

The scenario described above results in total annual Maximum Special Taxes of about \$538,210. To determine the special tax amount for each parcel, the \$538,210 was proportionally spread among the Original Parcels based on the anticipated number of water connections allocated to each parcel (shown in the table below).

| Original Parcel Number | Acreage | Est. # of Water Connections | 2014-15 Maximum Special Tax |
|------------------------|---------------|-----------------------------|-----------------------------|
| 073-0470-004 | 16.600 | 43 | \$24,336.00 |
| 073-0470-005 | 21.810 | 65 | \$36,786.00 |
| 073-0470-006 | 14.730 | 2 | \$1,132.00 |
| 073-0180-029 | 39.810 | 40 | \$22,638.00 |
| 073-0090-062 | 117.620 | 50 | \$28,297.00 |
| 073-0790-023 | 238.360 | 200 | \$113,188.00 |
| 073-0800-003 | 218.030 | 275 | \$155,633.00 |
| 073-0800-007 | 3.010 | 1 | \$566.00 |
| 073-0800-008 | 92.750 | 150 | \$84,891.00 |
| 073-0800-009 | <u>65.080</u> | <u>125</u> | <u>\$70,743.00</u> |
| | 827.800 | 951 | \$538,210.00 |

For Fiscal Year 2014-15, the Maximum Special Tax will be determined based on the table above. If and when these Original Parcels are subdivided into Successor Parcels in future years, the special tax amount will need to be determined based on the formula described in the Rate and Method of Apportionment and also in Section V below.

V. Rate and Method of Apportionment of Special Tax

Overview

All property located within CFD No. 2014-1, unless exempted by law or specifically by the Rate and Method of Apportionment (RMA), a copy of which is attached hereto as Exhibit B and hereby incorporated by reference, shall be taxed for the purpose of providing necessary facilities to properties within CFD No. 2014-1. Pursuant to Section 53325.3 of the Act, the tax imposed is a special tax and not a special assessment. Therefore, there is no requirement that the tax be apportioned on the basis of benefit to any property. The special tax “may be based on a benefit received by parcels of real property, the cost of making facilities or authorized services available to each parcel, or some other reasonable basis as determined by the legislative body”. The special tax may not be apportioned on an ad valorem basis pursuant to Article XIII A of the California Constitution.

General Explanation of Special Tax Apportionment

When a community facilities district is formed, a special tax may be levied on each parcel of taxable property within the CFD to pay for authorized services or to repay bonded indebtedness or other related expenses incurred by the CFD. When more than one type of land use is present within a community facilities district, various criteria may be considered when apportioning a special tax. Generally, criteria based on building square footage, lot size, density, service population, and/or land use are selected to establish categories to differentiate between parcels of property. These categories are a direct result of the landowner/developer's projected product mix, and are reflective of the proposed land use types within that community facilities district.

The major assumption inherent in the Special Tax rates set forth in the RMA is that the level of benefit received from the proposed public facilities is proportional to the number of water connections available to a given property or parcel of land. All anticipated improvements are expected to deal with water treatment capacity, and so by assigning the Maximum Special Tax rates based on number of water connections, these original tax rates are strictly benefit based. As these Original Parcels are subdivided, the RMA provides a formula for allocating the original special tax amounts to the parcels that result from the subdivision.

Structure of the Rate and Method of Apportionment

The RMA for CFD No. 2014-1 is made up of a definitions section, a description of the tax rates, and the outline of the procedural steps required for calculating and apportioning the special tax.

The first step is to classify each parcel as either an Original Parcel or a Successor Parcel. For all Original Parcels the Maximum Special Tax rate is shown in the table above (Section IV). If parcels have changed or been subdivided into Successor Parcels then additional steps need to be taken to determine the special tax amount. First, all of the Successor Parcels are classified as either Taxable Property or Exempt Property. Next, all parcels that qualify as Taxable Property are classified as Developed Parcels, Final Map Parcels, and Undeveloped Parcels, and Developed Parcels are further classified as Single Family Residential, Multi-Family Residential, and Non-Residential. The Special Tax amount of the Parent Parcel is first apportioned based on acreage to each Multi-Family Parcel, Non-Residential Parcel and Single Family Residential tract. Then, the amount allocated to each Single Family Residential tract is apportioned equally among all Single Family Residential lots.

The total Special Tax levied to pay for Facilities will not exceed the Maximum Special Tax identified in Exhibit B - Rate and Method of Apportionment, and as summarized above in Section IV.

Exhibit A – Boundary Map

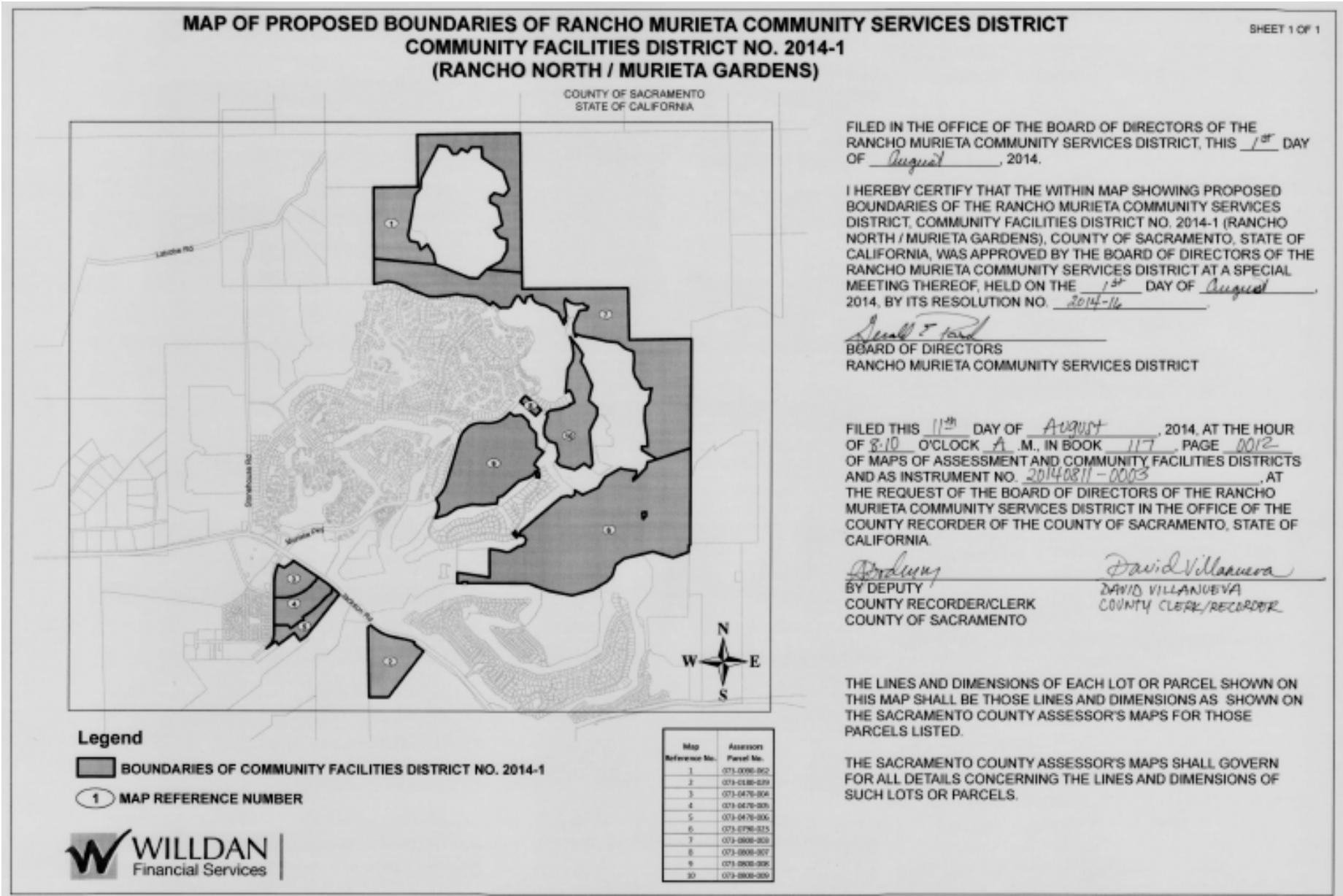


Exhibit B – Rate and Method of Apportionment

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

RANCHO MURIETA COMMUNITY SERVICES DISTRICT COMMUNITY FACILITIES DISTRICT NO. 2014-1 (RANCHO NORTH/MURIETA GARDENS)

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels within Community Facilities District No. 2014-1 (CFD No. 2014-1) of the Rancho Murieta Community Services District, other than Assessor's Parcels classified as Exempt Property as defined herein, and collected each Fiscal Year commencing in Fiscal Year 2014-2015, in an amount determined by the CFD Administrator through the application of the procedures described below. All of the real property within CFD No. 2014-1, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acreage" means the land area in acres of an Assessor's Parcel as shown on the Assessor's Parcel Map or, if the land area is not shown on an Assessor's Parcel Map, the land area in acres shown on a recorded Subdivision document recorded with the County. The square footage of an Assessor's Parcel is equal to the Acreage of such parcel multiplied by 43,560.

"Act" means the Mello-Roos Communities Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2 of Title 5 of the Government Code of the State of California.

"Administrative Expenses" means the following actual or reasonably estimated expenses related to the administration of CFD No. 2014-1: the costs of determining the amount of the levy of Special Taxes, the collection of Special Taxes, including the expenses of collecting delinquencies, the payment of a proportional share of salaries and benefits of any District employees and District overhead whose duties are related to the administration of CFD No. 2014-1, costs associated with responding to public inquiries regarding CFD No. 2014-1, and any and all other costs incurred in connection with the administration of CFD No. 2014-1.

"Assessor's Parcel" means a lot or parcel within CFD No. 2014-1 shown on an Assessor's Parcel Map with an assigned assessor's parcel number.

"Assessor's Parcel Map" means an official map of the Assessor of the County designating parcels by assessor's parcel number.

"Authorized Facilities" means those facilities eligible to be funded by CFD No. 2014-1.

"Boundary Map" means a recorded map of CFD No. 2014-1 which indicates by a boundary line the extent of the territory identified to be subject to the levy of Special Taxes.

"Building Permit" means a permit issued for the construction of a Residential or Nonresidential structure.

"Calendar Year" means the period commencing January 1 of any year and ending the following December 31.

“CFD Administrator” means an official of the District, or designee thereof, responsible for determining the Special Tax Requirement, and providing for the levy and collection of the Special Taxes for CFD No. 2014-1.

“CFD No. 2014-1” means Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens) of the Rancho Murieta Community Services District established by the District under the Act to fund Authorized Facilities.

“County” means the County of Sacramento.

“Debt Service” means the total amount of bond principal, interest, and the scheduled sinking fund payments of the bonds.

“Developed Parcel” means a parcel receiving one of the following development approvals from the County:

| <u>Land Use</u> | <u>Development Approval</u> |
|------------------------------|-----------------------------|
| Single Family Parcel | Final Subdivision Map |
| Multi-Family Use Residential | Building Permit issuance |
| Nonresidential Use | Building Permit issuance |

“District” means the Rancho Murieta Community Services District.

“District Board” means the Board of Directors of the District, acting as the legislative body of CFD No. 2014-1.

“Estimated Special Tax Delinquency Amount” means an amount equal to a reasonable estimate of delinquencies expected to occur in the Fiscal Year in which Special Taxes will be levied.

“Exempt Property” means all Assessor’s Parcels within CFD No. 2014-1 that are exempt from the Special Tax pursuant to the Act or Section G herein.

“Final Map Parcel” means a Taxable Parcel designated for new development, which is part of a Final Subdivision Map. Once a parcel is classified as a Final Map Parcel, it shall remain a Final Map Parcel.

“Final Subdivision Map” means a recorded map in compliance with the Subdivision Map Act (California Government Code § 66410 et seq.).

“Fiscal Year” means the period commencing on July 1 of any year and ending the following June 30.

“Indenture” means the indenture, fiscal agent agreement, resolution or other instrument pursuant to which CFD No. 2014-1 bonds are issued, as modified, amended and/or supplemented from time to time or any instrument(s) replacing the same.

“Maximum Special Tax” means for each Assessor’s Parcel of Taxable Property, the maximum Special Tax determined in accordance with Section C, which may be levied in a given Fiscal Year on such Assessor’s Parcel.

“Maximum Special Tax Revenue” means the greatest amount of revenue that can be collected in total from a group of parcels (such as developed parcels) by levying the Maximum Special Tax.

“Maximum CFD Special Tax Revenue” means the sum of the Maximum Special Tax levied on all Taxable Parcels in the CFD in a Fiscal Year.

“Multifamily” or **“Multifamily Residential Parcel”** means any parcel designated or

developed for more than one residential dwelling unit per parcel. Such uses may consist of apartments, condominiums, townhomes, time-share units, row houses, duplexes, or triplexes.

“Nonresidential Parcel” means a Taxable Parcel with land uses other than Residential Uses.

“Original Parcel” means an Assessor’s Parcel identified and assigned a Maximum Special Tax in Table 1 of Section C.1 below.

“Outstanding Bonds” means all CFD No. 2014-1 bonds, notes or other debt instruments which are outstanding under an Indenture or other documentation of such debt.

“Property Owner Association Property” means, for each Fiscal Year, any Assessor’s Parcel that was owned by a property owner association, including any master or sub-association, as of January 1 of the prior Fiscal Year.

“Proportionately” means for Taxable Property that the ratio of the actual Special Tax levy to Maximum Special Tax is the same for all Assessor’s Parcels.

“Public Property” means all Assessor’s Parcels which, as of the January 1 preceding the Fiscal Year in which the Special Tax is being levied, are (i) owned by, dedicated to, or irrevocably offered for dedication to the federal government, the State, the County, District or any other public agency (each, a “Public Entity”), provided, however, that any property leased by a Public Entity to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified according to its use; or (ii) encumbered by an unmanned utility easement making impractical its utilization for other than the purpose set forth in the easement.

“Single-Family Parcel” means, in any Fiscal Year, all parcels in the CFD for which a Building Permit was issued or may be issued for construction of a dwelling unit designated for Residential Use other than Multifamily Residential Use.

“Special Tax” means the special tax authorized to be levied within CFD No. 2014-1 pursuant to this Rate and Method of Apportionment and the Act to fund the Special Tax Requirement.

“Special Tax Requirement” means for each Fiscal Year, the amount, as determined by the CFD Administrator, to: (i) pay Debt Service on all Outstanding Bonds due in the calendar year commencing in such Fiscal Year; (ii) pay periodic costs associated with the Outstanding Bonds, including but not limited to the costs of credit enhancements and federal rebate payments due in the Calendar Year commencing in such Fiscal Year; (iii) pay Administrative Expenses associated with Special Tax; (iv) establish or replenish any operational reserve fund; (v) pay incidental expenses related to the Authorized Facilities; (vi) fund the Estimated Special Tax Delinquency Amount; (vii) pay directly for the acquisition or construction of Authorized Facilities; and (viii) fund the shortfall, if any, in Special Tax revenues collected in the preceding Fiscal Year necessary to fund the Special Tax Requirement for such Fiscal Year where the shortfall resulting from delinquencies in the payment of Special Taxes exceeded the Estimated Special Tax Delinquency Amount.

“Subdivision” means a subdivision of property by recordation of a final map, parcel map or lot line adjustment, pursuant to the Subdivision Map Act (California Government Code Section 66140 *et seq.*); recordation of a condominium plan pursuant to California Civil Code 1352 that creates individual lots for which building permits may be issued; other actions that result in a change of Assessor’s Parcel boundaries or numbering within CFD No. 2014-1; or a combination of the foregoing.

“Successor Parcel” means an Assessor’s Parcel created by the Subdivision of one or more Original Parcels or other Successor Parcels.

“**Taxable Acreage**” means that area of a parcel that is determined by the Administrator to become a Taxable Parcel or Parcels upon further Subdivision. In determining the Taxable Acreage of a Taxable Parcel, the CFD Administrator should consider the development potential of a Taxable Parcel.

“**Taxable Property**” or “**Taxable Parcel**” means a parcel that is not exempt from the Special Tax pursuant to the Act or Section G.

“**Tentative Map**” means a tentative subdivision map as defined by the Subdivision Map Act.

“**Undeveloped Parcel**” means a Taxable Parcel that is not a Developed Parcel or Final Map Parcel.

B. CLASSIFICATION OF ASSESSOR’S PARCELS

Each Fiscal Year, beginning with Fiscal Year 2014-2015, each Assessor’s Parcel shall first be classified by the CFD Administrator as an Original Parcel or a Successor Parcel. In addition, each such Fiscal Year, each Successor Parcel shall be further classified by the CFD Administrator as Taxable Property or Exempt Property. In addition, each such Fiscal Year, Taxable Property shall be further classified by the CFD Administrator as a Developed Parcel, Final Map Parcel, or Undeveloped Parcel. Commencing with Fiscal Year 2014-2015 and for each subsequent Fiscal Year, all Taxable Property shall be subject to the levy of Special Taxes pursuant to Section C below.

C. MAXIMUM SPECIAL TAX

1. Original Parcels

Each Fiscal Year commencing in Fiscal Year 2014-2015, each Assessor’s Parcel classified as an Original Parcel shall be subject to the Special Tax. The Maximum Special Tax for each Original Parcel shall be equal to the amount shown in Table 1 below.

TABLE 1
FISCAL YEAR 2014-2015
MAXIMUM SPECIAL TAX

| APN | Maximum Special Tax |
|--------------|----------------------------|
| 073-0470-004 | \$24,336 |
| 073-0470-005 | \$36,786 |
| 073-0470-006 | \$1,132 |
| 073-0180-029 | \$22,638 |
| 073-0090-062 | \$28,297 |
| 073-0790-023 | \$113,188 |
| 073-0800-003 | \$155,633 |
| 073-0800-007 | \$566 |
| 073-0800-008 | \$84,891 |
| 073-0800-009 | \$70,743 |

2. Successor Parcels

For any Fiscal Year, each Assessor's Parcel classified as a Successor Parcel shall be subject to the Special Tax. For Successor Parcels that were valid Assessor's Parcels in the previous Fiscal Year, the Maximum Special Tax for the current Fiscal Year shall be equal to the Maximum Special Tax assigned to such Assessor's Parcel in the previous Fiscal Year. For Successor Parcels that were not valid Assessor's Parcels in the previous Fiscal Year, the Maximum Special Tax shall be determined by the CFD Administrator based on the method of apportionment described in Section D below and shall apply for all future years that such Assessor's Parcel is valid and the Special Tax is applicable.

D. METHOD OF APPORTIONMENT OF SPECIAL TAX

Commencing with Fiscal Year 2014-2015 and for each following Fiscal Year, the District Board shall apportion the annual Special Tax as set forth below until the amount of Special Taxes equals the Special Tax Requirement.

First: All Original Parcels will be assigned the Maximum Special Tax shown in Table 1 of Section C above.

Second: All Successor Parcels that have been assigned a Maximum Special Tax in a previous Fiscal Year will be assigned that same Maximum Special Tax for the current Fiscal Year.

Third: Each Successor Parcel that has not been assigned a Maximum Special Tax in a previous Fiscal Year will be assigned a Maximum Special Tax by the CFD Administrator using the following apportionment formula:

- a) For each Subdivision, (i) all Original Parcels and Successor Parcels that were assigned a Maximum Special Tax in a previous Fiscal Year but are no longer valid Assessor's Parcels shall be designated "Parent Parcels" and (ii) all Successor Parcels that are within the boundaries of CFD No. 2014-1 but have not been assigned a Maximum Special Tax in a previous Fiscal Year shall be designated "Child Parcels".
- b) The Maximum Special Tax assigned to a Parent Parcel included within the Subdivision shall be apportioned to the Child Parcels based on the following procedures:
 - (1) If the Subdivision creates Single-Family Parcels or condominiums, divide the sum of the Maximum Special Tax assigned to the Parent Parcel by the number Final Map Parcels in the Subdivision.
 - (2) If the Subdivision creates Multifamily Parcels or Nonresidential Parcels allocate the Maximum Special Tax based upon each Child Parcel's proportionate Taxable Acreage of Taxable Parcels within the Subdivision. Under no circumstances shall the sum of Maximum Special Tax amounts for the Child Parcels associated with any Subdivision be less than the sum of Maximum Special Tax amounts of the Parent Parcels associated with such Subdivision (all Child Parcels shall henceforth be considered Successor Parcels). If a Tentative Map has been approved for all or portions of the Subdivision, the CFD Administrator shall use the Tentative Map to assign Taxable Acreage to Child Parcels. If the Subdivision creates Single-Family Parcels, use the procedures in the following section to assign the Maximum Special Tax to Single-Family Parcels.
 - (3) If Child Parcels are created by means other than a Subdivision allocate the Maximum

Special Tax based upon each Child Parcel's proportionate Taxable Acreage of Taxable Parcels. The CFD Administrator shall use development records and other records of the County to determine the developable portion of a Child Parcel to determine the Taxable Acreage of such parcels.

Fourth: The Administrator will compute the Special Tax Requirement. The Administrator then will determine the tax levy for each Taxable Parcel using the following process:

- a. Compute the Special Tax Requirement using the definition of Special Tax Requirement in **Section 2**.
- b. Compute 100 percent of the Maximum Special Tax revenue for all Developed Parcels.
- c. If the amount from **Step b** is greater than the Special Tax Requirement in **Step a**, Proportionately reduce the Special Tax levy on all Developed Parcels until just equal to the Special Tax Requirement.
- d. If the amount from **Step b** is less than the Special Tax Requirement in **Step a**, increase proportionately the Maximum Special Tax levy for each Final Map Parcel up to 100 percent of the Maximum Special Tax for each Final Map Parcel until the sum of the amount computed in **Step b** for all Developed Parcels plus the levy of the Maximum Special Tax on Final Map Parcels equals the Special Tax Requirement.
- e. If the amounts from **Step b** for all Developed Parcels and **Step d** for all Final Map Parcels together are less than the Special Tax Requirement in **Step a**, increase proportionately the Maximum Special Tax levy for each Undeveloped Parcel up to 100 percent of the Maximum Special Tax for each Undeveloped Parcel until the sum of the amounts computed in **Steps b** and **d** plus the levy of Maximum Special Tax on Undeveloped Parcels equals the Special Tax Requirement.
- f. Levy on each Taxable Parcel the amount calculated above.
- g. Prepare the tax collection schedule and, unless an alternative method of collection has been selected pursuant to **Section I**, send it to the County Auditor requesting that it be placed on the general, secured property tax roll for the Fiscal Year. The Tax Collection Schedule will not be sent later than the date required by the Auditor for such inclusion.

Fifth: If as a result of the allocation of the Maximum Special Tax to Child Parcels results in tax burdens that seem disproportionate to other such Child Parcels, a property owner may request that the CFD Administrator reapportion the Maximum Special Tax across other Taxable Parcels with 100-percent consent of all affected property owners.

E. PREPAYMENT OF SPECIAL TAX

1. Prepayment in Full

The obligation of the property within CFD No. 2014-1 to pay the Special Tax may be satisfied through prepayment as described herein only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of the Assessor's Parcel intending to prepay the Special Tax obligation shall provide the CFD Administrator with written notice of intent to prepay. Within 30 days of receipt of such written notice, the CFD Administrator shall notify such owner of the prepayment amount for such Assessor's Parcel. The CFD Administrator may charge such owner a reasonable fee for providing this service. Prepayment must be made not less than 30 days prior to a date that notice of redemption of CFD No. 2014-1 Outstanding Bonds from the

proceeds of such prepayment may be given to the Trustee pursuant to the Indenture that is specified in the report of the Special Tax Prepayment Amount (defined below).

The Special Tax Prepayment Amount shall be calculated as summarized below (capitalized terms defined in the following paragraphs of this section):

| | |
|-------------|----------------------------------|
| | Bond Redemption Amount |
| plus (+) | Redemption Premium |
| plus (+) | Future Facilities Amount |
| plus (+) | Defeasance Amount |
| plus (+) | Administrative Fees and Expenses |
| less (-) | Reserve Fund Credit |
| less (-) | Capitalized Interest Credit |
| less (-) | Reinvestment Earnings Credit |
| equals (=): | Special Tax Prepayment Amount |

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

Paragraph No.:

1. Confirm that no Special Tax Delinquencies apply to such Assessor's Parcel.
2. Divide the Maximum Special Tax for such Assessor's Parcel by the total estimated Maximum Special Tax levy for CFD No. 2014-1 that could be levied in the current fiscal year excluding any Assessor's Parcels that have been prepaid (the "Prepayment Percentage").
3. Multiply the Prepayment Percentage by the amount of bonds that are expected to be outstanding under the Indenture after the first interest and/or principal payment date following the current Fiscal Year (the "Bond Redemption Amount").
4. Multiply the Bond Redemption Amount calculated in paragraph 3 by the applicable redemption premium (i.e. the redemption price less 100 percent), if any, on the Outstanding Bonds referenced in paragraph 3 (the "Redemption Premium").
5. Compute the "Future Facilities Costs" which is equal to \$4,136,099 minus (i) the cost of Authorized Facilities previously paid from the Improvement Fund, (ii) moneys currently on deposit in the Improvement Fund and available to pay for Authorized Facilities, and (iii) moneys currently on deposit in an escrow fund that are expected to be available to finance the costs of Authorized Facilities.
6. Multiply the Prepayment Percentage by the Future Facilities Costs computed in paragraph 5 (the "Future Facilities Amount").
7. Add the amount (if any) needed to pay interest on the Bond Redemption Amount between the prepayment date and the redemption date to the Special Tax levied on such Assessor's Parcel in the current Fiscal Year that has not yet been paid (the "Defeasance Amount").
8. Determine the administrative fees and expenses associated with computation of the Special Tax Prepayment Amount and redemption of previously issued bonds ("Administrative Fees and Expenses").
9. Determine the expected reduction in the reserve requirement (as defined in the Indenture) associated with the prepayment (the "Reserve Fund Credit"). If the amount on deposit in the reserve fund at the time of prepayment is less than the reserve requirement (as defined in the Indenture) then the Reserve Fund Credit shall equal zero.

10. If any capitalized interest for the Previously Issued Bonds will not have been expended as of the date immediately following the first interest and/or principal payment following the current Fiscal Year, that amount shall be multiplied by the Prepayment Percentage (the “Capitalized Interest Credit”).
11. Determine the amount the CFD Administrator reasonably expects to derive from the reinvestment of the Bond Redemption Amount, the Defeasance Amount and the Future Facilities Amount between the date of prepayment and the date those funds are expended (the “Reinvestment Earnings Credit”).
12. The Special Tax prepayment amount is equal to the sum of the amounts computed in paragraphs 3, 4, 6, 7 and 8 less the amounts computed in paragraphs 9, 10 and 11 (the “Special Tax Prepayment Amount”).

The Bond Redemption Amount, Redemption Premium and Defeasance Amount less the Reserve Fund Credit, Capitalized Interest Credit and Reinvestment Earnings Credit associated with those amounts shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make debt service payments. The Future Facilities Amount less the portion of the Reinvestment Earnings Credit associated with that amount shall be deposited into the Improvement Fund. The Administrative Fees and Expenses associated with the prepayment shall be retained by CFD No. 2014-1.

The Special Tax Prepayment Amount may be insufficient to redeem a full \$5,000 increment of Outstanding Bonds. In such cases, the increment above \$5,000 or integral multiple thereof will be retained in the appropriate fund established under the Indenture to be used with the next prepayment of CFD No. 2014-1 bonds or to make debt service payments.

Upon confirmation of the payment of the current Fiscal Year’s Special Tax levy associated with paragraph 7 (above), the CFD Administrator shall remove the current Fiscal Year’s Special Tax levy for such Assessor’s Parcel from the County tax rolls. For any Assessor’s Parcel that is prepaid, the County shall cause a suitable notice to be recorded in compliance with the Act to indicate that the prepayment of the Special Tax and the release of the Special Tax lien on such Assessor’s Parcel, and the obligation of such Assessor’s Parcel to pay the Special Tax shall cease.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless, at the time of such proposed prepayment, the amount of Maximum Special Taxes that may be levied on Taxable Property within CFD No. 2014-1 both prior to and after the proposed prepayment is at least equal to the sum of (i) the Administrative Expenses as defined in Section A above and (ii) 1.10 times the annual debt service on the Outstanding Bonds for each remaining Fiscal Year.

2. Prepayment in Part

The obligation of an Assessor’s Parcel to pay the Special Tax may be partially prepaid as described herein, provided that a partial prepayment may only be made if there are no delinquent Special Taxes associated with such Assessor’s Parcel at the time of partial prepayment. The full Special Tax Prepayment Amount shall be calculated as described in Section E.1 above, then the partial prepayment amount will be determined by using the following formula:

$$PP = [(PE - A) \times F] + A$$

These terms have the following meaning:

PP = the partial prepayment amount

PE = the Special Tax Prepayment Amount determined according to Section E.1 above

F = the percentage, expressed as a decimal, by which the owner of the Assessor’s Parcel is

partially prepaying the Special Tax
A = the Administrative Fees and Expenses calculated in paragraph 8 of Section E.1 above

The owner of any Assessor's Parcel who desires to make a partial prepayment shall notify the CFD Administrator of such owner's intent and the percentage of Special Tax obligation that the owner intends to prepay. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Special Tax within 30 days of the request and may charge a reasonable fee for providing this service. The CFD Administrator shall (i) distribute or cause to be distributed the funds remitted to it according to Section E.1 and (ii) indicate in the records of CFD No. 2014-1 that there has been a partial prepayment of the Special Tax.

F. TERMINATION OF SPECIAL TAX

The Special Tax shall be levied as long as necessary to meet the Special Tax Requirement for a period not to exceed fifty years commencing with Fiscal Year 2014-15, provided however that the Special Tax will cease to be levied in an earlier Fiscal Year if the CFD Administrator has determined that all required interest and principal payments on CFD No. 2014-1 bonds have been paid.

G. EXEMPTIONS

For each Subdivision that takes place within CFD No. 2014-1, for the Fiscal Year immediately following the Subdivision of such property, the CFD Administrator shall classify as Exempt Property all Public Property and Property Owner Association Property resulting from such Subdivision. If an Assessor's Parcel of Taxable Property becomes Public Property or Property Owner Association Property in its entirety, it will remain Taxable Property and must be prepaid in full in accordance with Section E.1 above prior to it being transferred to the public entity or property owner's association.

H. APPEALS

Any property owner claiming that the amount or application of the Special Tax is not correct may file a written notice of appeal with the CFD Administrator not later than twelve months after having paid the first installment of the Special Tax that is disputed. The CFD Administrator shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and rule on the appeal. If the decision of the CFD Administrator requires that the Special Tax for an Assessor's Parcel be modified or changed in favor of the property owner, a cash refund shall not be made, but an adjustment shall be made to the Special Tax on that Assessor's Parcel in the subsequent Fiscal Year(s) to compensate for the overpayment of the Special Tax.

I. MANNER OF COLLECTION

The annual Special Taxes shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that the Special Taxes may be billed and collected at a different time or in a different manner if necessary to meet the financial obligations of CFD No. 2014-1.

RESOLUTION NO. 2014-22

RESOLUTION OF THE BOARD OF DIRECTORS OF THE RANCHO MURIETA COMMUNITY SERVICES DISTRICT TO INCUR BONDED INDEBTEDNESS IN THE AMOUNT NOT TO EXCEED \$6,750,000 WITHIN THE RANCHO MURIETA CSD COMMUNITY FACILITIES DISTRICT NO. 2014-1 (RANCHO NORTH/MURIETA GARDENS) AND CALLING A SPECIAL ELECTION

WHEREAS, the Board of Directors (the "Board") of the Rancho Murieta Community Services District (the "District") has heretofore adopted Resolution No. 2014-21 (the "Resolution of Formation"), which formed the Rancho Murieta CSD Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens) ("CFD 2014-1"), pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, commencing with Section 53311 of the California Government Code (the "Act"), to finance public infrastructure facilities and other governmental facilities with an estimated useful life of five years or longer, which CFD 2014-1 is authorized by law to construct, own or operate and that are necessary to meet increased demands placed upon the District as a result of development or rehabilitation occurring within the proposed CFD 2014-1, including but not limited to improvements to the District's Water Treatment Plant #1, and related costs including designs, inspections, professional fees, connection fees and acquisition costs (the "Facilities"); and

WHEREAS, a copy of the Resolution of Formation is on file with the District Secretary and incorporated herein by reference; and

WHEREAS, in order to finance the Facilities it is necessary to incur bonded indebtedness in an amount not to exceed \$6,750,000, the repayment of which is to be secured by special taxes levied in accordance with Section 53340 *et seq.* of the Act on certain properties within CFD 2014-1.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE RANCHO MURIETA COMMUNITY SERVICES DISTRICT DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. The above recitals are true and correct.

Section 2. It is necessary to incur bonded indebtedness in amounts not to exceed \$6,750,000 to finance the costs of the Facilities.

Section 3. The bonded indebtedness will be incurred for the purpose of financing the costs of acquiring the Facilities, the financing of the costs associated with the issuance of the bonds and all other costs necessary to finance the Facilities which are permitted to be financed pursuant to the Act.

Section 4. The bonds shall be issued in one or more series bearing interest payable semi-annually or in such other manner as the Board shall determine at a

maximum interest rate of 12 percent per annum or such rate not in excess of the maximum rate permitted by law at the time the bonds are issued. The term of the bonds shall be determined pursuant to a resolution of the Board authorizing the issuance of the bonds, but such term shall in no event exceed 40 years or such longer term as is then permitted by law.

Section 5. Pursuant to and in compliance with the provisions of Article 1.5 (commencing with Section 53410) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, the Board hereby establishes the following accountability measures pertaining to any bonded indebtedness incurred by or on behalf of CFD 2014-1:

- (a) Such bonded indebtedness shall be incurred for the specific purposes set forth in Section 3 above.
- (b) The proceeds of any such bonded indebtedness shall be applied only to the specific purposes identified in Section 3 above.
- (c) The document or documents establishing the terms and conditions for the issuance of any such bonded indebtedness shall provide for the creation of an account or accounts into which the proceeds of such bonded indebtedness shall be deposited.
- (d) The General Manager, or his designee, acting for and on behalf of CFD 2014-1, shall annually file a report with the Board as required by California Government Code Section 53411.

Section 6. Pursuant to California Government Code Section 53353.5, the Board hereby determines to submit to the qualified electors of CFD 2014-1 a combined proposition (the "Proposition") to: (1) levy special taxes on property within CFD 2014-1 in accordance with the rate and method of apportionment of special tax specified in the Resolution of Formation; (2) incur bonded indebtedness in an amount not to exceed \$6,750,000; and (3) establish an appropriations limit as defined by subdivision (h) of Section 8 of Article XIII B of the California Constitution, for CFD 2014-1. Said appropriations limit shall equal the maximum amount of bonded indebtedness authorized to be incurred for CFD 2014-1. The form of the Proposition is attached as Exhibit "A."

Section 7. A special election is hereby called for CFD 2014-1 on the Proposition set forth in Section 6 above.

Section 8. The time for notice having been waived by the qualified electors, the date of the special election for CFD 2014-1 on the Proposition shall be on the 5th day of September, 2014. There being no registered voters residing

within the territory of CFD 2014-1 at the time of the protest hearing and ninety (90) days prior thereto, there being only four landowners in CFD 2014-1, and the requirements of Section 53326 of the California Government Code having been waived by such landowners, the ballot for the special election shall be hand delivered to the landowners within CFD 2014-1. The voter ballot shall be returned to the District Secretary at 15160 Jackson Road, Rancho Murieta, California 95683, no later than 11:00 o'clock p.m. on September 5, 2014. However, the election may be closed, with the concurrence of the District Secretary, as soon as the ballot is returned.

Section 9. Notice of said election and written argument for or against the measure have been waived by the landowners.

Section 10. The Board hereby directs that the special election be conducted by the District Secretary, as the elections official.

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

PASSED, APPROVED AND ADOPTED this 5th day of September, 2014, by the following Roll Call Vote:

Ayes:

Noes:

Abstain:

Absent:

Gerald Pasek, President of the Board
Rancho Murieta Community Services
District

ATTEST:

Suzanne Lindenfeld
District Secretary

EXHIBIT A

OFFICIAL BALLOT

**RANCHO MURIETA CSD
COMMUNITY FACILITIES DISTRICT NO. 2014-1
(RANCHO NORTH/MURIETA GARDENS)**

**SPECIAL TAX ELECTION
September 5, 2014**

To vote, mark an "X" in the voting square after the word "YES" or after the word "NO." All marks otherwise made are forbidden.

This ballot is provided to _____, a _____ limited liability company, as owner or authorized representative of such owner of land within Rancho Murieta CSD Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens) and represents ____ votes.

If you wrongly mark, tear, or deface this ballot, return it to the District Secretary of the Rancho Murieta Community Services District at 15160 Jackson Road, Rancho Murieta, California 95683.

PROPOSITION: Shall Rancho Murieta CSD Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens) ("CFD 2014-1"), subject to the accountability measures provided for in Resolution Calling Special Election adopted on September 5, 2014, incur an indebtedness and be authorized to issue bonds in an amount not to exceed \$6,750,000 with interest at a rate or rates established at such time as the bonds are sold in one or more series at fixed or variable interest rates, however not to exceed any applicable statutory rate for such bonds, the proceeds of which will be used to finance the certain public facilities (the "Facilities") as described in Resolution of Formation adopted on September 5, 2014 ("Resolution of Formation"); and, subject to the accountability measures provided for in the Resolution of Formation, shall a special tax be levied to pay the principal of and interest on such indebtedness and bonds and to otherwise finance the Facilities; and shall an appropriations limit be established for CFD 2014-1 pursuant to Article XIII B of the California Constitution, said appropriations limit to be equal to the maximum amount of bonded indebtedness authorized to be incurred for CFD 2014-1?

| | |
|-----|--|
| YES | |
| NO | |

RESOLUTION NO. 2014-23

RESOLUTION OF THE BOARD OF DIRECTORS OF THE RANCHO MURIETA COMMUNITY SERVICES DISTRICT CANVASSING THE RESULTS OF THE ELECTION HELD WITHIN RANCHO MURIETA CSD COMMUNITY FACILITIES DISTRICT NO. 2014-1 (RANCHO NORTH/MURIETA GARDENS)

WHEREAS, the Board of Directors (the "Board") of the Rancho Murieta Community Services District (the "District") has previously conducted proceedings pertaining to the formation of the Rancho Murieta CSD Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens) ("CFD 2014-1"), the authorization of indebtedness in an amount not to exceed \$6,750,000 within CFD 2014-1, the rate and method of apportionment for the levy and collection of special taxes (the "Special Tax") to pay the principal and interest on bonds issued or other debt, and the establishment of an appropriations limit, and the calling of an election in regard to the foregoing; and

WHEREAS, on September 5, 2014, an election was held within CFD 2014-1 relative to the authorization of indebtedness in an amount not to exceed \$6,750,000 within CFD 2014-1, levy of the Special Tax pursuant to the rate and method of apportionment, and the establishment of an appropriations limit; and

WHEREAS, at such election the proposal for incurring the bonded indebtedness, levying of the Special Tax pursuant to the rate and method of apportionment and establishing an appropriations limit for CFD 2014-1 was approved by the requisite 2/3 of the votes cast by qualified electors of CFD 2014-1.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE RANCHO MURIETA COMMUNITY SERVICES DISTRICT DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. It is hereby determined that the election conducted within CFD 2014-1 was duly and validly conducted.

Section 2. The Board, acting as the legislative body of CFD 2014-1, is authorized to levy the Special Tax on behalf of CFD 2014-1, as specified in the Resolution of Formation.

Section 3. The CFD is authorized to incur indebtedness in the maximum amount of \$6,750,000.

Section 4. The District is authorized to establish an appropriations limit for CFD 2014-1.

Section 5. The District Secretary is hereby directed and authorized to record notice of the special tax of the CFD by recording a Notice of Special Tax Lien of CFD 2014-1 in the office of the County Recorder of the County of Sacramento within fifteen (15) days of the date hereof

pursuant to Section 3114.5 of the California Streets and Highways Code.

Section 6. This Resolution shall take effect from and after the date of its passage and adoption.

PASSED, APPROVED AND ADOPTED this 5th day of September, 2014, by the following Roll Call Vote:

Ayes:

Noes:

Abstain:

Absent:

Gerald Pasek, President of the Board
Rancho Murieta Community Services District

ATTEST:

Suzanne Lindenfeld
District Secretary

ORDINANCE NO. 2014-03

AN ORDINANCE OF THE BOARD OF DIRECTORS OF THE RANCHO MURIETA COMMUNITY SERVICES DISTRICT AUTHORIZING THE LEVY OF A SPECIAL TAX WITHIN RANCHO MURIETA CSD COMMUNITY FACILITIES DISTRICT NO. 2014-1 (RANCHO NORTH/MURIETA GARDENS)

WHEREAS, on August 1, 2014, the Board of Directors (the "Board") of the Rancho Murieta Community Services District (the "District") adopted Resolution No. 2014-16 stating its intention to form the Rancho Murieta CSD Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens) ("CFD 2014-1") pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, commencing with Section 53311 of the California Government Code (the "Act"), to finance public infrastructure facilities and other governmental facilities with an estimated useful life of five years or longer, which CFD 2014-1 is authorized by law to construct, own or operate and that are necessary to meet increased demands placed upon the District as a result of development or rehabilitation occurring within the proposed CFD 2014-1, including but not limited to improvements to the District's Water Treatment Plant #1, and related costs including designs, inspections, professional fees, connection fees and acquisition costs (the "Facilities"); and

WHEREAS, on August 1, 2014, the Board also adopted Resolution No. 2014-17 stating its intention and the necessity to incur bonded indebtedness in an amount not to exceed \$6,750,000 to be issued for the purpose of financing the purchase, construction, expansion or rehabilitation of the Facilities; and

WHEREAS, notice was published as required by law relative to the intention of the Board to form CFD 2014-1 and to incur bonded indebtedness in an amount not to exceed \$6,750,000 within the boundaries of CFD 2014-1; and

WHEREAS, on September 5, 2014, this Board held a noticed public hearing as required by law relative to the determination to proceed with the formation of CFD 2014-1 and the rate and method of apportionment and manner of collection of the special tax to be levied within CFD 2014-1 to pay the principal and interest on the proposed bonded indebtedness of CFD 2014-1, and relative to the necessity for authorizing the bonds, the purpose for which the bonds are to be issued, the amount of the proposed debt, the maximum term of the bonds and the maximum annual rate of interest to be paid; and

WHEREAS, at said hearing all persons desiring to be heard on all matters pertaining to the formation of CFD 2014-1 and the incurring of bonded indebtedness by CFD 2014-1 were heard and a full and fair hearing was held; and

WHEREAS, the Board subsequent to said hearing adopted Resolution No. 2014-21 determining the validity of prior proceedings and established CFD 2014-1; and

WHEREAS, the Board subsequent to said hearing adopted Resolution No. 2014-22 which called an election within CFD 2014-1 for September 5, 2014 on the proposition of incurring bonded indebtedness, levying a special tax and setting an appropriations limit; and

WHEREAS, on September 5, 2014, an election was held within CFD 2014-1 in which the eligible electors approved by more than two-thirds vote the proposition of incurring bonded indebtedness, levying a special tax, and setting an appropriations limit.

THE BOARD OF DIRECTORS OF THE RANCHO MURIETA COMMUNITY SERVICES DISTRICT DOES ORDAIN AS FOLLOWS:

Section 1. A special tax (the “Special Tax”) is levied within the boundaries of CFD 2014-1 pursuant to the formulas set forth in Exhibit “A” attached hereto and incorporated by reference in an amount necessary to pay all of the costs of providing the Facilities, periodic costs, and costs of the tax levy and collection, and all other costs including amounts payable with respect to the bonded indebtedness.

Section 2. This legislative body is hereby further authorized each year, by resolution adopted as provided in Section 53340 of the Act, to determine the specific special tax rate and amount to be levied for the then current or future tax years, except that the special tax rate to be levied shall not exceed the maximum rate set forth in Exhibit “A.”

Section 3. All of the collections of the Special Tax shall be used as provided for in the Act and Resolution No. 2014-21 of the Board (Resolution of Formation). The Special Tax shall be levied only so long as needed for its purpose as described in the Resolution of Formation.

Section 4. The above authorized Special Tax shall be collected in the same manner as ordinary ad valorem property taxes are collected and shall be subject to the same penalties and the same procedure, sale and lien priority in cases of delinquency as is provided for *ad valorem* taxes; provided, however, CFD 2014-1 may collect the Special Tax at a different time or in a different manner if necessary to meet its financial obligations.

Section 5. The President shall sign this ordinance and the District Secretary shall attest to such signature. The District Secretary is directed to cause the title and summary or text of this ordinance, together with the vote thereon, to be published within fifteen (15) days after its passage at least once in a newspaper of general circulation published and circulated within the territorial jurisdiction of the District, and to post at the main office of the District a certified copy of the full text of the adopted ordinance along with the names of the Board Members voting for and against the ordinance.

Section 6. This ordinance relating to the levy of the Special Tax takes effect and shall be in force from and after 30 days from the date of final passage. A copy of this ordinance shall be transmitted to the Clerk of the Board of Supervisors of Sacramento County, the Assessor and the Treasurer-Tax Collector of Sacramento County.

INTRODUCED AND APPROVED UPON FIRST READING this 5th day of September, 2014, upon the following roll call vote:

Ayes:
Noes:
Abstain:
Absent:

PASSED, APPROVED AND ADOPTED UPON SECOND READING this 17th day of September, 2014, upon the following roll call vote:

Ayes:
Noes:
Abstain:
Absent:

Gerald Pasek, President of the Board
Rancho Murieta Community Services District

ATTEST:

Suzanne Lindenfeld
District Secretary

EXHIBIT "A"

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

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RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

RANCHO MURIETA COMMUNITY SERVICES DISTRICT COMMUNITY FACILITIES DISTRICT NO. 2014-1 (RANCHO NORTH/MURIETA GARDENS)

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels within Community Facilities District No. 2014-1 (CFD No. 2014-1) of the Rancho Murieta Community Services District, other than Assessor's Parcels classified as Exempt Property as defined herein, and collected each Fiscal Year commencing in Fiscal Year 2014-2015, in an amount determined by the CFD Administrator through the application of the procedures described below. All of the real property within CFD No. 2014-1, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acreage" means the land area in acres of an Assessor's Parcel as shown on the Assessor's Parcel Map or, if the land area is not shown on an Assessor's Parcel Map, the land area in acres shown on a recorded Subdivision document recorded with the County. The square footage of an Assessor's Parcel is equal to the Acreage of such parcel multiplied by 43,560.

"Act" means the Mello-Roos Communities Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2 of Title 5 of the Government Code of the State of California.

"Administrative Expenses" means the following actual or reasonably estimated expenses related to the administration of CFD No. 2014-1: the costs of determining the amount of the levy of Special Taxes, the collection of Special Taxes, including the expenses of collecting delinquencies, the payment of a proportional share of salaries and benefits of any District employees and District overhead whose duties are related to the administration of CFD No. 2014-1, costs associated with responding to public inquiries regarding CFD No. 2014-1, and any and all other costs incurred in connection with the administration of CFD No. 2014-1.

"Assessor's Parcel" means a lot or parcel within CFD No. 2014-1 shown on an Assessor's Parcel Map with an assigned assessor's parcel number.

"Assessor's Parcel Map" means an official map of the Assessor of the County designating parcels by assessor's parcel number.

"Authorized Facilities" means those facilities eligible to be funded by CFD No. 2014-1.

"Boundary Map" means a recorded map of CFD No. 2014-1 which indicates by a boundary line the extent of the territory identified to be subject to the levy of Special Taxes.

"Building Permit" means a permit issued for the construction of a Residential or Nonresidential structure.

"Calendar Year" means the period commencing January 1 of any year and ending the following December 31.

“CFD Administrator” means an official of the District, or designee thereof, responsible for determining the Special Tax Requirement, and providing for the levy and collection of the Special Taxes for CFD No. 2014-1.

“CFD No. 2014-1” means Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens) of the Rancho Murieta Community Services District established by the District under the Act to fund Authorized Facilities.

“County” means the County of Sacramento.

“Debt Service” means the total amount of bond principal, interest, and the scheduled sinking fund payments of the bonds.

“Developed Parcel” means a parcel receiving one of the following development approvals from the County:

| <u>Land Use</u> | <u>Development Approval</u> |
|------------------------------|-----------------------------|
| Single Family Parcel | Final Subdivision Map |
| Multi-Family Use Residential | Building Permit issuance |
| Nonresidential Use | Building Permit issuance |

“District” means the Rancho Murieta Community Services District.

“District Board” means the Board of Directors of the District, acting as the legislative body of CFD No. 2014-1.

“Estimated Special Tax Delinquency Amount” means an amount equal to a reasonable estimate of delinquencies expected to occur in the Fiscal Year in which Special Taxes will be levied.

“Exempt Property” means all Assessor’s Parcels within CFD No. 2014-1 that are exempt from the Special Tax pursuant to the Act or Section G herein.

“Final Map Parcel” means a Taxable Parcel designated for new development, which is part of a Final Subdivision Map. Once a parcel is classified as a Final Map Parcel, it shall remain a Final Map Parcel.

“Final Subdivision Map” means a recorded map in compliance with the Subdivision Map Act (California Government Code § 66410 et seq.).

“Fiscal Year” means the period commencing on July 1 of any year and ending the following June 30.

“Indenture” means the indenture, fiscal agent agreement, resolution or other instrument pursuant to which CFD No. 2014-1 bonds are issued, as modified, amended and/or supplemented from time to time or any instrument(s) replacing the same.

“Maximum Special Tax” means for each Assessor’s Parcel of Taxable Property, the maximum Special Tax determined in accordance with Section C, which may be levied in a given Fiscal Year on such Assessor’s Parcel.

“Maximum Special Tax Revenue” means the greatest amount of revenue that can be collected in total from a group of parcels (such as developed parcels) by levying the Maximum Special Tax.

“Maximum CFD Special Tax Revenue” means the sum of the Maximum Special Tax levied on all Taxable Parcels in the CFD in a Fiscal Year.

“Multifamily” or **“Multifamily Residential Parcel”** means any parcel designated or

developed for more than one residential dwelling unit per parcel. Such uses may consist of apartments, condominiums, townhomes, time-share units, row houses, duplexes, or triplexes.

“Nonresidential Parcel” means a Taxable Parcel with land uses other than Residential Uses.

“Original Parcel” means an Assessor’s Parcel identified and assigned a Maximum Special Tax in Table 1 of Section C.1 below.

“Outstanding Bonds” means all CFD No. 2014-1 bonds, notes or other debt instruments which are outstanding under an Indenture or other documentation of such debt.

“Property Owner Association Property” means, for each Fiscal Year, any Assessor’s Parcel that was owned by a property owner association, including any master or sub-association, as of January 1 of the prior Fiscal Year.

“Proportionately” means for Taxable Property that the ratio of the actual Special Tax levy to Maximum Special Tax is the same for all Assessor’s Parcels.

“Public Property” means all Assessor’s Parcels which, as of the January 1 preceding the Fiscal Year in which the Special Tax is being levied, are (i) owned by, dedicated to, or irrevocably offered for dedication to the federal government, the State, the County, District or any other public agency (each, a “Public Entity”), provided, however, that any property leased by a Public Entity to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified according to its use; or (ii) encumbered by an unmanned utility easement making impractical its utilization for other than the purpose set forth in the easement.

“Single-Family Parcel” means, in any Fiscal Year, all parcels in the CFD for which a Building Permit was issued or may be issued for construction of a dwelling unit designated for Residential Use other than Multifamily Residential Use.

“Special Tax” means the special tax authorized to be levied within CFD No. 2014-1 pursuant to this Rate and Method of Apportionment and the Act to fund the Special Tax Requirement.

“Special Tax Requirement” means for each Fiscal Year, the amount, as determined by the CFD Administrator, to: (i) pay Debt Service on all Outstanding Bonds due in the calendar year commencing in such Fiscal Year; (ii) pay periodic costs associated with the Outstanding Bonds, including but not limited to the costs of credit enhancements and federal rebate payments due in the Calendar Year commencing in such Fiscal Year; (iii) pay Administrative Expenses associated with Special Tax; (iv) establish or replenish any operational reserve fund; (v) pay incidental expenses related to the Authorized Facilities; (vi) fund the Estimated Special Tax Delinquency Amount; (vii) pay directly for the acquisition or construction of Authorized Facilities; and (viii) fund the shortfall, if any, in Special Tax revenues collected in the preceding Fiscal Year necessary to fund the Special Tax Requirement for such Fiscal Year where the shortfall resulting from delinquencies in the payment of Special Taxes exceeded the Estimated Special Tax Delinquency Amount.

“Subdivision” means a subdivision of property by recordation of a final map, parcel map or lot line adjustment, pursuant to the Subdivision Map Act (California Government Code Section 66140 *et seq.*); recordation of a condominium plan pursuant to California Civil Code 1352 that creates individual lots for which building permits may be issued; other actions that result in a change of Assessor’s Parcel boundaries or numbering within CFD No. 2014-1; or a combination of the foregoing.

“Successor Parcel” means an Assessor’s Parcel created by the Subdivision of one or more Original Parcels or other Successor Parcels.

“**Taxable Acreage**” means that area of a parcel that is determined by the Administrator to become a Taxable Parcel or Parcels upon further Subdivision. In determining the Taxable Acreage of a Taxable Parcel, the CFD Administrator should consider the development potential of a Taxable Parcel.

“**Taxable Property**” or “**Taxable Parcel**” means a parcel that is not exempt from the Special Tax pursuant to the Act or Section G.

“**Tentative Map**” means a tentative subdivision map as defined by the Subdivision Map Act.

“**Undeveloped Parcel**” means a Taxable Parcel that is not a Developed Parcel or Final Map Parcel.

B. CLASSIFICATION OF ASSESSOR’S PARCELS

Each Fiscal Year, beginning with Fiscal Year 2014-2015, each Assessor’s Parcel shall first be classified by the CFD Administrator as an Original Parcel or a Successor Parcel. In addition, each such Fiscal Year, each Successor Parcel shall be further classified by the CFD Administrator as Taxable Property or Exempt Property. In addition, each such Fiscal Year, Taxable Property shall be further classified by the CFD Administrator as a Developed Parcel, Final Map Parcel, or Undeveloped Parcel. Commencing with Fiscal Year 2014-2015 and for each subsequent Fiscal Year, all Taxable Property shall be subject to the levy of Special Taxes pursuant to Section C below.

C. MAXIMUM SPECIAL TAX

1. Original Parcels

Each Fiscal Year commencing in Fiscal Year 2014-2015, each Assessor’s Parcel classified as an Original Parcel shall be subject to the Special Tax. The Maximum Special Tax for each Original Parcel shall be equal to the amount shown in Table 1 below.

TABLE 1
FISCAL YEAR 2014-2015
MAXIMUM SPECIAL TAX

| APN | Maximum Special Tax |
|--------------|----------------------------|
| 073-0470-004 | \$24,336 |
| 073-0470-005 | \$36,786 |
| 073-0470-006 | \$1,132 |
| 073-0180-029 | \$22,638 |
| 073-0090-062 | \$28,297 |
| 073-0790-023 | \$113,188 |
| 073-0800-003 | \$155,633 |
| 073-0800-007 | \$566 |
| 073-0800-008 | \$84,891 |
| 073-0800-009 | \$70,743 |

2. Successor Parcels

For any Fiscal Year, each Assessor's Parcel classified as a Successor Parcel shall be subject to the Special Tax. For Successor Parcels that were valid Assessor's Parcels in the previous Fiscal Year, the Maximum Special Tax for the current Fiscal Year shall be equal to the Maximum Special Tax assigned to such Assessor's Parcel in the previous Fiscal Year. For Successor Parcels that were not valid Assessor's Parcels in the previous Fiscal Year, the Maximum Special Tax shall be determined by the CFD Administrator based on the method of apportionment described in Section D below and shall apply for all future years that such Assessor's Parcel is valid and the Special Tax is applicable.

D. METHOD OF APPORTIONMENT OF SPECIAL TAX

Commencing with Fiscal Year 2014-2015 and for each following Fiscal Year, the District Board shall apportion the annual Special Tax as set forth below until the amount of Special Taxes equals the Special Tax Requirement.

First: All Original Parcels will be assigned the Maximum Special Tax shown in Table 1 of Section C above.

Second: All Successor Parcels that have been assigned a Maximum Special Tax in a previous Fiscal Year will be assigned that same Maximum Special Tax for the current Fiscal Year.

Third: Each Successor Parcel that has not been assigned a Maximum Special Tax in a previous Fiscal Year will be assigned a Maximum Special Tax by the CFD Administrator using the following apportionment formula:

- a) For each Subdivision, (i) all Original Parcels and Successor Parcels that were assigned a Maximum Special Tax in a previous Fiscal Year but are no longer valid Assessor's Parcels shall be designated "Parent Parcels" and (ii) all Successor Parcels that are within the boundaries of CFD No. 2014-1 but have not been assigned a Maximum Special Tax in a previous Fiscal Year shall be designated "Child Parcels".
- b) The Maximum Special Tax assigned to a Parent Parcel included within the Subdivision shall be apportioned to the Child Parcels based on the following procedures:
 - (1) If the Subdivision creates Single-Family Parcels or condominiums, divide the sum of the Maximum Special Tax assigned to the Parent Parcel by the number Final Map Parcels in the Subdivision.
 - (2) If the Subdivision creates Multifamily Parcels or Nonresidential Parcels allocate the Maximum Special Tax based upon each Child Parcel's proportionate Taxable Acreage of Taxable Parcels within the Subdivision. Under no circumstances shall the sum of Maximum Special Tax amounts for the Child Parcels associated with any Subdivision be less than the sum of Maximum Special Tax amounts of the Parent Parcels associated with such Subdivision (all Child Parcels shall henceforth be considered Successor Parcels). If a Tentative Map has been approved for all or portions of the Subdivision, the CFD Administrator shall use the Tentative Map to assign Taxable Acreage to Child Parcels. If the Subdivision creates Single-Family Parcels, use the procedures in the following section to assign the Maximum Special Tax to Single-Family Parcels.
 - (3) If Child Parcels are created by means other than a Subdivision allocate the Maximum

Special Tax based upon each Child Parcel's proportionate Taxable Acreage of Taxable Parcels. The CFD Administrator shall use development records and other records of the County to determine the developable portion of a Child Parcel to determine the Taxable Acreage of such parcels.

Fourth: The Administrator will compute the Special Tax Requirement. The Administrator then will determine the tax levy for each Taxable Parcel using the following process:

- a. Compute the Special Tax Requirement using the definition of Special Tax Requirement in **Section 2**.
- b. Compute 100 percent of the Maximum Special Tax revenue for all Developed Parcels.
- c. If the amount from **Step b** is greater than the Special Tax Requirement in **Step a**, Proportionately reduce the Special Tax levy on all Developed Parcels until just equal to the Special Tax Requirement.
- d. If the amount from **Step b** is less than the Special Tax Requirement in **Step a**, increase proportionately the Maximum Special Tax levy for each Final Map Parcel up to 100 percent of the Maximum Special Tax for each Final Map Parcel until the sum of the amount computed in **Step b** for all Developed Parcels plus the levy of the Maximum Special Tax on Final Map Parcels equals the Special Tax Requirement.
- e. If the amounts from **Step b** for all Developed Parcels and **Step d** for all Final Map Parcels together are less than the Special Tax Requirement in **Step a**, increase proportionately the Maximum Special Tax levy for each Undeveloped Parcel up to 100 percent of the Maximum Special Tax for each Undeveloped Parcel until the sum of the amounts computed in **Steps b** and **d** plus the levy of Maximum Special Tax on Undeveloped Parcels equals the Special Tax Requirement.
- f. Levy on each Taxable Parcel the amount calculated above.
- g. Prepare the tax collection schedule and, unless an alternative method of collection has been selected pursuant to **Section I**, send it to the County Auditor requesting that it be placed on the general, secured property tax roll for the Fiscal Year. The Tax Collection Schedule will not be sent later than the date required by the Auditor for such inclusion.

Fifth: If as a result of the allocation of the Maximum Special Tax to Child Parcels results in tax burdens that seem disproportionate to other such Child Parcels, a property owner may request that the CFD Administrator reapportion the Maximum Special Tax across other Taxable Parcels with 100-percent consent of all affected property owners.

E. PREPAYMENT OF SPECIAL TAX

1. Prepayment in Full

The obligation of the property within CFD No. 2014-1 to pay the Special Tax may be satisfied through prepayment as described herein only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of the Assessor's Parcel intending to prepay the Special Tax obligation shall provide the CFD Administrator with written notice of intent to prepay. Within 30 days of receipt of such written notice, the CFD Administrator shall notify such owner of the prepayment amount for such Assessor's Parcel. The CFD Administrator may charge such owner a reasonable fee for providing this service. Prepayment must be made not less than 30 days prior to a date that notice of redemption of CFD No. 2014-1 Outstanding Bonds from the

proceeds of such prepayment may be given to the Trustee pursuant to the Indenture that is specified in the report of the Special Tax Prepayment Amount (defined below).

The Special Tax Prepayment Amount shall be calculated as summarized below (capitalized terms defined in the following paragraphs of this section):

| | |
|-------------|----------------------------------|
| | Bond Redemption Amount |
| plus (+) | Redemption Premium |
| plus (+) | Future Facilities Amount |
| plus (+) | Defeasance Amount |
| plus (+) | Administrative Fees and Expenses |
| less (-) | Reserve Fund Credit |
| less (-) | Capitalized Interest Credit |
| less (-) | Reinvestment Earnings Credit |
| equals (=): | Special Tax Prepayment Amount |

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

Paragraph No.:

1. Confirm that no Special Tax Delinquencies apply to such Assessor's Parcel.
2. Divide the Maximum Special Tax for such Assessor's Parcel by the total estimated Maximum Special Tax levy for CFD No. 2014-1 that could be levied in the current fiscal year excluding any Assessor's Parcels that have been prepaid (the "Prepayment Percentage").
3. Multiply the Prepayment Percentage by the amount of bonds that are expected to be outstanding under the Indenture after the first interest and/or principal payment date following the current Fiscal Year (the "Bond Redemption Amount").
4. Multiply the Bond Redemption Amount calculated in paragraph 3 by the applicable redemption premium (i.e. the redemption price less 100 percent), if any, on the Outstanding Bonds referenced in paragraph 3 (the "Redemption Premium").
5. Compute the "Future Facilities Costs" which is equal to \$4,136,099 minus (i) the cost of Authorized Facilities previously paid from the Improvement Fund, (ii) moneys currently on deposit in the Improvement Fund and available to pay for Authorized Facilities, and (iii) moneys currently on deposit in an escrow fund that are expected to be available to finance the costs of Authorized Facilities.
6. Multiply the Prepayment Percentage by the Future Facilities Costs computed in paragraph 5 (the "Future Facilities Amount").
7. Add the amount (if any) needed to pay interest on the Bond Redemption Amount between the prepayment date and the redemption date to the Special Tax levied on such Assessor's Parcel in the current Fiscal Year that has not yet been paid (the "Defeasance Amount").
8. Determine the administrative fees and expenses associated with computation of the Special Tax Prepayment Amount and redemption of previously issued bonds ("Administrative Fees and Expenses").
9. Determine the expected reduction in the reserve requirement (as defined in the Indenture) associated with the prepayment (the "Reserve Fund Credit"). If the amount on deposit in the reserve fund at the time of prepayment is less than the reserve requirement (as defined in the Indenture) then the Reserve Fund Credit shall equal zero.

10. If any capitalized interest for the Previously Issued Bonds will not have been expended as of the date immediately following the first interest and/or principal payment following the current Fiscal Year, that amount shall be multiplied by the Prepayment Percentage (the “Capitalized Interest Credit”).
11. Determine the amount the CFD Administrator reasonably expects to derive from the reinvestment of the Bond Redemption Amount, the Defeasance Amount and the Future Facilities Amount between the date of prepayment and the date those funds are expended (the “Reinvestment Earnings Credit”).
12. The Special Tax prepayment amount is equal to the sum of the amounts computed in paragraphs 3, 4, 6, 7 and 8 less the amounts computed in paragraphs 9, 10 and 11 (the “Special Tax Prepayment Amount”).

The Bond Redemption Amount, Redemption Premium and Defeasance Amount less the Reserve Fund Credit, Capitalized Interest Credit and Reinvestment Earnings Credit associated with those amounts shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make debt service payments. The Future Facilities Amount less the portion of the Reinvestment Earnings Credit associated with that amount shall be deposited into the Improvement Fund. The Administrative Fees and Expenses associated with the prepayment shall be retained by CFD No. 2014-1.

The Special Tax Prepayment Amount may be insufficient to redeem a full \$5,000 increment of Outstanding Bonds. In such cases, the increment above \$5,000 or integral multiple thereof will be retained in the appropriate fund established under the Indenture to be used with the next prepayment of CFD No. 2014-1 bonds or to make debt service payments.

Upon confirmation of the payment of the current Fiscal Year’s Special Tax levy associated with paragraph 7 (above), the CFD Administrator shall remove the current Fiscal Year’s Special Tax levy for such Assessor’s Parcel from the County tax rolls. For any Assessor’s Parcel that is prepaid, the County shall cause a suitable notice to be recorded in compliance with the Act to indicate that the prepayment of the Special Tax and the release of the Special Tax lien on such Assessor’s Parcel, and the obligation of such Assessor’s Parcel to pay the Special Tax shall cease.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless, at the time of such proposed prepayment, the amount of Maximum Special Taxes that may be levied on Taxable Property within CFD No. 2014-1 both prior to and after the proposed prepayment is at least equal to the sum of (i) the Administrative Expenses as defined in Section A above and (ii) 1.10 times the annual debt service on the Outstanding Bonds for each remaining Fiscal Year.

2. Prepayment in Part

The obligation of an Assessor’s Parcel to pay the Special Tax may be partially prepaid as described herein, provided that a partial prepayment may only be made if there are no delinquent Special Taxes associated with such Assessor’s Parcel at the time of partial prepayment. The full Special Tax Prepayment Amount shall be calculated as described in Section E.1 above, then the partial prepayment amount will be determined by using the following formula:

$$PP = [(PE - A) \times F] + A$$

These terms have the following meaning:

PP = the partial prepayment amount

PE = the Special Tax Prepayment Amount determined according to Section E.1 above

F = the percentage, expressed as a decimal, by which the owner of the Assessor’s Parcel is

partially prepaying the Special Tax
A = the Administrative Fees and Expenses calculated in paragraph 8 of Section E.1 above

The owner of any Assessor's Parcel who desires to make a partial prepayment shall notify the CFD Administrator of such owner's intent and the percentage of Special Tax obligation that the owner intends to prepay. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Special Tax within 30 days of the request and may charge a reasonable fee for providing this service. The CFD Administrator shall (i) distribute or cause to be distributed the funds remitted to it according to Section E.1 and (ii) indicate in the records of CFD No. 2014-1 that there has been a partial prepayment of the Special Tax.

F. TERMINATION OF SPECIAL TAX

The Special Tax shall be levied as long as necessary to meet the Special Tax Requirement for a period not to exceed fifty years commencing with Fiscal Year 2014-15, provided however that the Special Tax will cease to be levied in an earlier Fiscal Year if the CFD Administrator has determined that all required interest and principal payments on CFD No. 2014-1 bonds have been paid.

G. EXEMPTIONS

For each Subdivision that takes place within CFD No. 2014-1, for the Fiscal Year immediately following the Subdivision of such property, the CFD Administrator shall classify as Exempt Property all Public Property and Property Owner Association Property resulting from such Subdivision. If an Assessor's Parcel of Taxable Property becomes Public Property or Property Owner Association Property in its entirety, it will remain Taxable Property and must be prepaid in full in accordance with Section E.1 above prior to it being transferred to the public entity or property owner's association.

H. APPEALS

Any property owner claiming that the amount or application of the Special Tax is not correct may file a written notice of appeal with the CFD Administrator not later than twelve months after having paid the first installment of the Special Tax that is disputed. The CFD Administrator shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and rule on the appeal. If the decision of the CFD Administrator requires that the Special Tax for an Assessor's Parcel be modified or changed in favor of the property owner, a cash refund shall not be made, but an adjustment shall be made to the Special Tax on that Assessor's Parcel in the subsequent Fiscal Year(s) to compensate for the overpayment of the Special Tax.

I. MANNER OF COLLECTION

The annual Special Taxes shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that the Special Taxes may be billed and collected at a different time or in a different manner if necessary to meet the financial obligations of CFD No. 2014-1.

RESOLUTION NO. 2014 - 24

RESOLUTION OF THE BOARD OF DIRECTORS OF THE RANCHO MURIETA COMMUNITY SERVICES DISTRICT, ACTING AS THE LEGISLATIVE BODY OF RANCHO MURIETA CSD COMMUNITY FACILITIES DISTRICT NO. 2014-1 (RANCHO NORTH/MURIETA GARDENS), AUTHORIZING THE (1) ISSUANCE OF THE RANCHO MURIETA CSD COMMUNITY FACILITIES DISTRICT NO. 2014-1 (RANCHO NORTH/MURIETA GARDENS) SPECIAL TAX BONDS, 2014 SERIES, (2) APPROVAL, EXECUTION AND DELIVERY OF A FISCAL AGENT AGREEMENT, AND (3) APPROVAL OF A PRELIMINARY LIMITED OFFERING MEMORANDUM IN CONNECTION THEREWITH

WHEREAS, the Board of Directors (the "Board") of the Rancho Murieta Community Services District (the "District") has conducted proceedings under and pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (the "Act"), to form Rancho Murieta CSD Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens) ("CFD 2014-1"), to authorize the levy of special taxes upon the real property within CFD 2014-1, and to issue bonds secured by said special taxes, the proceeds of which are to be used to finance the purchase, construction, expansion or rehabilitation of certain public infrastructure facilities and other governmental facilities with an estimated useful life of five years or longer, which CFD 2014-1 is authorized by law to construct, own or operate and that are necessary to meet increased demands placed upon the District as a result of development or rehabilitation occurring within the proposed CFD 2014-1, including but not limited to the improvements to the District's Water Treatment Plant #1, and related costs including design, construction, inspections, professional fees, connection fees and acquisition costs (the "Facilities"); and

WHEREAS, the Board, acting as the legislative body of the CFD, intends by this resolution to authorize the issuance of bonds under the Act to provide funding for the Facilities and related costs, which are designated "Rancho Murieta CSD Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens) Special Tax Bonds, 2014 Series" (the "Bonds"); and

WHEREAS, the District has entered into the Rancho North Properties and Murieta Gardens Financing and Services Agreement dated as of May 27, 2014 (the "FSA") with owners of properties within the District identified in the FSA (the "Owners"), pertaining, *inter alia*, to the design, engineering, permitting and construction of the Facilities, under which one or more of the Owners may advance funds to the District to facilitate the payment of expenditures for the Facilities in anticipation of the issuance of the Bonds (the "Original Expenditures"), to the reimbursement of all or a portion of which Original Expenditures the District intends to allocate proceeds of the Bonds and to apply such proceeds to the satisfaction of such Owner advances; and

WHEREAS, there have been submitted to this Board certain documents providing for the issuance of the Bonds and this Board, with the aid of its staff, has reviewed said documents and found them to be in proper order; and

WHEREAS, all conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of said Bonds and the levy of said special taxes as contemplated by this Resolution and the documents referred to herein, exist, have happened and have been performed in due time, form and manner as required by the laws of the State of California, including the Act.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE RANCHO MURIETA COMMUNITY SERVICES DISTRICT DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. The Board hereby authorizes the issuance of the Bonds in an amount not to exceed \$6,750,000 for the purpose of financing the Facilities, funding of a debt service reserve account and paying costs of issuance related to the Bonds. Furthermore, the Board hereby expresses its intent to apply all or a portion of the proceeds of the Bonds to the reimbursement of Original Expenditures, and, in the case of an Original Expenditure initially paid out of monies made available for such purpose to the District by an Owner, to satisfy its obligation to repay such Owner such monies in whole or in part through application of all or a portion of such reimbursement. It is the intent that this Resolution satisfy the requirements of section 1.150-2 of the Treasury Regulations promulgated under the Internal Revenue Code of 1986. The District recognizes that under said requirements the allocation of proceeds of the obligations to an Original Expenditure (other than to certain de minimis expenditures or preliminary expenditures described in section 1.150-2(f) of the Treasury Regulations) will be recognized only if (i) that Reimbursable Expenditure was paid not earlier than 60 days prior to the adoption of this Resolution and (ii) the allocation of proceeds of the Obligations to such reimbursement is made not later than the later of (a) 18 months after the date of actual payment of the Original Expenditure or (b) 18 months after the date upon which the Facilities are placed in service or abandoned, but in no event more than three years after the date of actual payment of the Original Expenditure.

Section 2. The Board hereby approves the Fiscal Agent Agreement in substantially the form annexed hereto. The President, the Vice President or the General Manager (each, a "Responsible Officer") is hereby authorized to select the fiscal agent for the Bonds and execute the Fiscal Agent Agreement with such revisions, amendments and completions as shall be approved by any Responsible Officer executing the same, with the advice of Bond Counsel or General Counsel, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 3. The Board hereby approves the Preliminary Limited Offering Memorandum relating to the Bonds, substantially in the form annexed

hereto, with such revisions, amendments and completions as shall be approved by any Responsible Officer with the advice of Bond Counsel or General Counsel. Any Responsible Officer is authorized and directed to execute and deliver a final Limited Offering Memorandum in substantially the form hereby approved, with such additions and changes as may be approved by Bond Counsel or General Counsel and any Responsible Officer executing the same, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 4. The Board hereby approves the sale of the Bonds pursuant to a limited offering or a private placement, and depending on the method of sale as approved by a Responsible Officer, the Board hereby authorizes the preparation and execution and delivery of a bond purchase agreement or a private placement agreement (the "Purchase Agreement") with an underwriter or a placement agent, as approved by a Responsible Officer. Provided, however, that (a) the Purchase Agreement shall provide for a true interest cost (including original issue discount shown) not greater than 12.00%, and an underwriter's discount or a private placement agent fee not greater than 2.0% of the principal amount of Bonds, and (b) the Bonds and Purchase Agreement must comply with the District Comprehensive Mello-Roos Goals and Policies and the Responsible Officers shall not approve any Purchase Agreement for Bonds that would violate the Goals and Policies (subject to Board-approved waivers as allowed therein). In the event a private placement is determined to be the method of sale of the Bonds, the Preliminary Limited Offering Memorandum and the final Limited Offering Memorandum referenced in Section 3 above shall be converted to a Private Placement Memorandum.

Section 5. Each Responsible Officer is hereby authorized and directed, for and in the name and on behalf of CFD 2014-1, to do any and all things and take any and all other actions, including the publication of any notices necessary or desirable in connection with the sale of the Bonds and execution and delivery of any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, which they, or any of them, deem necessary or advisable in order to consummate the lawful issuance and sale of the Bonds and the consummation of the transactions as described herein, so long as the action is consistent with the Act and District Comprehensive Mello-Roos Goals and Policies (subject to Board-approved waivers as allowed therein).

Section 6. This Resolution shall take effect upon its adoption.

PASSED, APPROVED AND ADOPTED this 5th day of September, 2014, by the following Roll Call Vote:

Ayes:

Noes:

Abstain:

Absent:

Gerald Pasek, President of the Board
Rancho Murieta Community Services District

ATTEST:

Suzanne Lindenfeld
District Secretary

PRELIMINARY LIMITED OFFERING MEMORANDUM DATED _____, 2014

NEW ISSUE - BOOK-ENTRY ONLY

NOT RATED

In the opinion of Fulbright & Jaworski LLP, Los Angeles, California, Bond Counsel, a member of Norton Rose Fulbright, under existing statutes, regulations, rulings and court decisions, and assuming compliance with the tax covenants described herein, interest on the Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 from the gross income of the owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. It is also the opinion of Bond Counsel that under existing law interest on the Bonds is exempt from personal income taxes of the State of California. See "TAX MATTERS" herein. See "TAX MATTERS" herein.

STATE OF CALIFORNIA

SACRAMENTO COUNTY

\$ _____*
**RANCHO MURIETA CSD
COMMUNITY FACILITIES DISTRICT NO. 2014-1
(RANCHO NORTH/MURIETA GARDENS)
SPECIAL TAX BONDS, 2014 SERIES**

Dated: Date of Delivery

Price: 100.0%

Due: September 1, 20__

Interest Rate: _____ %

CUSIP: _____ †

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The Rancho Murieta CSD Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens) Special Tax Bonds, 2014 Series (the "Bonds") are being issued by the Rancho Murieta CSD Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens) (the "CFD"), which was established by the Rancho Murieta Community Services District (the "District"), pursuant to a Fiscal Agent Agreement, dated as of September 1, 2014 (the "Fiscal Agent Agreement"), by and between the CFD and _____, as fiscal agent (the "Fiscal Agent"), and will be secured as described herein. The Bonds are being issued to (i) finance a portion of improvements to the District's Water Treatment Plant #1, (ii) fund a reserve account for the Bonds, (iii) fund capitalized interest on the Bonds for approximately [24] months commencing on the date of delivery of the Bonds, and (iv) pay the costs of issuance of the Bonds. See "THE FINANCING PLAN" herein.

The Bonds will be issued in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof. Interest on the Bonds shall be payable on each March 1 and September 1, commencing March 1, 2015 (the "Interest Payment Dates") to the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, by check mailed on such Interest Payment Date or by wire transfer to an account in the United States of America made upon instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds. The Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Individual purchases of the Bonds will be made in book-entry form only. Principal of and interest and premium, if any, on the Bonds will be payable by DTC through the DTC participants. See "THE BONDS -- Book-Entry System" herein. Purchasers of the Bonds will not receive physical delivery of the Bonds purchased by them.

The Bonds are subject to optional redemption, mandatory sinking fund redemption and special mandatory redemption from Special Tax prepayments prior to maturity as set forth herein. See "THE BONDS - Redemption" herein.

The Bonds are limited obligations of the CFD. The Bonds are payable solely from the Special Taxes (as defined herein) to be levied on and collected from the owners of the taxable land within the CFD, and from certain other funds pledged under the Fiscal Agent Agreement, all as further described herein. The Special Taxes are to be levied according to a Rate and Method of Apportionment of Special Tax approved by the qualified electors within the District on September 5, 2014.

THE BONDS ARE BEING OFFERED ONLY TO CERTAIN "ACCREDITED INVESTORS" OR "QUALIFIED INSTITUTIONAL BUYERS" AND ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER. SEE "NOTICE TO INVESTORS" HEREIN.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT, THE COUNTY OF SACRAMENTO, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE SPECIAL TAXES, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE DISTRICT, BUT ARE LIMITED OBLIGATIONS OF THE CFD PAYABLE SOLELY FROM SPECIAL TAXES AND AMOUNTS HELD UNDER THE FISCAL AGENT AGREEMENT AS MORE FULLY DESCRIBED HEREIN.

THE PURCHASE OF THE BONDS IS AN INVESTMENT SUBJECT TO A HIGH DEGREE OF RISK, INCLUDING THE RISK OF NONPAYMENT OF PRINCIPAL AND INTEREST. SEE "SPECIAL RISK FACTORS" HEREIN FOR A DISCUSSION OF SUCH FACTORS THAT SHOULD BE CONSIDERED, IN ADDITION TO THE OTHER MATTERS SET FORTH HEREIN, IN EVALUATING THE INVESTMENT QUALITY OF THE BONDS.

This cover page contains certain information for quick reference only. It is *not* a complete summary of the Bonds. Investors must read the entire Limited Offering Memorandum to obtain information essential to the making of an informed investment decision.

The Bonds are offered when, as and if issued, subject to approval as to their legality by Fulbright & Jaworski LLP, Los Angeles, California a member of Norton Rose Fulbright, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the District by the District's General Counsel with respect to the issuance of the Bonds. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about September ____, 2014.

[UNDERWRITER LOGO]

Dated: _____, 2014

* Preliminary; subject to change.

**RANCHO MURIETA COMMUNITY SERVICES DISTRICT
RANCHO MURIETA, CALIFORNIA**

BOARD OF DIRECTORS

Gerald Pasek, President
Roberta Belton, Vice- President
Betty Ferraro, Director
Paul Gumbinger, Director
Michael Martel, Director

DISTRICT STAFF

Joseph Blake, General Manager
Suzanne Lindenfeld, Secretary
Richard P. Shanahan, District Counsel

PROFESSIONAL SERVICES

Bond Counsel

Fulbright & Jaworski LLP
Los Angeles, California

Financial Advisor

_____, California

Underwriter

_____, California

Special Tax Consultant

Willdan Financial Services
Temecula, California

Appraiser

_____, California

Fiscal Agent

_____, California

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No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations in connection with the offer or sale of the Bonds described herein, other than as contained in this Limited Offering Memorandum, and if given or made, such other information or representations must not be relied upon as having been authorized by the CFD, the District or the Underwriter. This Limited Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been obtained from the CFD, the District, and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation of such by the CFD, the District or the Underwriter. The Underwriter has provided the following sentence for inclusion in this Limited Offering Memorandum. The Underwriter has reviewed the information in this Limited Offering Memorandum in accordance with 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.

The information and expressions of opinion stated herein are subject to change without notice. The delivery of this Limited Offering Memorandum shall not, under any circumstances, create any implication that there has been no change in the affairs of the CFD, the District or any major property owner within the District since the date hereof. The Limited Offering Memorandum is submitted in connection with the sale of Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

This Limited Offering Memorandum is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Limited Offering Memorandum which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAW OF ANY STATE.

CERTAIN STATEMENTS INCLUDED OR INCORPORATED BY REFERENCE IN THIS LIMITED OFFERING MEMORANDUM CONSTITUTE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995, SECTION 21E OF THE U.S. SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, AND SECTION 27A OF THE SECURITIES ACT OF 1933, AS AMENDED. SUCH STATEMENTS ARE GENERALLY IDENTIFIABLE BY THE TERMINOLOGY USED SUCH AS "PLAN," "EXPECT," "ESTIMATE," "PROJECT," "ANTICIPATE," "BUDGET," OR OTHER SIMILAR WORDS.

[INSERT AREA MAP]

[INSERT ARIAL PHOTOGRAPH
SET UP AS FACING PAGE]

LIMITED OFFERING MEMORANDUM

\$ _____ *

**RANCHO MURIETA CSD
COMMUNITY FACILITIES DISTRICT NO. 2014-1 (RANCHO NORTH/MURIETA GARDENS)
SPECIAL TAX BONDS, 2014 SERIES**

INTRODUCTORY STATEMENT

General

This Limited Offering Memorandum, including the cover page, the inside cover page and the Appendices hereto, is provided to furnish certain information in connection with the issuance and sale by the Rancho Murieta CSD Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens) (the “CFD”) of its Special Tax Bonds, 2014 Series (the “Bonds”) in the aggregate principal amount of \$ _____* being issued in connection with the financing of certain improvements to the Rancho Murieta Community Services District (the “District”) Water Treatment Plant #1. The Bonds will be issued pursuant to the provisions of a Fiscal Agent Agreement, dated as of September 1, 2014 (the “Fiscal Agent Agreement”), by and between the CFD and _____, as fiscal agent (the “Fiscal Agent”), and pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 *et seq.* of the Government Code of the State of California) (the “Act”).

The Act was enacted by the California Legislature to provide an alternate method of financing certain public facilities and services, especially in developing areas. Once duly established, a community facilities district is a legally constituted governmental entity established for the purpose of financing specific facilities and services within defined boundaries. Subject to approval by a two-thirds vote of the qualified electors within a community facilities district and compliance with the provisions of the Act, a community facilities district may issue bonds and levy and collect special taxes to repay its bonds.

The Bonds will be issued in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof. See “THE BONDS.” The Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the Bonds. Individual purchases of the Bonds will be made in book-entry form only. Principal of and interest and premium, if any, on the Bonds will be payable by DTC through the DTC participants. See “THE BONDS -- Book-Entry System” herein. Purchasers of the Bonds will not receive physical delivery of the Bonds purchased by them.

Use of Proceeds

The Bonds are being issued to finance certain improvements to the District’s Water Treatment Plant #1, to fund a reserve account for the Bonds, to fund capitalized interest on the Bonds for approximately [24] months commencing on the date of delivery of the Bonds, and to pay the costs of issuance of the Bonds. See “THE FINANCING PLAN” herein.

The Special Tax

On September 5, 2014, at an election held pursuant to the Act, the four landowners who comprised the qualified electors of the CFD authorized the CFD to incur bonded indebtedness in an

* Preliminary; subject to change.

aggregate amount not to exceed \$6,750,000, approved a Rate and Method of Apportionment of Special Tax (the “Rate and Method”), approved the levy of special taxes within and for the CFD to pay the principal of, and interest on, the authorized bonded indebtedness and approved an appropriations limit for the CFD equal to the maximum amount of bonded indebtedness authorized to be incurred for the CFD. See “SECURITY FOR THE BONDS,” “THE CFD” and “APPENDIX A – RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES.”

Security for the Bonds

The Bonds are secured by the pledge of Special Taxes and the other amounts in the Special Tax Fund (other than amounts in the Administrative Expense Account therein). Special Taxes means the amount of all Special Tax as described in the Rate and Method authorized to be levied within the CFD, together with the proceeds collected from the sale of property pursuant to the foreclosure provision of the Fiscal Agent Agreement for the delinquency of such Special Taxes remaining after the payment of all the costs related to such foreclosure actions. See “SECURITY FOR THE BONDS - General.”

The CFD has established a Reserve Account pursuant to the Fiscal Agent Agreement. The Reserve Account will be funded from the proceeds of the Bonds in the initial amount of \$_____. The Reserve Requirement as of any date of calculation will be an amount equal to the lowest of (1) 10% of the issue price (as defined pursuant to section 148 of the Code), (2) Maximum Annual Debt Service, or (3) 125% of the average Annual Debt Service of the Outstanding Bonds. Provided, however, the Reserve Requirement on any date of calculation shall not exceed the Reserve Requirement as of the date of delivery of the Bonds. See “SECURITY FOR THE BONDS - Reserve Account.”

The CFD

The CFD consists of approximately _____ gross acres of unimproved land. At buildout, it is anticipated that the CFD will contain _____ detached residential dwelling units in a gated community to be known as “Rancho North” and a 83 room hotel and 24 extended stay units project known as “Murieta Gardens” (collectively, the “Development”). See “THE DEVELOPMENT” for further information regarding the Development.

The following landowners own certain of the land, and collectively own all of the land, within the CFD:

- Cosumnes River Land, LLC, a Delaware limited liability company (“CRL”)
- Murieta Industrial Park, LLC, a Delaware limited liability company (“MIP”)
- Murieta Lakeside Properties, LLC, a Delaware limited liability company (“MLP”)
- Murieta Highlands, LLC a Delaware limited liability company (“MH,” and together with CRL, MIP and MLP, the “Property Owners”)

Rancho Murieta Properties, LLC, a California limited liability company (the “Developer”) owns or controls the Property Owners.

Foreclosure Covenant

The District has covenanted for the benefit of the owners of the Bonds that, under certain circumstances described herein, the District will commence judicial foreclosure proceedings with respect to delinquent Special Taxes on property within the District, and will diligently pursue such proceedings to

completion. See “SECURITY FOR THE BONDS – The Special Taxes” and “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure.”

Limited Obligations

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT, THE COUNTY OF SACRAMENTO, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE SPECIAL TAXES, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE DISTRICT, BUT ARE LIMITED OBLIGATIONS OF THE CFD PAYABLE SOLELY FROM SPECIAL TAXES AND AMOUNTS HELD UNDER THE FISCAL AGENT AGREEMENT AS MORE FULLY DESCRIBED HEREIN.

See the section of this Limited Offering Memorandum entitled “SPECIAL RISK FACTORS” for a discussion of certain risk factors which should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Bonds.

Further Information

Brief descriptions of the Bonds, the security for the Bonds, special risk factors, the District, the CFD, the Developer (as such terms are hereinafter defined) and other information are included in this Limited Offering Memorandum. Such descriptions and information do not purport to be comprehensive or definitive. The descriptions herein of the Bonds, the Fiscal Agent Agreement, resolutions and other documents are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the Bonds, the Fiscal Agent Agreement, such resolutions and other documents. All such descriptions are further qualified in their entirety by reference to laws and to principles of equity relating to or affecting generally the enforcement of creditors’ rights. For definitions of certain capitalized terms used herein and not otherwise defined, and a description of certain terms relating to the Bonds, see “APPENDIX C – SUMMARY OF FISCAL AGENT AGREEMENT” hereto.

Copies of such documents may be obtained from the office of the General Manager of the District.

Forward Looking Statements

Certain statements included or incorporated by reference in this Limited Offering Memorandum 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,” “project,” “budget” or similar words. Such forward-looking statements include, but are not limited to certain statements contained in the information under the captions “THE DEVELOPMENT” and “THE DEVELOPER.”

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 CFD DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS LIMITED OFFERING MEMORANDUM.

NOTICE TO INVESTORS

The Bonds are being offered and sold only to investors represented by _____ (the “Bondholder Representative”). In connection with such offering and sale, the Bondholder Representative will represent and agree on behalf of itself and the Owners of the Bonds referred to below, as follows:

1. The Bondholder Representative is the duly elected representative of the owners of 100% in outstanding aggregate principal amount of the Bonds. The Bondholder Representative is delivering this Certificate on behalf of such owners and all other owners of the Bonds from time to time represented by the Bondholder Representative (the “*Owner*” or “*Owners*”).

2. Each Owner is informed that the Bonds are not general obligations of the District, but are special, limited obligations payable and secured solely as provided for in the Fiscal Agent Agreement.

3. Each Owner has full power and authority to carry on its business as now conducted.

4. Each Owner is (a) a bank as defined in section 3(a)(2) of the Securities Act of 1933, as amended (the “*Securities Act*”) or a savings and loan association or other institution as defined in Section 3(a)(5) of the Securities Act whether acting in its individual or fiduciary capacity; or (b) a broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934, as amended (the “*Exchange Act*”); or (c) an insurance company as defined in Section 2(13) of the Exchange Act; or (d) an investment company registered under the Investment Company act of 1940, as amended (the “*Investment Company Act*”), or a business development company as defined in Section 2(a)(48) of the Investment Company Act; or (e) a Small Business Investment Company licensed by the small Business Administration under Section 301(c) or Section 301(d) of the Small Business Investment Act of 1958, as amended; or (f) a plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivision for the benefit or its employees, if investment decisions are made by a plan fiduciary which is a bank, savings and loan association, insurance company, or registered investment advisor and the plan establishes fiduciary principles the same as or similar to those contained in Sections 404-407 of Title I of the Employee Retirement Income Security Act of 1974, as amended (“*ERISA*”); or (g) an employee benefit plan within the meaning of ERISA if investment decisions are made by a, plan fiduciary, as defined in Section 3(21) of ERISA, which is either a bank, savings and loan association, insurance company, or registered investment advisor, or if the employee benefit plan has total assets in excess of \$5,000,000, or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors; or (h) any natural person whose individual net worth, or joint net worth with that person’s spouse, at the time of his purchase exceeds \$2,000,000; or (i) the trustee of a trust whose securities are registered pursuant to an effect registration statement under the Securities Act.

5. Each Owner has retained _____ to advise and represent the Owner regarding the purchase and sale of securities such as the Bonds. Each Owner has the ability to bear the economic risks of an investment in the Bonds, and is an “accredited investor” as that term is defined in Rule 501 of Regulation D promulgated under the Securities Act, or a “qualified institutional buyer” as that term is defined under Rule 144A of the Securities and Exchange Commission.

6. Each Owner is not now, and has never been, controlled by, or under common control, with the Developer, or any affiliate thereof. The Developer has never been, and is not now, controlled by any Owner. No Owner has entered into any arrangements with the Developer in connection with the Bonds, other than as disclosed to the District.

7. The Bondholder Representative and each Owner acknowledges that the District and the Fiscal Agent have not undertaken and will not undertake steps to ascertain the accuracy or completeness of the information furnished to the Bondholder Representative or any Owner with respect to

Development. Neither the Bondholder Representative nor any Owner has relied or will rely upon the District or the Fiscal Agent in any way with regard to the accuracy or completeness of the information furnished to the Bondholder Representative or such Owner with respect to the Development in connection with the purchase of the Bonds by such Owner, nor has the District made any representation to the Bondholder Representative or any Owner with respect to that information.

8. The Bondholder Representative is sufficiently knowledgeable and experienced in financial and business matters, including the purchase and ownership of municipal and other tax-exempt debt obligations, to be able to evaluate the risks and merits of the investment represented by the purchase of the Bonds, and it is capable of and has made its own investigation of the District, the CFD and the Development in connection with its decision to purchase the Bonds on behalf of the Owners.

9. The Bonds are purchased by every Owner for the purpose of investment and each Owner intends to hold the Bonds for its own account as a long-term investment, without a current view to any distribution or sale of the Bonds. Each Owner is informed that it may need to bear the risks of this investment for an indefinite time, since any sale prior to maturity may not be possible.

10. Each Owner is informed that the Bonds will not be listed on any stock or other securities exchange and were issued without registration under the provisions of the Securities Act, or any state securities laws, and the Bonds may not be resold, transferred, pledged or hypothecated, in whole or in part, unless they are registered under the Securities Act and applicable state securities laws or unless an exemption from registration is available. Each Owner is informed that the Bonds will not carry any rating from any rating service. Each Owner is informed that, unless the Bonds have an investment grade rating, the Bonds may be transferred only to an “accredited investor” as that term is defined in Rule 501 of Regulation D under the Securities Act of 1933, as amended,, a “qualified institutional buyer” as that term is defined under Rule 144A of the Securities and Exchange Commission, or a broker-dealer of securities.

CONTINUING DISCLOSURE

The CFD and the Property Owners each have covenanted in separate Continuing Disclosure Agreements for the benefit of the owners of the Bonds to provide, or cause to be provided, annually, and in the case of the Property Owners annually and semi-annually, certain financial information and operating data, and to provide notices of the occurrence of certain enumerated events. The Property Owners’ annual and semi-annual and enumerated event reporting obligations will terminate if and when the land owned by the Property Owners is subject to less than 20% of the Special Tax levy in the CFD. See APPENDIX F – FORMS OF CONTINUING DISCLOSURE AGREEMENTS. The covenants of the CFD and the Property Owners have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”). The CFD and the Property Owners have never had any prior obligation or undertaking under the Rule. A default by the CFD or the Property Owners under a Continuing Disclosure Agreement will not, in itself, constitute a default under the Fiscal Agent Agreement.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and used of funds relating to the issuance of the Bonds is set forth below:

Sources of Funds

| | |
|-------------------------------------|-------|
| Principal Amount of the Bonds | |
| Less: Underwriter’s Discount..... | |
| Total Sources | |

Uses of Funds

| | |
|---|-------|
| Deposit to Acquisition and Construction Fund | |
| Deposit to Reserve Account | |
| Deposit to Interest Account ⁽¹⁾ | |
| Deposit to Costs of Issuance Account ⁽²⁾ | |
| Deposit to Administrative Expense Account..... | |
| Total Uses..... | |

(1) Capitalized interest on the Bonds for approximately [24] months commencing on the date of delivery of the Bonds.

(2) Includes fees for Bond Counsel, [Financial Advisor], the Appraiser, the Fiscal Agent and its counsel, costs of printing the Limited Offering Memorandum, and other costs of issuance of the Bonds.

THE FINANCING PLAN

The District presently owns and operates two water treatment plants and facilities known as Water Treatment Plant #1 and Water Treatment Plant #2. Water Treatment Plant #1 has reached its useful life and Water Treatment Plant #2 is also technologically outdated. The proceeds of the Bonds will be used to finance a portion of the cost for expansion and upgrade of Water Treatment Plant #1.

THE BONDS

Description of the Bonds

The Bonds will be issued as fully registered bonds, in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof and will be dated and bear interest from the date of their delivery (the “Dated Date”), at the rate set forth on the cover page hereof. The Bonds will be issued in fully registered form, without coupons.

Interest on the Bonds will be paid in lawful money of the United States of America semiannually on March 1 and September 1 of each year (each, an “Interest Payment Date”), commencing on March 1, 2015. Interest on the Bonds will be calculated on the basis of a 360-day year comprised of twelve 30-day months. Interest on the Bonds shall be payable from the Interest Payment Date next preceding the date of authentication thereof unless (i) such date of authentication is an Interest Payment Date in which event interest shall 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 shall 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 shall 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 shall 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 shall be payable from its dated date.

The Bonds are subject to optional redemption, special mandatory redemption from Special Tax prepayments and mandatory sinking fund redemption as described below.

Redemption

Optional Redemption

The Bonds are subject to redemption prior to maturity at the option of the CFD on any date on or after _____, as a whole or in part, by lot, from any available source of funds at the following redemption prices (expressed as a percentage of the principal amount of Bonds to be), together with accrued interest thereon to the date fixed for redemption:

Redemption Dates

Redemption Prices

Mandatory Redemption from Special Tax Prepayments

The Bonds are subject to mandatory redemption prior to maturity on any date on or after _____, as a whole or in part, in a manner determined by the CFD from prepayments of Special Taxes at the following redemption prices (expressed as a percentage of the principal amount of Bonds to be redeemed), together with accrued interest thereon to the date fixed for redemption:

Redemption Dates

Redemption Prices

In connection with such redemption, the CFD may also apply amounts in the Reserve Account which will be in excess of the Reserve Requirement as a result of such Special Tax prepayment to redeem Bonds as set forth above.

Mandatory Sinking Fund Redemption

The Bonds are subject to mandatory redemption, in part by lot, on September 1 in each year commencing September 1, 20____, from the Sinking Fund Payments that have been deposited into the Redemption Account at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest thereon to the date of redemption as set forth in the following schedule; provided, however, that (i) in lieu of redemption thereof, the Bonds may be purchased by the CFD and tendered to the Fiscal Agent, and (ii) if some but not all of the Bonds have been redeemed, the total amount of all future sinking payments will be reduced by the aggregate principal amount of the Bonds so redeemed, to be allocated among such sinking payments on a pro rata basis (as nearly as practicable) in integral multiples of \$100,000 or any integral multiples of \$5,000 in excess thereof as determined by the CFD.

Redemption Date
(September 1)

Principal Amount

Selection of Bonds for Redemption

If less 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 shall be in the principal amount of \$5,000 or an integral multiple thereof. In selecting portions of such Bonds for redemption, the Fiscal Agent shall 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.

Notice of Redemption

When Bonds are due for redemption under the Fiscal Agent Agreement, the Fiscal Agent shall give notice, in the name of the CFD, of the redemption of such Bonds; provided, however, that a notice of a redemption to be made from other than from Sinking Fund Payments shall be conditioned on there being on deposit on the redemption date sufficient money to pay the redemption price of the Bonds to be redeemed. Such notice of redemption shall (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 of a maturity 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 shall be specified by the Fiscal Agent. Such notice shall further state that on the date fixed for redemption, there shall 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 shall cease to accrue and be payable. At least 30 days but no more than 60 days prior to the redemption date, the Fiscal Agent shall 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 or the original purchaser of any Bond of notice of such redemption shall not be a condition precedent to redemption, and neither the failure to receive nor any defect in such notice shall affect the validity of the proceedings for the redemption of such Bonds, or the cessation of interest on the redemption date.

Effect of Notice of Redemption

Notice of redemption having been duly given, as described above, 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:

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

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

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

(4) As of the date fixed for redemption no Owner of any of the Bonds, or portions thereof so designated for redemption shall 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.

The Fiscal Agent

_____ has been appointed as the Fiscal Agent for all of the Bonds under the Fiscal Agent Agreement. For a further description of the rights and obligations of the Fiscal Agent pursuant to the Fiscal Agent Agreement, see “APPENDIX C – SUMMARY OF FISCAL AGENT AGREEMENT” hereto.

Book-Entry System

The Depository Trust Company, New York, New York (“DTC”), will act as securities depository for the Bonds. The Bonds will be registered in the name of Cede & Co. (DTC’s partnership nominee), and will be available to ultimate purchasers in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Ultimate purchasers of Bonds will not receive physical certificates representing their interest in the Bonds. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Owners shall mean Cede & Co., and shall not mean the ultimate purchasers of the Bonds. Payments of the principal of, premium, if any, and interest on the Bonds will be made directly to DTC, or its nominee, Cede & Co., by the Fiscal Agent, so long as DTC or Cede & Co. is the registered owner of the Bonds. Disbursements of such payments to DTC’s Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC’s Participants and Indirect Participants. See “APPENDIX G – BOOK-ENTRY ONLY SYSTEM.”

Debt Service Schedule

The following is the annualized debt service schedule for the Bonds, assuming no redemptions other than mandatory sinking fund redemptions.

| <u>Year Ending</u> <u>(September 1)</u> | <u>Principal</u> | <u>Interest</u> | <u>Annual</u> <u>Debt Service</u> |
|--|------------------|-----------------|--------------------------------------|
|--|------------------|-----------------|--------------------------------------|

Total

SECURITY FOR THE BONDS

General

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT, THE COUNTY OF SACRAMENTO, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS EXCEPT TO THE LIMITED EXTENT DESCRIBED HEREIN. EXCEPT FOR THE SPECIAL TAXES, NO OTHER REVENUES OR TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE DISTRICT, BUT ARE LIMITED

OBLIGATIONS OF THE CFD PAYABLE SOLELY FROM SPECIAL TAXES AND AMOUNTS HELD UNDER THE FISCAL AGENT AGREEMENT AS MORE FULLY DESCRIBED HEREIN.

The Bonds are secured by a pledge of Special Taxes of the CFD and the other amounts in the Special Tax Fund (other than amounts in the Administrative Expense Account therein). Special Taxes means the amount of all Special Tax as described in the Rate and Method (the “Special Taxes” or the “Special Tax”) received by the CFD, together with the proceeds collected from the sale of property pursuant to the foreclosure provision of the Fiscal Agent Agreement for the delinquency of such Special Taxes remaining after the payment of all the costs related to such foreclosure actions.

In the event that delinquencies occur in the receipt of the Special Taxes within the CFD in any fiscal year, the CFD may increase its Special Tax levy on property within the CFD in the following fiscal year up to the maximum amount permitted under the Rate and Method. Under no circumstances, however, will Special Taxes levied against any parcel used for private residential purposes be increased by more than 10 percent as a consequence of delinquency or default by the owner of any other parcel or parcels within the CFD. Although the Special Tax levy on property within the CFD may be increased, Special Taxes resulting from the increase may not be available to cure any delinquencies for a period of one year or more. In addition, an increase in the Special Tax levy may adversely affect the ability or willingness of property owners to pay their Special Taxes. See “Rate and Method of Apportionment of Special Taxes” below and “APPENDIX A – RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES” hereto for a description of the CFD’s procedures for levying Special Taxes within the CFD, and “SPECIAL RISK FACTORS – Insufficiency of Special Taxes.”

OWNERSHIP OF THE BONDS IS SUBJECT TO A SIGNIFICANT DEGREE OF RISK. POTENTIAL INVESTORS ARE ADVISED TO CAREFULLY READ THE SECTION OF THIS LIMITED OFFERING MEMORANDUM ENTITLED “SPECIAL RISK FACTORS.”

The Special Taxes

The Special Taxes are to be apportioned, levied and collected according to the Rate and Method. See “– Rate and Method of Apportionment of Special Taxes” below and “APPENDIX A – RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES” hereto.

Beginning in Fiscal Year 2014-15 and so long as any Bonds issued under the Fiscal Agent Agreement are Outstanding, the CFD has covenanted to levy the Special Tax in an amount sufficient, together with other amounts on deposit in the Special Tax Fund and available for such purpose, to pay the Special Tax Requirement (as defined in the Rate and Method). See “SPECIAL RISK FACTORS” for a discussion of certain factors affecting the actual timely collection of such Special Tax levies.

Special Tax Fund

Pursuant to the Fiscal Agent Agreement, there is established a “Special Tax Fund” to be held and maintained by the Fiscal Agent. In the Special Tax Fund there is further established and created an Interest Account, a Principal Account, a Redemption Account, a Reserve Account and an Administrative Expense Account.

The amounts on deposit in the foregoing funds and accounts will be held by the Fiscal Agent in trust and the Fiscal Agent will invest and disburse the amounts in such funds and accounts in accordance with the provisions of the Fiscal Agent Agreement and will disburse investment earnings thereon in accordance with the provisions of the Fiscal Agent Agreement.

The CFD will, on each date on which it receives Special Taxes, transfer the Special Taxes to the Fiscal Agent for deposit in the Special Tax Fund in accordance with the terms of the Fiscal Agent Agreement to be held in trust. The Fiscal Agent shall transfer the amounts on deposit in the Special Tax Fund on the dates and in the amounts set forth in the Fiscal Agent Agreement in the following order of priority:

1. The Administrative Expense Account of the Special Tax Fund;
2. The Interest Account of the Special Tax Fund;
3. The Principal Account of the Special Tax Fund;
4. The Redemption Account of the Special Tax Fund;
5. The Reserve Account of the Special Tax Fund; and
6. The Surplus Fund.

Administrative Expense Account. The Fiscal Agent will transfer from the Special Tax Fund and deposit in the Administrative Expense Account of the Special Tax Fund an amount equal to the Administrative Expense Requirement for the Fiscal Year, which will be disbursed by the Fiscal Agent upon the Written Request of the CFD. Amounts deposited in the Administrative Expense Fund are not pledged to the repayment on the Bonds.

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 including sinking fund redemption, will be paid by the Fiscal Agent from the Principal Account and the Interest Account of the Special Tax Fund, respectively. At least five Business Days prior to each March 1 and September 1, the Fiscal Agent will make the following transfers from the Special Tax Fund first to the Interest Account and then to the Principal Account; 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 are inadequate to make the foregoing transfers, then any deficiency shall be made up by an immediate transfer from the Reserve Account:

1. To the Interest Account, an amount such that the balance in the Interest Account five Business Days prior to each Interest Payment Date will be equal to the installment of interest due on the Bonds on said Interest Payment Date and any installment of interest due on a previous Interest Payment Date which remains unpaid. Moneys in the Interest Account shall be used for the payment of interest on the Bonds as the same become due.

2. To the Principal Account, an amount such that the balance in the Principal Account five Business Days prior to September 1 of each year, commencing September 1, 20__ shall at least equal the principal payment due on the Bonds maturing on such September 1 and any principal payment due on a previous September 1 which remains unpaid. Moneys in the Principal Account will be used for the payment of the principal of such Bonds as the same become due at maturity.

Redemption Account of the Special Tax Fund. On 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, 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. 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 the Fiscal Agent Agreement and in any Supplemental Fiscal Agent Agreement for such Term Bonds.

All prepayments of Special Taxes shall be deposited in the Redemption Account to be used to redeem Bonds on the next date for which notice of redemption can timely be given.

Surplus Fund. Moneys deposited in the Surplus Fund shall be transferred by the Fiscal Agent (i) to the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund to pay the principal of, including mandatory 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 of the Special Tax Fund are insufficient therefor, (ii) to the Reserve Account in order to replenish the Reserve Account to the Reserve Requirement, and (iii) to the Administrative Expense Account of the Special Tax Fund to pay Administrative Expenses to the extent that the amounts on deposit in the Administrative Expense Account of the Special Tax Fund are insufficient to pay Administrative Expenses or, upon the Written Request of the CFD, may be disbursed to the CFD to be expended for any other lawful purpose of the CFD. The amounts in the Surplus Fund are not pledged to the repayment of the Bonds.

Reserve Account

Moneys in the Reserve Account will be used solely for the purpose of paying the principal of, including Sinking Fund Payments, and interest on any 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.

Whenever moneys are withdrawn from the Reserve Account, after making the required transfers under the Fiscal Agent Agreement, 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 CFD 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. If amounts in the Special Tax Fund or otherwise transferred to replenish the Reserve Account are inadequate to restore the Reserve Account to the Reserve Requirement, then the CFD will include the amount necessary fully to restore the Reserve Account to the Reserve Requirement in the next annual Special Tax levy for property within the CFD to the extent of the maximum permitted Special Tax rates, however, Special Taxes on residential parcel may not be increased more than 10% from the prior Fiscal Year.

Rate and Method of Apportionment of Special Taxes

See “APPENDIX A – RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES.”

Covenant for Superior Court Foreclosure

In the event of a delinquency in the payment of any installment of Special Taxes, the CFD is authorized by the Act to order institution of an action in the Superior Courts of the State to foreclose any lien therefor. In such action, the real property subject to the Special Taxes may be sold at a judicial foreclosure sale. The ability of the CFD to foreclose the lien of delinquent unpaid Special Taxes may be limited in certain instances and may require prior consent of the property owner in the event the property is owned by or in receivership of the Federal Deposit Insurance Corporation (the "FDIC") or other similar federal agencies. See "SPECIAL RISK FACTORS – Bankruptcy and Foreclosure" and "SPECIAL RISK FACTORS – Tax Delinquencies." Such judicial foreclosure proceedings are not mandatory.

However, in the Fiscal Agent Agreement, the CFD has covenanted for the benefit of the Owners of the Bonds that it will determine or cause to be determined, no later than March 1 and August 1 of each year, whether or not any owner of the property within the CFD are delinquent in the payment of Special Taxes and, if such delinquencies exist, the CFD will order and cause to be commenced no later than April 15 (with respect to the March 1 determination date) or September 1 (with respect to the August 1 determination date), and thereafter diligently prosecute, an action in the superior court to foreclose the lien of any Special Taxes or installment thereof not paid when due.

There could be a default or a delay in payments to the owners of the Bonds pending prosecution of foreclosure proceedings and receipt by the CFD of foreclosure sale proceeds, if any, and subsequent transfer of those proceeds to the CFD. However, up to the maximum amount permitted under the Rate and Method, the CFD may adjust the Special Taxes levied on all property within the CFD to provide the amount required to pay debt service on the Bonds, but not more than a 10% increase on a residential parcel from the prior Fiscal Year.

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 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, the judgment creditor is entitled to interest on the revised judgment and any liens extinguished by the sale are revised as if the sale had not been made (Section 701.680 of the Code of Civil Procedure of the State of California).

No Obligation of the District Upon Delinquency

The District is under no obligation to transfer any funds of the District into the Special Tax Fund or any other funds or accounts under the Fiscal Agent Agreement for the payment of the principal of or interest on the Bonds if a delinquency occurs in the payment of any Special Taxes. See "SECURITY FOR THE BONDS - Covenant for Superior Court Foreclosure" for a discussion of the CFD's obligation to foreclose Special Tax liens upon delinquencies.

No Parity Obligations

Other than refunding bonds, the CFD may not issue bonds, notes or other similar evidences of indebtedness payable from the Special 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.

Appraisal and Value-to-Lien Analysis

The Bonds are secured by Special Taxes which may include amounts realized upon foreclosure sale of delinquent parcels. Therefore, the ability of the CFD to meet debt service on the Bonds may

depend on the ability of delinquent parcels to generate sufficient proceeds upon foreclosure sale to pay delinquent Special Taxes. The District, on behalf of the CFD, has commissioned _____, _____, California (the “Appraiser”) to perform an appraisal (the “Appraisal”) of the property values of parcels within the CFD. See “APPENDIX D – APPRAISAL REPORT” hereto. The Appraisal was prepared with a date of value of September ___, 2014. In the opinion of the Appraiser, the discounted “bulk-sale” value of the properties within the CFD, as of the date of value stated in the Appraisal, is \$_____, which is approximately _____ times the aggregate principal amount of Bonds issued, excluding any direct or overlapping debt. See “APPENDIX D – APPRAISAL REPORT” for description of the valuation methodology. The following table sets forth the appraised value of each parcel and the respective value-to-lien ratio.

Value-to-Lien Analysis

| <u>APN</u> | <u>Number of Gross Acres</u> | FY 2014-15 <u>Maximum Special Tax</u> | <u>Bond Amount</u> ⁽¹⁾ | <u>Appraised Value</u> | <u>Value-to-Lien Ratio</u> |
|--------------|----------------------------------|--|-----------------------------------|------------------------|--------------------------------|
| 073-0180-029 | | \$22,638 | | | |
| 073-0800-007 | | 566 | | | |
| 073-0800-008 | | 84,891 | | | |
| 073-0800-009 | | 70,743 | | | |
| 073-0090-062 | | 28,297 | | | |
| 073-0790-023 | | 113,188 | | | |
| 073-0800-003 | | 155,633 | | | |
| 073-0470-004 | | 24,336 | | | |
| 073-0470-005 | | 36,786 | | | |
| 073-0470-006 | | <u>1,132</u> | | | |
| Total | | \$538,210 | \$ | \$ | to 1 |

⁽¹⁾ Based upon each parcel’s respective share of the Fiscal Year 2014-15 Maximum Special Tax allocation. Preliminary; subject to change.

Source: Special Tax Consultant and District.

There can be no assurance that property values set forth in the Appraisal will not decrease, or that at any time the amount that could be realized upon sale of a particular parcel in a foreclosure sale for nonpayment of Special Taxes will equal that parcel’s appraised value.

THE DISTRICT

The District was formed in 1982 by California Government Code 61000 to provide essential services in Rancho Murieta, which is an unincorporated community within Sacramento County’s 4th Supervisor District. The District provides essential services to an area of 3,500 acres (covering roughly five and a half square miles). The approved master plan calls for residential development on 1,920 acres with single-family residences, townhouses, apartments, and mobile homes for a total of 5,189 units. Current estimates indicate Rancho Murieta has 2,500 households with a population of approximately 5,488 persons (2010 census). The community is a balanced blend of both custom and production homes, townhouses, mobile homes, and a thriving retail complex. In addition, an airport, office building, fire station, and equestrian center are located in the District. The District currently maintains over \$43,000,000 in plant, property and equipment assets.

The District is an independent special district which provides the following services:

- Water supply collection, treatment, and distribution
- Wastewater collection, treatment, and reuse
- Storm drainage collection, disposal, and flood control
- Security
- Solid Waste collection

While each service maintains and operates under its own separate budget, a combination of taxes and user fees fund these services.

The District's affairs are directed and governed by a five-member (5) Board of Directors, elected at large by registered voters within the jurisdiction. Policy direction is set by the Board of Directors and administered by the General Manager.

THE CFD

On August 1, 2014, the Board adopted a Resolution of Intention to form a community facilities district under the Act, to levy a special tax and to incur bonded indebtedness for the purpose of financing the improvements to the District's Water Treatment Plant #1. After conducting a noticed public hearing, on September 5, 2014, the Board adopted the Resolution of Formation, which established the CFD and set forth the Rate and Method for the levy and collection of Special Taxes within the CFD.

On September 5, 2014, an election was held within the CFD in which the landowners eligible to vote unanimously approved the incurrence of bonded indebtedness in an amount not to exceed \$6,750,000 and the levy of the Special Tax within the CFD.

The CFD consists of approximately _____ gross acres of unimproved land. At buildout, it is anticipated that the CFD will contain _____ detached residential dwelling units in a gated community to be known as "Rancho North" and a 83 room hotel and 24 extended stay units project known as "Murieta Gardens" (collectively, the "Development"). See "THE DEVELOPMENT" for further information regarding the Development.

Direct and Overlapping Debt

The following table details the direct and overlapping debt currently encumbering property within the CFD.

[TO COME IF NECESSARY?]

THE PROPERTY OWNERS AND THE DEVELOPER

The following landowners own certain of the land, and collectively own all of the land, within the CFD:

- Cosumnes River Land, LLC, a Delaware limited liability company (“CRL”)
- Murieta Industrial Park, LLC, a Delaware limited liability company (“MIP”)
- Murieta Lakeside Properties, LLC, a Delaware limited liability company (“MLP”)
- Murieta Highlands, LLC a Delaware limited liability company (“MH,” and together with CRL, MIP and MLP, the “Property Owners”)

Rancho Murieta Properties, LLC, a California limited liability company (the “Developer”) owns or controls the Property Owners.

[DESCRIBE DEVELOPER ENTITY IN TERMS OF THE MANAGING MEMBER AND ITS EXPERIENCE WITH RESPECT TO DEVELOPING PROJECTS]

THE DEVELOPMENT

Unpaid Special Taxes do not constitute a personal indebtedness of the Property Owners, its affiliates or any subsequent owners of the parcels within the CFD and the Property Owners have made no enforceable commitment to pay the principal of or interest on the Bonds or to support payment of the Bonds in any manner. There is no assurance that the Property Owners have or any subsequent owners will 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 not to pay the Special Taxes when due and cannot be legally compelled to do so. Neither the CFD nor any Bondowner will have the ability at any time to seek payment from the Property Owners or any subsequent owners of property within the CFD of any Special Tax or any principal or interest due on the Bonds, or the ability to control who becomes a subsequent owner of any property within the CFD. See “SECURITY FOR THE BONDS” and “SPECIAL RISK FACTORS” herein.

The Developer has provided the information set forth under the headings “-Environmental Assessment,” “- Financing Plans,” and “THE OWNERS AND THE DEVELOPER.” No assurance can be given that all information is complete. Although the Property Owners currently owns all of the property within the CFD, the Property Owners intend to build and sell the residential properties to individual homeowners. When such sales occur, the ownership of the land within the CFD will become more diversified. No assurance can be given that development of the property will be completed, that it will be completed in a timely manner or that it will occur as described herein.

General

Monterey Advisory Group, LLC prepared its Due Diligence Report dated June 15, 2013 (the “Due Diligence Report”). The Whitney Group prepared a Market Absorption Study dated June 14, 2013 (as updated in September 2013, the “Market Absorption Study”). The Due Diligence Report and the Market Absorption Study were commissioned by CRL and DeRegt Development, Inc. (the “venture”) in connection with the venture’s contemplation of acquiring and assemblage of 24 generally non-contiguous parcels, totaling approximately 1,138.71 acres in the Rancho Murieta community (the “Rancho Murieta

Master Plan”). The CFD constitutes a portion of the Rancho Murieta Master Plan. See “APPENDIX B – DUE DILIGENCE REPORT/MARKET ABSORPTION STUDY” for a description of the Rancho Murieta Master Plan.

[DESCRIBE ANY DEVELOPMENT PLAN THAT HAS BEEN DEVELOPED SINCE THE DUE DILIGENCE REPORT/MARKET ABSORPTION STUDY AS WELL AS AN UPDATE ON THE STATUS OF ENTITLEMENT AND OVERALL DEVELOPMENT. ALSO, DESCRIBE THE DEVELOPMENT PLAN WITH RESPECT TO THE CFD PORTION OF THE MASTER PLAN]

Financing Plans

[DESCRIBE FINANCING ARRANGEMENTS IN PLACE AND HOW THE OWNERS/DEVELOPER WHAT FUTURE FINANCINGS WILL BE REQUIRED TO DEVELOP THE PROJECT]

SPECIAL RISK FACTORS

The following is a discussion of certain risk factors which should be considered, in addition to other matters set forth herein, in evaluating the investment quality of the Bonds. This discussion does not purport to be comprehensive or definitive. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in the CFD to pay their Special Taxes when due. Such failures to pay Special Taxes could result in the inability of the CFD to make full and punctual payments of debt service on the Bond. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the property in the CFD.

Concentration of Ownership

The Property Owners own 100% of the land in the CFD. As buildout and market absorption continues within the CFD, property ownership can be expected to become diversified. Lack of diversity of ownership presents a risk to Bondowners, in that failure of a large taxpayer within the CFD to pay Special Taxes when due could result in the depletion of the Reserve Account prior to the replenishment thereof from moneys realized upon resale of property from foreclosure or otherwise, or delinquency redemptions after a foreclosure sale.

Risks of Real Estate Secured Investments Generally

The Bondowners will be subject to the risks generally incident to an investment secured by real estate, including, without limitation, (i) adverse changes in local market conditions, such as changes in the market value of real property in the vicinity of the CFD, the supply of or demand for competitive properties in such area, and the market value of residential properties and/or sites in the event of sale or foreclosure, (ii) changes in real estate tax rates and other operating expenses, government rules (including, without limitation, zoning laws and restrictions relating to threatened and endangered species) and fiscal policies and (iii) natural disasters (including, without limitation, earthquakes and floods), which may result in uninsured losses, or natural disasters elsewhere in the country or other parts of the world affecting supply of building materials that may cause delays in construction.

Future Land Use Regulations and Growth Control Initiatives

Bondowners should assume that any event that impacts the ability to develop land in the CFD could cause the land values within the CFD to decrease and could affect the willingness and ability of the

owners of land within the CFD to pay the Special Taxes when due. See “SECURITY FOR THE BONDS – Appraisal.”

In evaluating the investment quality of the Bonds, investors should assume that the possible enactment of more restrictive land use regulations by the CFD or the County of Sacramento, or by voter initiative presents a substantial risk to the timely construction and completion of development, except with respect to units for which building permits have already been issued and substantial work and liabilities have been incurred in good faith reliance thereon prior to the date of adoption of any such land use regulations.

The failure to complete the Development as planned, or substantial delays in the completion of the Development, due to litigation or other causes may reduce the value of the property within the CFD, and will increase the amount of Special Taxes to be paid by the owners of undeveloped property and may affect the willingness and ability of the owners of land within the CFD to pay the Special Taxes when due. Depending on the nature of the Development eventually approved and completed, the value of the land within the CFD may be reduced.

Failure to Develop Properties

Land development operations are subject to comprehensive Federal, State and local regulations. Approval is required from various agencies in connection with the layout and design of developments, the nature and extent of improvements, construction activity, land use, zoning, school and health requirements, as well as numerous other matters. There is always the possibility that such approvals will not be obtained on a timely basis. Failure to obtain any such agency approval or satisfy such governmental requirements would adversely affect land development operations. In addition, there is the risk that lawsuits challenging the County’s approval of the Development will be instituted.

Under current California law, it is generally accepted that proposed development is not exempt from future land use regulations until building permits have been properly issued and substantial work has been performed and substantial liabilities have been incurred in good faith reliance on such permits.

Development of certain portions of the land within the CFD is contingent upon construction or acquisition of major public improvements such as arterial streets, water distribution facilities, sewage collection and transmission facilities, gas, telephone and electrical facilities, as well as local in-tract improvements including site grading. While certain of these improvements have been or are expected to be constructed with proceeds of the Bonds, there can be no assurance that all of these improvements will be constructed. The cost of these public and private in-tract and off-site improvements could increase the public and private debt for which the land within the CFD provides security. This increased debt could reduce the willingness and/or ability of the property owners to pay the annual Special Taxes levied against their property.

Moreover, there can be no assurance that the means and incentive to conduct land development operations within the CFD will not be adversely affected by a future deterioration of the real estate market and economic conditions of future local, State and federal governmental policies relating to real estate development, the income tax treatment of real property ownership, or the national economy. A slowdown of the development process and the absorption rate could adversely affect land values and reduce the ability or desire of the property owners to pay the annual Special Taxes. In that event, there could be a default in the payment of principal of, and interest on, the Bonds.

Another risk to the Bondowners involves the value of undeveloped property. The inability or failure to develop property due to adverse regulatory or economic conditions may reduce the value of undeveloped property. The undeveloped property also provides less security to the Bondowners should it

be necessary for the CFD to foreclose on undeveloped property in the CFD due to the nonpayment of the Special Taxes. Furthermore, an inability to develop the land within the CFD as currently proposed will make the Bondowners more dependent upon timely payment of the Special Tax levied on the undeveloped property. Because of the current concentration of ownership of the undeveloped property in the Developer, the timely payment of the Bonds depends upon the willingness and ability of the present owner of the undeveloped property to pay the Special Taxes levied on the undeveloped property when due. See “SPECIAL RISK FACTORS – Concentration of Ownership” above. A slowdown or stoppage in the continued development of the CFD could reduce the willingness and ability of the Property Owners to make Special Tax payments on undeveloped property, and could greatly reduce the value of such property in the event it has to be foreclosed upon.

Disclosure to Future Homebuyers

Pursuant to Section 53328.3 of the Act, the CFD has recorded a Notice of Special Tax Lien in the Office of the Sacramento County Recorder. The sellers of property within the CFD are required to give prospective buyers a Notice of Special Tax in accordance with Sections 53340.2 and 53341.5 of the Act. While title companies normally refer to the Notice of Special Tax Lien in title reports, there can be no guarantee that such reference will be made or the seller’s notice given or, if made and given, that a prospective purchaser or lender will consider such Special Tax obligation in the purchase of a home or commercial facility or the lending of money thereon. Failure to disclose the existence of the Special Taxes may affect the willingness and ability of future owners of land within the CFD to pay the Special Taxes when due.

Parity Taxes and Special Assessments

The Special Taxes and any penalties thereon will constitute a lien against the lots and parcels of land on which they will be annually imposed until they are paid. Such lien is on a parity with all special taxes and special assessments levied by other agencies and is coequal to and independent of the lien for general property taxes regardless of when they are imposed upon the same property. The Special Taxes have priority over all existing and future private liens imposed on the property. The CFD, however, has no control over the ability of other entities and districts to issue indebtedness secured by special taxes or assessments payable from all or a portion of the property within the CFD. In addition, the landowners within the CFD may, without the consent or knowledge of the CFD, petition other public agencies to issue public indebtedness secured by special taxes or assessments. Any such special taxes or assessments may have a lien on such property on a parity with the Special Taxes. See “THE CFD – Direct and Overlapping Debt.”

Appraised Value; Land Value

The value of land within the CFD is an important factor in evaluating the investment quality of the Bonds. In the event that a property owner defaults in the payment of Special Tax installments, the CFD’s only remedy is to judicially foreclose on that property. Prospective purchasers of the Bonds should not assume that the property within the CFD could be sold for the assessed or appraised value described in the Limited Offering Memorandum at a foreclosure sale for delinquent Special Tax installments or for an amount adequate to pay delinquent Special Tax installments. Reductions in property values within the CFD due to a downturn in the economy or the real estate market, events such as earthquakes, droughts, or floods, stricter land use regulations, threatened or endangered species or other events may adversely impact the security underlying the Special Taxes.

The property values set forth herein are the property values determined by the Appraiser. The Appraisal was prepared for the purpose of estimating and confirming the market value of the property in the CFD as of September , 2014 in its as is condition on the basis of certain assumptions. Prospective

purchasers of the Bonds should not assume, however, that the land within the CFD could be sold for the appraised amount described herein at the present time or at a foreclosure sale for delinquent Special Taxes. See the Appraisal included as Appendix D hereto for a brief description of the analysis used and assumptions made by the Appraiser. The actual value of the property is subject to future events that might render invalid the assumptions relied upon by the Appraiser in determining the appraised value.

The actual market value of the property is subject to future events such as a downturn in the economy, and occurrences of certain acts of nature, all of which could adversely impact the value of the land in the CFD which is the security for the Bonds. As discussed herein, many factors could adversely affect property values or prevent or delay land development within the CFD. Furthermore, the estimated value-to-lien ratio of individual parcels may vary. No assurance can be given that, should a parcel with delinquent Special Taxes be foreclosed upon and sold for the amount of the delinquency, any bid will be received for such property or, if a bid is received, that such bid will be sufficient to pay all delinquent Special Taxes.

Value to Lien Ratios

Value-to-lien ratios have traditionally been used in land-secured bond issues as a measure of the “collateral” supporting the willingness of property owners to pay their special taxes and assessments (and, in effect, their general property taxes as well). The value-to-lien ratio is mathematically a fraction, the numerator of which is the value of the property (usually a market value as determined by an appraiser) and the denominator of which is the “lien” of the assessments or special taxes. A value to lien ratio should not, however, be viewed as a guarantee for credit-worthiness. Land values are more volatile in the early stages of a development, and are especially sensitive to economic cycles. A downturn of the economy or other market factors such as increase in building materials cost or labor cost to construct homes may depress land values and hence the value-to-lien ratios, by increasing risk to investors and lenders, and lengthening the absorption period for new development projects. Further, the value-to-lien ratio cited for a bond issue is an average. Individual parcels in a community facilities district may fall above or below the average, sometimes even below a 1:1 ratio. (With a ratio below 1:1, the land is worth less than the debt on it.) If property ownership in a community facilities district is highly concentrated during the early stages of development, the delinquency of a major property owner can deplete the bond’s reserve fund and threaten the timely payment of the debt service, even though the value-to-lien ratio is adequate. Although judicial foreclosure proceedings can be initiated rapidly, the process can take several years to complete, and the bankruptcy courts may impede the foreclosure action. No assurance can be given that, should a parcel with delinquent Special Taxes be foreclosed upon and sold for the amount of the delinquency, any bid will be received for such property or, if a bid is received, that such bid will be sufficient to pay all delinquent Special Taxes. Finally, local agencies may form overlapping community facilities districts or assessment districts because they typically do not coordinate their bond issuances. Debt issuance by another entity can dilute value-to-lien ratios, as set forth in the table in the section above entitled “THE CFD - Direct and Overlapping Debt.” See “SECURITY FOR THE BONDS – Estimated Appraisal and Value-to-Lien Analysis.”

Insufficiency of Special Taxes

The Act provides that, if any property within the CFD not otherwise exempt from the Special Tax is acquired by a public entity through a negotiated transaction, or by a gift or devise, the Special Tax will continue to be levied on and enforceable against the public entity that acquired the property. In addition, the 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 and be paid from the eminent domain award. The constitutionality and operation of these provisions of the Act have not been tested in the courts. **MOREOVER, IF A SUBSTANTIAL PORTION OF LAND WITHIN THE CFD BECAME EXEMPT FROM THE SPECIAL**

TAX BECAUSE OF PUBLIC OWNERSHIP, OR OTHERWISE, THE MAXIMUM SPECIAL TAX WHICH COULD BE LEVIED UPON THE REMAINING ACREAGE MIGHT NOT BE SUFFICIENT TO PAY PRINCIPAL OF AND INTEREST ON THE BONDS WHEN DUE AND A DEFAULT COULD OCCUR WITH RESPECT TO THE PAYMENT OF SUCH PRINCIPAL AND INTEREST.

Tax Delinquencies

Under provisions of the Act, the Special Taxes, from which funds necessary for the payment of principal of, and interest on, the Bonds are derived, will be billed to the properties within the CFD on the regular property tax bills sent to owners of such properties. Such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do regular property tax installments. Special Tax installment payments cannot be made to the County Tax Collector separately from property tax payments. Therefore, the unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and Special Tax installment payments in the future.

See “SECURITY FOR THE BONDS – Reserve Fund” and “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure,” for a discussion of the provisions which apply, and procedures which the CFD is obligated to follow under the Fiscal Agent Agreement, in the event of delinquency in the payment of Special Tax installments.

Future Indebtedness

The cost of any additional improvements may well increase the public and private debt for which the land in the CFD provide security, and such increased debt could reduce the ability or desire of property owners to pay the Special Taxes levied against the land in the CFD. In addition, in the event any additional improvements or fees are financed pursuant to the establishment of an assessment district or another district formed pursuant to the Act, any taxes or assessments levied to finance such improvements way have a lien on a parity with the lien of the Special Taxes. See “THE CFD – Direct and Overlapping Debt.”

Natural Disasters

The District, like all California communities, may be subject to unpredictable seismic activity, fires due to the vegetation and topography, or flooding in the event of significant rainfall. According to the California Emergency Management Agency, the Development is located in an area subject to “moderate” ground shaking (which is typical for properties located in California), and is not located in an area subject to earthquake-induced landslides or liquefaction. Seismic hazards encompass both potential surface rupture and ground shaking. The occurrence of seismic activity, fires or flooding in or around the CFD could result in substantial damage to properties in the CFD, which, in turn, could substantially reduce the value of such properties. As a result of the occurrence of such an event, a substantial portion of the property owners may be unable or unwilling to pay the Special Taxes when due, and the reserve fund for the Bonds may become depleted. In addition, the value of land in the CFD could be diminished in the aftermath of such natural events, reducing the resulting proceeds of foreclosure sales in the event of delinquencies in the payment of the Special Taxes.

Endangered and Threatened Species

On a regular basis, new species are proposed to be added to the State and federal protected species lists. Any action by the State or federal governments to protect species located on or adjacent to the property within the CFD could negatively affect the Property Owners’ ability to complete the development of the properties within the CFD as planned. This, in turn, could reduce the ability or

willingness of the property owners to pay the Special Taxes when due and would likely reduce the value of the land and the potential revenues available at a foreclosure sale for delinquent Special Taxes.

Hazardous Substances

A serious risk in terms of the potential reduction in the value of a parcel within the CFD is a claim with regard to a hazardous substance. In general, the owners and operators of a parcel within the CFD may be required by law to remedy conditions of such parcel relating to release 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 similarly stringent. Under many of these laws, the owner or operator is obligated to remedy a hazardous substance condition of the property whether or not the owner or operator had anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the parcels within the CFD be affected by a hazardous substance, will be to reduce the marketability and value of such parcel by the costs of remedying the condition, because the prospective purchaser, upon becoming the owner, will become obligated to remedy the condition just as the seller is.

Further it is possible that liabilities may arise in the future with respect to any of the parcels resulting from the current existence on the parcel of a substance currently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the current existence on the parcel of a substance not presently classified as hazardous but which 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 in which it is handled. All of these possibilities could significantly affect the value of a parcel within the CFD that is realizable upon a delinquency.

Bankruptcy and Foreclosure

The payment of property owners’ taxes and the ability of the CFD to foreclose the lien of a delinquent unpaid Special Tax pursuant to its covenant to pursue judicial foreclosure proceedings, may be limited by bankruptcy, insolvency or other laws generally affecting creditors’ rights or by the laws of the State relating to judicial foreclosure. See “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure.” In addition, the prosecution of a foreclosure could be delayed due to many reasons, including crowded local court calendars or lengthy procedural delays.

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 moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

In addition, bankruptcy of a property owner (or a property owner’s partner or equity owner) would likely result in a delay in procuring Superior Court foreclosure proceedings unless the bankruptcy court consented to permit such foreclosure action to proceed. Such delay would increase the likelihood of a delay or default in payment of the principal of, and interest on, the Bonds and the possibility of delinquent tax installments not being paid in full.

Under 11 U.S.C. Section 362(b)(18), in the event of a bankruptcy petition filed on or after October 22, 1994, the lien for ad valorem taxes in subsequent fiscal years will attach even if the property is part of the bankruptcy estate. Bondowners should be aware that the potential effect of 11 U.S.C. Section 362(b)(18) on the Special Taxes depends upon whether a court were to determine that the Special Taxes should be treated like ad valorem taxes for this purpose.

On July 30, 1992, the United States Court of Appeals for the Ninth Circuit issued its opinion in a bankruptcy case entitled In re Glasply Marine Industries. In that case, the court held that ad valorem property taxes levied by Snohomish County in the State of Washington after the date that the property owner filed a petition for bankruptcy were not entitled to priority over a secured creditor with a prior lien on the property. Although the court upheld the priority of unpaid taxes imposed before the bankruptcy petition, unpaid taxes imposed after the filing of the bankruptcy petition were declared to be “administrative expenses” of the bankruptcy estate, payable after all secured creditors. As a result, the secured creditor was able to foreclose on the property and retain all the proceeds of the sale except the amount of the pre-petition taxes.

According to the court’s ruling, as administrative expenses, post-petition taxes would be paid, assuming that the debtor had sufficient assets to do so. In certain circumstances, payment of such administrative expenses may be allowed to be deferred. Once the property is transferred out of the bankruptcy estate (through foreclosure or otherwise), it would at that time become subject to current ad valorem taxes.

The Act provides that the Special Taxes are secured by a continuing lien which is subject to the same lien priority in the case of delinquency as ad valorem taxes. No case law exists with respect to how a bankruptcy court would treat the lien for Special Taxes levied after the filing of a petition in bankruptcy. Glasply is controlling precedent on bankruptcy courts in the State. If the Glasply precedent was applied to the levy of the Special Taxes, the amount of Special Taxes received from parcels whose owners declare bankruptcy could be reduced.

Property Controlled by FDIC

The CFD’s ability to collect interest and penalties specified by State law and to foreclose the lien of delinquent Special Tax payments may be limited in certain respects with regard to properties in which the Internal Revenue Service, the Drug Enforcement Agency, the Federal Deposit Insurance Corporation (the “FDIC”) or other similar federal agencies has or obtains an interest. The CFD is not aware of any such interest of a federal agency in the land within the CFD. On June 4, 1991 the FDIC issued a Statement of Policy Regarding the Payment of State and Local Real Property Taxes. The 1991 Policy Statement was revised and superseded by a new Policy Statement effective January 9, 1997 (the “Policy Statement”). The Policy Statement provides that real 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 proper 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 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 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 FDIC has filed claims against one California county in United States Bankruptcy Court contending, among other things, that special taxes authorized under the Act are not ad valorem taxes and therefore not payable by the FDIC, and seeking a refund of any special taxes previously paid by the FDIC. The FDIC is also seeking a ruling that special taxes may not be imposed on properties while they are in FDIC receivership. The Bankruptcy Court ruled in favor of the FDIC's positions and, on August 28, 2001, the United States Court of Appeals for the Ninth Circuit affirmed the decision of the Bankruptcy Court, holding that the FDIC, as an entity of the federal government, is exempt from post-receivership special taxes levied under the Act. This is consistent with provision in the Law that the federal government is exempt from special taxes.

The CFD is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency with respect to a parcel in which the FDIC has an interest, although prohibiting the lien of the FDIC to be foreclosed on at a judicial foreclosure sale would likely reduce the number of or eliminate the persons willing to purchase such a parcel at a foreclosure sale. Owners of the Bonds should assume that the CFD will be unable to foreclose on any parcel owned by the FDIC. Such an outcome would cause a draw on the Reserve Account and perhaps, ultimately, a default in payment of the Bonds. The CFD has not undertaken to determine whether the FDIC or any FDIC-insured lending institution currently has, or is likely to acquire, any interest in any of the parcels, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the Bonds are outstanding.

Billing of Special Taxes

A special tax formula can result in a substantially heavier property tax burden being imposed upon properties within a community facilities district than elsewhere in a city or county, and this in turn, along with various other factors, can lead to problems in the collection of the special tax. In some community facilities districts, taxpayers have refused to pay the special tax and have commenced litigation challenging the special tax, the community facilities district and the bonds issued by a community facilities district.

Under provisions of the Act, the Special Taxes are billed to the properties within the CFD which were entered on the Assessment Roll of the County Assessor by January 1 of the previous Fiscal Year on the regular property tax bills sent to owners of such properties. Such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do regular property tax installments. Ordinarily, these Special Tax installment payments cannot be made separately from property tax payments. Therefore, the unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and installment payments of Special Taxes in the future. See "SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure," for a discussion of the provisions which apply, and procedures which the CFD is obligated to follow, in the event of delinquency in the payment of installments of Special Taxes.

Collection of Special Taxes

In order to pay debt service on the Bonds, it is necessary that the Special Tax levied against property within the CFD be paid in a timely manner. It is possible that delays in the payment of debt service may be the result of the County processing subdivisions or by the transfer of ownership of property within the CFD. The CFD has covenanted in the Fiscal Agent Agreement under certain conditions to institute foreclosure proceedings against property with delinquent Special Taxes in order to obtain funds to pay debt service on the Bonds. If foreclosure proceedings were instituted, any mortgage

or deed of trust holder could, but would not be required to, advance the amount of the delinquent Special Taxes to protect its security interest. In the event such superior court foreclosure is necessary, there could be a delay in principal and interest payments to the owners of the Bonds pending prosecution of the foreclosure proceedings and receipt of the proceeds of the foreclosure sale, if any. No assurances can be given that the real property subject to foreclosure and sale at a judicial foreclosure sale will be sold or, if sold, that the proceeds of such sale will be sufficient to pay any delinquent Special Taxes installment. Although the Act authorizes the CFD to cause such an action to be commenced and diligently pursued to completion, the Act does not specify the obligations of the CFD with regard to purchasing or otherwise acquiring any lot or parcel of property sold at the foreclosure sale if there is no other purchaser at such sale. See “SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure.”

Maximum Special Tax Rates

Within the limits of the Rate and Method, the CFD may adjust the Special Taxes levied on all property within the CFD to provide the amount required each year to pay annual debt service on the Bonds and to replenish the Reserve Account to an amount equal to the Reserve Requirement. However, the amount of Special Taxes that may be levied against a parcel is subject to the maximum tax rates set forth in the Rate and Method. In the event of significant Special Tax delinquencies, there is no assurance that the maximum tax rates for property in the CFD would be sufficient to meet debt service obligations on the Bonds. See “SECURITY FOR THE BONDS – The Special Taxes” and “APPENDIX A – RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES.”

Exempt Properties

Under the Rate and Method, the CFD will classify as Exempt Property: (i) Public Property, or (ii) Assessor’s Parcels used exclusively by a homeowners’ association.

In addition, the Act provides that properties or entities of the State, federal or local government are exempt from the Special Taxes; provided, however, the property within the CFD acquired by a public entity through a negotiated transaction or by gift or devise, which is not otherwise exempt from the Special Taxes, will continue to be subject to the Special Taxes. The Act further provides that if property subject to the Special Taxes is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Taxes 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. In particular, insofar as the Act requires payment of the Special Taxes by a federal entity acquiring property within the CFD, it may be unconstitutional.

If for any reason property within the CFD becomes exempt from taxation by reason of its status under the Rate and Method, or by reason of its ownership by a nontaxable entity such as the federal government or another public agency, subject to the limitation of the maximum authorized rates, the Special Taxes will be reallocated to the remaining taxable properties within the CFD. This would result in the owners of such property paying a greater amount of the Special Taxes and could have an adverse impact upon the timely payment of the Special Taxes.

California Constitution Article XIIC and Article XIID

On November 5, 1996, the voters of the State approved Proposition 218, the so-called “Right to Vote on Taxes Act.” Proposition 218 added Articles XIIC and XIID to the State Constitution, which articles contain a number of provisions affecting the ability of the CFD to levy and collect both existing and future taxes, assessments, fees and charges. According to the “Official Title and Summary” of Proposition 218 prepared by the California State Attorney General, Proposition 218 limits the “authority of local governments to impose taxes and property-related assessments, fees and charges.” On July 1,

1997 California State Senate Bill 919 (“SB 919”) was signed into law. SB 919 enacted the “Proposition 218 Omnibus Implementation Act,” which implements and clarifies Proposition 218 and prescribes specific procedures and parameters for local jurisdictions in complying with Articles XIIC and XIID.

Article XIID of the State Constitution reaffirms that the proceedings for the levy of any Special Taxes by the CFD under the Act must be conducted in conformity with the provisions of Section 4 of Article XIIA. The CFD has completed its proceedings for the levy of Special Taxes in accordance with the provisions of Section 4 of Article XIIA. Under Section 53358 of the California Government Code, any action or proceeding to review, set aside, void, or annul the levy of a special tax or an increase in a Special Tax (including any constitutional challenge) must be commenced within 30 days after the Special Tax is approved by the voters.

Article XIIC removes certain limitations on the initiative power in matters of local taxes, assessments, fees and charges. The Act provides for a procedure, which includes notice, hearing, protest and voting requirements, to alter the rate and method of apportionment of an existing special tax. However, the Act prohibits a legislative body from adopting a resolution to reduce the rate of any special tax if the proceeds of that tax are being utilized to retire any debt incurred pursuant to the Act unless such legislative body determines that the reduction of that tax would not interfere with the timely retirement of that debt. Although the matter is not free from doubt, it is likely that exercise by the voters of the initiative power referred to in Article XIIC to reduce or terminate the Special Tax is subject to the same restrictions as are applicable to the Board, as the legislative body of the CFD, pursuant to the Act. Accordingly, although the matter is not free from doubt, it is likely that Proposition 218 has not conferred on the voters the power to repeal or reduce the Special Taxes if such repeal or reduction would interfere with the timely retirement of the Bonds.

It may be possible, however, for voters or the Board, acting as the legislative body of the CFD, to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the Bonds, but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. Furthermore, no assurance can be given with respect to the future levy of the Special Taxes in amounts greater than the amount necessary for the timely retirement of the Bonds.

Proposition 218 and the implementing legislation have yet to be extensively interpreted by the courts; however, the California Court of Appeal in April 1998 upheld the constitutionality of Proposition 218’s balloting procedures as a condition to the validity and collectability of local governmental assessments. A number of validation actions for and challenges to various local governmental taxes, fees and assessments have been filed in Superior Court throughout the State, which could result in additional interpretations of Proposition 218. The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed above, and the outcome of such determination cannot be predicted at this time with any certainty.

Ballot Initiatives and Legislative Measures

Proposition 218 was adopted pursuant to a measure qualified for the ballot pursuant to California’s constitutional initiative process; and the State Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provisions for particular activities. From time to time, other initiative measures could be adopted by California voters or legislation enacted by the Legislature. The adoption of any such initiative or legislation might place limitations on the ability of the State, the CFD or other local districts to increase revenues or to increase appropriations or on the ability of a landowner to complete the development of property. See “SPECIAL RISK FACTORS – Future Land Use Regulations and Growth Control Initiatives” above.

No Acceleration

The Bonds do not contain a provision allowing for their acceleration in the event of a payment default or other default under the terms of the Bonds or the Fiscal Agent Agreement or upon any adverse change in the tax status of interest on the Bonds. There is no provision in the Act or the Fiscal Agent Agreement for acceleration of the Special Taxes in the event of a payment default by an owner of a parcel within the CFD. Pursuant to the Fiscal Agent Agreement, a Bond Owner is given the right for the equal benefit and protection of all Bond Owners to pursue certain remedies described in “APPENDIX C – SUMMARY OF FISCAL AGENT AGREEMENT.”

Loss of Tax Exemption

As discussed under the caption “CONCLUDING INFORMATION – Tax Exemption,” in order to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds, the CFD has covenanted in the Fiscal Agent Agreement not to take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the Bonds under Section 103 of the Internal Revenue Code of 1986. Interest on the Bonds could become includable in gross income for purposes of Federal income taxation retroactive to the date the Bonds were issued, as a result of acts or omissions of the CFD or the District in violation of the Code. Should such an event of taxability occur, the Bonds are not subject to early redemption and will remain outstanding to maturity or until redeemed under the optional redemption or mandatory sinking fund redemption provisions of the Fiscal Agent Agreement.

Limitations on Remedies

Remedies available to the Bond Owners may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the Bonds or to preserve the tax-exempt status of the Bonds. Bond Counsel has limited its opinion as to the enforceability of the Bonds and of the Fiscal Agent Agreement to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of creditor’s rights, by equitable principles and by the exercise of judicial discretion. Additionally, the Bonds are not subject to acceleration in the event of the breach of any covenant or duty under the Fiscal Agent Agreement. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the Bond Owners.

Enforceability of the rights and remedies of the Bond Owners, and the obligations incurred by the CFD, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor’s rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against joint powers authorities in the State. See “SPECIAL RISK FACTORS – Bankruptcy and Foreclosure.”

Limited Secondary Market

As stated herein, investment in the Bonds poses certain economic risks which may not be appropriate for certain investors, and only persons with substantial financial resources who understand the risk of investment in the Bonds should consider such investment. There can be no guarantee that there will be a secondary market for purchase or sale of the Bonds or, if a secondary market exists, that the

Bonds can or could be sold for any particular price. No application has been made for a credit rating for the Bonds, and it is not known whether a credit rating could be secured either now or in the future for the Bonds.

TAX MATTERS

Tax Exemption

The Internal Revenue Code of 1986 (the “Code”) imposes certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in the gross income of the owners thereof for federal income tax purposes retroactive to the date of issuance of the Bonds. The District, on behalf of itself and of the CFD, has covenanted to maintain the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes.

In the opinion of Fulbright & Jaworski LLP, Los Angeles, California, Bond Counsel, a member of Norton Rose Fulbright, under existing statutes, regulations, rulings and court decisions, interest on the Bonds is exempt from personal income taxes of the State of California and, assuming compliance with the covenants mentioned herein, interest on the Bonds is excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. In the further opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, the Bonds are not “specified private activity bonds” within the meaning of section 57(a)(5) of the Code and, therefore, interest on the Bonds will not be treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code. Receipt or accrual of interest on Bonds owned by a corporation may affect the computation of the alternative minimum taxable income. A corporation’s alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed.

Pursuant to the Fiscal Agent Agreement, and in the *Tax Certificate Pertaining to Arbitrage and Other Matters under Sections 103 and 141-150 of the Internal Revenue Code of 1986*, to be delivered by the District, on behalf of itself and of the CFD in connection with the issuance of the Bonds, the each of the District and the CFD will make representations relevant to the determination of, and will make certain covenants regarding or affecting, the exclusion of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes. In reaching its opinions described in the immediately preceding paragraph, Bond Counsel will assume the accuracy of such representations and the present and future compliance by each of the CFD and the District with its covenants.

Except as stated in this section above, Bond Counsel will express no opinion as to any federal or state tax consequence of the receipt of interest on, or the ownership or disposition of, the Bonds. Furthermore, Bond Counsel will express no opinion as to any federal, state or local tax law consequence with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof predicated or permitted upon the advice or approval of other counsel. Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Bonds may affect the tax status of interest on the Bonds or the tax consequences of the ownership of the Bonds.

Bond Counsel’s opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the CFD and the District described above. No ruling has been sought from the Internal Revenue Service (the “Service”) with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel’s opinion is not binding on the Service. The Service has an ongoing

program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the Service is likely to treat the CFD as the “taxpayer”, and the owners would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the CFD may have different or conflicting interest from the owners. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Existing law may change to reduce or eliminate the benefit to bondholders of the exemption of interest on the Bonds from personal income taxation by the State of California or of the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

A copy of the form of opinion of Bond Counsel relating to the Bonds is included in APPENDIX D.

Tax Accounting Treatment of Bond Premium and Original Issue Discount on Bonds

To the extent that a purchaser of a Bond acquires that Bond at a price in excess of its “stated redemption price at maturity” (within the meaning of section 1273(a)(2) of the Code), such excess will constitute “bond premium” under the Code. Section 171 of the Code, and the Treasury Regulations promulgated thereunder, provide generally that bond premium on a tax-exempt obligation must be amortized over the remaining term of the obligation (or a shorter period in the case of certain callable obligations); the amount of premium so amortized will reduce the owner’s basis in such obligation for federal income tax purposes, but such amortized premium will not be deductible for federal income tax purposes. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of the obligation. The amount of premium that is amortizable each year by a purchaser is determined by using such purchaser’s yield to maturity. The rate and timing of the amortization of the bond premium and the corresponding basis reduction may result in an owner realizing a taxable gain when its Bond is sold or disposed of for an amount equal to or in some circumstances even less than the original cost of the Bond to the owner.

The excess, if any, of the stated redemption price at maturity of Bonds of a maturity over the initial offering price to the public of the Bonds of that maturity is “original issue discount.” Original issue discount accruing on a Bond is treated as interest excluded from the gross income of the owner thereof for federal income tax purposes and is exempt from California personal income tax to the same extent as would be stated interest on that Bond. Original issue discount on any Bond purchased at such initial offering price and pursuant to such initial offering will accrue on a semiannual basis over the term of the Bond on the basis of a constant yield method and, within each semiannual period, will accrue on a ratable daily basis. The amount of original issue discount on such a Bond accruing during each period is added to the adjusted basis of such Bond to determine taxable gain upon disposition (including sale, redemption or payment on maturity) of such Bond. The Code includes certain provisions relating to the accrual of original issue discount in the case of purchasers of Bonds who purchase such Bonds other than at the initial offering price and pursuant to the initial offering

Persons considering the purchase of Bonds with original issue discount or initial bond premium should consult with their own tax advisors with respect to the determination of original issue discount or amortizable bond premium on such Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of such Bonds.

Other Federal Income Tax Consequences

Although interest on the Bonds may be exempt from California personal income tax and excluded from the gross income of the owners thereof for federal income tax purposes, an owner's federal, state or local tax liability may be otherwise affected by the ownership or disposition of the Bonds. The nature and extent of these other tax consequences will depend upon the owner's other items of income or deduction. Without limiting the generality of the foregoing, prospective purchasers of the Bonds should be aware that (i) section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds and the Code contains additional limitations on interest deductions applicable to financial institutions that own tax-exempt obligations (such as the Bonds), (ii) with respect to insurance companies subject to the tax imposed by section 831 of the Code, section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15% of the sum of certain items, including interest on the Bonds, (iii) interest on the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by section 884 of the Code, (iv) passive investment income, including interest on the Bonds, may be subject to federal income taxation under section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income, (v) section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the Bonds and (vi) under section 32(i) of the Code, receipt of investment income, including interest on the Bonds, may disqualify the recipient thereof from obtaining the earned income credit. Bond Counsel will express no opinion regarding any such other tax consequences.

CONCLUDING INFORMATION

Underwriting

The Underwriter purchased the Bonds at a purchase price of \$_____, representing the principal amount of the Bonds less an Underwriter's discount of \$_____. The Underwriter intends to offer the Bonds to the public initially at the prices set forth on the inside cover page of this Limited Offering Memorandum, which prices may subsequently change without any requirement of prior notice.

The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering prices, and such dealers may reallocate any such discounts on sales to other dealers.

Legal Opinion

The legal opinion of Fulbright & Jaworski LLP, Los Angeles, California, a member of Norton Rose Fulbright, approving the validity of the Bonds, in substantially the form set forth in APPENDIX E hereto, will be made available to purchasers of the Bonds at the time of original delivery. A copy of the legal opinion for the Bonds will be provided with each definitive bond. Bond Counsel has not undertaken on behalf of the Owners or the Beneficial Owners of the Bonds to review the Limited Offering Memorandum and assumes no responsibility to such Owners and Beneficial Owners for the accuracy of the information contained herein. Certain legal matters will be passed upon for the CFD by the District Counsel with respect to the issuance of the Bonds.

No Litigation

A certificate of the CFD to the effect that no litigation is pending or threatened concerning the validity of the Bonds will be furnished to the Underwriter at the time of the original delivery of the Bonds. Neither the District nor the CFD are aware of any litigation pending or threatened which questions the existence of the District or the CFD or contests the authority of the CFD to levy and collect the Special Taxes or to issue the Bonds.

No Rating on the Bonds

The Bonds are not rated and the CFD does not anticipate applying for a rating on the Bonds.

Miscellaneous

All of the preceding summaries of the Fiscal Agent Agreement, other applicable legislation, agreements and other documents are made subject to the provisions of such documents and do not purport to be complete documents of any or all of such provisions. Reference is hereby made to such documents on file with the District for further information in connection therewith.

This Limited Offering Memorandum does not constitute a contract with the purchasers of the Bonds.

Any statements made in this Limited Offering Memorandum 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.

The Board of Directors of the District has duly authorized the General Manager to execute and deliver this Limited Offering Memorandum on behalf of the CFD.

RANCHO MURIETA CSD COMMUNITY FACILITIES
DISTRICT NO. 2014-1 (RANCHO NORTH/MURIETA
GARDENS)

By: _____
General Manager of the Rancho Murieta Community
Services District on behalf of the Rancho Murieta CSD
Community Facilities District No. 2014-1 (Rancho
North/Murieta Gardens)

APPENDIX A

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES

APPENDIX B

DUE DILIGENCE REPORT/MARKET ABSORPTION STUDY

APPENDIX C
SUMMARY OF FISCAL AGENT AGREEMENT

APPENDIX D
APPRAISAL REPORT

APPENDIX E

FORM OF BOND COUNSEL OPINION

[Dated the Date of Closing]

Rancho Murieta CSD Community Facilities
District No. 2014-1 (Rancho North/Murieta Gardens)
15160 Jackson Road
Rancho Murieta, California 95683

\$ _____
Rancho Murieta CSD
Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens)
Special Tax Bonds, 2014 Series

Ladies and Gentlemen:

We have acted as Bond Counsel to the Rancho Murieta CSD Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens) (the "CFD"), in connection with the issuance of its \$ _____ Special Tax Bonds, 2014 Series (the "Bonds"). The Bonds are being issued under the provisions of Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2, Title 5, of the Government Code of the State of California (the "Act"), and pursuant to a Fiscal Agent Agreement, dated as of September 1, 2014 (the "Fiscal Agent Agreement"), by and between the CFD and _____, as fiscal agent (the "Fiscal Agent").

The Bonds are limited obligations of the CFD secured under the Fiscal Agent Agreement by a pledge of Special Taxes and certain other moneys held under the Fiscal Agent Agreement.

In our capacity as Bond Counsel, we have reviewed the Fiscal Agent Agreement, certifications of the CFD, the Fiscal Agent and others, opinions of counsel to the CFD and the Fiscal Agent, and such other documents, opinions and instruments as we deemed necessary to render the opinions set forth herein. Capitalized terms used and not otherwise defined herein shall have the meanings ascribed thereto in the Fiscal Agent Agreement.

Based upon the foregoing, we are of the opinion that:

1. The Bonds constitute valid and binding limited obligations of the CFD as provided in the Fiscal Agent Agreement, and are entitled to the benefits of the Fiscal Agent Agreement.

2. The Fiscal Agent Agreement has been duly and validly authorized, executed and delivered by the CFD and, assuming the enforceability thereof against the Fiscal Agent, constitutes the legally valid and binding obligation of the CFD, enforceable against the CFD in accordance with its terms. The Fiscal Agent Agreement creates a valid pledge, to secure the payment of principal of and interest on the Bonds, of the Special Taxes and certain other amounts held by the Fiscal Agent in certain funds and accounts established pursuant to the Fiscal Agent Agreement, subject to the provisions of the

Fiscal Agent Agreement permitting the application thereof for other purposes and on the terms and conditions set forth therein.

3. Under existing law, and assuming compliance with the covenants mentioned below, interest on the Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 (the "Code") from the gross income of the owners thereof for federal income tax purposes. We are further of the opinion that under existing law, the Bonds are not "specified private activity bonds" within the meaning of section 57(a)(5) of the Code and, therefore, that interest on the Bonds will not be treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code; however, receipt or accrual of interest on Bonds owned by a corporation may affect the computation of its alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code is computed. We are further of the opinion that interest on the Bonds is exempt from personal income taxes of the State of California under present state law.

The Code imposes certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Non-compliance with such requirements could cause the interest on the Bonds to fail to be excluded from the gross income of the owners thereof retroactive to the date of issuance of the Bonds. Pursuant to the Fiscal Agent Agreement, and in the *Tax Certificate Pertaining to Arbitrage and Other Matters under Sections 103 and 141-150 of the Internal Revenue Code of 1986* being delivered by the CFD in connection with the issuance of the Bonds, the CFD is making representations relevant to the determination of, and is undertaking certain covenants regarding or affecting, the exclusion of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes. In reaching our opinions described in the immediately preceding paragraph, we have assumed the accuracy of such representations and the present and future compliance by the CFD with its covenants. Further, except as stated in the preceding paragraph, we express no opinion as to any federal or state tax consequences of the receipt of interest on, or the ownership or disposition of, the Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bond or the proceeds thereof predicated or permitted upon the advice or approval of other counsel.

The opinions expressed in paragraphs 1 and 2 above are qualified to the extent the enforceability of the Bonds and the Fiscal Agent Agreement may be limited by applicable bankruptcy, insolvency, debt adjustment, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally or as to the availability of any particular remedy. The enforceability of the Bonds and the Fiscal Agent Agreement is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, to the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and to the limitations on legal remedies against governmental entities in California.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

No opinion is expressed herein on the accuracy, completeness or sufficiency of the Limited Offering Memorandum or other offering material relating to the Bonds.

Respectfully submitted,

APPENDIX F

FORMS OF CONTINUING DISCLOSURE AGREEMENTS

APPENDIX G

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix G concerning The Depository Trust Company (“DTC”), New York, New York, and DTC’s book-entry system has been obtained from DTC and the Authority takes no responsibility for the completeness or accuracy thereof. The Authority cannot and does not give any assurances 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.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds 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 certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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 has a Standard & Poor’s rating of AA+. 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.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“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

Bonds 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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds 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 Bonds 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds 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.

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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds 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.

Redemption notices shall be sent to DTC. If less than all of the Bonds 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium (if any), and interest payments on the Bonds 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 CFD or the Fiscal 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 Trustee, or the CFD, subject to any statutory or regulatory requirements as may be in effect from time to time. Principal, premium (if any), and interest payments with respect to the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the CFD or the Fiscal 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.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the CFD or the Fiscal Agent. Under such circumstances, in the event that a

successor depository is not obtained, certificates representing the Bonds are required to be printed and delivered.

The CFD may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, representing the Bonds will be printed and delivered to DTC in accordance with the provisions of the Fiscal Agent Agreement.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the CFD believes to be reliable, but the CFD takes no responsibility for the accuracy thereof.

FISCAL AGENT AGREEMENT

BETWEEN

**RANCHO MURIETA CSD
COMMUNITY FACILITIES DISTRICT NO. 2014-1
(RANCHO NORTH/MURIETA GARDENS)**

AND

_____,
as Fiscal Agent

DATED AS OF SEPTEMBER 1, 2014

RELATING TO

**\$ _____
RANCHO MURIETA CSD
COMMUNITY FACILITIES DISTRICT NO. 2014-1
(RANCHO NORTH/MURIETA GARDENS)
SPECIAL TAX BONDS, 2014 SERIES**

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FISCAL AGENT AGREEMENT

THIS FISCAL AGENT AGREEMENT, dated as of _____ 1, 2014, between the Rancho Murieta CSD Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens) and _____, as fiscal agent (the "Fiscal Agent") governs the terms of the Rancho Murieta CSD Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens) Special Tax Bonds, 2014 Series.

RECITALS:

WHEREAS, the Board of Directors of the Rancho Murieta Community Services District (the "Board"), located in Sacramento County, California, acting as the legislative body of the Rancho Murieta CSD Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens) (the "CFD"), has heretofore undertaken proceedings and declared the necessity to issue bonds pursuant to the terms and provisions of the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2, Title 5, of the Government Code of the State of California (the "Act"); and

WHEREAS the qualified electors within the CFD have approved the levy of a special tax and the issuance of bonds by the CFD and the Board has authorized the issuance of bonds in one or more series, pursuant to the Act, in an aggregate principal amount not to exceed \$6,750,000; and

WHEREAS, the Board intends to accomplish the financing of the purchase, construction, expansion or rehabilitation of certain real and other tangible property with an estimated useful life of five years or longer, including but not limited to improvements to the District's Water Treatment Plant #1, and related costs including designs, inspections, professional fees, connection fees and acquisition costs (the "Facilities") through the issuance of bonds in an aggregate principal amount of \$_____ designated as the "Rancho Murieta CSD Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens) Special Tax Bonds, 2014 Series" (the "Bonds"); and

WHEREAS, all requirements of the Act for the issuance of the Bonds have been satisfied;

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 CFD does hereby covenant and agree, for the benefit of the Owners of the Bonds (as defined herein) which may be issued hereunder from time to time, as follows:

ARTICLE I

DEFINITIONS

Section 1.1. **Definitions.** Unless the context requires, the following terms shall have the following meanings:

"Acquisition and Construction Fund" means the fund by such name created and established pursuant to Section 3.1 hereof.

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

“Administrative Expense Account” means the account by such name in the Special Tax Fund created and established pursuant to Section 3.1 hereof.

“Administrative Expense Requirement” means an amount equal to \$20,000 per Bond Year and escalating 2% each Bond Year thereafter, or such lesser amount as may be designated in a Written Request of the CFD.

“Administrative Expenses” means the costs directly related to the administration of the CFD consisting of the costs with respect to the calculation and collection (including any foreclosure actions) of the Special Taxes, including all attorneys’ fees and other costs related thereto; the costs of remittance of the Special Taxes to the Fiscal Agent; the fees and expenses of the Fiscal Agent, including attorneys’ fees and other costs related thereto, in the discharge of the duties required of it under this Agreement; the costs of the CFD, the District or any designee of either the CFD or the District for complying with the disclosure provisions of the Act, [the Continuing Disclosure Agreement] and this Agreement, including those related to public inquiries regarding the Special Taxes and disclosure to Bondowners; the costs of the CFD or the District or any designee of either the CFD or the District related to an appeal of the Special Tax; any amounts required to be rebated to the federal government to comply with Section 5.2; an allocable share of the salaries of District staff directly related to the foregoing and a proportionate amount of District general administrative overhead related thereto. Administrative expenses shall also include amounts advanced by the CFD or the District 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 compliance with Section 5.2, costs related to the administration of any joint community facilities agreement regarding the CFD and any fees for credit enhancement for the Bonds which are not otherwise paid as Costs of Issuance.

“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.

“Authorized Investments” means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

(1) Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America (“Direct Obligations”).

(2) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

U.S. Export-Import Bank (“Eximbank”)

Direct obligations or fully guaranteed certificates of beneficial ownership

Farmers Home Administration (“FmHA”)

Certificates of beneficial ownership

Federal Financing Bank

Federal Housing Administration Debentures (“FHA”)

General Services Administration

Participation certificates

Government National Mortgage Association (“GNMA” or “Ginnie Mae”)

GNMA-guaranteed mortgage-backed bonds

GNMA-guaranteed pass-through obligations

U.S. Maritime Administration

Guaranteed Title XI financing

U.S. Department of Housing and Urban Development (HUD)

Project Notes

Local Authority Bonds

New Communities Debentures - U.S. government guaranteed debentures

U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds

(3) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself:

Federal Home Loan Bank System

Senior debt obligations

Federal Home Loan Mortgage Corporation (“FHLMC” or “Freddie Mac”)

Participation certificates

Senior debt obligations

Federal National Mortgage Association (“FNMA” or “Fannie Mae”)

Mortgage-backed securities and senior debt obligations

Student Loan Marketing Association (“SLMA” or “Sallie Mae”)

Senior debt obligations

Resolution Funding Corp. (“REFCORP”) obligations

Farm Credit System CM. - Consolidated system-wide bonds and notes

(4) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, and having a rating by Standard & Poor's of AAAm-G, AAAm or AAm, and, if rated by Moody's, rated Aaa, Aa1 or Aa2 (including those of the Fiscal Agent and its affiliates).

(5) Certificates of deposit secured at all times by collateral described in (1) and/or (2) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the Bondholders must have a perfected first security interest in the collateral.

(6) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC or which are with a bank rated AA or better by Standard & Poor's and Aa or better by Moody's (including those of the Fiscal Agent and its affiliates).

(7) Investment Agreements with any corporation, including banking or financial institutions, provided that

(a) the long-term debt of the provider of any such investment agreement is rated, at the time of investment, at least "AA" and "Aa" by the Rating Agency (without regard to gradations of plus or minus within such category), and

(b) any such investment agreement is collateralized with United States Treasury or agency obligations which at least equal 102% of the principal amount invested thereunder, and

(c) any such agreement shall include a provision to the effect that, in the event the long-term debt rating of the provider of such agreement is downgraded below "AA-" or below "Aa" by the applicable Rating Agency, the CFD has the right to withdraw or cause the Fiscal Agent to withdraw all funds invested in such agreement and thereafter to invest such funds pursuant to this Fiscal Agent Agreement.

(8) Commercial paper rated, at the time of purchase, "Prime - 1" by Moody's and "A-1" or better by Standard & Poor's.

(9) Bonds or notes issued by any state or municipality which are rated by Moody's and Standard & Poor's in one of the two highest rating categories assigned by such agencies.

(10) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured or unguaranteed obligation rating of "Prime - 1" or "A3" or better by Moody's and "A-1" or "A" or better by Standard & Poor's.

(11) Repurchase agreements collateralized by Direct Obligations, GNMMAs, FNMMAs or FHLMMCs with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction or any commercial bank insured by the FDIC, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed obligation rated "P-1" or "A3" or better by Moody's, and "A-1" or "A-" by Standard & Poor's; provided:

(a) a master repurchase agreement or specific written repurchase agreement governs the transaction; and

(b) the securities are held free and clear of any lien by the Fiscal Agent or an independent third party acting solely as agent ("Agent") for the Fiscal Agent, and such third party

is (i) a Federal Reserve Bank, (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$50 million, or (iii) a bank approved in writing for such purpose by Financial Guaranty Insurance Company, and the Fiscal Agent shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Fiscal Agent; and

(c) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 *et seq.* or 31 C.F.R. 350.0 *et seq.* in such securities is created for the benefit of the Fiscal Agent; and

(d) the repurchase agreement has a term of 180 days or less, and the Fiscal Agent or the Agent will value the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuation; and

(e) the fair market value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 103%.

(12) Local Agency Investment Fund (“LAIF”) of the State of California.

(13) Any other investment which the CFD is permitted by law to make.

“Authorized Representative of the CFD” means the Board President, the District General Manager, the District Treasurer, or any other person or persons designated by the Board of Directors and authorized to act on behalf of the CFD by a written certificate signed on behalf of the CFD by the Board President or the General Manager and containing the specimen signature of each such person.

“Board” means the Board of Directors of the District.

“Bond Counsel” means an attorney at law or a firm of attorneys selected by the CFD of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on bonds issued by states and their political subdivisions duly admitted to the practice of law before the highest court of any state of the United States of America or the District of Columbia.

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

“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 for the Bonds shall begin on the Delivery Date and end on the first September 1 which is not more than 12 months after the Delivery Date.

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

“Bonds” means the \$_____ Rancho Murieta CSD Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens) Special Tax Bonds, 2014 Series, issued pursuant to this Fiscal Agent Agreement.

“Business Day” means a day which is not a Saturday or Sunday or a day of the year on which banks in New York, New York, 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.

“CDIAC” means the California Debt and Investment Advisory Commission of the office of the State Treasurer of the State of California or any successor agency or bureau thereto.

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

“CFD” means the Rancho Murieta CSD Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens) established pursuant to the Act and the Resolution of Formation.

“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 date of issuance of the Bonds, together with applicable proposed, temporary and final Regulations, rulings, judicial decisions, and notices, announcements, and other releases of the United States Treasury Department or Internal Revenue Service interpreting and construing it. “Corporate Trust Office” means the corporate trust office of the Fiscal Agent at Los Angeles, California, or such other office designated from time to time by the Fiscal Agent in writing to the CFD.

“Costs of Issuance” means the costs and expenses incurred in connection with the authorization, issuance and sale of the Bonds, including the acceptance and initial annual fees and expenses of the Fiscal Agent and its counsel, legal fees and expenses, filing and recording fees, closing costs, costs of printing the Bonds and the preliminary and final official statements for the Bonds, fees of financial consultants, expenses incurred by the CFD or the District in connection with the issuance of the Bonds and the establishment of the CFD, and all other related fees and expenses, as set forth in a Certificate of Authorized Representative of the CFD. “Costs of Issuance Account” means the account by such name in the Acquisition and Construction Fund created and established pursuant to Section 3.1 hereof.

“Defeasance Securities” means any of the following:

- (a) Cash
- (b) United States Treasury Certificates, Notes and Bonds (including State and Local Government Series -- “SLGS”)
- (c) Direct obligations of the U.S. Treasury which have been stripped by the U.S. Treasury itself, *e.g.*, CATS, TIGRS and similar securities.
- (d) The interest component of Resolution Funding Corp. strips which have been stripped by request to the Federal Reserve Bank of New York and are in book-entry form.
- (e) Pre-refunded municipal bonds rated “Aaa” by Moody’s and “AAA” by Standard & Poor’s.
- (f) Obligations issued by the following agencies which are backed by the full faith and credit of the United States:

U.S. Export-Import Bank - direct obligations or fully guaranteed certificates of beneficial ownership

Farmers Home Administration - certificates of beneficial ownership

Federal Financing Bank

General Services Administration - participation certificates

U.S. Maritime Administration - guaranteed Title XI financing

U.S. Department of Housing and Urban Development (HUD) - Project Notes, Local Authority Bonds, New Communities Debentures - U.S. government guaranteed debentures, U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds.

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

“Depository” shall mean The Depository Trust Company, New York, New York, and its successors and assigns as securities depository for the Certificates, or any other securities depository acting as Depository under Article II hereof.

“District” means the Rancho Murieta Community Services District.

“Fiscal Agent” means _____, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, at its 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 Fiscal Agent Agreement approved pursuant to Article 6 hereof.

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

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

- (1) has experience in matters relating to the issuance and administration of bonds under the Act;
- (2) is, in fact, independent and not under the domination of the CFD;
- (3) does not have any substantial interest, direct or indirect, in the CFD; and
- (4) is not connected with the CFD or the District as a member, officer or employee of the CFD or the District, but who may be regularly retained to make annual or other reports to the CFD.

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

“Interest Payment Date” means each March 1 and September 1, commencing March 1, 2015, 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 succeeding such date.

“Investment Agreement” means one or more agreements for the investment of funds of the CFD complying with the criteria therefor as set forth in Subsection (7) of the definition of Authorized Investments herein.

“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.

“Moody’s” means Moody’s Investors Service, its successors and assigns.

“Nominee” shall mean the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to Section 2.16 hereof.

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

- (1) Bonds theretofore cancelled by the Fiscal Agent or surrendered by the Fiscal Agent for cancellation in accordance with Section 10.1 hereof;
- (2) Bonds for payment or redemption of which monies shall have been theretofore deposited (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 shall have been given as provided in this Fiscal Agent Agreement;
- (3) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the CFD pursuant to this Agreement or any Supplemental Fiscal Agent Agreement; and
- (4) Bonds which have been surrendered to the Fiscal Agent for transfer or exchange pursuant to Section 2.9 hereof or for which a replacement has been issued pursuant to Section 2.10 hereof.

“Participants” shall mean those broker-dealers, banks and other financial institutions from time to time for which the Depository holds Bonds as securities depository.

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

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

“Principal Office” means the corporate trust office of the Fiscal Agent at Los Angeles, California, or such other office designated from time to time by the Fiscal Agent in writing to the CFD.

“Project” means those public facilities described in the Resolution of Formation which are to be acquired or constructed within the CFD, including all engineering, planning and design services and other incidental expenses related to such facilities and other facilities, if any, authorized by the qualified electors within the CFD from time to time.

“Project Costs” means the amounts necessary to finance the Project, to create and replenish any necessary reserve funds, to pay the initial and annual costs associated with the Bonds, including, but not limited to, remarketing, credit enhancement, Fiscal Agent and other fees and expenses relating to the issuance of the Bonds and the formation of the CFD, and to pay any other “incidental expenses” of the CFD, as such term is defined in the Act.

“Rating Agency” means Moody’s and Standard & Poor’s, or both, as the context requires.

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

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

“Regulations” means the regulations adopted or proposed by the Department of Treasury from time to time with respect to obligations issued pursuant to section 103 of the Code.

“Representation Letter” shall mean the Blanket Letter of Representations from the CFD to the Depository as described in Section 2.13 hereof.

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

“Reserve Requirement” means, as of any date of calculation, an amount equal to the lowest of (1) 10% of the issue price of the Bonds (as defined pursuant to section 148 of the Code), or (2) Maximum Annual Debt Service, or (3) 125% of the average Annual Debt Service of the Outstanding Bonds. Provided, however, the Reserve Requirement on any date of calculation shall not exceed the Reserve Requirement as of the Delivery Date. The Reserve Requirement as of the Delivery Date is \$_____.

“Resolution of Formation” means Resolution No. 2012-21 adopted by the Board on September 5, 2014, pursuant to which the Board formed the CFD.

“RMA” means the Rate and Method of Apportionment of the Special Tax approved by the qualified electors of the CFD at the September 5, 2014 election, as amended from time to time.

“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 this Fiscal Agent Agreement.

“Special Taxes” means the Special Tax (as defined in the RMA) authorized to be levied by the CFD on parcels within the CFD in accordance with the Resolution of Formation, the Act and the voter approval obtained at the September 5, 2014 election in the CFD and any additional special taxes authorized to be levied by the CFD from time to time that are pledged by the CFD to the repayment of the Bonds, together with the proceeds collected from the sale of property pursuant to the foreclosure provisions of this Fiscal Agent Agreement for the delinquency of such Special Taxes remaining after the

payment of all the costs related to such foreclosure actions, including, but not limited to, all legal fees and expenses, court costs, consultant and title insurance fees and expenses.

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

“Standard & Poor’s” means Standard & Poor’s, a division of McGraw-Hill, its successors and assigns.

“Supplemental Fiscal Agent Agreement” means any supplemental fiscal agent agreement amending or supplementing this Fiscal Agent Agreement that is authorized by a resolution which has been duly adopted by the District under the Act.

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

“Tax Certificate” means the certificate by that name to be executed by the CFD on a Delivery Date to establish certain facts and expectations and which contains certain covenants relevant to compliance with the Code.

“Term Bonds” means the Bonds maturing on September 1, 2034 and September 1, 2044.

“Underwriter” means the institution or institutions, if any, with whom the CFD enters into a purchase contract for the sale of the Bonds.

“Written Request of the CFD” means a request in writing executed by the Board President, the District’s General Manager, the District Treasurer, or written designee, on behalf of the CFD.

ARTICLE II

GENERAL AUTHORIZATION AND BOND TERMS

Section 2.1. Amount, Issuance, Purpose and Nature of Bonds. Under and pursuant to the Act, the Bonds in the aggregate principal amount of \$_____ shall be issued for the purpose of financing the Project, provided that the aggregate principal amount of the Bonds shall not exceed the total indebtedness presently authorized or subsequently authorized by the qualified electors of the CFD in accordance with the Act. The Bonds shall be and are limited obligations of the CFD and shall be payable as to the principal thereof and interest thereon and any premiums upon the redemption thereof solely from the Special Taxes and the other amounts in the Special Tax Fund (other than amounts in the Administrative Expense Account).

Section 2.2. Type and Nature of Bonds. Neither the faith and credit nor the taxing power of the District, the State of California or any political subdivision thereof other than the CFD is pledged to the payment of the Bonds. Except for the Special Taxes, no other taxes are pledged to the payment of the Bonds. The Bonds are not general or special obligations of the District nor general obligations of the CFD, but are limited obligations of the CFD payable solely from certain amounts deposited by the CFD in the Special Tax Fund (exclusive of amounts transferred to the Administrative Expense Account), as more fully described herein. The CFD’s limited obligation to pay the principal of, premium, if any, and interest on the Bonds from amounts in the Special Tax Fund (exclusive of amounts transferred to the Administrative Expense Account) 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 CFD (except as pertains to the Special Taxes) or the District or the forfeiture of any of their property. The principal of and interest on the Bonds and premiums upon the redemption thereof, if any, are not a debt of the District, 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 CFD's property, or upon any of its income, receipts or revenues, except the Special Taxes and other amounts in the Special Tax Fund (exclusive of amounts transferred to the Administrative Expense Account) 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 Board 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 CFD shall not be required to advance any money derived from any source of income other than the Special Taxes for the payment of the interest on or the principal of the Bonds, or for the performance of any covenants contained herein. The CFD 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 Special Taxes. Pursuant to the Act and this Fiscal Agent Agreement, the Bonds shall be equally payable from the Special Taxes and other amounts in the Special Tax Fund (exclusive of amounts transferred to the Administrative Expense Account) 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 any premiums upon the redemption thereof, shall be exclusively paid from the Special Taxes and other amounts in the Special Tax Fund (exclusive of amounts transferred to the Administrative Expense Account), which are hereby set aside for the payment of the Bonds. Amounts in the Special Tax Fund (exclusive of amounts transferred to the Administrative Expense Account) shall 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 shall not be used for any other purpose, except as permitted by this Fiscal Agent Agreement or any Supplemental Fiscal Agent Agreement. Notwithstanding any provision contained in this Fiscal Agent Agreement to the contrary, Special Taxes transferred to the Administrative Expense Account of the Special Tax Fund and the Surplus Fund shall no longer be considered to be pledged to the Bonds, and none of the Surplus Fund or the Administrative Expense Account of the Special Tax Fund shall be construed as a trust fund held for the benefit of the Owners.

Nothing in this Fiscal Agent Agreement or any Supplemental Fiscal Agent Agreement shall preclude, subject to the limitations contained hereunder, the redemption prior to maturity of any Bond subject to call and redemption and payment of said Bond 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.

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

The Bonds shall be designated "RANCHO MURIETA CSD COMMUNITY FACILITIES DISTRICT NO. 2014-1 (RANCHO NORTH/MURIETA GARDENS) SPECIAL TAX BONDS, 2014 SERIES." The Bonds shall be dated their Delivery Date and shall mature and be payable on September 1 in the years and in the aggregate principal amounts and shall be subject to and shall bear interest at the rates set forth in the table below payable on each Interest Payment Date.

Maturity Date
(September 1)

Principal Amount

Interest Rate

Interest shall 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 (or if the same is redeemable and shall be duly called for redemption, then at the date fixed for redemption) funds are available for the payment or redemption thereof in full, in accordance with the terms of this Fiscal Agent Agreement, such Bonds shall then cease to bear interest. Interest due on the Bonds shall 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 shall 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 shall be payable upon presentation and surrender thereof at the Corporate Trust Office, or at the designated office of any successor Fiscal Agent. Interest on any Bond shall 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 shall 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 shall 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 shall be payable from the dated date of such Bond, as applicable; provided, however, that if at the time of authentication of such Bond, interest is in default, interest on that Bond shall 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 shall be payable from its dated date. Interest on any Bond shall be paid to the person whose name shall appear in the Bond Register as the Owner of such Bond as of the close of business on the Record Date. Such interest shall be paid by check of the Fiscal Agent mailed on the Interest Payment Date 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 shall be made on the Interest Payment Date by wire transfer in immediately available funds to an account within the United States designated by such Owner.

Section 2.6. Form of Bonds. The Bonds and the certificate of authentication shall 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 CFD may, in its sole discretion, elect to issue the Bonds in book-entry form.

Until definitive Bonds shall be prepared, the CFD may cause to be executed and delivered in lieu of such definitive Bonds temporary bonds in typed, printed, lithographed or engraved form and 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 CFD. Until exchanged for definitive Bonds, any temporary bond shall be entitled and subject to the same benefits and provisions of this Fiscal Agent Agreement as definitive Bonds. If the CFD issues temporary Bonds, it shall 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 shall be cancelled by the Fiscal Agent and shall not be reissued.

Section 2.7. Execution and Authentication. The Bonds shall be signed on behalf of the CFD by the manual or facsimile signature of the Board President or the General Manager of the District, and attested by the signature of the District Secretary. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall 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 hereof with reference to the transfer and exchange of Bonds or to lost, stolen, destroyed or mutilated Bonds), such Bonds shall 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 shall bear thereon such certificate of authentication in the form set forth in Exhibit A hereto shall be entitled to any right or benefit under this Fiscal Agent Agreement, and no Bond shall be valid or obligatory for any purpose until such certificate of authentication shall 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 shall upon reasonable prior notice be open to inspection by the CFD 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 shall, 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 CFD and the Fiscal Agent shall 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 CFD and the Fiscal Agent shall not be affected by any notice to the contrary. The CFD 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 shall 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 approved by the Fiscal Agent and duly executed by the Bondowner or his or her duly authorized attorney. Provided, however, that no transfer of Bonds shall be made by the Fiscal Agent unless the Fiscal Agent has received from the transferee and delivered to the CFD an investor's letter substantially in the form of Exhibit C hereto.

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 shall not collect from the Owner any charge for any new Bond issued upon any exchange or transfer, but shall 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 shall be surrendered for registration of transfer or exchange, the CFD shall execute and the Fiscal Agent shall 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 shall 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 shall become mutilated, the CFD shall execute, and the Fiscal Agent shall 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 shall be cancelled by the Fiscal Agent pursuant to Section 10.1 hereof. If any Bond shall 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 CFD and the Fiscal Agent shall be given, the CFD shall execute and the Fiscal Agent shall authenticate and deliver, a new Bond, as applicable, of like tenor, maturity and issue, numbered and dated as the Fiscal Agent shall 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, shall be equally and proportionately entitled to the benefits hereof with all other Bonds issued hereunder. The Fiscal Agent shall 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 shall 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 shall not be affected in any way by any defect in any proceedings taken by the CFD, or by the invalidity, in whole or in part, of any contracts made by the CFD in connection therewith, and the recital contained in the Bonds that the same are issued pursuant to the Act and other applicable laws of the State shall be conclusive evidence of their validity and of the regularity of their issuance.

Section 2.12. Book-Entry System. The Bonds shall be initially delivered in the form of a separate single fully registered Bond (which may be typewritten) for each of the maturities of the Bonds. Upon initial delivery, the ownership of each such Bond shall be registered in the registration books kept by the Fiscal Agent in the name of the Nominee as nominee of the Depository. Unless the CFD elects to discontinue the use of the book-entry system, all of the Outstanding Bonds shall be registered in the registration books kept by the Fiscal Agent in the name of the Nominee.

With respect to Bonds registered in the registration books kept by the Fiscal Agent in the name of the Nominee, the CFD and the Fiscal Agent shall have no responsibility or obligation to any such Participant or to any Person on behalf of which such a Participant holds an interest in the Bonds. Without

limiting the immediately preceding sentence, the CFD and the Fiscal Agent shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Participant or any other Person, other than an Owner as shown in the registration books kept by the Fiscal Agent, of any notice with respect to the Bonds, including any notice of redemption, (iii) the selection by the Depository and its Participants of the beneficial interests in the Bonds to be redeemed in the event the Bonds are redeemed in part, or (iv) the payment to any Participant or any other Person, other than an Owner as shown in the registration books kept by the Fiscal Agent, of any amount with respect to principal of, premium, if any, or interest due with respect to the Bonds. The CFD and the Fiscal Agent may treat and consider the Person in whose name each Bond is registered in the registration books kept by the Fiscal Agent as the holder and absolute owner of such Bond for the purpose of payment of the principal of, 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 Fiscal Agent shall pay all principal of, premium, if any, and interest due on the Bonds only to or upon the order of the respective Owner, as shown in the registration books kept by the Fiscal Agent, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to satisfy and discharge fully the CFD's obligations with respect to payment of the principal, premium, if any, and interest due on the Bonds to the extent of the sum or sums so paid. No Person other than an Owner, as shown in the registration books kept by the Fiscal Agent, shall receive a Bond evidencing the obligation of the CFD to make payments of principal, premium, if any, and interest pursuant to this Fiscal Agent Agreement. Upon delivery by the Depository to the Fiscal Agent and the CFD of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to Record Dates, the word Nominee in this Fiscal Agent Agreement shall refer to such new nominee of the Depository.

Section 2.13. Representation Letter. In order to qualify the Bonds which the CFD elects to register in the name of the Nominee for the Depository's book-entry system, an authorized representative of the CFD or the Fiscal Agent is hereby authorized to execute from time to time and deliver to such Depository the Representation Letter. The execution and delivery of the Representation Letter shall not in any way limit the provisions of Section 10.2 or in any other way impose upon the CFD or the Fiscal Agent any obligation whatsoever with respect to persons having interests in the Bonds other than the Owners, as shown on the registration books kept by the Fiscal Agent. The Fiscal Agent agrees to take all action necessary to continuously comply with all representations made by it in the Representation Letter. In addition to the execution and delivery of the Representation Letter, the General Manager and any Authorized Representative of the CFD are hereby authorized to take any other actions, not inconsistent with this Fiscal Agent Agreement, to qualify the Bonds for the Depository's book-entry program.

Section 2.14. Transfers Outside Book-Entry System. In the event (i) the Depository determines not to continue to act as securities depository for the Bonds, or (ii) the CFD determines that the Depository shall no longer so act, then the CFD will discontinue the book-entry system with the Depository. If the CFD fails to identify another qualified securities depository to replace the Depository then the Bonds so designated shall no longer be restricted to being registered in the registration books kept by the Fiscal Agent in the name of the Nominee, but shall be registered in whatever name or names Persons transferring or exchanging Bonds shall designate, in accordance with the provisions of Section 2.9 hereof.

Section 2.15. Payments to the Nominee. Notwithstanding any other provisions of this Fiscal Agent Agreement to the contrary, so long as any Bond is registered in the name of the Nominee, all payments with respect to principal, premium, if any, and interest due with respect to such Bond and all notices with respect to such Bond shall be made and given, respectively, as provided in the Representation Letter or as otherwise instructed by the Depository.

Section 2.16. Initial Depository and Nominee. The initial Depository under this Article shall be The Depository Trust Company, New York, New York. The initial Nominee shall be Cede & Co., as Nominee of The Depository Trust Company, New York, New York.

ARTICLE III

CREATION OF FUNDS AND APPLICATION OF SPECIAL TAXES

Section 3.1. Creation of Funds; Application of Proceeds. There is hereby created and established and shall be maintained by the Fiscal Agent the following funds and accounts:

- (1) The Special Tax Fund (in which there shall be established and created an Interest Account, a Principal Account, a Redemption Account, a Reserve Account and an Administrative Expense Account);
- (2) The Surplus Fund; and
- (3) The Acquisition and Construction Fund (in which there shall be established a Costs of Issuance Account).

The amounts on deposit in the foregoing funds, accounts and subaccounts shall be held by the Fiscal Agent and the Fiscal Agent shall invest and disburse the amounts in such funds, accounts and subaccounts in accordance with the provisions of this Article III and shall disburse investment earnings thereon in accordance with the provisions of Section 3.9 hereof. Except as required to be segregated into funds and accounts as described herein, money held by the Fiscal Agent hereunder need not be segregated from other funds except to the extent required by law.

At the Written Request of the CFD, the Fiscal Agent may create new funds, accounts or subaccounts, or may create additional accounts and subaccounts within any of the foregoing funds and accounts for the purpose of separately accounting for the proceeds of the Bonds.

All proceeds of the sale of the Bonds shall be received by the Fiscal Agent on behalf of the CFD and deposited and transferred as follows:

- (1) \$_____ shall be deposited to the Costs of Issuance Account of the Acquisition and Construction Fund established hereunder for disbursement in accordance with Section 3.8 below;
- (2) \$_____ (which is equal to the initial Reserve Requirement) shall be deposited in the Reserve Account to be disbursed in accordance with Section 3.6 below;
- (3) \$_____ shall be deposited to the Interest Account of the Special Tax Fund for disbursement in accordance with Section 3.4 below; and
- (4) \$_____ shall be deposited to the Acquisition and Construction Fund for disbursement in accordance with Section 3.8 below.

Section 3.2. Deposits to and Disbursements from Special Tax Fund. The CFD shall, on each date on which it receives Special Taxes, transfer the Special Taxes to the Fiscal Agent for deposit in the Special Tax Fund to be held in accordance with the terms of this Fiscal Agent Agreement. The Fiscal Agent shall transfer the amounts 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:

- (a) The Administrative Expense Account of the Special Tax Fund;
- (b) The Interest Account of the Special Tax Fund;
- (c) The Principal Account of the Special Tax Fund;
- (d) The Redemption Account of the Special Tax Fund;
- (e) The Reserve Account of the Special Tax Fund; and
- (f) The Surplus Fund.

At the maturity of all of the Bonds and, after all principal and interest then due on the Bonds then Outstanding has been paid or provided for and any amounts owed to the Fiscal Agent have been paid in full, moneys in the Special Tax Fund and any accounts therein shall be transferred to the CFD and may be used by the CFD for any lawful purpose.

Section 3.3. Administrative Expense Account of the Special Tax Fund. The Fiscal Agent shall transfer from the Special Tax Fund and deposit in the Administrative Expense Account of the Special Tax Fund an amount equal to the Administrative Expense Requirement for the Fiscal Year, which shall be disbursed by the Fiscal Agent to pay Administrative Expenses, all as instructed by the CFD pursuant to a Written Request of the CFD. Moneys in the Administrative Expense Account of the Special Tax Fund may be invested in any Authorized Investments as directed by an Authorized Representative of the CFD.

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, shall 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 five Business Days prior to each March 1 and September 1, the Fiscal Agent shall make the following transfers from the Special Tax Fund first to the Interest Account and then to the Principal Account; 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 are inadequate to make the foregoing transfers, then any deficiency shall be made up by an immediate transfer from the Reserve Account:

(1) To the Interest Account, an amount such that the balance in the Interest Account five Business Days prior to each Interest Payment Date shall be equal to the installment of interest due on the Bonds on said Interest Payment Date and any installment of interest due on a previous Interest Payment Date which remains unpaid. Moneys in the Interest Account shall be used for the payment of interest on the Bonds as the same become due.

(2) To the Principal Account, an amount such that the balance in the Principal Account five Business Days prior to September 1 of each year, commencing September 1, 2016 shall at least equal the principal payment due on the Bonds maturing on such September 1 and any principal payment due on a previous September 1 which remains unpaid. Moneys in the Principal Account shall be used for the payment of the principal of such Bonds as the same become due at maturity.

Section 3.5. Redemption Account of the Special Tax Fund.

(1) On 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 hereof, the Fiscal Agent shall 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 shall 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 shall 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 hereof.

(2) 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 (1) of this Section, and in accordance with the CFD's election to call Bonds for optional redemption as set forth in Section 4.1(1) hereof, the Fiscal Agent shall transfer from the Special Tax Fund and deposit in the Redemption Account moneys available for the purpose and sufficient to pay the interest, the principal and the premiums, if any, payable on the Bonds called for optional redemption; provided, however, that amounts in the Special Tax Fund (exclusive of amounts transferred to the Administrative Expense Account) may be applied to optionally redeem Bonds only if immediately following such redemption the amount in the Reserve Account will equal the Reserve Requirement.

(3) All prepayments of Special Taxes shall be deposited in the Redemption Account to be used to redeem Bonds on the next date for which notice of redemption can timely be given.

(4) Moneys set aside in the Redemption Account shall be used solely for the purpose of redeeming Bonds and shall be applied on or after the redemption date to the payment of the 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 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 as set forth above may be used to purchase Outstanding Bonds in the manner hereinafter provided. Purchases of Outstanding Bonds may be made by the CFD at public or private sale as and when and at such prices as the CFD 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(1) hereof. The CFD shall provide written direction to Fiscal Agent to purchase such Outstanding Bonds at the purchase price specified by the CFD from moneys in the Redemption Account. 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 shall be maintained in the Reserve Account of the Special Tax Fund an amount equal to the Reserve Requirement. The amounts in the Reserve Account shall be applied as follows:

(1) Moneys in the Reserve Account shall be used solely for the purpose of paying the principal of, including Sinking Fund Payments, and interest on any 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 shall 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.

(2) 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 shall transfer to the Reserve Account from available moneys in the Special Tax Fund, or from any other legally available funds which the CFD 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 shall 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. If amounts in the Special Tax Fund or otherwise transferred to replenish the Reserve Account are inadequate to restore the Reserve Account to the Reserve Requirement, then the CFD shall 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.

(3) In connection with any redemption of the Bonds, or a partial defeasance of the Bonds in accordance with Section 9.1 hereof, amounts in the Reserve Account may, upon written direction of the CFD to the Fiscal Agent, 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. 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, upon written direction of the CFD to the Fiscal Agent, be applied to pay the principal of and interest due on the Bonds in the final Bond Year for such issue. Moneys in the Reserve Account in excess of the Reserve Requirement not transferred in accordance with the preceding provisions of this paragraph shall be withdrawn from the Reserve Account on the fifth Business Day before each March 1 and September 1 and transferred to the Acquisition and Construction Fund until the Fiscal Agent receives a Certificate of Authorized Representative of the CFD that all Project Costs have been funded and, thereafter, to the Interest Account of the Special Tax Fund.

Section 3.7. Surplus Fund. After making the transfers required by Sections 3.3, 3.4, 3.5, and 3.6 hereof, as soon as practicable after each September 1, the Fiscal Agent shall transfer all remaining amounts in the Special Tax Fund to the Surplus Fund, other than amounts in the Special Tax Fund which the CFD directs the Fiscal Agent by Written Request of the CFD to retain because the CFD has included such funds as being 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(2) hereof. Moneys deposited in the Surplus Fund shall be transferred by the Fiscal Agent at the written direction of the CFD to the Administrative Expense Account of the Special Tax Fund to pay Administrative Expenses to the extent that the amounts on deposit in the Administrative Expense Account of the Special Tax Fund are insufficient to pay Administrative Expenses or, upon the Written Request of the CFD, may be disbursed to the CFD to be expended for any other lawful purpose of the CFD.

The amounts in the Surplus Fund are not pledged to the repayment of the Bonds. In the event that the CFD reasonably expects to use any portion of the moneys in the Surplus Fund to pay debt service on any Outstanding Bonds, upon the written direction of the CFD, the Fiscal Agent will segregate such amount into a separate subaccount and the moneys on deposit in such subaccount of the Surplus Fund shall be invested in Authorized Investments the interest on which is excludable from gross income under Section 103 of the Code (other than bonds the interest on which is a tax preference item for purposes of computing the alternative minimum tax of individuals and corporations under the Code) or in Authorized

Investments at a yield not in excess of the yield on the issue of Bonds to which such amounts are to be applied, unless, in the opinion of Bond Counsel, investment at a higher yield will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds which were issued on a tax-exempt basis for federal income tax purposes.

Section 3.8. Acquisition and Construction Fund.

(1) The moneys in the Acquisition and Construction Fund shall be applied exclusively to pay the Project Costs and Costs of Issuance. Amounts for Project Costs and Costs of Issuance shall be disbursed by the Fiscal Agent from the account in the Acquisition and Construction Fund designated therefor in a requisition signed by an Authorized Representative of the CFD, substantially in the form of Exhibit B hereto, which must be submitted in connection with each requested disbursement.

(2) Upon receipt of a Certificate of Authorized Representative of the CFD that all or a specified portion of the amount remaining in the Acquisition and Construction Fund is no longer needed to pay Project Costs or Costs of Issuance, the Fiscal Agent shall redeem Bonds, or transfer all or such specified portion of the moneys remaining on deposit in one or more of the accounts in the Acquisition and Construction Fund to the Special Tax Fund, or to the Surplus Fund if requested in the Certificate and if there shall have been delivered to the Fiscal Agent with such Certificate an opinion of Bond Counsel to the effect that such transfer to the Surplus Fund will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds which were issued on a tax-exempt basis for federal income tax purposes. Upon transfer of the final amounts on deposit in the Acquisition and Construction Fund, as directed, such accounts and fund shall be closed. Notwithstanding the foregoing, any amount remaining in the Costs of Issuance Account of the Acquisition and Construction Fund on the date 180 days from the Delivery Date shall be transferred to the Acquisition and Construction Fund and such account shall be closed.

Section 3.9. Investments. Moneys held in any of the funds and accounts under this Fiscal Agent Agreement shall be invested at the Written Request of the CFD in accordance with the limitations set forth below only in Authorized Investments which shall be deemed at all times to be a part of such funds and accounts. Any loss resulting from such Authorized Investments shall be credited or charged to the fund or account from which such investment was made, and any investment earnings on a fund or account shall be applied as follows: (i) investment earnings on all amounts deposited in the Special Tax Fund (exclusive of amounts transferred to the Reserve Account), Surplus Fund, Acquisition and Construction Fund and each Account therein shall be deposited in those respective funds and accounts, and (ii) all other investment earnings shall be deposited in the Interest Account of the Special Tax Fund; provided, however, to the extent moneys in the Reserve Account exceed the Reserve Requirement, such excess amounts shall be deposited and transferred pursuant to Section 3.6(3) hereof. Moneys in the funds and accounts held under this Fiscal Agent Agreement may be invested by the Fiscal Agent at the Written Request of the CFD received at least 2 Business Days prior to the investment date, from time to time, in Authorized Investments subject to the following restrictions:

(1) Moneys in the Interest Account, the Principal Account and the Redemption Account of the Special Tax Fund shall 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.

(2) Moneys in the Acquisition and Construction Fund shall be invested in Authorized Investments which will by their terms mature, or in the case of an Investment Agreement are available without penalty, as close as practicable to the date the CFD estimates the moneys represented by the

particular investment will be needed for withdrawal from the Acquisition and Construction Fund. Notwithstanding anything herein to the contrary, amounts in the Acquisition and Construction Fund on the Delivery Date for the Bonds shall not be invested at yields greater than those set forth in the Tax Certificate.

(3) One-half of the amount in the Reserve Account of the Special Tax Fund may be invested only in Authorized Investments which mature not later than two years from their date of purchase by the Fiscal Agent, and one-half of the amount in the Reserve Account may be invested only in Authorized Investments which mature not more than three years from the date of purchase by the Fiscal Agent; provided that such amounts may be invested in an Investment Agreement to the final maturity of the Bonds so long as such amounts may be withdrawn at any time, without penalty, for application in accordance with Section 3.6 hereof; and provided that no such Authorized Investment of amounts in the Reserve Account allocable to the Bonds shall mature later than the final maturity date of the Bonds.

(4) In the absence of Written Request of the CFD providing investment directions, the Fiscal Agent shall invest solely in Authorized Investments specified in clause (4) of the definition thereof.

The Fiscal Agent shall sell at the best price obtainable, 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 shall be valued at their cost, except that amounts in the Reserve Account shall be valued at the fair market value thereof and marked to market at least annually. Notwithstanding anything herein to the contrary, the Fiscal Agent shall 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 or an affiliate may act as principal or agent in connection with the acquisition or disposition of any Authorized Investments and shall be entitled to its customary fees therefor. Any Authorized Investments that are registrable securities shall be registered in the name of the Fiscal Agent. The Fiscal Agent is hereby authorized, in making or disposing of any investment permitted by this Section, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Fiscal Agent or for any third person or dealing as principal for its own account.

The CFD acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the CFD the right to receive brokerage confirmations of security transactions as they occur, the CFD specifically waives receipt of such confirmations for securities transactions effected by the Fiscal Agent as they occur to the extent permitted by law. The CFD further understands that trade confirmations for securities transactions effected by the Fiscal Agent will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker. The Fiscal Agent will furnish the CFD periodic cash transaction statements which include detail for all investment transactions effected by the Fiscal Agent hereunder or brokers selected by the CFD. Upon the CFD's election, such statements will be delivered via the Fiscal Agent's online service and upon electing such service, paper statements will be provided only upon request. The Fiscal Agent or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Fiscal Agent hereunder

ARTICLE IV

REDEMPTION OF BONDS

Section 4.1. **Redemption of Bonds.**

(1) Optional Redemption. The Bonds are subject to redemption prior to maturity at the option of the CFD on any date on or after _____, as a whole or in part, by lot, from any available source of funds at the following redemption prices (expressed as a percentage of the principal amount of Bonds to be), together with accrued interest thereon to the date fixed for redemption:

Redemption Dates

Redemption Prices

(2) Special Mandatory Redemption from Special Tax Prepayments. The Bonds are subject to mandatory redemption prior to maturity on any date, as a whole or in part, in a manner determined by the District from prepayments of Special Taxes at the following redemption prices (expressed as a percentage of the principal amount of Bonds to be redeemed), together with accrued interest thereon to the date fixed for redemption:

Redemption Dates

Redemption Prices

In connection with such redemption, the CFD may also apply amounts in the Reserve Account which will be in excess of the Reserve Requirement as a result of such Special Tax prepayment to redeem Bonds as set forth above.

(3) Mandatory Sinking Fund Redemption. The Bonds are subject to mandatory redemption, in part by lot, on September 1 in each year commencing September 1, 20____, from the Sinking Fund Payments that have been deposited into the Redemption Account at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest thereon to the date of redemption as set forth in the following schedule; provided, however, that (i) in lieu of redemption thereof, the Bonds may be purchased by the CFD and tendered to the Fiscal Agent, and (ii) if some but not all of the Bonds have been redeemed pursuant to Sections 4.1(1) and (2) above, the total amount of all future sinking payments will be reduced by the aggregate principal amount of the Bonds so redeemed, to be allocated among such sinking payments on a pro rata basis (as nearly as practicable) in integral multiples of \$5,000 as determined by the CFD.

Redemption Date
(September 1)

Principal Amount

Section 4.2. **Selection of Bonds for Redemption.** If less 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 shall be in the principal amount of \$5,000 or an integral multiple thereof. In selecting portions of such Bonds for redemption, the Fiscal Agent shall 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 Fiscal Agent shall promptly notify the CFD 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, the Fiscal Agent shall give notice, in the name of the CFD, of the redemption of such Bonds; provided, however, that a notice of a redemption to be made from other than from Sinking Fund Payments shall be conditioned on there being on deposit on the redemption date sufficient money to pay the redemption price of the Bonds to be redeemed. Such notice of redemption shall (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 of a maturity 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 shall be specified by the Fiscal Agent. Such notice shall further state that on the date fixed for redemption, there shall 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 shall cease to accrue and be payable. At least 30 days but no more than 60 days prior to the redemption date, the Fiscal Agent shall 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 or the original purchaser of any Bond of notice of such redemption shall not be a condition precedent to redemption, and neither the failure to receive nor any defect in such notice shall 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 shall be conclusive as against all parties and the Owner shall not be entitled to show that he or she failed to receive notice of such redemption.

In addition to the foregoing notice, further notice shall be given by the Fiscal Agent as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed.

Each further notice of redemption shall be sent on or before the date notice of redemption is mailed to the Bondowners pursuant to the first paragraph of this Section by telecopy or registered or certified mail or overnight delivery service to the registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the Bonds as shall be specified by the CFD to the Fiscal Agent and to the national information services that disseminate notice of redemption of obligations such as the Bonds.

Upon the payment of the redemption price of any Bonds being redeemed, each check or other transfer of funds issued for such purpose shall 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 CFD shall execute and the Fiscal Agent shall authenticate and deliver to the Bondowner, at the expense of the CFD, 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 hereof, 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:

(1) The Bonds, or portions thereof, designated for redemption shall, 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;

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

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

(4) As of the date fixed for redemption no Owner of any of the Bonds, or portions thereof so designated for redemption, shall be entitled to any of the benefits of this Fiscal Agent Agreement or any Supplemental 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.

ARTICLE V

COVENANTS AND WARRANTY

Section 5.1. Warranty. The CFD shall 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 CFD makes the following covenants with the Bondowners under the provisions of the Act and this Fiscal Agent Agreement (to be performed by the CFD 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 CFD to expend any funds or moneys other than the Special Taxes and other amounts deposited to the Special Tax Fund:

(1) **Punctual Payment; Against Encumbrances.** The CFD hereby covenants that it will receive all Special Taxes in trust and will immediately deposit such amounts with the Fiscal Agent, and the CFD shall have no beneficial right or interest in the amounts so deposited except as provided by this Fiscal Agent Agreement. All such Special Taxes shall be disbursed, allocated and applied solely to the

uses and purposes set forth herein, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the CFD.

The CFD 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 Special Taxes 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 all Supplemental Fiscal Agent Agreements and of the Bonds issued hereunder.

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

(2) Levy of Special Tax. So long as any Bonds issued under this Fiscal Agent Agreement are Outstanding, the CFD hereby covenants to levy the Special Tax in an amount sufficient, together with other amounts on deposit in the Special Tax Fund and available for such purpose, to pay (1) the principal of and interest on the Bonds when due, (2) the Administrative Expenses, and (3) any amounts required to replenish the Reserve Account of the Special Tax Fund to the Reserve Requirement.

(3) Commence Foreclosure Proceedings. The CFD hereby covenants for the benefit of the Owners of the Bonds that it will determine or cause to be determined, no later than March 1 and August 1 of each year, whether or not any owner of the property within the CFD are delinquent in the payment of Special Taxes and, if such delinquencies exist, the CFD will order and cause to be commenced no later than April 15 (with respect to the March 1 determination date) or September 1 (with respect to the August 1 determination date), and thereafter diligently prosecute, an action in the superior court to foreclose the lien of any Special Taxes or installment thereof not paid when due.

Notwithstanding any provision of the Act or other law of the State to the contrary, in connection with any foreclosure related to delinquent Special Taxes:

(a) The CFD or the Fiscal Agent, is hereby expressly authorized to credit bid at any foreclosure sale, without any requirement that funds be set aside in the amount so credit bid, in the amount specified in Section 53356.5 of the Act, or such less amount as determined under clause (b) below or otherwise under Section 53356.6 of the Act.

(b) The CFD is hereby expressly authorized to use amounts in the Special Tax Fund to pay costs of foreclosure of delinquent Special Taxes in accordance with Sections 3.2 and 3.3 herein.

(c) The CFD may forgive all or any portion of the Special Taxes levied or to be levied on any parcel in the CFD so long as the CFD determines that such forgiveness is not expected to adversely affect its obligation to pay principal of and interest on the Bonds as such payments become due and payable.

(4) Payment of Claims. The CFD 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 Special Taxes or; other

funds in the Special Tax Fund (exclusive of amounts transferred to the Administrative Expense Account), or which might impair the security of the Bonds then Outstanding; provided that nothing herein contained shall require the CFD to make any such payments so long as the CFD in good faith shall contest the validity of any such claims.

(5) Books and Accounts. The CFD will keep proper books of records and accounts, separate from all other records and accounts of the CFD, in which complete and correct entries shall be made of all transactions relating to the levy of the Special Tax and the deposits to the Special Tax Fund. Such books of records and accounts shall at all times during business hours be subject to the inspection of the Fiscal Agent or of the Owners of the Bonds then Outstanding or their representatives authorized in writing.

(6) Tax Covenants.

(a) Special Definitions. When used in this subsection, the following terms have the following meanings:

“Code” means the Internal Revenue Code of 1986.

“Computation Date” has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“Gross Proceeds” means any proceeds as defined in section 1.148-1(b) of the Tax Regulations (referring to sales, investment and transferred proceeds), and any replacement proceeds as defined in section 1.148-1(c) of the Tax Regulations, of the Bonds.

“Investment” has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“Nonpurpose Investment” means any investment property, as defined in section 148(b) of the Code, in which Gross Proceeds of the Bonds are invested and that is not acquired to carry out the governmental purposes of that series of Bonds.

“Rebate Amount,” has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“Tax Regulations” means the United States Treasury Regulations promulgated pursuant to sections 103 and 141 through 150 of the Code, or section 103 of the 1954 Code, as applicable.

“Yield” of any Investment has the meaning set forth in section 1.148-5 of the Tax Regulations; and of any issue of governmental obligations has the meaning set forth in section 1.148-4 of the Tax Regulations.

(b) Not to Cause Interest to Become Taxable. The CFD covenants that it shall take all actions necessary in order that interest on the Bonds be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes, and that it shall not use or invest, and shall not permit the use or investment of, and shall not omit to use or invest Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) in a manner that if made or omitted, respectively, could cause the interest on any Bond to fail to be excluded pursuant to section 103(a) of the Code from the gross income of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the Fiscal Agent receives a written opinion of Bond Counsel to the effect that compliance with such covenant is not necessary to, or that failure to comply with such covenant will not adversely affect, the exclusion of the interest on any Bond from the gross income of the

owner thereof for federal income tax purposes, the CFD shall comply with each of the specific covenants in this subsection.

(c) Private Use and Private Payments. Except as would not cause any Bond to become a “private activity bond” within the meaning of section 141 of the Code and the Tax Regulations, the CFD shall take all actions necessary to assure that the CFD at all times prior to the final cancellation of the last of the Bonds to be retired:

(i) exclusively owns, operates and possesses all property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with Gross Proceeds of the Bonds and not use or permit the use of such Gross Proceeds (including through any contractual arrangement with terms different than those applicable to the general public) or any property acquired, constructed or improved with such Gross Proceeds in any activity carried on by any person or entity (including the United States or any agency, department and instrumentality thereof) other than a state or local government, unless such use is solely as a member of the general public; and

(ii) does not directly or indirectly impose or accept any charge or other payment by any person or entity (other than a state or local government) who is treated as using any Gross Proceeds of the Bonds or any property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with such Gross Proceeds.

(d) No Private Loan. Except as would not cause any Bond to become a “private activity bond” within the meaning of section 141 of the Code and the Tax Regulations and rulings thereunder, the CFD shall not use or permit the use of Gross Proceeds of the Bonds to make or finance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, such Gross Proceeds are considered to be “loaned” to a person or entity if: (i) property acquired, constructed or improved with such Gross Proceeds is sold or leased to such person or entity in a transaction that creates a debt for federal income tax purposes; (ii) capacity in or service from such property is committed to such person or entity under a take-or-pay, output or similar contract or arrangement; or (iii) indirect benefits of such Gross Proceeds, or burdens and benefits of ownership of any property acquired, constructed or improved with such Gross Proceeds, are otherwise transferred in a transaction that is the economic equivalent of a loan.

(e) Not to Invest at Higher Yield. Except as would not cause the Bonds to become “arbitrage bonds” within the meaning of section 148 of the Code and the Tax Regulations and rulings thereunder, the CFD shall not (and shall not permit any person to), at any time prior to the final cancellation of the last Bond to be retired, directly or indirectly invest Gross Proceeds in any Investment, if as a result of such investment the Yield of any Investment acquired with Gross Proceeds, whether then held or previously disposed of, would materially exceed the Yield of the Bonds within the meaning of said section 148.

(f) Not Federally Guaranteed. Except to the extent permitted by section 149(b) of the Code and the Tax Regulations and rulings thereunder, the CFD shall take or omit to take (and shall not permit any person to take or omit to take) any action that would cause any Bond to be “federally guaranteed” within the meaning of section 149(b) of the Code and the Tax Regulations and rulings thereunder.

(g) Information Report. The CFD shall timely file any information required by section 149(e) of the Code with respect to Bonds with the Secretary of the Treasury on Form 8038-G or such other form and in such place as the Secretary may prescribe.

(h) Rebate of Arbitrage Profits. Except to the extent otherwise provided in section 148(f) of the Code and the Tax Regulations:

(i) The CFD shall account for all Gross Proceeds (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and shall retain all records of accounting for at least six years after the day on which the last Bond is discharged. However, to the extent permitted by law, the CFD may commingle (and may allow the CFD to commingle) Gross Proceeds of Bonds with its other monies, provided that it separately accounts for each receipt and expenditure of Gross Proceeds and the obligations acquired therewith.

(ii) Not less frequently than each Computation Date, the CFD shall calculate the Rebate Amount in accordance with rules set forth in section 148(f) of the Code and the Tax Regulations and rulings thereunder. The CFD shall maintain a copy of the calculation with its official transcript of proceedings relating to the issuance of the Bonds until six years after the final Computation Date.

(iii) In order to assure the excludability pursuant to 3(a) of the Code of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes, the CFD shall pay to the United States the amount that when added to the future value of previous rebate payments made for the Bonds equals (i) in the case of the Final Computation Date as defined in section 1.148-3(e)(2) of the Tax Regulations, one hundred percent (100%) of the Rebate Amount on such date; and (ii) in the case of any other Computation Date, ninety percent (90%) of the Rebate Amount on such date. In all cases, such rebate payments shall be made by the CFD at the times and in the amounts as are or may be required by section 148(f) of the Code and the Tax Regulations and rulings thereunder, and shall be accompanied by Form 8038-T or such other forms and information as is or may be required by section 148(f) of the Code and the Tax Regulations and rulings thereunder for execution and filing by the CFD. Notwithstanding the foregoing, and provided that the CFD takes all steps available to it to cause the provision of such amounts, the monetary obligation of the CFD under this paragraph (3) shall be limited to amounts provided to it for such purpose by the CFD.

(i) Not to Divert Arbitrage Profits. Except to the extent permitted by section 148 of the Code and the Tax Regulations and rulings thereunder, the CFD shall not and shall not permit any person to, at any time prior to the final cancellation of the last of the Bonds to be retired, enter into any transaction that reduces the amount required to be paid to the United States pursuant to paragraph (h) of this subsection because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the Yields on the Bonds not been relevant to either party.

(j) Bonds Not Hedge Bonds.

(i) The CFD represents that none of the Bonds is or will become a "hedge bond" within the meaning of section 149(g) of the Code.

(ii) Without limitation of paragraph (i) above: (A) the CFD reasonably expects that at least 85% of the spendable proceeds of the Bonds will be expended within the three-year period commencing on the date of issuance of the Bonds; and (B) no more than 50% of the proceeds of the Bonds will be invested in Nonpurpose Investments having a substantially guaranteed yield for a period of four years or more.

(k) Elections. The CFD hereby directs and authorizes any CFD Authorized Representative to make elections permitted or required pursuant to the provisions of the Code or the Tax Regulations, as such representative (after consultation with Bond Counsel) deems necessary or appropriate in connection with the Bonds, in the Certificate as to Tax Exemption or similar or other appropriate certificate, form or document.

(l) Closing Certificate. The CFD agrees to execute and deliver in connection with the issuance of the Bonds a Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986, or similar document containing additional representations and covenants pertaining to the exclusion of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes, which representations and covenants are incorporated as though expressly set forth herein.

(7) Reduction of Maximum Special Taxes. The CFD hereby finds and determines that, historically, delinquencies in the payment of special taxes authorized pursuant to the Act in community facilities districts in Southern California have from time to time been at levels requiring the levy of special taxes at the maximum authorized rates in order to make timely payment of principal of and interest on the outstanding indebtedness of such community facilities districts. For this reason, the CFD hereby determines that a reduction in the maximum Special Tax rates authorized to be levied on parcels in the CFD below the levels provided in this Section 5.2(7) would interfere with the timely retirement of the Bonds. The CFD determines it to be necessary in order to preserve the security for the Bonds to covenant, and, to the maximum extent that the law permits it to do so, the CFD hereby does covenant, that it shall not initiate proceedings to reduce the maximum Special Tax rates for the CFD, unless, in connection therewith, (i) the CFD receives a certificate from one or more Independent Financial Consultants which, when taken together, certify that, on the basis of the parcels of land and improvements existing in the CFD as of the July 1 preceding the reduction, the maximum amount of the Special Tax which may be levied on then existing Developed Property (as defined in the RMA) in each Bond Year for any Bonds Outstanding will equal at least 110% of the sum on the estimated Administrative Expenses and gross debt service in that Bond Year on all Bonds to remain Outstanding after the reduction is approved, and (ii) the CFD hereby finds that any reduction made under such conditions will not adversely affect the interests of the Owners of the Bonds. For purposes of estimating Administrative Expenses for the foregoing calculation, the Independent Financial Consultant shall compute the Administrative Expenses for the current Fiscal Year and escalate that amount by two percent (2%) in each subsequent Fiscal Year.

(8) Covenants to Defend. The CFD hereby covenants that in the event that any initiative is adopted by the qualified electors in the CFD which purports to reduce the maximum Special Tax below the levels specified in Section 5.2(7) above or to limit the power of the CFD to levy the Special Taxes for the purposes set forth in Section 5.2(2) above, it will commence and pursue legal action in order to preserve its ability to comply with such covenants.

(9) Annual Reports to CDIAC. Not later than October 30 of each year, commencing October 30, 2014 and until the October 30 following the final maturity of the Bonds, the CFD shall cause the District to supply the information required by Section 53359.5(b) or (c) of the Act to CDIAC (on such forms as CDIAC may specify).

(10) Continuing Disclosure. The CFD hereby covenants to comply with the terms of the Continuing Disclosure Agreement executed by it with respect to the Bonds. Notwithstanding any other provision of this Fiscal Agent Agreement, failure of the CFD to comply with the Continuing Disclosure Agreement shall not be considered a default hereunder; however, any Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate to compel performance by the CFD of its obligations under this Section 5.2(10), including seeking mandate or specific performance by court order.

ARTICLE VI

AMENDMENTS TO FISCAL AGENT AGREEMENT

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

(1) 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;

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

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

(4) 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 that permitted under Section 5.2(7) hereof; or

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

Section 6.2. **Supplemental Fiscal Agent Agreements or Orders Requiring Bondowner Consent.** Exclusive of the Supplemental Fiscal Agent Agreements described in Section 6.1, the Owners of not less than a majority in aggregate principal amount of the Bonds Outstanding shall have the right to consent to and approve the adoption by the CFD of such Supplemental Fiscal Agent Agreements as shall be deemed necessary or desirable by the CFD 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 shall 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 Fiscal Agent Agreement, without the consent of the Owners of all Bonds then Outstanding.

If at any time the CFD shall desire to adopt a Supplemental Fiscal Agent Agreement, which pursuant to the terms of this Section shall require the consent of the Bondowners, the CFD shall so notify the Fiscal Agent and shall deliver to the Fiscal Agent a copy of the proposed Supplemental Fiscal Agent Agreement. The Fiscal Agent shall, at the expense of the CFD, cause notice of the proposed Supplemental Fiscal Agent 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 shall briefly set forth the nature of the proposed Supplemental Fiscal Agent Agreement and shall 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 shall not affect the validity of such Supplemental Fiscal Agent 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 shall receive an instrument or instruments purporting to be executed by the Owners of a majority in aggregate principal amount of the Bonds Outstanding, which instrument or instruments shall refer to the proposed Supplemental Fiscal Agent Agreement described in such notice, and shall specifically consent to and approve the adoption thereof by the CFD substantially in the form of the copy referred to in such notice as on file with the Fiscal Agent, such proposed Supplemental Fiscal Agent Agreement, when duly adopted by the CFD, shall 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 Fiscal Agent Agreement, Bonds which are owned by the CFD or by any person directly or indirectly controlling or controlled by or under the direct or indirect common control with the CFD shall be disregarded and shall be treated as though they were not Outstanding for the purpose of any such determination.

Upon the adoption of any Supplemental Fiscal Agent Agreement and the receipt of consent to any such Supplemental Fiscal Agent 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 shall be, and shall be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under this Fiscal Agent Agreement of the CFD and all Owners of Outstanding Bonds shall 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 CFD may determine that the Bonds may bear a notation, by endorsement in form approved by the CFD, 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 shall be made on such Bonds. If the CFD shall so determine, new Bonds so modified as, in the opinion of the CFD, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Owner of any Outstanding Bond at such effective date such new Bonds shall 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.** _____, a national banking association shall be the Fiscal Agent for the Bonds unless and until another Fiscal Agent is appointed by the CFD hereunder. The CFD may, at any time, provided that no Event of Default has occurred and is continuing, appoint a successor Fiscal Agent satisfying the requirements of Section 7.2 below for the purpose of receiving all money which the CFD 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 shall 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 shall perform all other duties assigned to or imposed on it as provided in this Fiscal Agent Agreement; provided, however, that the Fiscal Agent undertakes to perform such duties and only such duties as are set forth in this Fiscal Agent Agreement, and no duties of the Fiscal Agent shall be implied hereunder. Discretionary rights of the Fiscal Agent under this Fiscal Agent Agreement shall not be construed as duties. The Fiscal Agent may execute any of the powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys, and the Fiscal Agent shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed by it with due care hereunder. The Fiscal Agent shall keep accurate records of all funds administered by it and all Bonds paid, discharged and cancelled by it. The Fiscal Agent may establish such funds and accounts as it deems necessary to perform its obligations hereunder.

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 shall cancel all Bonds upon payment thereof in accordance with the provisions of Section 10.1 hereof.

Section 7.2. **Removal of Fiscal Agent.** Provided that no Event of Default has occurred and is continuing, the CFD 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, other than the Fiscal Agent, shall be a bank or trust company having (or if such bank or trust company is a member of a bank holding company system its bank holding company has) a combined capital (exclusive of borrowed capital) and surplus of at least \$50,000,000, and subject to supervision or examination by federal or state authority. Any removal shall become effective only upon acceptance of appointment by the successor Fiscal Agent. If any bank 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 or trust company shall 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 shall 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 CFD and by giving to the Owners notice of such resignation, which notice shall 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 CFD shall 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 shall become effective only upon acceptance of appointment by the successor Fiscal Agent provided, however, that in the event the CFD does not appoint a successor Fiscal Agent within 30 days following receipt of such notice of resignation, the resigning Fiscal Agent may, at the expense of the CFD, petition the appropriate court having jurisdiction to appoint a successor Fiscal Agent.

Section 7.4. Compensation and Liability of Fiscal Agent. The CFD shall from time to time, subject to any agreement between the CFD and the Fiscal Agent then in force, pay to the Fiscal Agent compensation for its services, reimburse the Fiscal Agent for all of its advances and expenditures, including, but not limited to, advances to and reasonable fees and expenses of independent accountants and counsel and agents employed by it in the exercise and performance of its powers and duties hereunder. The CFD agrees to indemnify the Fiscal Agent, including its officers, directors, employees and agents for, and hold it harmless against, any loss, claim, liability or expense incurred which does not arise from its own negligence or willful misconduct, arising out of or in connection with the administration of this Fiscal Agent Agreement, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder. The Fiscal Agent shall not be liable for any error in judgment made in good faith by a reasonable officer, unless it shall be proved that the Fiscal Agent was negligent in ascertaining the pertinent facts. Whether or not therein expressly so provided, every provision of this Fiscal Agent Agreement relating to the conduct of or affecting the liability of or affording protection to the Fiscal Agent (acting in its capacity as Fiscal Agent or in its capacity as Dissemination Agent), its officers, directors, employees and agents, shall be subject to the provisions of this Section 7.4.

The recitals of fact and all promises, covenants and agreements contained herein and in the Bonds and any offering documents pertaining to the Bonds shall be taken as statements, promises, covenants and agreements of the CFD, 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 or the Bonds, and shall 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 shall be under no responsibility or duty with respect to the issuance of the Bonds for value.

The Fiscal Agent shall be protected in acting upon any notice, resolution, request, consent, order, certificate, 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 CFD, with regard to legal questions, and the opinion of such counsel shall 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 shall 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. The Fiscal Agent may become the owner or pledgee of Bonds, and may otherwise deal with the CFD with the same rights it would have if it were not the Fiscal Agent.

Whenever in the administration of its duties under this Fiscal Agent Agreement the Fiscal Agent shall 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 CFD, and such certificate shall 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 shall 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 shall be limited to the proper accounting for such funds as it shall actually receive. No provision in this Fiscal Agent Agreement shall 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 makes no representations with respect to any information, statement, or recital in, and shall have no liability with respect to, any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

All rights and indemnities of the Fiscal Agent pursuant to this Section 7.4 shall survive the removal or resignation of the Fiscal Agent, the discharge of the Bonds, or the amendment or assignment of this Fiscal Agent Agreement.

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 shall be a party or any company to which the Fiscal Agent may sell or transfer all or substantially all of its corporate trust business, shall 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

EVENTS OF DEFAULT; REMEDIES

Section 8.1. Events of Default. Any one or more of the following events shall constitute an “event of default”:

- (a) Default in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;
- (b) Default in the due and punctual payment of the interest on any Bond when and as the same shall become due and payable; or
- (c) Except as described in (a) or (b), default shall be made by the CFD in the observance of any of the agreements, conditions or covenants on its part contained in this Fiscal Agent Agreement or the Bonds, and such default shall have continued for a period of 30 days after the CFD shall have been given notice in writing of such default by the Fiscal Agent or the Owners of 25% in aggregate principal amount of the Outstanding Bonds.

The CFD agrees to give notice to the Fiscal Agent immediately upon the occurrence of an event of default under (a) or (b) above and within 30 days of the CFD’s knowledge of an event of default under

(c) above. The Fiscal Agent shall not be deemed to have knowledge of any event of default described in Section 8.1(c) unless a responsible officer shall have actual knowledge thereof or the Fiscal Agent shall have received written notice at its Principal Office.

Section 8.2. Remedies of Owners. Following the occurrence of an event of default, any Owner shall have the right for the equal benefit and protection of all Owners similarly situated:

(1) By mandamus or other suit or proceeding at law or in equity to enforce his rights against the CFD and any of the members, officers and employees of the CFD, and to compel the CFD or any such members, officers or employees to perform and carry out their duties under the Act and their agreements with the Owners as provided in this Fiscal Agent Agreement;

(2) By suit in equity to enjoin any actions or things which are unlawful or violate the rights of the Owners; or

(3) By a suit in equity to require the CFD and its members, officers and employees to account as the fiscal agent of an express trust.

Nothing in this Article or in any other provision of this Fiscal Agent Agreement or the Bonds shall affect or impair the obligation of the CFD, which is absolute and unconditional, to pay the interest on and principal of the Bonds to the respective Owners thereof at the respective dates of maturity, as herein provided, out of the Special Taxes and other amounts pledged for such payment, or affect or impair the right of action, which is also absolute and unconditional, of such Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds and in this Fiscal Agent Agreement.

A waiver of any default or breach of duty or contract by any Owner shall 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 by any Owner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy conferred upon the Owners by the Act or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners.

If any suit, action or proceeding to enforce any right or exercise any remedy is abandoned or determined adversely to the Owners, the CFD and the Owners shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

No remedy herein conferred upon or reserved to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

In case the moneys held by the Fiscal Agent after an event of default pursuant to Section 8.1(a) or (b) shall be insufficient to pay in full the whole amount so owing and unpaid upon the Outstanding Bonds, then all available amounts shall be applied to the payment of such principal and interest without preference or priority of principal over interest, or interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest.

ARTICLE IX

DEFEASANCE

Section 9.1. **Defeasance.** If the CFD shall pay or cause to be paid, or there shall 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 Fiscal Agent Agreement, then the Owner of such Bond shall cease to be entitled to the pledge of Special Taxes, and, other than as set forth below, all covenants, agreements and other obligations of the CFD to the Owner of such Bond under this Fiscal Agent Agreement shall 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 shall execute and deliver to the CFD all such instruments as may be desirable to evidence such discharge and satisfaction, and the Fiscal Agent shall pay over or deliver to the CFD'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 shall 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 at or before maturity, money which, together with the amounts then on deposit in the Special Tax Fund (exclusive of amounts transferred to the Administrative Expense Account) 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 shall become due and payable; or
- (c) by depositing with the Fiscal Agent or another escrow bank appointed by the CFD noncallable Defeasance Securities, in which the CFD 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 (exclusive of amounts transferred to the Administrative Expense Account) 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 shall become due and payable;

then, at the election of the CFD, and notwithstanding that any Outstanding Bonds shall not have been surrendered for payment, all obligations of the CFD under this Fiscal Agent Agreement and any Supplemental Fiscal Agent Agreement with respect to such Bond shall 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 and except for the covenants of the CFD contained in Section 5.2(6) or any covenants in a Supplemental Fiscal Agent Agreement relating to compliance with the Code. Notice of such election shall be filed with the Fiscal Agent not less 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 (c) above, there shall be provided to the CFD 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 shall become due and payable, and with respect to defeasance under (b) or (c) above 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 Fiscal Agent Agreement. If a forward supply contract is employed in connection with an advance refunding to be effected under (c) above, (i) such verification report shall expressly state that the adequacy of the amounts deposited with the bank under (c) above to accomplish the refunding relies solely on the initial escrowed investments and the maturity principal thereof and interest income thereon and does not assume performance under or compliance with the forward supply contract, and (ii) the applicable escrow agreement executed to effect an advance refunding in accordance with (c) above shall provide that, in the event of any discrepancy or difference between the terms of the forward supply contract and the escrow agreement, the terms of the escrow agreement shall be controlling.

Upon a defeasance, the Fiscal Agent, upon request of the CFD, shall release the rights of the Owners of such Bonds which have been defeased under this Fiscal Agent Agreement and any Supplemental Fiscal Agent Agreement and execute and deliver to the CFD 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 shall pay over or deliver to the CFD 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, premium, if any, or interest on the Bonds when due. The Fiscal Agent shall, at the written direction of the CFD, mail, first class, postage prepaid, a notice to the Bondowners whose Bonds have been defeased, in the form directed by the CFD, stating that the defeasance has occurred.

Section 9.2. No Additional Bonds. Except for refunding purposes, the CFD shall not issue bonds, notes or other forms of indebtedness payable from Special 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.

ARTICLE X

MISCELLANEOUS

Section 10.1. Cancellation of Bonds. All Bonds surrendered to the Fiscal Agent for payment upon maturity or for redemption shall be upon payment therefor, and any Bond purchased by the CFD as authorized herein and delivered to the Fiscal Agent for such purpose shall be, cancelled forthwith and shall not be reissued. The Fiscal Agent shall destroy such Bonds, as provided by law, and furnish to the CFD a certificate of such destruction.

Section 10.2. 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 shall be sufficient for the purposes of this Fiscal Agent Agreement (except as otherwise herein provided), if made in the following manner:

(1) 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 or other eligible guarantor 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 shall also constitute sufficient proof of his authority.

(2) As to any Bond, the person in whose name the same shall be registered in the Bond Register shall 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, shall be made only to or upon the order of the registered Owner thereof or his or her legal representative. All such payments shall 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 CFD nor the Fiscal Agent shall be affected by any notice to the contrary.

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

Section 10.3. Unclaimed Moneys. To the extent permitted by law, anything in this Fiscal Agent Agreement to the contrary notwithstanding, any money held by the Fiscal Agent for the payment and discharge of any of the Outstanding Bonds which remain unclaimed for a period ending at the earlier of two Business Days prior to the date such funds would escheat to the State or two years after the date when such Outstanding Bonds have become due and payable, if such money was held by the Fiscal Agent at such date, or for a period ending at the earlier of two Business Days prior to the date such funds would escheat to the State or two years after the date of deposit of such money if deposited with the Fiscal Agent after the date when such Outstanding Bonds become due and payable, shall be repaid by the Fiscal Agent to the CFD, as its absolute property, and the Fiscal Agent shall thereupon be released and discharged with respect thereto and the Owners shall look only to the CFD for the payment of such Outstanding Bonds; provided, however, that, before being required to make any such payment to the CFD, the Fiscal Agent at the written request of the CFD or the Fiscal Agent shall, at the expense of the CFD, 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 shall not be less than 30 days after the date of the mailing of such notice, the balance of such money then unclaimed will be returned to the CFD. The Fiscal Agent shall not be liable to the CFD or any Owner for interest on uninvested funds held by it for the payment and discharge of the principal, premium or interest on any of the Bonds to any Owner.

Section 10.4. Provisions Constitute Contract. The provisions of this Fiscal Agent Agreement shall constitute a contract between the CFD and the Bondowners and the provisions hereof shall 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 shall 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 CFD, the Fiscal Agent and the Bondowners shall 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 shall be irrevocable, but shall 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 10.5. Future Contracts. Nothing herein contained shall be deemed to restrict or prohibit the CFD from making contracts or creating bonded or other indebtedness payable from a pledge of the Special Taxes which is subordinate to the pledge hereunder, or which is payable from the general

fund of the CFD or from taxes or any source other than the Special Taxes and other amounts pledged hereunder.

Section 10.6. Further Assurances. The CFD 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 10.7. 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, shall be deemed severable and shall not be affected thereby, and this Fiscal Agent Agreement, the Bonds issued pursuant hereto shall remain valid and the Bondowners shall retain all valid rights and benefits accorded to them under the laws of the State of California.

Section 10.8. Notices. Any notices required to be given to the CFD with respect to the Bonds or this Fiscal Agent Agreement shall be mailed, first class, postage prepaid, faxed or personally delivered to the General Manager of the Rancho Murieta Community Services District, 15160 Jackson Road, Rancho Murieta, California 95683; Fax (916) 314-3530, and all notices to the Fiscal Agent in its capacity as Fiscal Agent shall be mailed, first class, postage prepaid, faxed or personally delivered to the Fiscal Agent, _____, _____, _____, California _____, Attention: Corporate Trust Services; Fax (____) ____-_____.

Section 10.9. General Authorization. The Board President, the District General Manager and the District Treasurer are hereby respectively authorized to do and perform from time to time any and all acts and things consistent with this Fiscal Agent Agreement necessary or appropriate to carry the same into effect.

Section 10.10. Execution in Counterparts. This Fiscal Agent Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the BOARD OF DIRECTORS OF THE RANCHO MURIETA COMMUNITY SERVICES DISTRICT, acting as the legislative body of RANCHO MURIETA CSD COMMUNITY FACILITIES DISTRICT NO. 2014-1 (RANCHO NORTH/MURIETA GARDENS), has caused this Fiscal Agent Agreement to be signed by its President and _____, in token of its acceptance of the trust created hereunder, has caused this Fiscal Agent Agreement to be signed in its corporate name by its officer identified below, all as of the day and year first above written.

RANCHO MURIETA CSD COMMUNITY
FACILITIES DISTRICT NO. 2014-1 (RANCHO
NORTH/MURIETA GARDENS)

By: _____
President of the Rancho Murieta Community
Services District, acting in its capacity as the
legislative body of Rancho Murieta CSD
Community Facilities District No.
2014-1 (Rancho North/Murieta Gardens)

_____, as Fiscal Agent

By: _____
Its: Authorized Officer

EXHIBIT A
FORM OF BOND

No. _____

\$ _____

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF SACRAMENTO

RANCHO MURIETA CSD
COMMUNITY FACILITIES DISTRICT NO. 2014-1
(RANCHO NORTH/MURIETA GARDENS)
SPECIAL TAX BOND, 2014 SERIES

| INTEREST RATE | MATURITY DATE | DATED DATE | CUSIP NO. |
|----------------------|----------------------|----------------------|------------------|
| _____ % | September 1, _____ | September ____, 2014 | _____ |

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ AND NO/100 DOLLARS

RANCHO MURIETA CSD COMMUNITY FACILITIES DISTRICT NO. 2014-1 (RANCHO NORTH/MURIETA GARDENS) (the "CFD") situated in the County of Sacramento, State of California, 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 hereof, unless (i) the date of authentication is an Interest Payment Date in which event interest shall 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 shall 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 shall 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 shall 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 shall be payable from the Dated Date set forth above. Interest will be paid semiannually on March 1 and September 1 of each year (each, an "Interest Payment Date"), commencing March 1, 2015, at the Interest Rate set forth above, until the Principal Amount hereof is paid or made available for payment.

The principal of and premium, if any, on this Bond are payable to the Registered Owner hereof in lawful money of the United States of America upon presentation and surrender of this Bond at the Corporate Trust Office of _____, a national banking association (the "Fiscal Agent"). Interest on this Bond shall 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, to the Registered Owner hereof 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. Interest due on the Bonds shall be calculated on a basis of a 360-day year comprised of twelve 30-day months.

This Bond is one of a duly authorized issue of "Rancho Murieta CSD Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens) Special Tax Bonds, 2014 Series" (the "Bonds") issued in the aggregate principal amount of \$_____ 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 financing the acquisition of certain capital facilities in the CFD, funding a reserve account, paying capitalized interest 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 Board of Directors of the Rancho Murieta Community Services District, acting in its capacity as the legislative body of the CFD (the "Board") on September 5, 2014 and a Fiscal Agent Agreement dated as of September 1, 2014 (the "Fiscal Agent Agreement"), between the CFD and the Fiscal Agent, and this reference incorporates the Fiscal Agent Agreement herein, and by acceptance hereof the Registered Owner of this Bond assents to said terms and conditions. The Fiscal Agent Agreement is executed under and this Bond is issued under, and both are to be construed in accordance with, the laws of the State of California.

Any amounts for the payment hereof shall 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 (exclusive of amounts transferred to the Administrative Expense Account) established under the Fiscal Agent Agreement. The CFD 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.

The Bonds are subject to redemption prior to maturity at the option of the CFD on any date on or after _____, as a whole or in part, by lot, from any available source of funds at the following redemption prices (expressed as a percentage of the principal amount of Bonds to be), together with accrued interest thereon to the date fixed for redemption:

Redemption Dates

Redemption Prices

The Bonds are subject to mandatory redemption prior to maturity on any date, as a whole or in part, in a manner determined by the District from prepayments of Special Taxes at the following redemption prices (expressed as a percentage of the principal amount of Bonds to be redeemed), together with accrued interest thereon to the date fixed for redemption:

Redemption Dates

Redemption Prices

In connection with such redemption, the CFD may also apply amounts in the Reserve Account which will be in excess of the Reserve Requirement as a result of such Special Tax prepayment to redeem Bonds as set forth above.

The Bonds are subject to mandatory redemption, in part by lot, on September 1 in each year commencing September 1, 20___, from the Sinking Fund Payments that have been deposited into the Redemption Account at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest thereon to the date of redemption as set forth in the following schedule; provided, however, that (i) in lieu of redemption thereof, the Bonds may be purchased by the CFD and tendered to the Fiscal Agent, and (ii) if some but not all of the Bonds have been redeemed pursuant to Sections 4.1(1) and (2) above, the total amount of all future sinking payments will be reduced by the aggregate principal amount of the Bonds so redeemed, to be allocated among such sinking payments on a pro rata basis (as nearly as practicable) in integral multiples of \$5,000 as determined by the CFD.

Redemption Date
(September 1)

Principal Amount

Notice of redemption with respect to the Bonds to be redeemed shall be mailed to the registered owners thereof not less than 30 nor more than 60 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 hereof 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 shall have no rights except to receive payment of the redemption price upon the surrender of the Bonds.

This Bond shall be registered in the name of the Registered Owner hereof, as to both principal and interest, and the CFD and the Fiscal Agent may treat the Registered Owner hereof as the absolute owner for all purposes and shall 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 hereof, in person or by his attorney duly authorized in writing, at the Principal Office of the Fiscal Agent in Los Angeles, California, 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 shall 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 CFD 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 Fiscal Agent Agreement contains provisions permitting the CFD to make provision for the payment of the interest on, and the principal and premium, if any, of the Bonds so that such Bonds shall no longer be deemed to be outstanding under the terms of the Fiscal Agent Agreement.

THE BONDS DO NOT CONSTITUTE OBLIGATIONS OF THE RANCHO MURIETA COMMUNITY SERVICES DISTRICT (THE "DISTRICT") OR OF THE CFD FOR WHICH THE DISTRICT 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 CFD PAYABLE FROM THE PORTION OF THE SPECIAL TAXES AND OTHER AMOUNTS PLEDGED UNDER THE FISCAL AGENT AGREEMENT BUT ARE NOT A DEBT OF THE DISTRICT, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OR RESTRICTION.

This Bond shall not become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall 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 CFD, does not exceed any debt limit prescribed by the laws or Constitution of the State of California.

IN WITNESS WHEREOF, Rancho Murieta CSD Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens) has caused this Bond to be dated as of the Dated Date, to be signed on behalf of the CFD by the President of the Rancho Murieta Community Services District, acting as the legislative body of the Rancho Murieta CSD Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens) by her manual signature and attested by the manual signature of the District Secretary of the Rancho Murieta Community Services District and has caused the seal of the District to be reproduced hereon.

[SEAL]

By: _____
President of the Rancho Murieta Community Services District, acting in its capacity as the legislative body of Rancho Murieta CSD Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens)

ATTEST:

District Secretary of the Rancho Murieta Community Services District, acting in its capacity as the legislative body of Rancho Murieta CSD Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens)

[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: _____

_____, as Fiscal Agent

By: _____
Its: Authorized Signatory

DRAFT

[FORM OF ASSIGNMENT]

For value received the undersigned hereby sells, assigns and transfers unto

(NAME, ADDRESS, AND TAX IDENTIFICATION OR SOCIAL SECURITY NUMBER OF ASSIGNEE)

the within-mentioned Bond and hereby irrevocably constitute(s) and appoint(s) _____
_____ attorney, to transfer the same on the registration
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 signature(s) on this Assignment must correspond with the names as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

LEGEND REGARDING RESTRICTIONS TO TRANSFER

THIS BOND HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS, AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS, EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (I) REPRESENTS THAT IT IS ACQUIRING THIS BOND FOR INVESTMENT PURPOSES ONLY AND NOT WITH A VIEW TO ANY DISTRIBUTION AND (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR (B) IT IS AN INSTITUTIONAL "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(a)(1), (2), (3) OR (7) UNDER REGULATION D OF THE SECURITIES ACT) (AN "INSTITUTIONAL ACCREDITED INVESTOR") OR (C) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS BOND IN AN OFFSHORE TRANSACTION, (II) AGREES THAT IT WILL NOT PRIOR TO THE EXPIRATION OF THE HOLDING PERIOD APPLICABLE TO SALES OF THIS BOND UNDER RULE 144(k) UNDER THE SECURITIES ACT (OR ANY SUCCESSOR PROVISION), RESELL OR OTHERWISE TRANSFER THIS BOND EXCEPT (A) TO THE CFD, (B) INSIDE THE UNITED STATES TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (C) INSIDE THE UNITED STATES TO AN INSTITUTIONAL ACCREDITED INVESTOR THAT, PRIOR TO SUCH TRANSFER, FURNISHES TO _____, AS FISCAL AGENT, OR A SUCCESSOR FISCAL AGENT, A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE RESTRICTIONS ON TRANSFER OF THIS BOND (THE FORM OF WHICH LETTER CAN BE OBTAINED FROM THE FISCAL AGENT), (D) OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN OFFSHORE TRANSACTIONS MEETING THE REQUIREMENTS OF RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (E) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), (F) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, OR (G) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND (III) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS BOND IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. IN CONNECTION WITH ANY TRANSFER OF THIS BOND PRIOR TO THE EXPIRATION OF THE HOLDING PERIOD APPLICABLE TO SALES OF THIS BOND UNDER RULE 144(k) UNDER THE SECURITIES ACT (OR ANY SUCCESSOR PROVISION), THE HOLDER MUST CHECK THE APPROPRIATE BOX SET FORTH ON THE TRANSFER CERTIFICATE RELATING TO THE MANNER OF SUCH TRANSFER AND SUBMIT THE CERTIFICATE TO _____, AS FISCAL AGENT, OR A SUCCESSOR FISCAL AGENT. IF THE PROPOSED TRANSFEREE IS OTHER THAN A QUALIFIED INSTITUTIONAL BUYER, THE HOLDER MUST, PRIOR TO SUCH TRANSFER, FURNISH TO _____, AS FISCAL AGENT, OR A SUCCESSOR FISCAL AGENT, SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS THEY MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THIS LEGEND MAY BE REMOVED AFTER THE EXPIRATION OF THE HOLDING PERIOD APPLICABLE TO SALES OF THIS BOND UNDER RULE 144(k) UNDER THE SECURITIES ACT (OR ANY SUCCESSOR PROVISION). AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE RESPECTIVE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

EXHIBIT B

REQUISITION NO. 1

REQUISITION FOR DISBURSEMENT OF PROJECT COSTS/COSTS OF ISSUANCE

_____ is hereby directed to disburse from the Acquisition and Construction Fund of the Rancho Murieta CSD Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens), established by the Fiscal Agent Agreement dated as of September 1, 2014, between the Fiscal Agent and Rancho Murieta CSD Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens), to the payee, designated on Exhibit A attached hereto and by this reference incorporated herein, at the address set forth below such payee name, the respective sums set forth opposite such payees, in payment for the obligation described on said Exhibit "A."

Each obligation shown on Exhibit A has been properly verified and approved by the CFD and is a proper charge against the Acquisition and Construction Fund.

The amount is due and payable under purchase order, contract or other authorization and has not formed the basis of any prior request for payment. The conditions to the release of this amount from the Acquisition and Construction Fund are satisfied.

There has not been filed with nor served upon the CFD notice of any lien, right to lien or attachment upon, or stop notice or claim affecting the right to receive payment of the amount specified above which has not been released or will not be released simultaneously with the payment of such amount, other than materialmen's or mechanic's liens accruing by mere operation of law.

Payments shall be made by check or wire transfer in accordance with the payment instructions set forth in Exhibit "A" attached or in invoices submitted in accordance therewith and the Fiscal Agent may rely on such payment instructions though given by the CFD with no duty to investigate or inquire as to the authenticity of the invoice or the payment instructions contained therein.

Dated: _____

RANCHO MURIETA CSD COMMUNITY
FACILITIES DISTRICT NO. 2014-1 (RANCHO
NORTH/MURIETA GARDENS)

By: _____
Authorized Representative

EXHIBIT C

FORM OF INVESTOR LETTER

[date of transfer]

Rancho Murieta CSD Community Facilities District
No. 2014-1 (Rancho North/Murieta Gardens)
Rancho Murieta, California

_____, California

\$ _____
Rancho Murieta CSD
Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens)
Special Tax Bonds, 2014 Series

Ladies and Gentlemen:

The undersigned certifies that [he/she] is an authorized officer or representative of _____ (the "Purchaser"), the purchaser of the above-captioned bonds (the "Bonds") issued and delivered pursuant to that certain Fiscal Agent Agreement, dated as of September 1, 2014 (the "Fiscal Agent Agreement"), between the Rancho Murieta CSD Community Facilities District No. 2014-1 (Rancho North/Murieta Gardens) (the "CFD") and _____, as fiscal agent, and hereby represents to, and acknowledges and agrees with, each of you as follows:

(i) it is purchasing the Bonds for its own account or an account with respect to which it exercises sole investment discretion and that it or such account is a "Qualified Institutional Buyer" (as defined in Rule 144A under the Securities Act of 1933, as amended (the "Securities Act")) or an institutional "Accredited Investors" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act ("Institutional Accredited Investors")), in each case for investment and not with a view to distribution;

(ii) the Bonds have not been registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except as set forth in clause (iii) below;

(iii) if it should resell or otherwise transfer the Bonds within two years after the original issuance of the Bonds, it will do so only (a) to the CFD, (b) inside the United States to a Qualified Institutional Buyer in compliance with Rule 144A, (c) inside the United States to an Institutional Accredited Investor that, prior to such transfer, furnishes to the Fiscal Agent a signed letter containing certain representations and agreements relating to the restrictions on transfer of such Bonds (the form of which letter can be obtained from such Fiscal Agent), (d) outside the United States in compliance with Rule 904 under the Securities Act, (e) pursuant to Rule 144 of the Securities Act (if applicable), (f) pursuant to any other available exemption from registration requirements under the Securities Act or (g) pursuant to an effective registration statement under the Securities Act, and, in each case, in accordance with any applicable securities laws of any state of the United States or any other applicable jurisdiction;

(iv) it will give to each transferee of such Bonds notice of any restrictions on transfer of such securities;

(v) none of the CFD or any person representing the CFD has made any representation to it with respect to the CFD, or the offer or sale of any Bonds, other than the information contained in the Limited Offering Memorandum/Private Placement Memorandum, which has been delivered to it and upon which it is relying in making its investment decision with respect to the Bonds;

(vi) it has had access to such financial and other information concerning the Bonds as it has deemed necessary in connection with its decision to purchase the Bonds, including an opportunity to ask questions of and request information from the CFD;

(vii) the CFD and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Bonds are no longer accurate, it shall promptly notify the CFD; and

(viii) if it is acquiring any Bonds as a fiduciary or agent for one or more investor accounts, it has sole investment discretion with respect to each account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account. Prior to any proposed transfer of Bonds within two years after the original issuance of the Bonds, the holder thereof must check the appropriate box set forth on a certificate relating to the manner of such transfer and submit the certificate to the Fiscal Agent as transfer agent. If such transfer is to anyone other than a Qualified Institutional Buyer within two years after the original issuance of the Bonds, the holder will be required to furnish the Fiscal Agent such certifications, legal opinions or other information as they may reasonably require to confirm that the proposed transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

(ix) Each certificate representing Bonds will bear the following legend:

THIS BOND HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS, AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS, EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (I) REPRESENTS THAT IT IS ACQUIRING THIS BOND FOR INVESTMENT PURPOSES ONLY AND NOT WITH A VIEW TO ANY DISTRIBUTION AND (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR (B) IT IS AN INSTITUTIONAL "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(a)(1), (2), (3) OR (7) UNDER REGULATION D OF THE SECURITIES ACT) (AN "INSTITUTIONAL ACCREDITED INVESTOR") OR (C) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS BOND IN AN OFFSHORE TRANSACTION, (II) AGREES THAT IT WILL NOT PRIOR TO THE EXPIRATION OF THE HOLDING PERIOD APPLICABLE TO SALES OF THIS BOND UNDER RULE 144(k) UNDER THE SECURITIES ACT (OR ANY SUCCESSOR PROVISION), RESELL OR OTHERWISE TRANSFER THIS BOND EXCEPT (A) TO THE CFD, (B) INSIDE THE UNITED STATES TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (C) INSIDE THE UNITED STATES TO AN INSTITUTIONAL ACCREDITED INVESTOR THAT, PRIOR TO SUCH TRANSFER, FURNISHES TO _____, AS FISCAL AGENT, OR A SUCCESSOR FISCAL AGENT, A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE RESTRICTIONS ON TRANSFER OF THIS BOND (THE FORM OF WHICH LETTER CAN BE OBTAINED FROM THE FISCAL

AGENT), (D) OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN OFFSHORE TRANSACTIONS MEETING THE REQUIREMENTS OF RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (E) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), (F) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, OR (G) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND (III) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS BOND IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. IN CONNECTION WITH ANY TRANSFER OF THIS BOND PRIOR TO THE EXPIRATION OF THE HOLDING PERIOD APPLICABLE TO SALES OF THIS BOND UNDER RULE 144(k) UNDER THE SECURITIES ACT (OR ANY SUCCESSOR PROVISION), THE HOLDER MUST CHECK THE APPROPRIATE BOX SET FORTH ON THE TRANSFER CERTIFICATE RELATING TO THE MANNER OF SUCH TRANSFER AND SUBMIT THE CERTIFICATE TO _____, AS FISCAL AGENT, OR A SUCCESSOR FISCAL AGENT. IF THE PROPOSED TRANSFEREE IS OTHER THAN A QUALIFIED INSTITUTIONAL BUYER, THE HOLDER MUST, PRIOR TO SUCH TRANSFER, FURNISH TO _____, AS FISCAL AGENT, OR A SUCCESSOR FISCAL AGENT, SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS THEY MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THIS LEGEND MAY BE REMOVED AFTER THE EXPIRATION OF THE HOLDING PERIOD APPLICABLE TO SALES OF THIS BOND UNDER RULE 144(k) UNDER THE SECURITIES ACT (OR ANY SUCCESSOR PROVISION). AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE RESPECTIVE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

(x) It represents and covenants that it is not acquiring the Bonds for or on behalf of, and will not sell or otherwise transfer the Bonds to, any employee benefit plan (as defined in Section 3 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")), except:

(a) to the extent such purchase is made by or on behalf of a bank collective investment fund maintained by the purchaser in which (i) at any time while the Bonds are held by the purchaser, no plan (together with any other plan or plans maintained by the same employer or employee organization) has an interest in excess of ten percent (10%) of the total assets in such collective investment fund and (ii) the conditions of Section III of Prohibited Transaction Class Exemption 91-38 issued by the Department of Labor are satisfied;

(b) to the extent such purchase is made by or on behalf of an insurance company pooled separate account maintained by the purchaser in which (i) at any time while the Bonds are held by the purchaser, no plan (together with any other plans maintained by the same employer or employee organization) has an interest in excess of ten percent (10%) of the total assets in such pooled separate account and (ii) the conditions of Section III of Prohibited Transaction Class Exemption 90-1 issued by the Department of Labor are satisfied;

(c) to the extent such purchase is made on behalf of a plan by a qualified professional asset manager, as such term is used in Prohibited Transaction Exception 84-14 issued by the Department of Labor, and the assets of such plan when combined with the assets of other plans established or maintained by the same employer (or affiliate thereof) or employee organization and managed by such investment adviser, bank, insurance company or savings and loan do not represent more than twenty percent (20%) of the total client assets maintained by such

investment adviser, bank, insurance company or savings and loan and the conditions of Part I of such exemption are satisfied;

(d) to the extent such plan is a governmental plan (as defined in Section 3 of ERISA) which is not subject to the provisions of Title I of ERISA or Section 4975 of the Internal Revenue Code of 1986, as amended;

(e) to the extent such purchase is made by or on behalf of an insurance company with assets in its insurance company general account, and the conditions of Prohibited Transaction Class Exemption 95-60 issued by the Department of Labor are satisfied; to the extent such purchase is made on behalf of a plan by an in-house asset manager and the conditions of Part I of Prohibited Transactions Class Exemption 96-23 issued by the Department of Labor are satisfied;

(f) to the extent such purchase is made on behalf of a plan by an in-house asset manager and the conditions of Part I of Prohibited Transactions Class Exemption 96-23 issued by the Department of Labor are satisfied;

(g) to the extent that such purchase would not otherwise constitute a non-exempt prohibited transaction.

By: _____
Name: _____
Title: _____