

## **RESOLUTION NO. 2002-127**

### **A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ELK GROVE AUTHORIZING THE EXECUTION AND DELIVERY OF A FISCAL AGENT AGREEMENT, A BOND PURCHASE CONTRACT, AND A CONTINUING DISCLOSURE CERTIFICATE; AUTHORIZING THE ISSUANCE OF BONDS; APPROVING THE FORM OF THE OFFICIAL STATEMENT AND THE DISTRIBUTION THEREOF, AND AUTHORIZING OTHER ACTIONS RELATED THERETO**

**WHEREAS**, the City Council on May 15, 2002, duly adopted its Resolution No. 2002-81 (the "Resolution of Formation") establishing East Franklin Community Facilities District No. 2002-1 (the "District") pursuant to the Mello-Roos Community Facilities Act of 1982 (Chapter 2.5, Part 1, Division 2, Title 5 (commencing with Section 53311) of the California Government Code) (the "Act"), for the purpose of providing for the financing of the construction and acquisition of certain public capital facilities (the "Facilities") described in Exhibit A to the Resolution of Formation;

**WHEREAS**, at an election held in the District on May 15, 2002, the qualified electors therein duly authorized the issuance of one hundred twenty-five million dollars (\$125,000,000) principal amount of special tax bonds pursuant to the terms of the Act, for the purpose of financing the acquisition and construction of the Facilities;

**WHEREAS**, the qualified electors of the District at such election additionally authorized the levy and collection of a special tax under the Act to be used for the purpose, among others, of paying the interest on and the principal of and redemption premiums, if any, on such special tax bonds;

**WHEREAS**, the City Council has determined to authorize the issuance of a portion of such special tax bonds (the "Series 2002A Bonds") pursuant hereto and to secure the 2002A Bonds in the manner provided herein;

**WHEREAS**, the following documents and proposed agreements relating to the issuance, sale and delivery of the Series 2002A Bonds by the City, which are incorporated herein by reference, have been presented to the City Council for its review and approval:

- 1. The Fiscal Agent Agreement (the "Fiscal Agent Agreement") between U.S. Bank, N.A., as fiscal agent, and the City, pursuant to which the City will issue the Series 2002A Bonds;**
- 2. The Bond Purchase Contract (the "Bond Purchase Contract") by and between the City and U.S. Bancorp Piper Jaffray, Inc. (the "Underwriter"), whereby the City will sell the Series 2002A Bonds to the Underwriter;**
- 3. The Official Statement relating to the Series 2002A Bonds (the "Official Statement"); and**
- 4. The Continuing Disclosure Certificate relating to the Series 2002A Bonds (the "Continuing Disclosure Certificate");**

**WHEREAS**, all acts, conditions, and things required by law to exist, to have happened and to have been performed precedent to and in connection with the issuing of the Series 2002A Bonds and the execution and entering into of the Fiscal Agent Agreement do exist, have happened, and have been performed in regular and due time, form and manner as required by law;

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

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

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

- (a) The Fiscal Agent Agreement;
- (b) The Bond Purchase Contract;
- (c) The Preliminary Official Statement; and
- (d) The Continuing Disclosure Certificate;

In substantially the form presented to the City Council at this meeting, which agreements and documents are hereby approved, with such changes, insertions, revisions, corrections, or amendments as shall be approved by the officer or officers executing the agreement or document for the City Council. The execution of the foregoing by a Designated Officer or Officers shall constitute conclusive evidence of such officer's or officers' and the City Council's approval of any such changes, insertions, revisions, corrections, or amendments to the respective forms of agreements and documents presented to the City Council at this meeting. The date, respective principal amounts of each maturity, the interest rates, interest payment dates, denominations, forms, registration privileges, place or places of payment, terms of redemption, and other terms of the Series 2002A Bonds, shall be as provided in the Fiscal Agent Agreement as finally executed.

3. **Authorization to Issue Bonds**. The City Council hereby authorizes the issuance of the Series 2002A Bonds in accordance with the terms of the Fiscal Agent Agreement as finally executed.

4. **Authorization of Sale**. The City Council hereby authorizes the sale of not to exceed \$45,000,000 principal amount of Series 2002A Bonds to the Underwriter pursuant to the Bond Purchase Contract. The Designated Officers are hereby authorized and directed to negotiate with the Underwriter the final terms of the sale and its timing. The City Council hereby determines that the sale of the Series 2002A Bonds by negotiation would result in an overall lower cost.

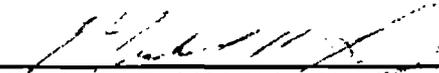
5. **Execution of Series 2002A Bonds.** The Mayor and the City Clerk are hereby authorized and directed to execute each of the Series 2002A Bonds on behalf of the City.

6. **Distribution of Official Statement.** The City Council hereby authorizes the Underwriter to distribute copies of the Official Statement in preliminary form to persons who may be interested in the purchase of the Series 2002A Bonds and authorizes and directs the Underwriter to deliver copies of the final Official Statement to all purchasers of the Series 2002A Bonds. The City Council hereby authorizes and directs the City Manager and the Director of Administrative Services, or either of them, to deliver to the Underwriter a certificate to the effect that the City Council deems the preliminary Official Statement, in the form approved by the City Manager or the Director of Administrative Services, to be final and complete as of its date, except for certain final pricing and related information that may be omitted pursuant to Rule 15c-12 of the Securities and Exchange Commission.

7. **General Authorization.** The City Council hereby authorizes and directs the Designated Officers, and each of them, for and in the name of and on behalf of the City, to do any and all things and to execute and deliver any and all documents that they may deem necessary or advisable in order to complete the sale, issuance, and delivery of the Series 2002A Bonds and otherwise to carry out, give effect to, and comply with the terms and intent of this resolution. All actions heretofore taken by such officers and agents that are in conformity with the purposes and intent of this resolution are hereby ratified, confirmed and approved in all respects.

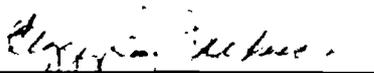
8. **Effective Date.** This resolution shall take effect immediately upon its passage.

**PASSED AND ADOPTED** by the Elk Grove City Council on July 17, 2002.

  
\_\_\_\_\_  
MICHAEL P. LEARY, MAYOR of the  
CITY OF ELK GROVE

ATTEST:

APPROVED AS TO FORM:

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

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

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

## CITY OF ELK GROVE

**AGREEMENT FOR ACQUISITION OF PRIVATELY-CONSTRUCTED  
FACILITIES WITHIN THE CITY OF ELK GROVE  
EAST FRANKLIN COMMUNITY FACILITIES DISTRICT NO. 2002-1**

This Agreement, dated as of \_\_\_\_\_, 2002, by and between the City of Elk Grove, a political subdivision of the State of California (the "City") and the East Franklin Implementation Group, LLC, a California limited liability company (the "Developer"),

## WITNESSETH:

WHEREAS, development within the geographic area included in the East Franklin Specific Plan area (the "Plan Area") requires the construction of public facilities and improvements, some of which will be owned by the City and some of which will be owned by other public agencies (each an "operating agency");

WHEREAS, the City has, in conjunction with landowners and developers within the Plan Area, determined to finance certain facilities through the formation by the City of a community facilities district to be known as the City of Elk Grove East Franklin Community Facilities District No. 2002-1 (the "EF CFD No. 2002-1"), pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Government Code Sections 53311, *et seq.* (the "Act")), and the authorization of special tax levies and bond issues that will be used in part to pay for the public facilities and improvements;

WHEREAS, on May 15, 2002, the City Council of the City adopted Resolution No. 2002-81 (the "Resolution of Formation") and thereby established the EF CFD No. 2002-1 and provided for the levy of a special tax to pay for the acquisition and construction of certain public facilities, as provided therein;

WHEREAS, on May 15, 2002, a special election was held by the landowners within the EF CFD No. 2002-1 at which election more than two-thirds (2/3) of the votes were cast in favor of the special tax and issuing bonds to pay for the public facilities to be acquired and/or constructed for the EF CFD No. 2002-1;

WHEREAS, the Developer or other entities designated by the Developer (each a "Constructor") will construct certain improvements that serve EF CFD No. 2002-1;

WHEREAS, the improvements are contained in, and are a part of, the Capital Improvement Program ("CIP") of the Plan Area, which CIP may from time to time be amended by the City, and the improvements are eligible for acquisition by the City, provided certain construction requirements are satisfied;

WHEREAS, the improvements are described in Exhibit A, attached hereto and incorporated herein by this reference;

WHEREAS, the improvements are eligible to be constructed and purchased pursuant to Section 53313.5 of the Act;

WHEREAS, the improvements may be acquired by the City, and the City may, under appropriate conditions, pay the Developer or applicable Constructor the cost thereof;

WHEREAS, Exhibit A describes quantities and maximum unit prices eligible for payment hereunder;

WHEREAS, the City and the Developer desire to enter into an agreement to provide for the acquisition by the City of the improvements described in Exhibit A (the "Projects") and for the payment to the Developer or applicable Constructor of certain costs of construction of the Projects;

NOW, THEREFORE, in consideration of the mutual promises contained herein, the City and the Developer agree as follows:

1. **Project List.** The City's Public Works Director and the Developer are authorized to supplement or otherwise revise the list of Projects, quantities, and prices shown in Exhibit A by an addendum executed by both of them.
2. **Construction.** For Projects, or portion thereof, that will be completed after the adoption of the Resolution of Formation, the Developer or applicable Constructor shall competitively bid the construction of the Projects, or portion thereof, as if the Projects were City jobs. All construction contracts shall require the payment of prevailing wages and Projects shall be constructed using plans and specifications that conform to the City Standard Construction Specifications and Improvement Standards (or the comparable specifications and standards of the operating agency) and that have been approved by the Public Works Director of the City. The Developer or applicable Constructor shall enter into a contract pursuant to which the successful bidder (the "Contractor") agrees to construct the Projects, or portion thereof, shown on the plans and specifications and the Developer or applicable Constructor agrees to pay the Contractor for constructing the Projects shown on the plans and specifications. The Developer or applicable Constructor shall furnish the City with a copy of the contract upon its execution. **Inspection.** The City will review and inspect the construction of the Projects using the same standards as if the contract were a public contract awarded by the City or will arrange for review and inspection of Projects by the operating agency.
3. **Inspection.** The City will review and inspect the construction of the Projects using the same standards as if the contract were a public contract awarded by the City or will arrange for review and inspection of Projects by the operating agency.
4. **Approval and Payment.** (a) Following substantial completion of the construction of the Projects, or portion thereof, approval thereof by the City or the operating agency (with appropriate reserves for punch-list items), and receipt and approval by the City of a request for payment in the form attached hereto as Exhibit B (including attached

copies of all invoices for the design, construction, and related costs of the Projects), the City shall pay the Developer or applicable Constructor for the actual costs of construction of the Projects, or portion thereof. In particular, with respect to the road and utility improvements to be constructed generally around the perimeter of the Plan Area, the waterlines to be constructed therein shall be deemed to be substantially complete upon successful pressure testing thereof and the roadways shall be deemed substantially complete upon the completion of the paving and stripping therefor (subject to appropriate reserves for the completion of all punch list items related thereto). Payment by the City to the Developer or applicable Constructor for the cost of a Project shall be made only upon the request and approval of the Developer.

(b) The City shall determine the actual costs of the Projects, or portion thereof, to be paid to the Developer or applicable Constructor subject to the cost limitation set forth in Exhibit A.

(c) The Public Works Director of the City shall have the right, during normal business hours and upon the giving of ten days written notice to the Developer, to review all books and records of the Developer or applicable Constructor pertaining to costs and expenses incurred by the Developer or applicable Constructor in constructing any of the Projects, including any and all construction contracts, subcontracts, change orders, invoices and payroll records.

5. Payment. (a) Payment by the City to the Developer or applicable Constructor shall be made only from the EF CFD No. 2002-1 Acquisition and Construction Fund and no payment shall be made unless and until sufficient funds are available in the EF CFD No. 2002-1 Acquisition and Construction Fund, except as otherwise approved by Developer and the Public Works Director of the City.

(b) If another entity constructs improvements that are portions of the Projects as identified in Exhibit A, the Developer may direct the City to make payment for the construction thereof to the applicable Constructor only if: (1) the improvements are constructed in accordance with all of the requirements of this agreement; and (2) the Constructor assumes the obligations of the Developer under this Agreement as applicable to such construction, including without limitation, the obligations under paragraphs 7, 8 and 9, as evidenced by a written assumption that must be supplied to the City by the Constructor prior to payment.

6. Title. Once the City makes final payment to the Developer or applicable Constructor for the completion of a Project, or portion thereof (including payments for punch list items for substantially completed work), title to the improvements shall vest in the City, the Sacramento County Water Agency, the County of Sacramento, or County Sanitation District No. 1, as appropriate. By acceptance of payment for the substantial completion of a Project, or portion thereof, the Developer or applicable Constructor thereby covenants to use all of its best efforts to effectuate the transfer of title upon final completion of the Project, or portion thereof (whether by Developer, Constructor, City or other person), including

delivering an appropriate instrument of conveyance, if deemed necessary by the City or the operating agency.

7. **Guarantee.** Prior to payment, the Developer or applicable Constructor shall provide a guarantee and assurance to the City and the operating agency that there are no liens on the Projects at the time of acquisition and payment by the City, together with releases from all contractors and/or materials suppliers for the Projects. The City shall have no obligation to acquire and make payment for the Projects until the Developer or applicable Constructor has cleared any and all liens and encumbrances from the Projects.
  
8. **Warranty and Repair.** (a) The Developer hereby, or the applicable Constructor by its acceptance of payment for any Project, or portion thereof, warrants the Projects as to materials and workmanship and should any failure of the Projects occur within a period of one year after final acceptance thereof by the City, the Developer or applicable Constructor shall promptly cause the needed repairs to be made without cost to the City or the operating agency. The costs of any such required repairs shall be eligible for payment from the EF CFD 2002-1 Acquisition and Construction Fund, subject to compliance with the terms of this Agreement.
 

(b) The City and the operating agency are hereby authorized to make such repairs if the Developer or applicable Constructor fails to make or undertake with due diligence the aforesaid repairs within twenty (20) days after it is given written notice of such failure. In case of emergency where, in the sole opinion of the City Public Works Director, delay would cause serious hazard to the public, the necessary repairs may be made or lights, signs and barricades erected, without prior notice to the Developer or applicable Constructor. In all cases of failure of the Projects within the warranty period where the City or the operating agency has taken action in accordance with this paragraph, the Developer or applicable Constructor shall reimburse the City or the operating agency, as appropriate for all costs, direct and indirect, incurred by the City or the operating agency.
  
9. **Indemnity.** The Developer, by execution of this Agreement, or Constructor, by acceptance of payment for any Project, or portion thereof, specifically agrees to assume the defense of, indemnify and hold harmless the City, each operating agency, their officers, employees, and agents from and against all actions, damages, claims, losses or expenses of every type and description to which they may be subjected or put, by reason of, or resulting from, the construction, installation, operation or existence of the Projects constructed by Developer or applicable Constructor during the term of this agreement including the warranty period set forth in paragraph 8 above.
  
10. **No Third Party Beneficiary.** The City and the Developer enter into no contract or agreement with any general contractor, subcontractor, or other party by entering into this Agreement nor is any general contractor, subcontractor, or other party a third party beneficiary of this agreement, and the City shall have no obligation to pay any general contractor, subcontractor, or other party for any work that such

general contractor, subcontractor, or other party may do pursuant to the plans and specifications for the Projects.

11. **City Obligations.** The obligations arising from this Agreement are not a debt of the City, nor a legal or equitable pledge, charge, lien, or encumbrance upon any of its property or upon any of its income, receipts, or revenues, except the revenues of the EF CFD No. 2002-1 Acquisition and Construction Fund arising from the receipt of proceeds of bond sales with respect to the EF CFD No. 2002-1 and the receipt of special taxes, fees or charges collected solely for the benefit of the EF CFD No. 2002-1. Neither the General Fund nor any other fund of the City, except as previously described, shall be liable for the payment of any obligations arising from this Agreement. The credit or taxing power of the City is not pledged for the payment of any obligation arising from this Agreement. The Developer shall not compel the forfeiture of any of the City's property to satisfy any obligations arising from this Agreement.
12. **Tax Exemption.** Interest on the bonds to be issued by the City in order to finance the Projects will be excluded from gross income for federal income tax purposes. Notwithstanding anything in this Agreement to the contrary, the City shall not be required to take any action hereunder that, in the opinion of bond counsel to the City for the EF CFD No. 2002-1 proceedings, would result in interest on the bonds being included in gross income for federal income tax purposes.
13. **Insurance.** The Developer or applicable Constructor shall furnish to the City a certificate or certificates substantiating the fact that it has taken out the insurance hereinafter set forth for the period covered by this agreement with an insurance carrier acceptable to the City in a form satisfactory to the City. Each certificate shall bear an endorsement precluding the cancellation or reduction in coverage of any policy covered by such certificate before the expiration of thirty (30) days after the City shall have received notification of such cancellation or reduction by registered mail. The minimum insurance coverage to be obtained by the Developer or applicable Constructor as hereinabove referred to are as follows:

Public liability and property damage insurance that includes, but is not limited to, protection against claims arising from personal injury; property damage; losses related to independent contractors, products and equipment; and explosion, collapse and underground hazards. The amount of the insurance coverage shall be not less than \$1,000,000.00 (combined single limit) for one or more persons injured and property damaged in each occurrence. The public liability and property damage insurance shall also name as an insured, on a primary basis, the City and each operating agency. This insurance shall directly protect the City and the operating agencies as well as the Developer or applicable Constructor and their agents. The insurer shall assume the defense of the City, each operating agency, their officers, employees, and agents from all suits, actions damages, or claims of every type and description to which they may be subjected or put by reason of, or resulting from, the Developer's or

applicable Constructor's operations in regard to the construction, installation, operation or existence of the Projects. The insurance policies shall expressly state that the above terms are in effect.

Each policy of insurance shall specify that (1) the inclusion of more than one insured shall not operate to impair the rights of one insured against another insured, and the overages afforded shall apply as though separate policies had been issued to each insured, and that (2) it acts as primary insurance and that no insurance held or owned by the City or an operating agency shall be called upon to cover either in full or part any loss covered under the policy acquired by the Developer or applicable Constructor.

If the Developer or applicable Constructor fails to maintain such insurance, the City or an operating agency may purchase insurance to cover damages of the above-mentioned classes for which the City or the operating agency might be held liable on account of the Developer's or applicable Constructor's failing to pay such damages and may recover the amount of the premiums for such insurance from the Developer or applicable Constructor or retain such amount from any monies due the Developer under this Agreement. Failure of the City or an operating agency to obtain such insurance shall in no way relieve the Developer or applicable Constructor from any of its responsibilities under this Agreement.

14. **Notice.** Any notice, payment or instrument required or permitted by this Agreement to any party shall be deemed to have been received when personally delivered to any party or seventy-two (72) hours following deposit of the same in any United States Post Office, first class, postage prepaid, addressed as follows:

City: City of Elk Grove  
Public Works Department  
8400 Laguna Palms Way  
Elk Grove, CA 95758  
Attn:

Developer: East Franklin Implementation Group, LLC  
2150 Professional Drive, Suite 150  
Roseville, CA 95661  
Attn: Craig Nagler

15. **Term.** The term of this Agreement shall start on the day and year first above written and shall remain in effect until all terms and conditions contained in this Agreement have been satisfied.
16. **Captions.** Captions to paragraphs of this Agreement are for convenience purposes only, and are not part of this Agreement.
17. **Severability.** If any portion of this Agreement is declared by a court of competent jurisdiction to be invalid or unenforceable, such portion shall be deemed severed

from this Agreement and the remaining parts shall remain in full effect as though such invalid or unenforceable provision had not been a part of this Agreement.

- 18. Successors and assigns. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the parties hereto.
- 19. Entire Agreement. This Agreement contains the entire agreement between the parties with respect to the matters contained herein and may be amended only by subsequent written agreement signed by both parties.

**IN WITNESS WHEREOF**, the parties have executed this Agreement the day and the year first written above.

CITY OF ELK GROVE

By \_\_\_\_\_  
Michael P. Leary, Mayor

Attest:

\_\_\_\_\_  
Peggy Jackson, City Clerk

Approved as to form:

\_\_\_\_\_  
Anthony Manzanetti, City Attorney

EAST FRANKLIN IMPLEMENTATION  
GROUP, LLC, a California limited liability  
company

By:  
its Managing Member

By: \_\_\_\_\_  
Name:  
Title:

## EXHIBIT A

## Description of Projects

## Summary of Estimated Infrastructure and Facilities Costs

Fee Program	Total
<b>1. Roads - LSPFFP</b>	
Segment 1 - Laguna Estates (2,600')	\$648,168
Segment 4 - Backer Ranch Residential (1,650')	\$441,120
Segment 5 - Backer Ranch Commercial (1,000')	\$362,155
Segment 6 - Backer Ranch Commercial (1,370')	\$315,111
Segment 7 - Backer Ranch Residential (1,330')	\$305,910
Segment 9 - Laguna Creek South (2,290')	\$964,917
Segment 11 - JAS (1,320')	\$458,562
Segment 14 - Quail Ridge (1,180')	\$410,326
Segment 15 - Laguna Creek South / Franklin Meadows (3,820')	\$1,335,530
Segment 16 - Franklin Meadows w/ Signal (2,000')	\$849,710
Segment 17 - Elk Grove Meadows (2,000')	\$695,468
Segment 18 - Franklin Meadows (1,360')	\$573,113
Segment 19 - Franklin 51 (1,270')	\$535,187
Segment 20 - Jungkeit Dairy (1,520')	\$640,538
Segment 21 - Laguna Estates (1,350')	\$577,327
Shed 'A' Franklin Boulevard Crossing	\$816,981
Shed 'A' Fire Poppy Drive Crossing	\$344,850
Shed 'B' Bellaterra Drive Crossing	\$419,588
Shed 'B' Poppy Ridge Road Crossing	\$476,520
Franklin Blvd. Pedestrian Pathway	\$100,000
Prepaid LSPFFP Fees [1]	\$4,011,506
<b>Subtotal LS Roadways</b>	<b>\$15,282,588</b>
<b>2. Sewer CSD-1</b>	
Acquisition of Phase A Sewer	\$2,458,265
EGUSD Sewer Pump & Force Main	\$3,000,000
Beazer Forecast Sewer	\$600,000
<b>Subtotal Sewer</b>	<b>\$6,058,265</b>
<b>3. Water - Zone 40</b>	
Acquisition of Phase A Water System	\$3,096,178
Segment 1 - Laguna Estates 16" T-Main	\$462,977
Segment 4 - Backer Ranch Residential 16" T-Main	\$293,812
Segment 5 - Backer Ranch Commercial 16" T-Main	\$178,068
Segment 15 - Franklin Meadows / Laguna Creek South 24" T-Main	\$178,921
Segment 16 - Franklin Meadows 24" T-Main	\$280,896
Segment 18 - Franklin Meadows 18" T-Main	\$158,606
Segment 19 - Franklin 51 18" T-Main	\$138,554
Segment 20 - Jungkeit Dairy 18" T-Main	\$118,829
<b>Subtotal Water</b>	<b>\$4,906,841</b>
<b>4. Reclaimed Water - LSPFFP</b>	
Segment 15 - Franklin Meadows / Laguna Creek South 24" NP T-Main	\$554,218
<b>5. Drainage - Zone 11A</b>	
Acquisition of Phase A Drainage	\$118,124
Shed 'A' Onsite Channel	\$486,928
Shed 'B' Seg. 'B' Channel w Temp X-ing at Old Franklin (Martinez & Bonnacci)	\$221,958
Shed 'B' Segment 'D' Channel (NPDES Work in Ex.120' Channel)	\$49,931
Shed 'B' Segment 'F' Channel (Gilliam)	\$661,560
Shed 'B' Segment 'G' Channel (Franklin Meadows)	\$245,019
Shed 'B' Segment 'H' Channel (Forecast)	\$826,362
Poppy Ridge Road Offsite Drainage	\$580,602
<b>Subtotal Drainage</b>	<b>\$3,190,485</b>

**Summary of Estimated Infrastructure and Facilities Costs**

<b>Fee Program</b>	<b>Total</b>
<b>6. Drainage - LSPFFP</b>	
Shed 'A' Easement Acquisition	\$410,000
Shed 'B' Easement Acquisition	\$2,086,128
<b>Subtotal LS Drainage</b>	<b>\$2,496,128</b>
<b>7. Landscaping - LSPFFP</b>	
Segment 1 - Laguna Estates Residential Frontage Landscaping	\$411,676
Segment 4 - Backer Ranch Residential Frontage Landscaping	\$365,196
Segment 7 - Backer Ranch Residential Frontage Landscaping	\$198,054
Segment 9 - Laguna Creek South Residential Frontage Landscaping	\$241,473
Segment 10 - Laguna Creek South Residential Frontage Landscaping	\$231,626
Segment 11 - JAS Residential Frontage Landscaping	\$133,238
Segment 14 - Quail Ridge Residential Frontage Landscaping	\$231,206
Segment 15 - Franklin Meadows Residential Frontage Landscaping	\$213,098
Segment 16 - Franklin Meadows Residential Frontage Landscaping	\$122,579
Segment 17 - Elk Grove Meadows Residential Frontage Landscaping	\$391,875
Segment 18 - Franklin Meadows Residential Frontage Landscaping	\$57,339
Segment 19 - Franklin 51 Residential Frontage Landscaping	\$117,453
Segment 20 - Jungkeit Dairy Residential Frontage Landscaping	\$140,573
Segment 21 - Laguna Estates Residential Frontage Landscaping	\$59,189
Elk Grove Blvd Sound Wall	\$91,793
Jungkeit House Restoration	\$200,000
Shed 'A' Channel Landscaping	\$1,198,699
Shed 'B' Channel Landscaping	\$1,791,715
<b>Subtotal LS Landscaping</b>	<b>\$6,196,782</b>
<b>8. Miscellaneous Improvements- Shared Costs</b>	
Infrastructure Consulting	\$3,500,000
Phase A Oak Tree Mitigation	\$129,690
<b>Subtotal Drainage in LSPFFP</b>	<b>\$3,629,690</b>
<b>Total</b>	<b>\$42,314,996</b>

*"summary"*

Detailed Infrastructure and Facilities Cost Estimates

Item	Hard Costs						Soft Costs				Total Cost
	Quantity	Unit	Unit Price	Total	10% Cont	Hard Cost Total	6% Engr & Staking	5% Pln Chk & Insp	3% Const Mgmt	Soft Cost Total	
<b>I. ROADWAYS - LSPFFP</b>											
Segment 1 - Laguna Estates (2,600')	2,600	lf	\$173.80	\$451,880	\$45,188	\$497,068	\$29,824	\$24,853	\$14,912	\$69,590	\$566,658
Left Turn Pocket	1	ea	\$65,000.00	\$65,000	\$6,500	\$71,500	\$4,290	\$3,575	\$2,145	\$10,010	\$81,510
<b>Subtotal</b>				<b>\$516,880</b>	<b>\$51,688</b>	<b>\$568,568</b>	<b>\$34,114</b>	<b>\$28,428</b>	<b>\$17,057</b>	<b>\$79,600</b>	<b>\$648,168</b>
Segment 4 - Backer Ranch Residential (1,650')	1,650	lf	\$173.80	\$286,770	\$28,677	\$315,447	\$18,927	\$15,772	\$9,463	\$44,163	\$359,610
Left Turn Pocket	1	ea	\$65,000.00	\$65,000	\$6,500	\$71,500	\$4,290	\$3,575	\$2,145	\$10,010	\$81,510
<b>Subtotal</b>				<b>\$351,770</b>	<b>\$35,177</b>	<b>\$386,947</b>	<b>\$23,217</b>	<b>\$19,347</b>	<b>\$11,608</b>	<b>\$54,173</b>	<b>\$441,120</b>
Segment 5 - Backer Ranch Commercial (1,000')	1,000	lf	\$173.80	\$173,800	\$17,380	\$191,180	\$11,471	\$9,559	\$5,735	\$26,765	\$217,945
Signal Modifications	1	ea	\$50,000.00	\$50,000	\$5,000	\$55,000	\$3,300	\$2,750	\$1,650	\$7,700	\$62,700
Left Turn Pocket	1	ea	\$65,000.00	\$65,000	\$6,500	\$71,500	\$4,290	\$3,575	\$2,145	\$10,010	\$81,510
<b>Subtotal</b>				<b>\$288,800</b>	<b>\$28,880</b>	<b>\$317,680</b>	<b>\$19,061</b>	<b>\$15,884</b>	<b>\$9,530</b>	<b>\$44,475</b>	<b>\$362,155</b>
Segment 6 - Backer Ranch Commercial (1,370')		ea	\$0.00	\$315,111	\$0	\$315,111	\$0	\$0	\$0	\$0	\$315,111
Segment 7 - Backer Ranch Residential (1,330')		ea	\$0.00	\$305,910	\$0	\$305,910	\$0	\$0	\$0	\$0	\$305,910
Segment 9 - Laguna Creek South (2,290')		ea	\$0.00	\$964,917	\$0	\$964,917	\$0	\$0	\$0	\$0	\$964,917
Segment 11 - JAS (1,320')		ea	\$0.00	\$458,562	\$0	\$458,562	\$0	\$0	\$0	\$0	\$458,562
Segment 14 - Quail Ridge (1,180')	1,180	lf	\$277.30	\$327,214	\$32,721	\$359,935	\$21,596	\$17,997	\$10,798	\$50,391	\$410,326
Segment 15 - Lag Crk S / Frank Meadows (3,820')	2,590	lf	\$278.80	\$722,092	\$72,209	\$794,301	\$47,658	\$39,715	\$23,829	\$111,202	\$905,503
Segment 15 - Lag Crk S / Frank Meadows (3,820')	1,230	lf	\$278.80	\$342,924	\$34,292	\$377,216	\$22,633	\$18,861	\$11,316	\$52,810	\$430,027
Segment 16 - Franklin Meadows w/ Signal (2,000')	2,000	lf	\$278.80	\$557,600	\$55,760	\$613,360	\$36,802	\$30,668	\$18,401	\$85,870	\$699,230
Signalized Intersection (3-way)	1	ea	\$120,000.00	\$120,000	\$12,000	\$132,000	\$7,920	\$6,600	\$3,960	\$18,480	\$150,480
<b>Subtotal</b>				<b>\$677,600</b>	<b>\$67,760</b>	<b>\$745,360</b>	<b>\$44,722</b>	<b>\$37,268</b>	<b>\$22,361</b>	<b>\$104,390</b>	<b>\$849,710</b>
Segment 17 - Elk Grove Meadows (2,000')	2,000	lf	\$277.30	\$554,600	\$55,460	\$610,060	\$36,604	\$30,503	\$18,302	\$85,408	\$695,468
Segment 18 - Franklin Meadows (1,360')	1,360	lf	\$336.05	\$457,028	\$45,703	\$502,731	\$30,164	\$25,137	\$15,082	\$70,382	\$573,113
Segment 19 - Franklin 51 (1,270')	1,270	lf	\$336.05	\$426,784	\$42,678	\$469,462	\$28,168	\$23,473	\$14,084	\$65,725	\$535,187
Segment 20 - Jungkeit Dairy (1,520')	1,520	lf	\$336.05	\$510,796	\$51,080	\$561,876	\$33,713	\$28,094	\$16,856	\$78,663	\$640,539
Segment 21 - Laguna Estates (1,350')	660	lf	\$336.05	\$221,793	\$22,179	\$243,972	\$14,638	\$12,199	\$7,319	\$34,156	\$278,128
Segment 21 - Laguna Estates (1,350')	710	lf	\$336.05	\$238,596	\$23,860	\$262,455	\$15,747	\$13,123	\$7,874	\$36,744	\$299,199
Shed 'A' Franklin Boulevard Crossing											
Mobilization, Clearing and Grubbing	1	job	\$15,000.00	\$15,000	\$1,500	\$16,500	\$990	\$825	\$495	\$2,310	\$18,810
De-water Existing Channel	1	job	\$20,000.00	\$20,000	\$2,000	\$22,000	\$1,320	\$1,100	\$660	\$3,080	\$25,080
Remove Existing Concrete Bndge Structure	1	job	\$75,000.00	\$75,000	\$7,500	\$82,500	\$4,950	\$4,125	\$2,475	\$11,550	\$94,050
Sawcut & Remove Existing Pavement	16,600	sf	\$2.00	\$33,200	\$3,320	\$36,520	\$2,191	\$1,826	\$1,096	\$5,113	\$41,633
Roadway Excavation	1,850	cy	\$5.00	\$9,250	\$925	\$10,175	\$611	\$509	\$305	\$1,425	\$11,600
Quad 8' x 8' RCB's	104	lf	\$2,800.00	\$291,200	\$29,120	\$320,320	\$19,219	\$16,016	\$9,610	\$44,845	\$365,165
Headwalls / Wingwalls	2	ea	\$50,000.00	\$100,000	\$10,000	\$110,000	\$6,600	\$5,500	\$3,300	\$15,400	\$125,400
Place 5"AC / 20" AB	16,600	sf	\$4.25	\$70,550	\$7,055	\$77,605	\$4,656	\$3,880	\$2,328	\$10,865	\$88,470
Grade Roadside Ditch	1,660	lf	\$5.00	\$8,300	\$830	\$9,130	\$548	\$457	\$274	\$1,278	\$10,408
Traffic Control	1	job	\$25,000.00	\$25,000	\$2,500	\$27,500	\$1,650	\$1,375	\$825	\$3,850	\$31,350
Striping and Signage	1,000	lf	\$4.00	\$4,000	\$400	\$4,400	\$264	\$220	\$132	\$616	\$5,016
<b>Subtotal</b>				<b>\$651,500</b>	<b>\$65,150</b>	<b>\$716,650</b>	<b>\$42,999</b>	<b>\$35,833</b>	<b>\$21,900</b>	<b>\$100,331</b>	<b>\$816,981</b>
Shed 'A' Fire Poppy Drive Crossing											
Mobilization, Clearing and Grubbing	1	job	\$15,000.00	\$15,000	\$1,500	\$16,500	\$990	\$825	\$495	\$2,310	\$18,810
De-water Existing Channel	1	job	\$20,000.00	\$20,000	\$2,000	\$22,000	\$1,320	\$1,100	\$660	\$3,080	\$25,080
Quad 7' x 8' RCB's	56	lf	\$2,500.00	\$140,000	\$14,000	\$154,000	\$9,240	\$7,700	\$4,620	\$21,560	\$175,560
Headwalls / Wingwalls	2	ea	\$50,000.00	\$100,000	\$10,000	\$110,000	\$6,600	\$5,500	\$3,300	\$15,400	\$125,400
<b>Subtotal</b>				<b>\$275,000</b>	<b>\$27,500</b>	<b>\$302,500</b>	<b>\$18,150</b>	<b>\$15,125</b>	<b>\$9,075</b>	<b>\$42,350</b>	<b>\$344,850</b>

Item	Hard Costs						Soft Costs				Total Cost
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Detailed Infrastructure and Facilities Cost Estimates

	Quantity	Unit	Unit Price	Total	10% Cont	Hard Cost Total	6% Engr & Staking	5% Pln Chk & Insp	3% Const Mgmt	Soft Cost Total	Total Cost
<b>Shed 'B' Bellaterra Drive Crossing</b>											
Mobilization, Clearing and Grubbing	1	job	\$15,000 00	\$15,000	\$1,500	\$16,500	\$990	\$825	\$495	\$2,310	\$18,810
Sawcut & Remove Existing Pavement	11,000	sf	\$2 00	\$22,000	\$2,200	\$24,200	\$1,452	\$1,210	\$726	\$3,388	\$27,588
Triple 8' x 10' RCB's	76	lf	\$2,600 00	\$197,600	\$19,760	\$217,360	\$13,042	\$10,868	\$6,521	\$30,430	\$247,790
Headwalls / Wingwalls	2	ea	\$50,000 00	\$100,000	\$10,000	\$110,000	\$6,600	\$5,500	\$3,300	\$15,400	\$125,400
<b>Subtotal</b>				<b>\$334,600</b>	<b>\$33,460</b>	<b>\$368,060</b>	<b>\$22,084</b>	<b>\$18,403</b>	<b>\$11,042</b>	<b>\$51,528</b>	<b>\$419,588</b>
<b>Shed 'B' Poppy Ridge Road Crossing</b>											
Mobilization, Clearing and Grubbing	1	job	\$20,000 00	\$20,000	\$2,000	\$22,000	\$1,320	\$1,100	\$660	\$3,080	\$25,080
Triple 8' x 10' RCB's	100	lf	\$2,600 00	\$260,000	\$26,000	\$286,000	\$17,160	\$14,300	\$8,580	\$40,040	\$326,040
Headwalls / Wingwalls	2	ea	\$50,000 00	\$100,000	\$10,000	\$110,000	\$6,600	\$5,500	\$3,300	\$15,400	\$125,400
<b>Subtotal</b>				<b>\$380,000</b>	<b>\$38,000</b>	<b>\$418,000</b>	<b>\$25,080</b>	<b>\$20,900</b>	<b>\$12,540</b>	<b>\$58,520</b>	<b>\$476,520</b>
Franklin Blvd Pedestrian Pathway				\$100,000	\$0	\$100,000	\$0	\$0	\$0	\$0	\$100,000
Prepaid LSPFFP Fees				\$4,011,506	\$0	\$4,011,506	\$0	\$0	\$0	\$0	\$4,011,506
<b>TOTAL ROADWAYS LSPFFP</b>				<b>\$13,433,982</b>	<b>\$727,798</b>	<b>\$14,161,780</b>	<b>\$480,346</b>	<b>\$400,289</b>	<b>\$240,173</b>	<b>\$1,120,808</b>	<b>\$15,282,588</b>
<b>2. SEWER - CSD-1</b>											
Acquisition of Phase A Sewer [2]	1	ls	\$2,308,230 00	\$2,308,230	\$0	\$2,308,230	\$150,035	\$0	\$0	\$150,035	\$2,458,265
EGUSD Sewer Pump & Force Main	1	ls	\$3,000,000 00	\$3,000,000	\$0	\$3,000,000	\$0	\$0	\$0	\$0	\$3,000,000
Beazer Forecast Sewer	1	ls	\$600,000 00	\$600,000	\$0	\$600,000	\$0	\$0	\$0	\$0	\$600,000
<b>TOTAL SEWER CSD-1</b>				<b>\$5,908,230</b>	<b>\$0</b>	<b>\$5,908,230</b>	<b>\$150,035</b>	<b>\$0</b>	<b>\$0</b>	<b>\$150,035</b>	<b>\$6,058,265</b>
<b>3. WATER - ZONE 40</b>											
Acquisition of Phase A Water System [3]	1	ls	\$2,948,741 00	\$2,948,741	\$0	\$2,948,741	\$147,437	\$0	\$0	\$147,437	\$3,096,178
Segment 1 - Laguna Estates 16" T-Main	2,600	lf	\$142 00	\$369,200	\$36,920	\$406,120	\$24,367	\$20,306	\$12,184	\$56,857	\$462,977
Segment 4 - Backer Ranch Residential 16" T-Main	1,650	lf	\$142 00	\$234,300	\$23,430	\$257,730	\$15,464	\$12,887	\$7,732	\$36,082	\$293,812
Segment 5 - Backer Ranch Commercial 16" T-Main	1,000	lf	\$142 00	\$142,000	\$14,200	\$156,200	\$9,372	\$7,810	\$4,686	\$21,868	\$178,068
Segment 15 - Frank Meadows / Lag Crk S 24" T-Main	1,230	lf	\$116 00	\$142,680	\$14,268	\$156,948	\$9,417	\$7,847	\$4,708	\$21,973	\$178,921
Segment 16 - Franklin Meadows 24" T-Main	2,000	lf	\$112 00	\$224,000	\$22,400	\$246,400	\$14,784	\$12,320	\$7,392	\$34,496	\$280,896
Segment 18 - Franklin Meadows 18" T-Main	1,360	lf	\$93 00	\$126,480	\$12,648	\$139,128	\$8,348	\$6,956	\$4,174	\$19,478	\$158,606
Segment 19 - Franklin 51 18" T-Main	1,270	lf	\$87 00	\$110,490	\$11,049	\$121,539	\$7,292	\$6,077	\$3,646	\$17,015	\$138,554
Segment 20 - Jungkeit Dairy 18" T-Main	1,030	lf	\$92 00	\$94,760	\$9,476	\$104,236	\$6,254	\$5,212	\$3,127	\$14,593	\$118,829
<b>TOTAL WATER-ZONE 40</b>				<b>\$4,392,651</b>	<b>\$144,391</b>	<b>\$4,537,042</b>	<b>\$242,735</b>	<b>\$79,415</b>	<b>\$47,649</b>	<b>\$369,799</b>	<b>\$4,906,841</b>
<b>4. RECLAIMED WATER - LSPFFP</b>											
Segment 15 - Frank Mdws / Lag Crk S 24" NPT-Main	3,810	lf	\$116 00	\$441,960	\$44,196	\$486,156	\$29,169	\$24,308	\$14,585	\$68,062	\$554,218
<b>5. DRAINAGE - ZONE 11A</b>											
Acquisition of Phase A Drainage [4]	1	ls	\$112,499 00	\$112,499	\$0	\$112,499	\$5,625	\$0	\$0	\$5,625	\$118,124
<b>Shed 'A' Onsite Channel</b>											
Mobilization, Clearing and Grubbing	1	job	\$40,000 00	\$40,000	\$4,000	\$44,000	\$2,640	\$2,200	\$1,320	\$6,160	\$50,160
De-water Existing Channel	1	job	\$20,000 00	\$20,000	\$2,000	\$22,000	\$1,320	\$1,100	\$660	\$3,080	\$25,080
Channel Exc & Stockpile on Fong	54,000	cy	\$4 00	\$216,000	\$21,600	\$237,600	\$14,256	\$11,880	\$7,128	\$33,264	\$270,864
Twin 84" RSP Headwall / Wingwall	1	job	\$100,000 00	\$100,000	\$10,000	\$110,000	\$6,600	\$5,500	\$3,300	\$15,400	\$125,400
Hydroseed Disturbed Slopes	205,000	sf	\$0 06	\$12,300	\$1,230	\$13,530	\$812	\$677	\$406	\$1,894	\$15,424
<b>Subtotal</b>				<b>\$388,300</b>	<b>\$38,830</b>	<b>\$427,130</b>	<b>\$25,628</b>	<b>\$21,357</b>	<b>\$12,814</b>	<b>\$99,798</b>	<b>\$486,928</b>

Detailed Infrastructure and Facilities Cost Estimates

Item	Hard Costs					Soft Costs					Total Cost
	Quantity	Unit	Unit Price	Total	10% Cont	Hard Cost Total	6% Engr & Staking	5% Pln Chk & Insp	3% Const Mgmt	Soft Cost Total	
<b>Shed 'B' Seg 'B' Chan w Temp X-ing at Old Frank. (M &amp; B) [5]</b>											
Mobilization, Clearing and Grubbing	1	job	\$20,000.00	\$10,000	\$1,000	\$11,000	\$660	\$550	\$330	\$1,540	\$12,540
De-water Existing Channel	1	job	\$10,000.00	\$5,000	\$500	\$5,500	\$330	\$275	\$165	\$770	\$6,270
Onsite Channel Excavation	89,000	cy	\$2.50	\$111,250	\$11,125	\$122,375	\$7,343	\$6,119	\$3,671	\$17,133	\$139,508
Stockpile Excess on EFSP	89,000	cy	\$0.50	\$22,250	\$2,225	\$24,475	\$1,469	\$1,224	\$734	\$3,427	\$27,902
Hydroseed Disturbed Slopes	20,000	sf	\$0.10	\$1,000	\$100	\$1,100	\$66	\$55	\$33	\$154	\$1,254
Sawcut & Remove Existing Pavement	1,600	sf	\$2.00	\$1,600	\$160	\$1,760	\$106	\$88	\$53	\$246	\$2,006
Twin 84" CMP's	80	lf	\$400.00	\$16,000	\$1,600	\$17,600	\$1,056	\$880	\$528	\$2,464	\$20,064
Place 5"AC / 20" AB	1,600	sf	\$4.25	\$3,400	\$340	\$3,740	\$224	\$187	\$112	\$524	\$4,264
Grade Roadside Ditch	200	lf	\$5.00	\$500	\$50	\$550	\$33	\$28	\$17	\$77	\$627
Traffic Control	1	job	\$10,000.00	\$5,000	\$500	\$5,500	\$330	\$275	\$165	\$770	\$6,270
Striping and Signage	100	lf	\$20.00	\$1,000	\$100	\$1,100	\$66	\$55	\$33	\$154	\$1,254
<b>Subtotal</b>				<b>\$177,000</b>	<b>\$35,400</b>	<b>\$194,700</b>	<b>\$11,682</b>	<b>\$9,735</b>	<b>\$5,841</b>	<b>\$27,258</b>	<b>\$221,958</b>
<b>Shed 'B' Segment 'D' Channel (NPDES Work in Ex. 120' Chl ) [6]</b>											
Mobilization, Clearing and Grubbing	1	job	\$20,000.00	\$3,958	\$396	\$4,354	\$261	\$218	\$131	\$610	\$4,963
De-water Existing Channel	1	job	\$10,000.00	\$1,979	\$198	\$2,177	\$131	\$109	\$65	\$305	\$2,482
Onsite Channel Excavation	55,000	cy	\$2.50	\$27,211	\$2,721	\$29,932	\$1,796	\$1,497	\$898	\$4,191	\$34,123
Stockpile Excess on EFSP	55,000	cy	\$0.50	\$5,442	\$544	\$5,986	\$359	\$299	\$180	\$838	\$6,825
Hydroseed Disturbed Slopes	124,000	sf	\$0.05	\$1,227	\$123	\$1,350	\$81	\$67	\$40	\$189	\$1,539
<b>Subtotal</b>				<b>\$39,817</b>	<b>\$3,982</b>	<b>\$43,799</b>	<b>\$2,628</b>	<b>\$2,190</b>	<b>\$1,314</b>	<b>\$6,122</b>	<b>\$49,931</b>
<b>Shed 'B' Segment 'F' Channel (Gilliam)</b>											
Mobilization, Clearing and Grubbing	1	job	\$40,000.00	\$40,000	\$4,000	\$44,000	\$2,640	\$2,200	\$1,320	\$6,160	\$50,160
Onsite Channel Excavation	159,200	cy	\$2.50	\$398,000	\$39,800	\$437,800	\$26,268	\$21,890	\$13,134	\$61,292	\$499,092
Stockpile Excess on Gilliam	159,200	cy	\$0.50	\$79,600	\$7,960	\$87,560	\$5,254	\$4,378	\$2,627	\$12,258	\$99,818
Hydroseed Disturbed Slopes	199,200	sf	\$0.05	\$9,960	\$996	\$10,956	\$657	\$548	\$329	\$1,524	\$12,490
<b>Subtotal</b>				<b>\$527,560</b>	<b>\$52,756</b>	<b>\$580,316</b>	<b>\$34,819</b>	<b>\$29,016</b>	<b>\$17,409</b>	<b>\$81,244</b>	<b>\$661,560</b>
<b>Shed 'B' Segment 'G' Channel (Franklin Meadows)</b>											
Mobilization, Clearing and Grubbing	1	job	\$20,000.00	\$20,000	\$2,000	\$22,000	\$1,320	\$1,100	\$660	\$3,080	\$25,080
Onsite Channel Excavation	68,500	cy	\$2.50	\$171,250	\$17,125	\$188,375	\$11,303	\$9,419	\$5,651	\$26,373	\$214,748
Hydroseed Disturbed Slopes	82,800	sf	\$0.05	\$4,140	\$414	\$4,554	\$273	\$228	\$137	\$638	\$5,192
<b>Subtotal</b>				<b>\$195,390</b>	<b>\$19,539</b>	<b>\$214,929</b>	<b>\$12,896</b>	<b>\$10,746</b>	<b>\$6,448</b>	<b>\$30,090</b>	<b>\$245,019</b>
<b>Shed 'B' Segment 'H' Channel (Forecast)</b>											
Mobilization, Clearing and Grubbing	1	job	\$40,000.00	\$40,000	\$4,000	\$44,000	\$2,640	\$2,200	\$1,320	\$6,160	\$50,160
Original Onsite Chan Excav (Comp Summer 2001)	68,127	cy	\$3.00	\$204,381	\$20,438	\$224,819	\$13,489	\$11,241	\$6,745	\$31,475	\$256,294
Onsite Channel Excavation	133,000	cy	\$3.00	\$399,000	\$39,900	\$438,900	\$26,334	\$21,945	\$13,167	\$61,446	\$500,346
Hydroseed Disturbed Slopes	312,000	sf	\$0.05	\$15,600	\$1,560	\$17,160	\$1,030	\$858	\$515	\$2,402	\$19,562
<b>Subtotal</b>				<b>\$654,981</b>	<b>\$65,898</b>	<b>\$724,879</b>	<b>\$43,493</b>	<b>\$36,244</b>	<b>\$21,746</b>	<b>\$101,483</b>	<b>\$826,362</b>
<b>Poppy Ridge Road Offsite Drainage</b>											
Mobilization, Clearing and Grubbing	1	job	\$25,000.00	\$25,000	\$2,500	\$27,500	\$1,650	\$1,375	\$825	\$3,850	\$31,350
42" Storm Drain Pipe	910	lf	\$70.00	\$63,700	\$6,370	\$70,070	\$4,204	\$3,504	\$2,102	\$9,810	\$79,880
48" Storm Drain Pipe	920	lf	\$80.00	\$73,600	\$7,360	\$80,960	\$4,858	\$4,048	\$2,429	\$11,334	\$92,294
54" Storm Drain Pipe	600	lf	\$105.00	\$63,000	\$6,300	\$69,300	\$4,158	\$3,465	\$2,079	\$9,702	\$79,002
60" Storm Drain Pipe	580	lf	\$125.00	\$72,500	\$7,250	\$79,750	\$4,785	\$3,988	\$2,393	\$11,165	\$90,915
66" Storm Drain Pipe	880	lf	\$140.00	\$123,200	\$12,320	\$135,520	\$8,131	\$6,776	\$4,066	\$18,973	\$154,493

Detailed Infrastructure and Facilities Cost Estimates

Item	Hard Costs					Soft Costs					
	Quantity	Unit	Unit Price	Total	10% Cont	Hard Cost Total	6% Engr & Staking	5% Pln Chk & Insp	3% Const Mgmt	Soft Cost Total	Total Cost
Drain Manholes	9	ea	\$3,000.00	\$27,000	\$2,700	\$29,700	\$1,782	\$1,485	\$891	\$4,158	\$33,858
Outfall Structure	1	ea	\$15,000.00	\$15,000	\$1,500	\$16,500	\$990	\$825	\$495	\$2,310	\$18,810
<b>Subtotal</b>				<b>\$463,000</b>	<b>\$46,300</b>	<b>\$509,300</b>	<b>\$30,558</b>	<b>\$25,465</b>	<b>\$15,279</b>	<b>\$71,302</b>	<b>\$580,602</b>
<b>TOTAL ZONE 11A DRAINAGE</b>				<b>\$2,562,547</b>	<b>\$262,705</b>	<b>\$2,807,552</b>	<b>\$167,328</b>	<b>\$134,753</b>	<b>\$80,852</b>	<b>\$382,932</b>	<b>\$3,190,485</b>
<b>6. DRAINAGE - LSPFFP</b>											
Shed 'A' Easement Acquisition	4	ac	\$100,000.00	\$410,000	\$0	\$410,000	\$0	\$0	\$0	\$0	\$410,000
Shed 'B' Easement Acquisition	57	ac	\$100,000.00	\$2,086,128	\$0	\$2,086,128	\$0	\$0	\$0	\$0	\$2,086,128
<b>TOTAL DRAINAGE LSPFFP</b>				<b>\$2,496,128</b>	<b>\$0</b>	<b>\$2,496,128</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,496,128</b>
<b>7. LANDSCAPING - LSPFFP</b>											
Segment 1 - Laguna Estates Res Frontage LS	1,860	lf	\$176.50	\$328,290	\$32,829	\$361,119	\$21,667	\$18,056	\$10,834	\$50,557	\$411,676
Segment 4 - Backer Ranch Res Frontage LS	1,650	lf	\$176.50	\$291,225	\$29,123	\$320,348	\$19,221	\$16,017	\$9,610	\$44,849	\$365,196
Segment 7 - Backer Ranch Res Frontage LS	1,330	lf	\$118.75	\$157,938	\$15,794	\$173,731	\$10,424	\$8,687	\$5,212	\$24,322	\$198,054
Segment 9 - Laguna Creek South Res Frontage LS	1,020	lf	\$118.75	\$121,125	\$12,113	\$133,238	\$7,994	\$6,662	\$3,997	\$18,653	\$151,891
Segment 9 - Laguna Creek South Res Frontage LS	1,270	lf	\$56.25	\$71,438	\$7,144	\$78,581	\$4,715	\$3,929	\$2,357	\$11,001	\$89,583
Segment 10 - Laguna Creek South Res Frontage LS	5,240	lf	\$35.25	\$184,710	\$18,471	\$203,181	\$12,191	\$10,159	\$6,095	\$28,445	\$231,626
Segment 11 - JAS Res Frontage LS	680	lf	\$156.25	\$106,250	\$10,625	\$116,875	\$7,013	\$5,844	\$3,506	\$16,363	\$133,238
Segment 14 - Quail Ridge Res Frontage LS	1,180	lf	\$156.25	\$184,375	\$18,438	\$202,813	\$12,169	\$10,141	\$6,084	\$28,394	\$231,206
Segment 15 - Franklin Meadows Res Frontage LS	1,410	lf	\$35.25	\$49,703	\$4,970	\$54,673	\$3,280	\$2,734	\$1,640	\$7,654	\$62,327
Segment 15 - Franklin Meadows Res Frontage LS	1,230	lf	\$97.75	\$120,233	\$12,023	\$132,256	\$7,935	\$6,613	\$3,968	\$18,516	\$150,772
Segment 16 - Franklin Meadows Res Frontage LS	1,000	lf	\$97.75	\$97,750	\$9,775	\$107,525	\$6,452	\$5,376	\$3,226	\$15,054	\$122,579
Segment 17 - Elk Grove Meadows Res Frontage LS	2,000	lf	\$156.25	\$312,500	\$31,250	\$343,750	\$20,625	\$17,188	\$10,313	\$48,125	\$391,875
Segment 18 - Franklin Meadows Res Frontage LS	620	lf	\$73.75	\$45,725	\$4,573	\$50,298	\$3,018	\$2,515	\$1,509	\$7,042	\$57,339
Segment 19 - Franklin 51 Res Frontage LS	1,270	lf	\$73.75	\$93,663	\$9,366	\$103,029	\$6,182	\$5,151	\$3,091	\$14,424	\$117,453
Segment 20 - Jungket Dairy Res Frontage LS	1,520	lf	\$73.75	\$112,100	\$11,210	\$123,310	\$7,399	\$6,166	\$3,699	\$17,263	\$140,573
Segment 21 - Laguna Estates Res Frontage LS	640	lf	\$73.75	\$47,200	\$4,720	\$51,920	\$3,115	\$2,596	\$1,558	\$7,269	\$59,189
Jungket House Restoration	1	job	\$200,000.00	\$200,000	\$0	\$200,000	\$0	\$0	\$0	\$0	\$200,000
<b>Shed 'A' Channel Landscaping</b>											
Mobilization, Clearing and Grubbing	224,000	sf	\$0.10	\$22,400	\$2,240	\$24,640	\$1,478	\$1,232	\$739	\$3,450	\$28,090
Landscape & Irrigate 8' Bench	44,000	sf	\$2.75	\$121,000	\$12,100	\$133,100	\$7,986	\$6,655	\$3,993	\$18,634	\$151,734
Grading (Mounding) within 40' Parkway	5,000	cy	\$3.00	\$15,000	\$1,500	\$16,500	\$990	\$825	\$495	\$2,310	\$18,810
Landscape & Irrigate 40' Parkway	165,000	sf	\$3.50	\$577,500	\$57,750	\$635,250	\$38,115	\$31,763	\$19,058	\$88,935	\$724,185
Construct Meandering Pathway (5,500 lf)	55,000	sf	\$4.00	\$220,000	\$22,000	\$242,000	\$14,520	\$12,100	\$7,260	\$33,880	\$275,880
<b>Subtotal</b>				<b>\$955,900</b>	<b>\$95,590</b>	<b>\$1,051,490</b>	<b>\$63,089</b>	<b>\$52,575</b>	<b>\$31,545</b>	<b>\$147,209</b>	<b>\$1,198,699</b>
<b>Shed 'B' Channel Landscaping</b>											
Mobilization, Clearing and Grubbing	461,000	sf	\$0.10	\$46,100	\$4,610	\$50,710	\$3,043	\$2,536	\$1,521	\$7,099	\$57,809
Landscape & Irrigate 8' Bench	64,800	sf	\$2.75	\$178,200	\$17,820	\$196,020	\$11,761	\$9,801	\$5,881	\$27,443	\$223,463
Grading (Mounding) within 40' Parkway	10,000	cy	\$3.00	\$30,000	\$3,000	\$33,000	\$1,980	\$1,650	\$990	\$4,620	\$37,620
Landscape & Irrigate 40' Parkway	243,000	sf	\$3.50	\$850,500	\$85,050	\$935,550	\$56,133	\$46,778	\$28,067	\$130,977	\$1,066,527
Construct Meandering Pathway (8,100 lf)	81,000	sf	\$4.00	\$324,000	\$32,400	\$356,400	\$21,384	\$17,820	\$10,692	\$49,896	\$406,296
<b>Subtotal</b>				<b>\$1,428,800</b>	<b>\$142,880</b>	<b>\$1,571,680</b>	<b>\$94,301</b>	<b>\$78,584</b>	<b>\$47,150</b>	<b>\$220,035</b>	<b>\$1,791,715</b>
<b>Elk Grove Blvd Sound Wall</b>											
Mobilization, Clearing and Grubbing	1	job	\$10,000.00	\$10,000	\$1,000	\$11,000	\$660	\$550	\$330	\$1,540	\$12,540
8' Masonry Soundwall	420	lf	\$85.00	\$35,700	\$3,570	\$39,270	\$2,356	\$1,964	\$1,178	\$5,498	\$44,768
6' Masonry Soundwall	250	lf	\$65.00	\$16,250	\$1,625	\$17,875	\$1,073	\$894	\$536	\$2,503	\$20,378

Detailed Infrastructure and Facilities Cost Estimates

Item	Hard Costs						Soft Costs				
	Quantity	Unit	Unit Price	Total	10% Cont	Hard Cost Total	6% Engr. & Staking	5% Plan Chk & Insp	3% Const Mgmt	Soft Cost Total	Total Cost
4' Masonry Soundwall	250	lf	\$45 00	\$11,250	\$1,125	\$12,375	\$743	\$619	\$371	\$1,733	\$14,108
Subtotal				\$73,200	\$7,320	\$80,520	\$4,831	\$4,026	\$2,416	\$11,273	\$91,793
<b>TOTAL LANDSCAPING LSPFFP</b>				<b>\$4,982,123</b>	<b>\$478,212</b>	<b>\$5,460,335</b>	<b>\$315,620</b>	<b>\$263,017</b>	<b>\$157,810</b>	<b>\$736,447</b>	<b>\$6,196,782</b>
<b>8. MISCELLANEOUS IMPROVEMENTS - SHARED COSTS</b>											
Infrastructure Consulting	1	ls	\$0 00	\$0	\$0	\$0	\$3,500,000	\$0	\$0	\$3,500,000	\$3,500,000
Phase A Oak Tree Mitigation	1	ls	\$129,690 00	\$129,690	\$0	\$129,690	\$0	\$0	\$0	\$0	\$129,690
<b>TOTAL MISC. IMPROVEMENTS</b>				<b>\$129,690</b>	<b>\$0</b>	<b>\$129,690</b>	<b>\$3,500,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,500,000</b>	<b>\$3,629,690</b>
<b>GRAND TOTAL</b>				<b>\$34,347,311</b>	<b>\$1,657,302</b>	<b>\$35,986,913</b>	<b>\$4,885,234</b>	<b>\$901,781</b>	<b>\$541,069</b>	<b>\$6,328,084</b>	<b>\$42,314,996</b>

Note Soft costs from some items are reflected in the total cost for that item, or are not applicable

"short\_detail"

- [1] Cost from EGUSD / Rose's Engineering April 2, 2002 Spreadsheet.
- [2] Engineering and Staking costs for CSD-1 Phase 'A' Sewer calculated at 6.5%.
- [3] Engineering and Staking costs for Zone 40 Phase 'A' Water calculated at 5%.
- [4] Engineering and Staking costs for Zone 11A Phase 'A' Drainage calculated at 5%.
- [5] Construction costs have been reduced 50% to reflect outside funding sources for a portion of these facilities costs.
- [6] Construction costs have been reduced 80.21% to reflect outside funding sources for a portion of these facilities costs.

**EXHIBIT B**  
**Payment Request Form**

City of Elk Grove  
East Franklin Community Facilities District No. 2002-1

**Request for Payment**

The undersigned (the "Developer") hereby requests payment pursuant to the Acquisition Agreement dated \_\_\_\_\_, 2002 (the "Agreement"), between the City of Elk Grove and the Developer, in the total amount of \$ \_\_\_\_\_. (Capitalized terms used herein shall have the meanings ascribed thereto in the Agreement.) The payment requested is for Projects identified in Exhibit A to the Agreement that have been completed by the Developer or the party designated for payment herein (the "Constructor") and are the subject of this request for payment, as more fully described in Schedule 1 hereto.

In connection with this request for payment, the undersigned hereby represents and warrants to the City as follows:

1. The person executing this request on behalf of the Developer is duly authorized to do so and is knowledgeable as to the matters forth herein.
2. The Projects described in Schedule 1 hereto have been completed in accordance with the approved plans therefor. To the extent a Project is to be accepted, owned, and operated by a public agency other than the City, attached hereto is documentation from that agency acknowledging that the construction is complete and accepting the Project from the Developer.
3. The true and correct actual cost of each Project for which payment is requested is set forth in Schedule 1.
4. Attached hereto are invoices, receipts, worksheets and other evidence of actual cost that are in sufficient detail to allow the City's Public Works Director to verify the actual cost of the Project for which payment is requested.
5. There has not been filed with or served upon the Developer or the Constructor notice of any lien, right to lien or attachment upon, or claim affecting the right to receive the payment requested herein that has not been released or will not be released simultaneously with the payment of such obligation, other than materialmen's or mechanics' liens accruing by operation of law. Copies of lien releases for all work for which payment is requested hereunder are attached hereto.
6. With respect to Projects completed after the adoption of the Resolution of Formation, construction contracts were competitively bid. With respect to all Projects, prevailing wages have been paid relative to the construction of the Project.

7. The Developer and the Constructor are in compliance with the terms and provisions of the Acquisition Agreement.

8. Payment should be made payable to:

\_\_\_\_\_

and sent to: \_\_\_\_\_

at the following address: \_\_\_\_\_

\_\_\_\_\_

I hereby declare under penalty of perjury that the above representations and warranties are true and correct.

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

**EAST FRANKLIN IMPLEMENTATION GROUP, LLC,**  
a California limited liability company

By:

its Managing Member

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

Name:

Title:

**EXHIBIT B**  
**Payment Request Form**

City of Elk Grove  
East Franklin Community Facilities District No. 2002-1

**Request for Payment**

The undersigned (the "Developer") hereby requests payment pursuant to the Acquisition Agreement dated \_\_\_\_\_, 2002 (the "Agreement"), between the City of Elk Grove and the Developer, in the total amount of \$ \_\_\_\_\_. (Capitalized terms used herein shall have the meanings ascribed thereto in the Agreement.) The payment requested is for Projects identified in Exhibit A to the Agreement that have been completed by the Developer and are the subject of this request for payment, as more fully described in Schedule 1 hereto.

In connection with this request for payment, the undersigned hereby represents and warrants to the City as follows:

1. The person executing this request on behalf of the Developer is duly authorized to do so and is knowledgeable as to the matters forth herein.
2. The Projects described in Schedule 1 hereto have been completed in accordance with the approved plans therefor. To the extent a Project is to be accepted, owned, and operated by a public agency other than the City, attached hereto is documentation from that agency acknowledging that the construction is complete and accepting the Project from the Developer.
3. The true and correct actual cost of each Project for which payment is requested is set forth in Schedule 1.
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5. There has not been filed with or served upon the Developer notice of any lien, right to lien or attachment upon, or claim affecting the right to receive the payment requested herein that has not been released or will not be released simultaneously with the payment of such obligation, other than materialmen's or mechanics' liens accruing by operation of law. Copies of lien releases for all work for which payment is requested hereunder are attached hereto.
6. With respect to Projects completed after the adoption of the Resolution of Formation, construction contracts were competitively bid and prevailing wages have been paid relative to the construction of the Project.
7. The Developer is in compliance with the terms and provisions of the Acquisition Agreement.

8. Payment should be made payable to:

\_\_\_\_\_

and sent to: \_\_\_\_\_

at the following address: \_\_\_\_\_

\_\_\_\_\_

I hereby declare under penalty of perjury that the above-representations and warranties are true and correct.

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

**EAST FRANKLIN IMPLEMENTATION GROUP, LLC,**  
a California limited liability company

By:

its Managing Member

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

Name:

Title:

CITY OF ELK GROVE  
EAST FRANKLIN COMMUNITY FACILITIES DISTRICT NO. 2002-1  
SPECIAL TAX BONDS, SERIES 2002A

**BOND PURCHASE AGREEMENT**

\_\_\_\_\_, 2002

City of Elk Grove  
8400 Laguna Palms Way  
Elk Grove, CA 95758

Ladies and Gentlemen:

The undersigned, U.S. Bancorp Piper Jaffray, Inc. (the "Underwriter"), offers to enter into this Bond Purchase Agreement with the City of Elk Grove (the "City"), which, upon acceptance, will be binding upon the City and upon the Underwriter. This offer is made subject to the City's written acceptance of this Bond Purchase Agreement and delivery of such acceptance to the Underwriter on the date hereof and, if not so accepted, will be subject to withdrawal by the Underwriter upon written notice delivered to the City at any time prior to the acceptance hereof by the City.

1. **Purchase and Sale of the Bonds.** Subject to the terms and conditions and in reliance upon the representations, warranties, and agreements herein set forth, the Underwriter hereby agrees to purchase from the City, and the City hereby agrees to sell to the Underwriter, all (but not less than all) of the City of Elk Grove East Franklin Community Facilities District No. 2002-1 Special Tax Bonds, Series 2002A (the "Bonds"), dated their date of delivery, in the aggregate principal amount of \$ \_\_,000,000, bearing interest at the rates and maturing on the dates and in the amounts as set forth in Exhibit A attached hereto and incorporated herein by this reference. The purchase price for the Bonds shall be \$ \_\_\_\_\_, which is the principal amount of the Bonds, less an underwriting discount of \$ \_\_\_\_\_, and less net original issue discount of \$ \_\_\_\_\_.

2. **Closing.** Except as the City and the Underwriter may otherwise agree, the City will deliver to the Underwriter, through The Depository Trust Company ("DTC"), the Bonds in definitive form (bearing CUSIP numbers) duly executed by the City and authenticated by U.S. Bank N.A. (the "Fiscal Agent"), and, at the offices of Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, in Sacramento, California, or at such other location as may be designated by the Underwriter and agreed to by the City, the other documents herein mentioned at 8:00 a.m. local time, on \_\_\_\_\_, 2002 (the "Closing Date"), and the Underwriter will accept such delivery and pay the purchase price of the Bonds as set forth in this Section by a federal funds wire or check in immediately available funds to the order of the City (such delivery

and payment being herein referred to as the "Closing"). The Bonds shall be made available to the Underwriter, or its designee, not later than three business days prior to the Closing Date for purposes of inspection. The Bonds shall be in fully registered form and shall be registered in accordance with instructions to be supplied to the Fiscal Agent by the Underwriter.

3. **Terms of the Bonds.** The issuance of the Bonds is authorized pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (the "Law"), and the approval by more than two-thirds of the votes cast by the qualified electors of the District at an election held on May 15, 2002 (the "Election"). The Bonds shall be substantially in the form described in, shall be issued and secured under the provisions of, and shall be payable and subject to redemption as provided in the Fiscal Agent Agreement dated July 1, 2002 (the "Fiscal Agent Agreement"), between the Fiscal Agent and the City, and as further described in Exhibit A hereto. Interest on and principal of the Bonds will be payable from special taxes (the "Special Taxes") to be levied in the East Franklin Community Facilities District No. 2002-1 (the "District") that were approved by more than two-thirds of the votes cast by the qualified electors of the District at the Election. Proceeds of the sale of the Bonds will be used in accordance with the Fiscal Agent Agreement and the Law.

4. **Public Offering of the Bonds.** The Underwriter agrees to make a bona fide public offering of all of the Bonds at prices not in excess of the initial public offering prices set forth in Exhibit A hereto. The Underwriter reserves the right to change, subsequent to the initial public offering, such initial offering prices or yields. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower (or yields higher) than such initial public offering prices or yields. The Underwriter also reserves the right (i) to over-allot or effect transactions that stabilize or maintain the market prices of the Bonds at levels above those that might otherwise prevail in the open market and (ii) to discontinue such stabilizing, if commenced, at any time without prior notice.

5. **Official Statement.** a. **Final Official Statement.** The City shall deliver or cause to be delivered to the Underwriter, promptly after the City's acceptance of this Bond Purchase Agreement, copies of its Official Statement relating to the Bonds, dated the date hereof, substantially in the form of the Preliminary Official Statement dated \_\_\_\_\_, 2002 (the "Preliminary Official Statement"), with only such changes therein as have been accepted by the Underwriter (the Preliminary Official Statement with such changes, and including the cover page and all appendices thereto, being referred to as the "Official Statement"), signed on behalf of the City by its Mayor.

b. **Preliminary Official Statement.** The City hereby ratifies, confirms, and approves the use and distribution of the Preliminary Official Statement by the Underwriter, and hereby authorizes the Underwriter to use and distribute the Official Statement and the Fiscal Agent Agreement in connection with the offer and sale of the Bonds. The City confirms that the Preliminary Official Statement was deemed final for purposes of Rule 15c2-12 adopted under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), as of its date, except for final information as to the offering prices, interest rates, selling compensation, amount of proceeds, delivery dates, other terms depending on such factors, and other information permitted to be omitted under Rule 15c2-12.

c. **Delivery of Official Statement.** In addition, the City agrees to deliver to the Underwriter as many copies of the Official Statement (and any supplements or amendments thereto as have been approved by the Underwriter) as the Underwriter shall reasonably request to enable the Underwriter to meet its obligations under Rule 15c2-12 and under Rule G-32 and all other applicable rules of the Municipal Securities Rulemaking Board. The City agrees to deliver such Official Statements within seven business days after the execution hereof (or earlier if necessary to accompany confirmations sent by the Underwriter to the initial purchasers of the Bonds).

d. **End of the Underwriting Period.** The Underwriter shall give notice to the City on the date after which no participating underwriter, as such term is defined in Rule 15c2-12, remains obligated to deliver final Official Statements pursuant to paragraph (b)(4) of Rule 15c2-12.

e. **Amendments or Supplements to Official Statement.** If at any time prior to the receipt of notice from the Underwriter pursuant to Section 5(d) hereof that final Official Statements are no longer required to be delivered under Rule 15c2-12, any event occurs as a result of which it may be necessary to supplement the Official Statement in order to make the statements therein, in light of the circumstances existing at such time, not misleading, the City shall forthwith notify the Underwriter in writing of any such event of which it has knowledge and, if in the opinion of the Underwriter such event requires an amendment or supplement to the Official Statement, the City will at its expense amend or supplement the Official Statement in a form and manner approved by the Underwriter. Any information supplied by the City for inclusion in any amendments or supplements to the Official Statement will not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

6. **Continuing Disclosure.** The City will undertake, pursuant to the Fiscal Agent Agreement and a Continuing Disclosure Certificate, to provide certain annual financial information and notices of the occurrence of certain events, if material. Certain landowners will also undertake pursuant to continuing disclosure certificates to provide certain annual financial information. A description of these undertakings is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement.

7. **Representations, Warranties, and Agreements of the City.** The City hereby represents, warrants, and agrees that:

a. **Valid Existence.** The City is a general law city duly organized and validly existing as a municipal corporation of the State of California under the Constitution and laws of the State of California.

b. **Authority.** The City has full power and authority to issue the Bonds, to enter into this Bond Purchase Agreement, and to carry out, give effect to, and consummate the transactions contemplated by the Fiscal Agent Agreement and the Official Statement.

c. Official Action. By official action of the City Council prior to or concurrently with the acceptance hereof, the City has duly established the District, approved the Fiscal Agent Agreement, authorized the distribution of the Official Statement in preliminary form, approved and authorized the distribution of the Official Statement, approved and authorized the execution and delivery of the Bonds and this Bond Purchase Agreement, approved and authorized the performance by the City of the obligations on its part contained in the Fiscal Agent Agreement, the Bonds, and this Bond Purchase Agreement, and approved and authorized the consummation of all other transactions contemplated by this Bond Purchase Agreement and the Official Statement.

d. Compliance with Agreements. The City has complied, or at Closing will have complied, in all material respects, with the provisions of the Fiscal Agent Agreement and this Bond Purchase Agreement.

e. No Violation of Law or Breach of Contract. The execution and delivery of the Fiscal Agent Agreement, the Bonds, and this Bond Purchase Agreement, and compliance with the provisions thereof and hereof will not, to the current actual knowledge (after reasonable investigation) of the officer of the City executing this Bond Purchase Agreement, (i) violate any applicable provision of statutory law or regulation, (ii) breach or otherwise violate any existing obligation of the City under any court order or administrative decree to which the City is subject, or (iii) breach, or result in a default under, any loan agreement, note, resolution, indenture, contract, agreement, or other instrument to which the City is a party or is otherwise subject or bound.

f. Governmental Approvals. Except as described in the Official Statement, all approvals, consents, authorizations, permits, and orders of or filings or registrations with any governmental authority, board, agency, or commission having jurisdiction that would constitute a condition precedent to, or the absence of which would materially adversely affect, the performance by the City of its obligations under the Fiscal Agent Agreement or this Bond Purchase Agreement have been obtained and are in full force and effect.

g. Conformity with Description. The Bonds when issued will conform to the descriptions thereof contained in the Official Statement.

h. Accuracy of Official Statement. The preliminary form of the Official Statement did not as of its date and the Official Statement will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (provided that no representation is made with respect to information about The Depository Trust Company or the owners of land within the District).

i. No Litigation. Except as disclosed in the Official Statement, to the current actual knowledge (after reasonable investigation) of the officer of the City executing this Bond Purchase Agreement, no action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court, regulatory agency, or public board or body is pending or has been overtly threatened in writing that in any way (A) seeks to affect the existence of the City or the titles of its officers to their respective offices, (B) challenges the establishment of the District or the

results of the Election, (C) seeks to restrain or to enjoin the execution, sale, or delivery of the Bonds, the application of the proceeds thereof in accordance with the Fiscal Agent Agreement, or the levy and collection of the Special Taxes, (D) contests or seeks to affect the validity or enforceability of the Fiscal Agent Agreement, the Bonds, or this Bond Purchase Agreement or any action of the City contemplated by any of said documents, (E) contests the completeness or accuracy of the Official Statement or the powers of the City or its authority with respect to the Bonds or the Fiscal Agent Agreement or any action of the City contemplated by any of said documents, or (F) would adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or the exemption of such interest from California personal income taxation.

j. “Blue Sky” Qualification; Investment Eligibility. The City will furnish such information, execute such instruments, and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request (i) to qualify the Bonds for offer and sale under the “blue sky” or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions; provided that in connection therewith the City shall not be required to file or execute a general or special consent to service of process or qualify to do business in any jurisdiction or to pay any filing or similar fees.

k. Continuing Disclosure Compliance. At no time within the past five (5) years has the City failed to comply, in all material respects, with any previous continuing disclosure undertaking entered pursuant to Rule 15c2-12(b)(5) or otherwise.

l. No Debt Issues. Between the date hereof and the Closing Date, without the prior written consent of the Underwriter, the City will not have issued any bonds, notes, or other obligations for borrowed money or entered into any other lease obligations, except for such as may be described in or contemplated by the Official Statement.

m. Officials’ Certificates. Any certificate signed by an official of the City authorized to do so shall be deemed a representation and warranty by the City to the Underwriter as to the statements made therein.

8. Closing Conditions. The Underwriter has entered into this Bond Purchase Agreement in reliance upon the representations and warranties of the City contained herein, upon the representations and warranties to be contained in the documents and instruments to be delivered at the Closing, and upon the performance by the City of its obligations hereunder, both as of the date hereof and as of the Closing Date. Accordingly, the obligations of the Underwriter under this Bond Purchase Agreement to accept delivery of and to pay for the Bonds on the Closing Date shall be conditioned upon the accuracy in all material respects of the representations and warranties on the part of the City contained herein as of the date hereof and as of the Closing Date, upon the accuracy in all material respects of the statements of the officers and other officials of the City made in any certificates or other documents furnished pursuant to the provisions hereof, and upon the performance by the City of its obligations to be performed hereunder at or prior to the Closing Date and also shall be subject to the following additional conditions:

a. **Representations and Warranties.** The representations and warranties of the City contained herein shall be true, complete, and correct in all material respects on the date hereof and on and as of the Closing Date, as if made on the Closing Date.

b. **Fiscal Agent Agreement, Bond Purchase Agreement, and Official Statement.** At the Closing Date, the Fiscal Agent Agreement and the Bond Purchase Agreement shall be in full force and effect, and, together with the Official Statement, shall be in the form previously submitted to the Underwriter, and shall not have been amended, modified, or supplemented, except as may have been agreed to in writing by the Underwriter, and the City shall perform or have performed all of its obligations required under or specified in this Bond Purchase Agreement, the Official Statement, and the Fiscal Agent Agreement to be performed at or prior to the Closing.

c. **Other Documents and Opinions.** At or prior to the Closing Date, the Underwriter shall have received counterpart originals or certified copies of the following documents, in each case satisfactory in form and substance to the Underwriter:

(1) **Fiscal Agent Agreement.** The executed Fiscal Agent Agreement.

(2) **Official Statement.** The Official Statement and each supplement or amendment thereto, if any, executed on behalf of the City by the Mayor or such other official as may be approved by the Underwriter;

(3) **Resolutions.** The resolutions (i) establishing the District, (ii) confirming the results of the Election, and (iii) approving the Fiscal Agent Agreement, the Bond Purchase Agreement, the Official Statement, and Continuing Disclosure Certificate (the "Resolutions"), together with certificates of the City Clerk dated as of the Closing Date, to the effect that each such resolution is a true, correct, and complete copy of the one duly adopted by the City and that it has not been amended, modified, or rescinded (except as may have been agreed to by the Underwriter) and is in full force and effect as of the Closing Date;

(4) **Final Approving Opinion of Bond Counsel.** The approving opinion of Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation ("Bond Counsel"), dated the Closing Date and addressed to the City, substantially in the form set forth in the Official Statement, together with a letter dated the Closing Date and addressed to the Underwriter to the effect that such opinion may be relied upon by the Underwriter to the same extent as if such opinion were addressed to it;

(5) **Supplemental Opinion of Bond Counsel.** A supplemental opinion of Bond Counsel, dated the Closing Date and addressed to the Underwriter, to the effect that:

(a) **Exemptions from Registration/Qualification.** The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Fiscal Agent Agreement is exempt from qualification under the Trust Indenture Act of 1939, as amended;

(b) Accuracy of Summaries. The statements contained in the Official Statement under the captions "Introduction," "The Bonds," "Security for the Bonds," "The Fiscal Agent Agreement," "Tax Matters," and in Appendix D -- Form of Opinion Of Bond Counsel," insofar as such statements purport to summarize certain provisions of the Law, the Fiscal Agent Agreement, the Bonds, and Bond Counsel's opinion concerning certain federal and state tax matters relating to the Bonds, are accurate in all material respects;

(6) City Attorney Opinion. An opinion of the City Attorney dated the Closing Date and addressed to the Underwriter, to the effect that:

(a) the City is a municipal corporation duly organized and validly existing under and by virtue of the Constitution and laws of the State of California;

(b) each of the Resolutions was duly adopted at a meeting of the Council that was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout;

(c) the City has full right and lawful authority to enter into and perform its obligations under the Fiscal Agent Agreement and this Bond Purchase Agreement;

(d) the Fiscal Agent Agreement and this Bond Purchase Agreement have been duly authorized, executed, and delivered by the City and, assuming due authorization, execution, and delivery by and enforceability against the other parties thereto, the Fiscal Agent Agreement and this Bond Purchase Agreement constitute valid and binding obligations of the City enforceable in accordance with their respective terms, except as such enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other similar laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against cities in the State of California;

(e) to such counsel's current actual knowledge, other than as disclosed in the Official Statement, there are no actions or proceedings against the City pending (service of process having been accomplished) before any court, governmental agency, or arbitrator or overtly threatened in writing that (i) seek to restrain or enjoin the execution and delivery of the Bonds or (ii) seek to affect the validity of the Fiscal Agent Agreement, the Bonds, or the Bond Purchase Agreement;

(f) the adoption of the Resolutions, the execution and delivery of the Fiscal Agent Agreement, the Bonds, and the Bond Purchase Agreement by the City and compliance by the City with the provisions thereof, under the circumstances contemplated thereby, do not to such counsel's current actual

knowledge constitute a material breach of the terms, conditions, or provisions of or constitute a default under any other material contract, undertaking, Fiscal Agent Agreement, or other agreement by which the City is bound;

(7) Disclosure Counsel Opinion. An opinion, dated the Closing Date, addressed to the City and the Underwriter, of Disclosure Counsel, to the effect that, based upon their participation in the preparation and review of the Official Statement and without having undertaken to determine independently the accuracy or completeness of the statements in the Official Statement, such counsel does not believe that, as of the date thereof, the Official Statement (except for the financial statements and other financial, statistical or engineering data or forecasts, numbers, charts, estimates, projections, assumptions; expressions of opinion; any information about valuation, appraisals, absorption or environmental matters; any of the appendices included in the Official Statement; or any information about The Depository Trust Company or the book-entry-only system, as to which no view need be expressed) contains any untrue statement of material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(8) City Certificate. A certificate, dated the Closing Date and signed by the City Manager, or such other officer of the City as the Underwriter may approve, to the effect that:

(a) the representations and warranties of the City contained in this Bond Purchase Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date;

(b) to the best knowledge of said officer, no event has occurred since the date of the Official Statement that should be disclosed in the Official Statement for the purpose for which it is to be used in order to make the statements and information contained in the Official Statement not untrue or misleading in any material respect; and

(c) the City has complied with all the agreements and has satisfied all the conditions on its part to be performed or satisfied under the Fiscal Agent Agreement and this Bond Purchase Agreement at and prior to the Closing Date;

(9) Fiscal Agent Certificate. A certificate dated the Closing Date of an authorized officer of the Fiscal Agent to the effect that:

(a) the Fiscal Agent has duly accepted the duties of fiscal agent under the Fiscal Agent Agreement;

(b) the Bonds were duly authenticated in the name and on behalf of the Fiscal Agent by authorized signatories of the Fiscal Agent; and

(c) there are no actions or proceedings against the Fiscal Agent pending (service of process having been accomplished) or, to the best of the

Fiscal Agent's knowledge, overtly threatened in writing, before any court, governmental agency, or arbitrator that (i) seek to restrain or enjoin the authentication or delivery of the Bonds, or (ii) seek to affect the validity of the Bonds;

(10) Appraisal. A signed copy of the appraisal report that is excerpted in Appendix G to the Official Statement;

(11) Appraiser's Consent and Certificate. Any and all consents necessary to incorporate and use the appraisal of land in the District (the "Appraisal") in the Preliminary Official Statement and Official Statement, together with a certificate of Integra Realty Resources (the "Appraiser") to the effect that:

(a) the Appraiser acted as an independent appraiser to the City in connection with the preparation of the Appraisal;

(b) neither the excerpt from the Appraisal included in the Official Statement nor the information in the Official Statement referring to the Appraisal contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading; and

(c) no events or occurrences have come to the Appraiser's attention that would materially change the opinion set forth in the Appraisal;

(12) Special Tax Consultant's Certificate. A certificate of MuniFinancial to the effect that:

(a) it is of the opinion that the Special Taxes, when levied and collected in accordance with the terms of the Rate and Method, will provide an annual cash flow at least sufficient to fulfill the obligations of the City under the Fiscal Agent Agreement and, if levied at the maximum rates, will generate at least the amounts set forth in the Official Statement as Estimated Revenues in the table contained under the caption "Debt Service and Coverage table"; and

(b) the information in the Official Statement under the caption "Security for the Bonds – Rate and Method of Apportionment" is accurate in all material respects;

(13) Landowner Certificates re Official Statement. Certificates of landowners in the District certifying the accuracy of the information relating to them contained in the Official Statement;

(14) Landowner Continuing Disclosure Certificates. Continuing disclosure undertakings from the owners of land responsible for 5% or more of the Special Tax obligation in substantially the form attached as Appendix E to the Official Statement;

(15) **Arbitrage/rebate certificate.** An arbitrage/rebate certificate of the City in form and substance acceptable to Bond Counsel;

(16) **Form 8038-G.** Internal Revenue Service Form 8038-G;

(17) **CDIAC Filings.** The Report of Proposed Debt Issuance and the Report of Final Sale;

(18) **DTC Letter of Representations.** The Blanket Letter of Representations filed with DTC;

(19) **Other Opinions and Certificates.** Such additional legal opinions, certificates and other documents as the Underwriter may reasonably request to evidence the truth and accuracy, as of the Closing Date, of the representations and warranties contained in this Bond Purchase Agreement and of the statements and information contained in the Official Statement and to evidence the due performance or satisfaction by the City at or prior to the Closing Date of all agreements then to be performed and all conditions then to be satisfied by the City in connection with the transactions contemplated hereby and by the Official Statement.

All the opinions, letters, certificates, instruments, and other documents mentioned in this section or elsewhere in this Bond Purchase Agreement shall be deemed to be in compliance with the terms hereof if, but only if, they are in form and substance satisfactory to the Underwriter.

If any of the conditions to the obligations of the Underwriter contained in this Bond Purchase Agreement shall not have been satisfied when and as required herein, or if the obligations of the Underwriter to purchase, to accept delivery of, and to pay for the Bonds shall be terminated for any reason permitted by this Bond Purchase Agreement, this Bond Purchase Agreement may be terminated by the Underwriter at, or at any time prior to, the Closing Date by written notice to the City. In such event, all obligations of the Underwriter and the City hereunder shall be terminated, except that the respective obligations of the City and the Underwriter set forth in Section 11 (**Expenses**) shall continue in full force and effect.

9. **Conditions to the Obligations of the City.** The obligation of the City to issue and deliver the Bonds on the Closing Date shall be subject, at the option of the City, to the Underwriter's performance of its obligations hereunder at or prior to the Closing Date and to the following additional conditions (any of which conditions may be waived by the City):

a. No order, decree, injunction, ruling, or regulation of any court, regulatory agency, public board, or body shall have been issued, nor shall any legislation have been enacted, with the purpose or effect, directly or indirectly, of prohibiting the offering, sale, or delivery of the Bonds as contemplated hereby or by the Official Statement; and

b. The opinions contemplated by Sections 8(c)(3) and (5) shall have been delivered substantially in the forms described herein.

10. **Termination.** The Underwriter shall have the right to terminate its obligations under this Bond Purchase Agreement to purchase, to accept delivery of and to pay for the Bonds

by notifying the City of its election to do so if, after the execution hereof and prior to the Closing, the market price or marketability of the Bonds at the initial offering prices set forth in Exhibit A hereto shall have been materially adversely affected, in the judgment of the Underwriter, because of:

a. legislation introduced in or enacted by the House of Representatives or the Senate of the Congress of the United States, or recommended to the Congress of the United States for passage by the President of the United States, or favorably reported for passage to either the House of Representatives or the Senate by any committee of either such body to which such legislation has been referred for consideration, a decision by a court established under Article III of the Constitution of the United States, or by the Tax Court of the United States, or a ruling, regulation, or order of the Treasury Department of the United States or the Internal Revenue Service made or proposed having the purpose or effect of imposing federal income taxation, or any other event that has occurred that resulted in the imposition of federal income taxation upon interest received on obligations of the general character of the Bonds;

b. any legislation, ordinance, rule, or regulation introduced in, or enacted by, any governmental body, department, or agency in the State of California, or a decision by any court of competent jurisdiction within the State of California that, in the Underwriter's judgment, materially adversely affects the market price of the Bonds;

c. a stop order, ruling, regulation or official statement by, or on behalf of the Securities and Exchange Commission proposed or made to the effect that the issuance, offering, or sale of the Bonds or obligations of the general character of the Bonds is in violation or would be in violation unless registered or otherwise qualified under any provisions of the Securities Act of 1933, as amended and as then in effect (the "Securities Act"), or the Bonds are required to be registered under the Securities Exchange Act of 1934, as amended and as then in effect (the "Exchange Act"), or the Fiscal Agent Agreement is required to be qualified under the Trust Indenture Act of 1939, as amended and as then in effect (the "Trust Indenture Act");

d. legislation introduced in or enacted by the House of Representatives or the Senate of the Congress of the United States of America, or a decision by a court of the United States of America, or a ruling or regulation by or on behalf of the Securities and Exchange Commission (including a no-action or interpretive letter of the staff thereof) or other governmental agency having jurisdiction of the subject matter made or proposed to the effect that the Bonds or an obligation or obligations of the general character of the Bonds are not exempt from registration, qualification or other requirements of the Securities Act, the Exchange Act, or the Trust Indenture Act;

e. declaration of a general banking moratorium by federal, State of California, or State of New York authorities;

f. a general suspension of trading on the New York Stock Exchange;

g. an outbreak of hostilities or an escalation of existing hostilities or occurrence of any other national or international calamity or crisis;

h. imposition by the New York Stock Exchange or other national securities exchange, or any governmental authority, as to the Bonds or similar obligations, of any material restrictions not now in force, or material increase in those now in force, with respect to the extension of credit by or the charge to the net capital requirements of underwriters;

i. the occurrence of any event that requires an amendment or supplement to the Official Statement;

j. any litigation instituted, pending, or threatened to restrain or enjoin the issuance or sale of the Bonds or in any way contesting or affecting any authority for or the validity of the Bonds or the existence or powers of the City; or

k. any requirement, in the opinion of counsel to the Underwriter, that the contemplated distribution of the Bonds must be registered under the Securities Act or the Fiscal Agent Agreement must be qualified under the Trust Indenture Act.

11. **Expenses.** a. **City's Expenses.** Whether or not the Underwriter accepts delivery of and pays for the Bonds as set forth herein, the Underwriter shall be under no obligation to pay, and the City shall pay or cause to be paid (out of the proceeds of the Bonds or any other legally available funds of the City):

(1) all expenses incident to the delivery of the Bonds, including, but not limited to, the cost of preparing and delivering the Bonds to the Underwriter;

(2) the cost of preparation, printing (and/or word processing and reproduction), distribution, and delivery of the Fiscal Agent Agreement, the Preliminary Official Statement, and the Official Statement and drafts of any thereof in reasonable quantities as requested by the Underwriter; and

(3) subject to the terms of any fee agreement with such parties, the fees and disbursements of the Fiscal Agent, Bond Counsel, Disclosure Counsel, the appraiser, the special tax consultant, and any other experts or consultants retained in connection with the issuance of the Bonds.

b. **Underwriter's Expenses.** Whether or not the Underwriter accepts delivery of and pays for the Bonds as set forth herein, the Underwriter shall pay:

(1) the fees and expenses of Underwriter's counsel (if any);

(2) all expenses incurred by the Underwriter in connection with the public offering and distribution of the Bonds, including all advertising expenses and "blue sky" filing fees;

(3) the cost of preparation and printing (and/or word processing and reproduction) of the "blue sky" and legal investment memoranda, if any;

(4) the expense of providing immediately available funds in accordance with Section 2 hereof, whether by wire transfer or federal funds check;



18. **Effective Date.** This Bond Purchase Agreement shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by the City and shall be valid and enforceable from and after the time of such acceptance.

Very truly yours,

U.S. BANCORP PIPER JAFFRAY, INC.

By \_\_\_\_\_

Terms and conditions of this Bond Purchase Agreement are approved and accepted on the date above written.

CITY OF ELK GROVE

By \_\_\_\_\_

APPROVED AS TO FORM:

By \_\_\_\_\_  
Anthony Manzanetti, City Attorney

## EXHIBIT A

### Maturities, Principal Amounts, Interest Rates and Prices

<b>Maturity Date (September 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Price</b>
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Exhibit A

**CITY OF ELK GROVE  
East Franklin Community Facilities District No. 2002-1  
Special Tax Bonds, Series 2002A**

**CITY'S CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (the "Continuing Disclosure Certificate") is executed and delivered by the City of Elk Grove (the "City") in connection with its issuance of City of Elk Grove East Franklin Community Facilities District No. 2002-1 Special Tax Bonds, Series 2002A (the "Bonds") in the aggregate principal amount of \$\_\_\_,000,000 pursuant to the Fiscal Agent Agreement dated July 1, 2002 (the "Fiscal Agent Agreement"), between U.S. Bank, N.A., as fiscal agent, and the City. The City agrees and covenants as follows:

**SECTION 1. Definitions.** In addition to the definitions set forth in the Fiscal Agent Agreement or parenthetically defined herein, the following terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 (Provision of Annual Reports) and 4 (Content of Annual Reports) hereof.

"Annual Special Taxes" shall mean the annual special taxes securing the Bonds, as more particularly described in the Fiscal Agent Agreement.

"Community Facilities District" shall mean the City of Elk Grove East Franklin Community Facilities District No. 2002-1 formed by Resolution No. 2002-81 adopted by the City Council of the City on May 15, 2002.

"Dissemination Agent" means, initially, the Director of Administrative Services of the City, or any successor Dissemination Agent designated in writing by the City, which successor Dissemination Agent has filed with the then current Dissemination Agent a written acceptance of such designation.

"Fiscal Year" shall mean the annual accounting period of the City, currently ending on June 30 of each year.

"Listed Events" shall mean any of the events listed in Section 5 (Reporting of Significant Events) hereof.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. A list of the National Repositories currently

approved by the Securities and Exchange Commission may be found on the S.E.C. website at: <http://www.sec.gov/consumer/nrmsir.htm>.

“Official Statement” shall mean the Official Statement for the Bonds, dated \_\_\_\_\_, 2002.

“Participating Underwriter” shall mean U.S. Bancorp Piper Jaffray, Inc., the original underwriter of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

“Repository” shall mean each National Repository and each State Repository.

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

“State Repository” shall mean any public or private repository or entity designated by the State of California as a state information depository for the purpose of the Rule; and, as of the date hereof, there is no State Repository.

SECTION 2. Purpose of the Continuing Disclosure Certificate. The Continuing Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the Bonds in order to assist the Participating Underwriter in complying with the Rule.

SECTION 3. Provision of Annual Reports. (a) The City shall, or shall cause the Dissemination Agent by written direction to such Dissemination Agent to, not later than seven (7) months following the end of each Fiscal Year, commencing with the Fiscal Year ending on June 30, 2003, provide to each Repository an Annual Report that is consistent with the requirements hereof, which Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference any other information (as provided in Section 4 (Content of Annual Reports) hereof); provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report. If the City is unable to provide to each Repository an Annual Report by the date specified herein, the City shall send a notice to the MSRB and to the State Repository in substantially the form set forth in Exhibit “A” attached hereto and incorporated herein.

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

(c) If the Director of Administrative Services is the Dissemination Agent and the City is unable to provide to the Repositories such Annual Reports by the date specified in subsection (a) above, the Director of Administrative Services shall send a notice to each Repository and the MSRB in substantially the form of Exhibit B to this Disclosure Certificate.

(d) The Dissemination Agent shall:

- (i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any;
- (ii) provide the Annual Report to each Repository in accordance with subsection (a) above; and
- (iii) file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

**SECTION 4. Content of Annual Reports.** Each Annual Report shall contain or incorporate by reference the following:

(a) A copy of the City's annual financial statements for the immediately preceding Fiscal Year prepared in accordance with generally accepted accounting principles and audited by a firm of certified public accounts; provided that, if audited annual financial statements are not available by the time specified in Section 3 (Provision of Annual Reports) hereof, unaudited financial statements shall be provided as part of the Annual Report and audited financial statements shall be provided when and if available; and

(b) The following information:

1. The principal amount of Bonds outstanding as of the November 30 next preceding the date of the Annual Report.

2. The amount of money on deposit in the Bond Reserve Fund created under the Fiscal Agent Agreement, and a statement of the applicable Bond Reserve Requirement, as of the December 31 next preceding the date of the Annual Report.

3. The balance in the Acquisition and Construction Fund as of the November 30 next preceding the date of the Annual Report.

4. A summary of the Special Taxes levied on undeveloped land and developed land (by category) within the Community Facilities District, the assessed value of such land (by category), as shown on the assessment roll of the County Assessor last equalized prior to the November 30 next preceding the date of the Annual Report, and a statement of assessed value to lien ratios therefor, substantially similar to that provided in the table on page \_\_ of the Official Statement.

5. A summary of the estimated annual debt service on the Bonds and any Additional Bonds and the coverage produced by the maximum authorized Special Tax within the Community Facilities District, based upon recorded subdivision maps as of the June 30 next preceding the Annual Report Date, substantially similar to that provided in the table on page \_\_ of the Official Statement.

6. The percentage of the amount of Special Taxes levied within the District for the preceding fiscal year that remains unpaid as of the November 30 next preceding the date of the Annual Report, the number of parcels within the Community Facilities District delinquent in payment of Special Taxes as of the November 30 next preceding the Annual Report Date, the amount of each delinquency, the length of time delinquent and the date on which foreclosure was commenced, or similar information pertaining to delinquencies deemed appropriate by the City; provided, however, that parcels with delinquencies of \$2,500 or less may be grouped together and such information may be provided by category.

7. The status of foreclosure proceedings and a summary of the results of any foreclosure sales as of the November 30 next preceding the date of the Annual Report.

8. The identity of any property owner representing more than 5% of the Special Tax levy within the Community Facilities District delinquent in payment of Special Taxes as of the November 30 next preceding the date of the Annual Report.

9. A land ownership summary listing property owners responsible for more than 5% of the Special Tax levy within the Community Facilities District as shown on the assessment roll of the County Assessor last equalized prior to the November 30 next preceding the Annual Report Date, a summary of the Special Taxes levied on the property within the Community Facilities District owned by such property owners, the assessed value of such property, as shown on such assessment roll, and a statement of assessed value to lien ratios therefor, substantially similar to that provided in the table on page \_\_ of the Official Statement.

Any or all of the items listed above may be incorporated by reference to other documents, including official statements of other debt issues of the City or related public entities that have been submitted to each of the Repositories or to the Securities and Exchange Commission, so long as the City clearly identifies each such document incorporated by reference; provided that, if any document incorporated by reference is a final official statement, it must be available from the MSRB.

**SECTION 5. Reporting of Significant Events.** The City shall, or cause the Dissemination Agent to, provide in a timely manner to the MSRB and the State Repository notice of any of the following events with respect to the Bonds, if such event is material:

- Principal and interest payment delinquencies;
- Non-payment related defaults;
- Unscheduled draws on debt service reserves reflecting financial difficulties;
- Unscheduled draws on credit enhancements reflecting financial difficulties;

Substitution of credit or liquidity providers, or their failure to perform;  
Adverse tax opinions or events affecting the tax-exempt status of the Bonds;  
Modifications to rights of bondholders;  
Bond calls;  
Defeasances;  
Release, substitution or sale of property securing repayment of the Bonds; or  
Rating changes on the Bonds.

**SECTION 6. Termination of Reporting Obligation.** The City's obligations hereunder shall terminate upon the earlier of: (i) the date of legal defeasance, prior redemption or payment in full of all of the Bonds and (ii) the date on which those portions of the Rule that require this written undertaking are held to be invalid by a court of competent jurisdiction in a non-appealable action have been repealed retroactively or otherwise do not apply to the Bonds.

**SECTION 7. Dissemination Agent.** The City may, from time to time, appoint or engage a Dissemination Agent to assist the City in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

**SECTION 8. Amendment; Waiver.** Notwithstanding any provision hereof, the City may amend the Continuing Disclosure Certificate, and any provision of the Continuing Disclosure Certificate may be waived, without the consent of the holders or beneficial owners of the Bonds, if such amendment or waiver does not, in and of itself, cause the undertakings herein (or action of any Participating Underwriter in reliance on the undertakings herein) to violate the Rule, by taking into account any subsequent change in or official interpretation of the Rule. The City will provide notice of such amendment or waiver to the Repositories.

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

**SECTION 10. Default.** In the event of a failure of the City to comply with any provision hereof, any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations hereunder; provided that a default hereunder shall not be deemed an event of default under the Fiscal Agent Agreement, and the sole remedy hereunder in the event of any failure of the City to comply with the agreements and covenants contained herein shall be an action to compel performance.

**SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent.** The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees, to the extent permitted by law, to indemnify and save the

Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Beneficiaries. The Continuing Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter, and the holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

DATE: \_\_\_\_\_, 2002

**CITY OF ELK GROVE**

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

**EXHIBIT "A"**

**NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD AND  
STATE REPOSITORY OF FAILURE TO FILE ANNUAL REPORT**

To: Municipal Securities Rulemaking Board  
1640 King Street, Suite 300  
Alexandria, VA 22314  
Attention: MSIL Department

State Information Depository  
[if any]

Name of Issuer: City of Elk Grove

Name of Bond Issue: City of Elk Grove East Franklin Community Facilities District No. 2002-1  
Special Tax Bonds, Series 2002A

Date of Issuance: [Closing Date]

NOTICE IS HEREBY GIVEN that the City of Elk Grove has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate executed on the date of issuance of the Bonds by the City, and the City anticipates that the Annual Report will be filed by \_\_\_\_\_.

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

**CITY OF ELK GROVE**

\_\_\_\_\_  
*[sample only]*

**DRAFT  
KMTG  
6 JUN 2002**

**FISCAL AGENT AGREEMENT**

**between**

**U.S. BANK, N.A.,  
as Fiscal Agent**

**and the**

**CITY OF ELK GROVE**

**Dated July 1, 2002**

**relating to the  
CITY OF ELK GROVE  
EAST FRANKLIN COMMUNITY FACILITIES DISTRICT NO. 2002-1  
SPECIAL TAX BONDS**

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**FISCAL AGENT AGREEMENT**

This FISCAL AGENT AGREEMENT, dated July 1, 2002, by and between U.S. BANK, N.A., a national banking association duly operating under the laws of the United States of America, as fiscal agent (the "Fiscal Agent"), and the CITY OF ELK GROVE, a municipal corporation duly established and existing under the Constitution and laws of the State of California (the "City");

**WITNESSETH:**

WHEREAS, the City Council of the City (the "City Council") on May 15, 2002, duly adopted its Resolution No. 2002-81 establishing the City's East Franklin Community Facilities District No. 2002-1 (the "CFD") for the purpose of providing for the financing of certain public facilities in and for the CFD;

WHEREAS, on May 15, 2002, the City Council duly adopted its Resolution No. 2002-82 determining the necessity to incur a bonded indebtedness in the amount of \$125,000,000 with respect to the CFD;

WHEREAS, on May 15, 2002, the qualified electors of the CFD authorized the City Council to levy special taxes upon the land within the CFD and to issue bonds in the principal amount of not to exceed \$125,000,000 (the "Bonds"), secured by the special taxes;

WHEREAS, the City now is fully authorized pursuant to the Mello-Roos Community Facilities Act of 1982 (Sections 53311 et seq. of the Government Code of the State of California, as amended) (the "Law") to issue the Bonds;

WHEREAS, the City has determined to enter into this Fiscal Agent Agreement in order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds shall be issued and secured and to secure the payment of the principal thereof and premium (if any) and interest thereon;

WHEREAS, the execution and delivery of this Fiscal Agent Agreement has in all respects been duly and validly authorized by a resolution duly adopted by the City Council; and

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

NOW, THEREFORE, THIS FISCAL AGENT AGREEMENT WITNESSETH that, in order to secure the payment of the principal of and the interest on all Bonds at any time issued, authenticated and delivered hereunder and to provide the terms and conditions under which all property, rights, and interests hereby assigned and pledged are to be dealt with and disposed of, and to secure performance and observance of the terms, conditions, stipulations, covenants, agreements, trusts, uses, and purposes hereinafter expressed, and in consideration of the premises

and of the material covenants herein contained and of the purchase and acceptance of the Bonds by the registered owners thereof, and for other valuable consideration, the receipt of which is hereby acknowledged, the City does hereby agree and covenant with the Fiscal Agent for the benefit of the respective registered owners, from time to time, of the Bonds, or any part thereof, as follows:

ARTICLE 1  
DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

SECTION 1.1. Definitions. For all purposes of this Fiscal Agent Agreement and of any Supplemental Fiscal Agent Agreement and of any certificate, opinion, or other document herein mentioned, unless the context otherwise requires:

(a) The terms defined in this Section shall have the meanings herein specified and include the plural as well as the singular.

(b) All accounting terms not otherwise defined herein have the meanings assigned to them, and all computations herein provided for shall be made, in accordance with generally accepted accounting principles.

(c) All references herein to “generally accepted accounting principles” refer to such principles as they exist at the date of applicability thereof.

(d) All references herein to “Articles,” “Sections,” and other subdivisions are to the designated Articles, Sections, and other subdivisions of this Fiscal Agent Agreement as originally executed.

(e) The words “herein,” “hereof,” “hereby,” “hereunder,” and other words of similar import refer to this Fiscal Agent Agreement as a whole and not to any particular Article, Section, or other subdivision.

(f) Words of the masculine gender shall mean and include words of the feminine and neuter genders.

(g) Unless otherwise defined in this Fiscal Agent Agreement, all terms used herein shall have the meanings assigned to such terms in the Law.

**Acquisition and Construction Fund** means the fund by that name established pursuant to Section 3.5 (Establishment and Application of Acquisition and Construction Fund).

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

**Annual Debt Service** means for each Bond Year the aggregate amount of principal and interest becoming due and payable on all Bonds.

**Bond Register** has the meaning stated in Section 2.5 (Registration, Transfer, and Exchange).

**Bond Reserve Fund** means the fund by that name established pursuant to Section 7.4 (Allocation of Net Special Taxes).

**Bond Reserve Requirement** means, as of any date of calculation, the least of (i) Maximum Annual Debt Service as of such date, (ii) 125% of average Annual Debt Service on all Bonds Outstanding as of such date and (iii) 10% of the original principal amount of the Bonds.

**Bonds, Serial Bonds, Term Bonds**

**Bonds** means the City of Elk Grove East Franklin Community Facilities District No. 2002-1 Special Tax Bonds authorized by, and at any time Outstanding pursuant to, this Fiscal Agent Agreement.

**Serial Bonds** means the Bonds, maturing in specified years, for which no Mandatory Sinking Account Payments are provided.

**Term Bonds** means the Bonds payable at or before their specified maturity date or dates from Mandatory Sinking Account Payments established for that purpose and calculated to retire such Bonds on or before their specified maturity date or dates.

**Business Day** means any day other than a Saturday, Sunday, or a day on which banking institutions in the state in which the Corporate Trust Office is located or the State of New York are authorized or obligated by law or executive order to be closed.

**CDIAC** means the California Debt and Investment Advisory Commission or any public official or agency succeeding to its information collection functions under California Government Code Section 53359.5(b) and (c).

**Certificate, Statement, Request, Requisition, or Order of the City** mean, respectively, a written certificate, statement, request, requisition, or order signed in the name of the City by its City Manager or any other person authorized by the City Manager to execute such instruments. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by Section 1.6 (Form and Consent of Documents Delivered to Fiscal Agent), each such instrument shall include the statements provided for in Section 1.6 (Form and Consent of Documents Delivered to Fiscal Agent).

**CFD** means the City's East Franklin Community Facilities District No. 2002-1, a community facilities district duly established within the geographical jurisdiction of the City pursuant to the Law.

**City** means the City of Elk Grove, a municipal corporation duly organized and existing under the Constitution and laws of the State.

**City Council** means the City Council of the City.

**Code** means the Internal Revenue Code of 1986 and the regulations applicable to or issued thereunder.

**Community Facilities Fund** means the fund by that name established pursuant to Section 7.4 (Allocation of Net Special Taxes).

**Continuing Disclosure Certificate** means the Continuing Disclosure Certificate dated the date of delivery of the Series 2002A Bonds, as originally executed by the City or as it may from time to time be supplemented or amended in accordance with its terms.

**Corporate Trust Office** or **corporate trust office** means the corporate trust office of the Fiscal Agent at 550 South Hope Street, Suite 500, Los Angeles, California 90071, Attention: Corporate Trust Administration, or such other or additional offices as may be designated by the Fiscal Agent.

**Costs of Issuance** means all items of expense directly or indirectly payable by or reimbursable to the City and related to the original authorization, execution, sale, and delivery of the Bonds, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, costs of printing and distribution of the preliminary and final official statements, filing and recording fees, initial fees and charges of the Fiscal Agent, legal fees and charges, fees and disbursements of consultants and professionals, financial advisor fees and expenses, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of Bonds, and any other cost, charge, or fee in connection with the original delivery of Bonds.

**Costs of Issuance Fund** means the fund by that name established pursuant to Section 3.5 (Establishment and Application of Costs of Issuance Fund).

**Defeasance Securities** means the following:

(A) United States Treasury Certificates, Notes, and Bonds (including State and Local Government Series -- "SLGS").

(B) Direct obligations of the Treasury that have been stripped by the Treasury itself, CATS, TGRS, and similar securities.

(C) The interest component of Resolution Funding Corp. (REFCORP) strips that have been stripped by request to the Federal Reserve Bank of New York in book-entry form.

(D) Pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by Standard & Poor's. If, however, the pre-refunded bonds are rated by Standard & Poor's but are not rated by Moody's, then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or Aaa-rated pre-refunded municipal bonds.

(E) Obligations issued or guaranteed by the following agencies that are backed by the full faith and credit of the U.S.:

- (1) U.S. Export-Import Bank (Eximbank)  
Direct obligations or fully guaranteed certificates of beneficial ownership
- (2) Farmers Home Administration (FmHA)  
Certificates of beneficial ownership
- (3) Federal Financing Bank
- (4) General Services Administration  
Participation certificates
- (5) U.S. Maritime Administration  
Guaranteed Title XI financing
- (6) 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

**Event of Default** means any of the events specified in Section 9.1 (Events of Default).

**Facilities** means those public facilities and advance payment of fees for such public facilities as described in Resolution No. 2002-81 adopted by the City Council on May 15, 2002, establishing the CFD.

**Fiscal Agent** means U.S. Bank, N.A., a national banking association duly operating under the laws of the United States of America, or its successor as Fiscal Agent as provided in Section 10.9 (Removal and Resignation; Appointment of Successor).

**Fiscal Year** means the period beginning on July 1 of each year and ending on the next succeeding June 30 or any other twelve-month period hereafter selected and designated as the official fiscal year period of the City.

**Fiscal Agent Agreement** means this Fiscal Agent Agreement dated July 1, 2002, by and between the Fiscal Agent and the City, as originally executed or as it may from time to time be supplemented or amended by any Supplemental Fiscal Agent Agreement delivered pursuant to the provisions hereof.

**Information Service** means Financial Information Inc.'s Called Bond Service, 30 Montgomery Street, Jersey City, NJ 07302; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other addresses and or such other services providing information with respect to called bonds, or no such services, as the City may designate in a Request of the City delivered to the Fiscal Agent.

**Interest Fund** means the fund by that name established pursuant to Section 7.4 (Allocation of Net Special Taxes).

**Interest Payment Date** with respect to Bonds of any Series means the date or dates specified in such Bonds on which installments of interest on such Bonds are due and payable.

**Investment Securities** means any securities in which funds of the City may now or hereafter be legally invested as provided by applicable law in effect at the time of such investment, which may be invested in any particular investment, subject to any limitations imposed by the investment policy approved by the City Council, but without regard to any limitations contained therein as to concerning the maximum percentage limitations for any particular investment.

**Law** means the Mello-Roos Community Facilities Act of 1982 (Sections 53311 et seq. of the Government Code of the State of California, as amended), as now in effect and as it may from time to time hereafter be amended or supplemented.

**Mandatory Sinking Account Payment** means, with respect to Bonds of any Series and maturity, the amount required by this Fiscal Agent Agreement or a Supplemental Fiscal Agent Agreement hereto to be deposited by the City in a Sinking Account for the payment of Term Bonds of such Series and maturity.

**Maximum Annual Debt Service** shall mean the greatest amount of principal and interest becoming due and payable on all Bonds in any Fiscal Year including the Fiscal Year in which the calculation is made or any subsequent Fiscal Year.

**Moody's** means Moody's Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the City and approved by the Fiscal Agent.

**Net Special Taxes** means the Special Taxes less Administrative Expenses.

**Opinion of Bond Counsel** means a written opinion of a law firm experienced in matters relating to obligations the interest on which is excluded from gross income for federal income tax purposes, selected by the City, and not objected to by the Fiscal Agent.

**Outstanding**, when used as of any particular time with reference to Bonds, means all Bonds theretofore, or thereupon being, authenticated and delivered by the Fiscal Agent under this Fiscal Agent Agreement except (1) Bonds theretofore cancelled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation; (2) Bonds with respect to which all liability of the City shall have been discharged in accordance with Section 6.2 (Discharge of Liability on Bonds), including Bonds (or portions of Bonds) referred to in Section 7.12 (Money Held for Particular Bonds); and (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Fiscal Agent pursuant to this Fiscal Agent Agreement.

**Owner or Bondholder or Bondowner**, whenever used herein with respect to a Bond, means the person in whose name such Bond is registered.

**Person** means a corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

**Principal Fund** means the fund by that name established pursuant to Section 7.4 (Allocation of Net Special Taxes).

**Principal Payment Date** with respect to Bonds of any Series means the date or dates specified in such Bonds on which the principal of such Bonds is due and payable.

**Rate and Method of Apportionment** means the rate, method of apportionment, and manner of collection of the Special Taxes included as Exhibit B to Resolution No. \_\_\_\_\_ adopted by the City Council on May 15, 2002, establishing the CFD, as the same may be amended from time to time in accordance with the Law.

**Rebate Fund** means the fund by that name established pursuant to Section 7.9 (Rebate Fund).

**Prepayment Fund** means the fund by that name established pursuant to Section 7.8 (Application of Prepayment Fund).

**Redemption Price** means, with respect to any Bond (or portion thereof) the principal amount of such Bond (or portion) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and this Fiscal Agent Agreement.

**Regular Record Date** for interest payable on any Interest Payment Date on the Bonds of any Series means the date specified in the provisions of this Fiscal Agent Agreement creating such Series.

**Securities Depositories** means the following: The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax (516) 227-4039 or 4190; or, in accordance with then-current guidelines of the Securities and Exchange Commission, to such other addresses and/or such other securities depositories, or no such depositories, as the City may designate in a Request of the City delivered to the Fiscal Agent.

**Series**, whenever used herein with respect to Bonds, means all of the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction, regardless of variations in maturity, interest rate, redemption, and other provisions, and any Bonds thereafter authenticated and delivered upon transfer or exchange or in lieu of or in substitution for (but not to refund) such Bonds as herein provided.

**Series 2002A Capitalized Interest Account** means the account by that name established in the Interest Fund pursuant to Section 7.5(C) (Series 2002A Capitalized Interest Account)

**Sinking Accounts** means the accounts in the Principal Fund so designated and established pursuant to Section 7.6 (Application of Principal Fund; Sinking Accounts) for the payment of Term Bonds.

**Special Record Date** for the payment of any defaulted interest on Bonds of any Series means a date fixed by the Fiscal Agent pursuant to Section 2.8 (Payment of Interest on Bonds; Interest Rights Preserved).

**Special Tax Fund** means the fund by that name established pursuant to Section 7.2 (Deposit of Special Taxes in the Special Tax Fund).

**Special Taxes** means the special taxes authorized to be levied and collected annually on property in the CFD.

**Standard & Poor's** means Standard & Poor's, a division of The McGraw Hill Companies, Inc., and its successors and assigns, except that if such rating agency shall no longer perform the functions of a securities rating agency, then the term "Standard & Poor's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

**State** means the State of California.

**Supplemental Fiscal Agent Agreement** means any fiscal agent agreement hereafter duly executed and delivered, supplementing, modifying, or amending this Fiscal Agent Agreement, but only if and to the extent that such Supplemental Fiscal Agent Agreement is specifically authorized hereunder.

**Tax Certificate** means the master tax certificate delivered by the City at the time of the issuance and delivery of the first Series of Bonds issued hereunder, as supplemented by the supplemental tax certificates delivered at the time of issuance and delivery of each Series of Bonds and as the same may be further amended or supplemented in accordance with its terms.

**Taxable Property** means all property described by the definition of the term "Taxable Property" in the Rate and Method of Apportionment.

SECTION 1.2. Equality of Security. In consideration of the acceptance of the Bonds by the Owners thereof from time to time, this Fiscal Agent Agreement shall be deemed to be and shall constitute a contract between the City, the Fiscal Agent and the Owners from time to time of the Bonds and the covenants and agreements herein set forth to be performed by or on behalf of the City or the Fiscal Agent shall be for the equal and proportionate benefit, security and protection of all Owners of the Bonds, without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reasons of the Series, time of issue, sale, or negotiation thereof or for any cause whatsoever, except as expressly provided therein or herein. Nothing herein shall prevent additional security from being provided to particular Bonds under any Supplemental Fiscal Agent Agreement.

SECTION 1.3. Acts of Bondholders. Any request, consent, or other instrument required or permitted by this Fiscal Agent Agreement to be signed and executed by Bondholders may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Bondholders in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of Bonds transferable by delivery, shall be

sufficient for any purpose of this Fiscal Agent Agreement and shall be conclusive in favor of the Fiscal Agent and of the City if made in the manner provided in this Section.

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

Any request, consent, or other instrument or writing of the Owner of any Bond shall bind every future Owner of the same Bond and the Owner of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Fiscal Agent or the City in accordance therewith or reliance thereon.

**SECTION 1.4. Notices, etc., to City and Fiscal Agent.** Any notice to or demand upon the Fiscal Agent may be served or presented, and such demand may be made, at the Corporate Trust Office. Any notice to or demand upon the City, shall be deemed to have been sufficiently given or served for all purposes by being deposited, first-class mail postage prepaid, in a post office letter box, addressed, as the case may be, to the City at 8400 Laguna Palms Way, Elk Grove, CA 95758, Attention: City Manager (or such other address as may have been filed in writing by the City with the Fiscal Agent).

**SECTION 1.5. Notices to Bondholders; Waiver.** In any case where notice to Bondholders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Bondholder shall affect the sufficiency of such notice with respect to other Bondholders.

Where this Fiscal Agent Agreement provides for notice in any manner, such notice may be waived in writing by the person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Bondholders shall be filed with the Fiscal Agent, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

**SECTION 1.6. Form and Content of Documents Delivered to Fiscal Agent.** Every certificate or opinion provided for in this Fiscal Agent Agreement with respect to compliance with any provision hereof shall include (1) a statement that the person making or giving such certificate or opinion has read such provision and the definitions herein relating thereto, (2) a brief statement as to the nature and scope of the examination or investigation upon which the certificate or opinion is based; (3) a statement that, in the opinion of such person, he has made or caused to be made such examination or investigation as is necessary to enable him to express an informed opinion with respect to the subject matter referred to in the instrument to which his signature is affixed; and (4) a statement as to whether, in the opinion of such person, such provision has been complied with.

Any such certificate or opinion made or given by an officer of the City may be based, insofar as it relates to legal or accounting matters, upon a certificate or opinion of or

representation by counsel, an accountant, or an independent consultant, unless such officer knows, or in the exercise of reasonable care should have known, that the certificate, opinion or representation with respect to the matters upon which such certificate or statement may be based, as aforesaid, is erroneous. Any such certificate or opinion made or given by counsel, an accountant, or an independent consultant may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the City) upon a certificate or opinion of or representation by an officer of the City, unless such counsel, accountant, or independent consultant knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which such person's certificate or opinion or representation may be based, as aforesaid, is erroneous. The same officer of the City, or the same counsel, or accountant or independent consultant, as the case may be, need not certify to all of the matters required to be certified under any provision of this Fiscal Agent Agreement, but different officers, counsel, accountants, or independent consultants may certify to different matters, respectively.

**SECTION 1.7. Effect of Headings and Table of Contents.** The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction, or effect of this Fiscal Agent Agreement.

**SECTION 1.8. Successors and Assigns.** Whenever in this Fiscal Agent Agreement either the City or the Fiscal Agent is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Fiscal Agent Agreement contained by or on behalf of the City or the Fiscal Agent shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

**SECTION 1.9. Benefits of Fiscal Agent Agreement.** Nothing in this Fiscal Agent Agreement or in the Bonds expressed or implied is intended or shall be construed to give to any person other than the City, the Fiscal Agent, and the Owners of the Bonds, any legal or equitable right, remedy or claim under or in respect of this Fiscal Agent Agreement or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the City, the Fiscal Agent, and the Owners of the Bonds.

**SECTION 1.10. Payments/Actions Otherwise Scheduled on Non-Business Days.** Except as specifically set forth in a Supplemental Fiscal Agent Agreement, any payments or transfers that would otherwise become due on any day that is not a Business Day shall become due or shall be made on the next succeeding Business Day. When any other action is provided for herein to be done on a day named or within a specified time period and the day named or the last day of the specified period falls on a day other than a Business Day, such action may be performed on the next succeeding Business Day with the same effect as though performed on the appointed day or within the specified period.

**SECTION 1.11. No Personal Liability for Debt Service.** No City Council member, officer, agent, or employee of the City or the Fiscal Agent shall be individually or personally liable for the payment of the principal or Redemption Price of or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing

herein contained shall relieve any such City Council member, officer, agent, or employee of the City or the Fiscal Agent from the performance of any official duty provided by law or by this Fiscal Agent Agreement.

SECTION 1.12. Separability Clause. If any one or more of the provisions contained in this Fiscal Agent Agreement or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Fiscal Agent Agreement and such invalidity, illegality, or unenforceability shall not affect any other provision of this Fiscal Agent Agreement, and this Fiscal Agent Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The City hereby declares that it would have adopted this Fiscal Agent Agreement and each and every other Section, paragraph, sentence, clause, or phrase hereof and authorized the issuance of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this Fiscal Agent Agreement may be held illegal, invalid, or unenforceable.

SECTION 1.13. Governing Law. This Fiscal Agent Agreement shall be construed and governed in accordance with the laws of the State.

SECTION 1.14. Execution in Counterparts. This Fiscal Agent Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

## ARTICLE 2 THE BONDS

SECTION 2.1. Title; Issuable in Series; General Limitations. The general title of the Bonds of all Series shall be “City of Elk Grove East Franklin Community Facilities District No. 2002-1 Special Tax Bonds.” With respect to the Bonds of any particular Series, the City may incorporate into or add to the general title of such Bonds any words, letters, or figures designed to distinguish that Series.

The City may issue Bonds in Series hereunder, in book-entry form or otherwise, as from time to time authorized by the City Council, subject to the covenants, provisions, and conditions contained in this Fiscal Agent Agreement.

The maximum principal amount of Bonds that the City may issue hereunder is not limited; subject, however, to any limitations contained in the Law and to the right of the City, which is hereby reserved, to limit the aggregate principal amount of Bonds that may be issued or Outstanding hereunder.

SECTION 2.2. Terms of Particular Series. Each Series of Bonds, except the Series 2002A Bonds created by Article 3, shall be created by a fiscal agent agreement supplemental hereto authorized by the City Council and establishing the terms and provisions of such Series of Bonds and the form of the Bonds of such Series. The several Series of Bonds may differ from the Series 2002A Bonds and as between Series in any respect not in conflict with the provisions of this Fiscal Agent Agreement and as may be prescribed in the supplemental fiscal agent agreement creating such Series.

The City shall determine, at the time of issuance of each Series of Bonds, the terms thereof, including the interest rate or rates at which interest is borne by the Bonds of such Series or the manner in which the interest rate or rates are determined (not to exceed the maximum rate of interest permitted by law), the intervals at which interest on the Bonds of such Series shall be payable, the date or dates on which and the year or years in which the Bonds of such Series shall mature and become payable, and the manner in which principal of and interest on the Bonds of such Series shall be payable.

**SECTION 2.3. Forms and Denominations.** The form of the Bonds of each Series shall established by the provisions of this Fiscal Agent Agreement creating such Series. The Bonds of each Series shall be distinguished from the Bonds of other Series as may be determined by the officers of the City executing particular Bonds, as evidenced by their execution thereof.

The City may issue the Bonds of any Series (i) in such denominations as it specifies at the time of issuance thereof and (ii) in fully registered form without coupons or in fully registered book-entry form.

**SECTION 2.4. Execution and Authentication.** The Bonds shall be executed in the name and on behalf of the City by the Mayor and countersigned by the City Clerk. The signature of any of these officers on the Bonds may be facsimile or manual. Unless otherwise provided in any Supplemental Fiscal Agent Agreement, the Bonds shall then be delivered to the Fiscal Agent for authentication by it.

In case any of the officers who shall have signed or countersigned any of the Bonds shall cease to be such officer or officers of the City before the Bonds so signed or countersigned shall have been authenticated, or delivered by the Fiscal Agent, or issued by the City, such Bonds may nevertheless be authenticated, delivered, and issued and, upon such authentication, delivery, and issue, shall be as binding upon the City as though those who signed and countersigned the same had continued to be such officers of the City. Any Bond may be signed and attested on behalf of the City by such persons as at the actual date of execution such Bond shall be the proper officers of the City although at the nominal date of such Bond any such person shall not have been such officer of the City.

Except as may be provided in any Supplemental Fiscal Agent Agreement, no Bond shall be valid or obligatory for any purpose or entitled to the benefits of this Fiscal Agent Agreement unless there appears on such Bond a certificate of authentication substantially in the form provided for herein, manually executed by the Fiscal Agent. Such certificate of authentication when manually executed by the Fiscal Agent shall be conclusive evidence, and the only evidence, that such Bond has been duly executed, authenticated, and delivered hereunder.

**SECTION 2.5. Registration, Transfer, and Exchange.** The Fiscal Agent will keep or cause to be kept, at its Corporate Trust Office, a register (herein sometimes referred to as the "Bond Register") in which, subject to such reasonable regulations as it may prescribe, the Fiscal Agent shall provide for the registration and transfer of Bonds. The Bond Register shall at all times be open to inspection during normal business hours by the City.

Upon surrender of a Bond for transfer at the Corporate Trust Office, the City shall execute and the Fiscal Agent shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Bonds of the same Series, tenor, and maturity and for an equivalent aggregate principal amount.

Bonds of any Series may be exchanged for an equivalent aggregate principal amount of Bonds of other authorized denominations of the same Series, tenor, and maturity, upon surrender of the Bonds for exchange at the Corporate Trust Office. Upon surrender of Bonds for exchange, the City shall execute and the Fiscal Agent shall authenticate and deliver the Bonds that the Bondholder making the exchange is entitled to receive.

All Bonds surrendered upon any exchange or transfer provided for in this Fiscal Agent Agreement shall be promptly cancelled by the Fiscal Agent and thereafter disposed of as provided for in Section 2.9 (Cancellation).

All Bonds issued upon any transfer or exchange of Bonds shall be the valid obligations of the City, evidencing the same debt, and entitled to the same security and benefits under this Fiscal Agent Agreement, as the Bonds surrendered upon such transfer or exchange.

Every Bond presented or surrendered for transfer or exchange shall be accompanied by a written instrument of transfer, in a form approved by the Fiscal Agent, that is duly executed by the Owner or by his attorney duly authorized in writing.

No service charge shall be made for any transfer or exchange of Bonds, but the Fiscal Agent shall require the Bondholder requesting such transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange.

The Fiscal Agent shall not be required to transfer or exchange (i) Bonds of any Series during the period established by the Fiscal Agent for the selection of Bonds of such Series for redemption or (ii) any Bond that has been selected for redemption in whole or in part, except the unredeemed portion of such Bond selected for redemption in part, from and after the day that such Bond has been selected for redemption in whole or in part.

**SECTION 2.6. Mutilated, Destroyed, Lost, or Stolen Bonds.** If (i) any mutilated Bond is surrendered to the Fiscal Agent, or the Fiscal Agent receives evidence to their satisfaction of the destruction, loss, or theft of any Bond, and (ii) there is delivered to the Fiscal Agent such security or indemnity as may be required by it to save each harmless, then the City shall execute, and upon its request the Fiscal Agent shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost, or stolen Bond, a new Bond of the same Series and of like tenor and principal amount, bearing a number not contemporaneously outstanding.

Upon the issuance of any new Bond under this Section, the City may require payment of a sum sufficient to pay the cost of preparing such Bond, any tax or other governmental charge that may be imposed in relation thereto, and any other expenses connected therewith.

Every new Bond issued pursuant to this Section in lieu of any destroyed, lost, or stolen Bond shall constitute an original additional contractual obligation of the City, whether or not the destroyed, lost, or stolen Bond shall be at any time enforceable by anyone, and shall be entitled

to all the security and benefits of this Fiscal Agent Agreement equally and ratably with all other Outstanding Bonds secured by this Fiscal Agent Agreement. Neither the City nor the Fiscal Agent shall be required to treat both the new Bond and the Bond it replaces as being Outstanding for the purpose of determining the principal amount of Bonds that may be issued hereunder, but both the new Bond and the Bond it replaces shall be treated as one and the same.

**SECTION 2.7. Payment of Interest on Bonds; Interest Rights Preserved.** Interest on any Bond of any Series that is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Owner thereof as of the close of business on the Regular Record Date for such interest specified in the provisions of this Fiscal Agent Agreement.

Any interest on any Bond of any Series that is payable but is not punctually paid or duly provided for on any Interest Payment Date shall forthwith cease to be payable to the Owner on the relevant Regular Record Date. Such defaulted interest shall be paid to the Person in whose name the Bond is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Fiscal Agent. In the name and at the expense of the City, the Fiscal Agent shall cause notice of the payment of such defaulted interest and the Special Record Date to be mailed, first-class postage prepaid, to each Owner of a Bond of such Series at his address as it appears in the Bond Register not fewer than ten (10) days prior to such Special Record Date.

Subject to the foregoing provisions of this Section, each Bond delivered under this Fiscal Agent Agreement upon transfer of or in exchange for or in lieu of any other Bond shall carry all the rights to interest accrued and unpaid, and to accrue, that were carried by such other Bond. Each such Bond shall bear interest from such date that neither loss nor gain in interest shall result from such transfer, exchange, or substitution.

**SECTION 2.8. Persons Deemed Owners.** The City and the Fiscal Agent shall be entitled to treat the person in whose name any Bond is registered as the owner thereof for all purposes of the Fiscal Agent Agreement and any applicable laws, notwithstanding any notice to the contrary received by the Fiscal Agent or the City. The ownership of Bonds shall be proved by the Bond Register. The Fiscal Agent may establish a record date as of which to measure consent of the Bondowners in order to determine whether the requisite consents are received.

**SECTION 2.9. Cancellation.** All Bonds surrendered for payment, redemption, transfer, or exchange, if surrendered to the Fiscal Agent, shall be promptly cancelled by the Fiscal Agent and, if surrendered to any person other than the Fiscal Agent, shall be delivered to the Fiscal Agent and, if not already cancelled, shall be promptly cancelled by the Fiscal Agent.

The City shall deliver to the Fiscal Agent for cancellation any Bonds acquired in any manner by the City, and the Fiscal Agent shall promptly cancel such Bonds.

No Bond shall be authenticated in lieu of or in exchange for any Bond cancelled as provided in this Section, except as expressly provided by this Fiscal Agent Agreement. The Fiscal Agent shall destroy all cancelled Bonds (in the presence of an officer of the City, if the City shall so require) and deliver a certificate of such destruction to the City.

SECTION 2.10. Book-Entry Provisions. Notwithstanding any provision of this Fiscal Agent Agreement to the contrary, if a Series of Bonds is issued in book-entry form the following provisions shall apply:

(A) Limitations on Transfer. Registered ownership of Bonds issued in book-entry form, or any portions thereof, may not be transferred except:

(1) To any successor of The Depository Trust Company or its nominee, or to any substitute depository designated pursuant to clause (2) of this subsection (“substitute depository”); provided that any successor of The Depository Trust Company or substitute depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(2) To any substitute depository not objected to by the Fiscal Agent, upon (a) the resignation of The Depository Trust Company or its successor (or any substitute depository or its successor) from its functions as depository, or (b) a determination by the City that The Depository Trust Company or its successor (or any substitute depository or its successor) is no longer able to carry out its functions as depository; provided that any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(3) To any person as provided below, upon (a) the resignation of The Depository Trust Company or its successor (or substitute depository or its successor) from its functions as depository if no substitute depository that is not objected to by the Fiscal Agent can be obtained, or (b) a determination by the City that it is in the best interests of the City to remove The Depository Trust Company or its successor (or any substitute depository or its successor) from its function as depository.

(B) Execution and Delivery of New Bonds. In the case of any transfer pursuant to clause (1) or clause (2) of subsection 2.10(A) (Book-Entry Provisions -- Limitations on Transfer) hereof, upon receipt of all Outstanding Bonds of such Series of book-entry Bonds by the Fiscal Agent, together with a Certificate of the City to the Fiscal Agent, a single new Bond for each maturity of such Series in the aggregate principal amount of the Bonds of such maturity then Outstanding shall be executed and delivered, registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such Certificate of the City. In the case of any transfer pursuant to clause (3) of subsection 2.10(A) (Book-Entry Provisions -- Limitations on Transfer) hereof, upon receipt of all outstanding Bonds of such Series of book-entry Bonds by the Fiscal Agent together with a Certificate of the City to the Fiscal Agent, new Bonds of such Series shall be executed and delivered in such denominations and registered in the names of such persons as are requested in such Certificate of the City, subject to the limitations of Section 2.5 (Registration, Transfer, and Exchange) hereof; provided the Fiscal Agent shall not be required to deliver such new Bonds within a period less than 60 days from the date of receipt of such a Certificate of the City.

(C) Notation of Reduction of Principal. In the case of partial redemption, cancellation or a refunding of any Bonds evidencing all or a portion of the principal maturing in a particular

year, The Depository Trust Company shall make an appropriate notation on the Bonds indicating the date and amounts of such reduction in principal, in form acceptable to the Fiscal Agent.

(D) No Responsibility to Persons Other Than Owners. The City and the Fiscal Agent shall be entitled to treat the person in whose name any Bond is registered as the Owner thereof for all purposes of the Fiscal Agent Agreement and any applicable laws, notwithstanding any notice to the contrary received by the Fiscal Agent or the City; and the City and the Fiscal Agent shall have no responsibility for transmitting payments to, communication with, notifying, or otherwise dealing with any beneficial owners of the Bonds. Neither the City nor the Fiscal Agent will have any responsibility or obligations, legal or otherwise, to the beneficial owners or to any other party including The Depository Trust Company or its successor (or substitute depository or its successor), except for the Owner of any Bond.

(E) Payments to Depository. So long as all outstanding Bonds of a Series are registered in the name of "Cede & Co." or its registered assign, the City and the Fiscal Agent shall cooperate with "Cede & Co.", as sole registered Owner, and its registered assigns in effecting payment of the principal, redemption premium, if any, and interest represented by the Bonds of such Series by arranging for payment in such manner that funds for such payments are properly identified and are made immediately available on the date they are due.

### ARTICLE 3 TERMS AND ISSUE OF SERIES 2002A BONDS

#### SECTION 3.1. Terms and Form of Series 2002A Bonds.

(A) Creation of Series 2002A. The City hereby creates a series of Bonds and additionally designates them "Series 2002A." At any time after the execution and delivery of this Fiscal Agent Agreement, the City may execute and the Fiscal Agent shall authenticate and deliver the Series 2002A Bonds in an aggregate principal amount not to exceed \$ \_\_\_\_\_ upon the Order of the City.

(B) Form of Series 2002A Bonds. The form of the Series 2002A Bonds shall be substantially as set forth in Exhibit A with such insertions, omissions, substitutions, and variations as may be determined by the officers executing the same, as evidenced by their execution thereof, to reflect the applicable terms of the Series 2002A Bonds established by this Article.

(C) Book-Entry Form; Denominations. The Series 2002A Bonds shall be issued in fully registered form, in denominations of \$5,000 or any integral multiple thereof, and shall be initially registered in the name of "Cede & Co.," as nominee of The Depository Trust Company. The Series 2002A Bonds shall be evidenced by one Series 2002A Bond maturing on each of the maturity dates with respect to the Series 2002A Bonds in a denomination corresponding to the total principal amount represented by the Series 2002A Bonds payable on such date. Registered ownership of the Series 2002A Bonds, or any portion thereof, may not thereafter be transferred except as set forth in Section 2.10 (Book-Entry Provisions). The Series 2002A Bonds shall bear such distinguishing numbers and letters as may be specified by the Fiscal Agent.

(D) Date; Interest Accrual; Maturity Dates; Interest Rates. The Series 2002A Bonds shall be dated their date of delivery, shall bear interest from their date at the following rates per annum, and shall mature on September 1 in the following years in the following amounts:

<u>Maturity Date (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Maturity Date (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
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Interest on the Series 2002A Bonds shall be calculated on the basis of a 360-day year comprising twelve 30-day months.

(E) Principal and Interest Payments. The principal or Redemption Price of the Bonds shall be payable to the Owner thereof upon surrender thereof in lawful money of the United States of America at the Corporate Trust Office or, as provided in Section 2.10(E) (Payments to Depository), by wire transfer on each principal and mandatory redemption payment date to “Cede & Co.” or its registered assign, as sole registered Owner. Interest on the Series 2002A Bonds shall be payable on September 1, 2002, and thereafter semiannually on March 1 and September 1 of each year by check mailed by first class mail or, as provided in Section 2.10(E) (Payments to Depository) and upon the written request of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds who has provided the Fiscal Agent with wire transfer instructions on or before the applicable Regular Record Date, by wire transfer on each Interest Payment Date to the Owner thereof as of the close of business on the Regular Record Date. The Regular Record Date for the Series 2002A Bonds shall be the fifteenth (15th) day of the calendar month immediately preceding the relevant Interest Payment Date.

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

**SECTION 3.2. Redemption of Series 2002A Bonds.**

(A) **General Redemption Provisions.** The Series 2002A Bonds shall be subject to redemption as provided in Article 5.

(B) **Optional Redemption.** The Series 2002A Bonds maturing on or after September 1, 20\_\_, are subject to redemption prior to their respective stated maturities, at the option of the City, from any source of available funds, as a whole on any date or in part (by such maturities as may be specified by the City and at random within a maturity) on any Interest Payment Date on or after September 1, 20\_\_, at the following redemption prices (computed upon the principal amount of Series 2002A Bonds called for redemption), plus accrued interest to the date fixed for redemption:

<u>Redemption Period</u> <u>(Both Dates Inclusive)</u>	<u>Redemption Price</u>
September 1, 20__, through August 31, 20__	102%
September 1, 20__, through August 31, 20__	101%
September 1, 20__, and thereafter	100

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

<u>Mandatory Redemption Dates</u> <u>(September 1)</u>	<u>Principal Amount</u>
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\* Maturity

**20\_\_ Term Bonds.** Term Bonds maturing on September 1, 20\_\_, are subject to redemption prior to their stated maturity, in part, at random from Mandatory Redemption Payments in the following amounts and on the following dates, at the principal amount thereof on the date fixed for redemption, without premium, but which amounts will be proportionately reduced by the principal amount of all Term Bonds optionally redeemed:

<u>Mandatory Redemption Dates</u> <u>(September 1)</u>	<u>Principal Amount</u>
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\* Maturity

(D) Mandatory Redemption from Special Tax Prepayments. The Series 2002A Bonds are subject to redemption by the City prior to their respective stated maturities, as a whole or in part on any Interest Payment Date from prepayments of the Special Taxes, at the following redemption prices (expressed as a percentage of the principal amount of Series 2002A Bonds called for redemption), together with accrued interest thereon to the date fixed for redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
prior to September 1, 20__	103%
September 1, 20__, and March 1, 20__	102%
September 1, 20__, and March 1, 20__	101%
September 1, 20__, and thereafter	100

SECTION 3.3. Application of Proceeds of Series 2002A Bonds. The City shall cause the proceeds of the sale of the Series 2002A Bonds to be set aside as follows:

(A) in the Series 2002A Capitalized Interest Account (created by Section 7.5(C) (Series 2002A Capitalized Interest Account)) \$ \_\_\_\_\_;

(B) in the Bond Reserve Fund (created by Section 7.4 (Allocation of Net Special Taxes)) \$ \_\_\_\_\_;

(C) in the Series 2002A Costs of Issuance Account (created by Section 3.4 (Establishment and Application of Costs of Issuance Fund)) \$ \_\_\_\_\_; and

(D) in the Series 2002A Acquisition and Construction Account (created by Section 3.5 (Establishment and Application of Acquisition and Construction Fund)) \$ \_\_\_\_\_.

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

SECTION 3.4. Establishment and Application of Costs of Issuance Fund. The City shall establish and maintain a separate fund designated as the "Costs of Issuance Fund." With respect to each Series of Bonds for which proceeds of the sale thereof are required to be set aside specifically to pay Costs of Issuance, the City shall maintain a separate account within the Costs of Issuance Fund designated as the "\_\_\_\_\_ Costs of Issuance Account" (inserting therein the Series designation of such Bonds). The moneys in each Costs of Issuance Account shall be applied by the City to pay or to reimburse the City for the payment of the Costs of Issuance of the related Series of Bonds. At the end of six months from the date of issuance of such Series of Bonds, or upon an earlier determination by the City that amounts in such account are no longer required for the payment of Costs of Issuance, the City shall transfer any remaining amounts in such account to the Acquisition and Construction Account established for such Series of Bonds.

**SECTION 3.5. Establishment and Application of the Acquisition and Construction Fund.** The City shall establish and maintain a separate fund designated as the “Acquisition and Construction Fund.” With respect to each Series of Bonds that funds the payment of the costs of Facilities, the City shall establish and maintain in the Acquisition and Construction Fund a separate account designated as the “\_\_\_\_\_ Acquisition and Construction Account” (inserting therein the Series designation of such Bonds). The moneys in the Acquisition and Construction Fund shall be used and withdrawn by the City to pay the costs of the Facilities. When all of the costs of the Facilities have been paid by the City, the City shall transfer any remaining balance in any Acquisition and Construction Account into the Special Tax Fund.

**SECTION 3.6. Validity of Series 2002A Bonds.** The recital in the Series 2002A Bonds that they are issued pursuant to the Constitution and statutes of the State shall be conclusive evidence of their validity and of compliance with provisions of law in their issuance.

#### ARTICLE 4

#### ISSUANCE AND DELIVERY OF ADDITIONAL SERIES OF BONDS

**SECTION 4.1. Issuance of Additional Series of Bonds.** The City may by Supplemental Fiscal Agent Agreement establish one or more additional Series of Bonds secured under this Fiscal Agent Agreement, equally and ratably with Bonds previously issued, for the purpose of providing funds to finance or refinance the costs of any Facilities (or to reimburse the City for the payment of such costs), including payment of costs incidental to or connected with the Facilities, or for the repayment of funds advanced to or for the CFD. The City may issue, and the Fiscal Agent may authenticate and deliver to the purchasers thereof, Bonds of any Series so established, in such principal amount as shall be determined by the City, but only upon compliance by the City with the provisions of Section 4.2 (Proceedings for Issuance of Additional Series of Bonds) and any additional requirements set forth in the related Supplemental Fiscal Agent Agreement and subject to the following specific conditions, which are hereby made conditions precedent to the issuance of any such additional Series of Bonds:

(A) **No Default.** No Event of Default shall have occurred and then be continuing.

(B) **Bond Reserve Fund.** Subject to the provisions of Section 7.7 (Funding and Application of Bond Reserve Fund), the Supplemental Fiscal Agent Agreement providing for the issuance of such Series shall require that the balance in the Bond Reserve Fund, forthwith upon the receipt of the proceeds of the sale of such Series, be increased, if necessary, to an amount at least equal to the Bond Reserve Requirement with respect to all Bonds to be considered Outstanding upon the issuance of such Series. The deposit may be made from the proceeds of the sale of such Series or from other funds of the City or from both such sources or in the form of a letter of credit, an insurance policy, or a surety bond as described in Section 7.7 (Funding and Application of Bond Reserve Fund), as provided in such Supplemental Fiscal Agent Agreement.

(C) **Principal Amount.** The aggregate principal amount of Bonds issued hereunder shall not exceed the amount authorized pursuant to the Law and shall not exceed any other limitation imposed by law or by any Supplemental Fiscal Agent Agreement.

(D) Debt Service Coverage. The proceeds of the Net Special Taxes that would have been available to the City in the Fiscal Year preceding the issuance of the Additional Bonds if the Special Taxes had been levied and collected at their maximum rates on all Taxable Property shall equal at least one hundred ten percent (110%) of Maximum Annual Debt Service on all Outstanding Bonds after the issuance of such Additional Bonds; and the Net Special Taxes plus other funds, including capitalized interest, legally available for payment of debt service on the Bonds during the period of time between the issuance of the Additional Bonds and the first receipts of Special Taxes on the tax roll prepared following the issuance of the Additional Bonds shall be equal to at least one hundred percent (100%) of the debt service payable on all Outstanding Bonds during such period, provided, however, that, if the Additional Bonds refund Outstanding Bonds, the requirements in this subsection (D) shall not apply if, following issuance of such Additional Bonds, either (i) Annual Debt Service for all the Bonds is not increased in any year or (ii) none of the Bonds issued before the issuance of the Additional Bonds remain Outstanding.

(E) Land Value. The fair market value of the Taxable Property (and the then existing private improvements thereon) on the date of the adoption of the Supplemental Fiscal Agent Agreement authorizing the issuance of such Additional Bonds (based on either the assessed valuations thereof as contained in the most recent equalized assessment roll of Sacramento County or an MAI appraisal), shall be equal to at least three (3) times the sum of (i) the aggregate principal amount of all Bonds to be outstanding after the issuance of such Additional Bonds, plus (ii) the aggregate principal amount of all outstanding special assessment bonds that are payable from special assessments levied on the Taxable Property, plus (iii) the proportion of the aggregate principal amount of all outstanding bonds issued under the Law (other than the Bonds) that are payable from special taxes to be levied on the Taxable Property.

(F) Payment Dates. If and to the extent deemed practical in the reasonable judgment of the City with regard to the type of Bond to be issued, the principal payments of such additional Series of Bonds shall be due on September 1 in each year in which principal is to be paid and, if the interest on such Series of Bonds is to be paid semiannually, such interest payments shall be due on March 1 and September 1 in each year, as appropriate.

Nothing in this Section or in this Fiscal Agent Agreement contained shall prevent or be construed to prevent the Supplemental Fiscal Agent Agreement from providing for the issuance of an additional Series of Bonds from pledging or otherwise providing, in addition to the security given or intended to be given by this Fiscal Agent Agreement, additional security for the benefit of such additional Series of Bonds or any portion thereof.

#### SECTION 4.2. Proceedings for Issuance of Additional Series of Bonds.

(A) Supplemental Fiscal Agent Agreement. Whenever the City shall determine to issue a Series of Bonds pursuant to Section 4.1 (Issuance of Additional Series of Bonds), the City shall authorize the execution of a Supplemental Fiscal Agent Agreement specifying the principal amount and prescribing the forms of Bonds of such additional Series and providing the terms, conditions, distinctive designation, denominations, methods of numbering, date, maturity date or dates, interest rate or rates (or the manner of determining the same), redemption provisions, and place or places of payment of principal or Redemption Price, if any, of and interest on such

Bonds, and any other provisions respecting the Bonds of such Series not inconsistent with the terms of this Fiscal Agent Agreement.

(B) Documentation. Before such additional Series of Bonds shall be issued and delivered, the City shall file the following documents with the Fiscal Agent (upon which documents the Fiscal Agent may conclusively rely in determining whether the conditions precedent to the issuance of such Series of Bonds have been satisfied):

(1) Supplemental Fiscal Agent Agreement. An executed copy of the Supplemental Fiscal Agent Agreement authorizing such Series.

(2) City Certificate. A Certificate of the City stating that each of the requirements of subsections (A) through (E) of Section 4.1 (Issuance of Additional Series of Bonds) has been met.

(3) Bond Counsel Opinion. An Opinion of Bond Counsel to the effect that the execution of the Supplemental Fiscal Agent Agreement has been duly authorized by the City in accordance with this Fiscal Agent Agreement; that such Additional Bonds, when duly executed by the City and authenticated and delivered by the Fiscal Agent, will be valid and binding limited obligations of the City; and that upon the delivery of such Additional Bonds the aggregate principal amount of Bonds then Outstanding will not exceed the amount permitted by law or by this Fiscal Agent Agreement.

(4) Redemption Instructions. If any of the Bonds to be refunded are to be redeemed prior to their stated maturity dates, irrevocable instructions to the Fiscal Agent to give the applicable notice of redemption or a waiver of the notice of redemption signed by the Owners of all or the portion of the Bonds to be redeemed, or proof that such notice has been given by the City; provided, however, that, in lieu of such instructions or waiver or proof of notice of redemption, the City may cause to be deposited with the Fiscal Agent all of the Bonds proposed to be redeemed (whether cancelled or uncanceled) with irrevocable instructions to the Fiscal Agent to cancel the Bonds so to be redeemed upon the exchange and delivery of the refunding Bonds; and provided further that no provision of this Fiscal Agent Agreement shall be construed to require the redemption of Bonds prior to their respective maturity dates in connection with the refunding thereof.

SECTION 4.3. Application of Proceeds of Additional Bonds. Proceeds of each Series of Bonds shall be applied as specified in the Supplemental Fiscal Agent Agreement pursuant to which such Series of Bonds is created.

SECTION 4.4. Limitations on the Issuance of Obligations Payable from Net Special Taxes. The City will not, so long as any of the Bonds are Outstanding, issue any obligations or securities, howsoever denominated, payable in whole or in part from Net Special Taxes except the following:

(A) Series 2002A Bonds and Additional Bonds. Bonds of any Series authorized pursuant to Sections 3.1 (Terms and Form of Series 2002A Bonds) and 4.1 (Issuance of Additional Series of Bonds).

(B) Subordinate Obligations. Obligations that are junior and subordinate to the payment of the principal, premium, interest, and reserve fund requirements for the Bonds and which subordinated obligations are payable as to principal, premium, interest, and reserve fund requirements, if any, only out of Net Special Taxes after the prior payment of all amounts then due required to be paid hereunder from Net Special Taxes for principal, premium, interest and reserve fund requirements for the Bonds, as the same become due and payable and at the times and in the manner as required in this Fiscal Agent Agreement.

## ARTICLE 5 REDEMPTION OF BONDS

SECTION 5.1. General Applicability of Article. Bonds of any Series that are redeemable before their respective stated maturities shall be redeemable in accordance with their terms and (except as otherwise provided with respect to the Bonds of any particular Series by the provisions of this Fiscal Agent Agreement creating such Series) in accordance with this Article.

SECTION 5.2. Notice to Fiscal Agent. In the case of any redemption of less than all the Outstanding Bonds of any Series either at the election of the City or from prepaid Special Taxes, the City shall, at least 45 days prior to the date fixed for redemption (unless a shorter notice shall be satisfactory to the Fiscal Agent) notify the Fiscal Agent of such redemption date and of the principal amount of Bonds of such Series to be redeemed.

SECTION 5.3. Selection by Fiscal Agent of Bonds to be Redeemed. If less than all the Outstanding Bonds of any Series are to be redeemed, not more than 60 days prior to the redemption date the Fiscal Agent shall select the particular Bonds to be redeemed from the Outstanding Bonds of such Series that have not previously been called for redemption, in minimum denominations of \$5,000, at random in any manner that the Fiscal Agent in its sole discretion shall deem appropriate and fair.

The Fiscal Agent shall promptly notify the City in writing of the Bonds so selected for redemption and, in the case of a Bond selected for partial redemption, the principal amount thereof to be redeemed.

For all purposes of this Fiscal Agent Agreement, unless the context otherwise requires, all provisions relating to the redemption of Bonds shall relate, in the case of any Bond redeemed or to be redeemed only in part, to the portion of the principal of such Bond that has been or is to be redeemed.

SECTION 5.4. Notice of Redemption. (A) Mailed Notice. The Fiscal Agent shall mail notice of redemption, not fewer than thirty (30) nor more than sixty (60) days prior to the redemption date, (i) to the respective Owners of any Bonds designated for redemption at their addresses appearing on the Bond Register and (ii) to the original underwriter or other first purchaser of the Bonds designated for redemption. If a Series of Bonds is not then registered solely to a Securities Depository, the Fiscal Agent shall also give notice of redemption of Bonds of such Series to the Securities Depositories and the Information Service (at the same time it mails notice of redemption to the Owners) by registered or overnight mail, or by such other method as may be acceptable to such institutions.

**(B) Content of Notice.** Each notice of redemption shall state (a) the date of such notice, (b) the Series designation of the Bonds, (c) the date of issue of the Series of Bonds, (d) the redemption date, (e) the Redemption Price, (f) the place or places of redemption (including the name and appropriate address or addresses of the Fiscal Agent), (g) the CUSIP number (if any) of the maturity or maturities, and (h) if less than all of any such maturity, the distinctive certificate numbers of the Bonds of such maturity to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also (a) state that on said date there will become due and payable on each of said Bonds the Redemption Price thereof or of said specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the date fixed for redemption, and (b) state that from and after such redemption date interest thereon shall cease to accrue, and (c) require that such Bonds be then surrendered at the address or addresses of the Fiscal Agent specified in the redemption notice. Neither the City nor the Fiscal Agent shall have any responsibility for any defect in the CUSIP number that appears on any Bond or in any redemption notice with respect thereto, and any such redemption notice may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither the City nor the Fiscal Agent shall be liable for any inaccuracy in such numbers.

**(C) Defects in Notice or Procedure.** Failure by the Fiscal Agent to give notice to the Information Service or any one or more of the Securities Depositories or failure of any Owner to receive notice or any defect in any such notice shall not affect the sufficiency of the proceedings for redemption. A certificate by the Fiscal Agent that notice of redemption has been given as herein provided shall be conclusive as against all parties to whom such notice was given and no such party shall be entitled to show that he or she failed to receive notice of redemption. Failure by the Fiscal Agent to mail notice to any one or more of the respective Owners of any Bonds designated for redemption shall not affect the sufficiency of the proceedings for redemption with respect to the Owner or Owners to whom such notice was mailed.

**SECTION 5.5. Deposit of Redemption Price.** Prior to any redemption date, the City shall deposit with the Fiscal Agent an amount of money sufficient to pay the Redemption Price of all the Bonds that are to be redeemed on that date. Such money shall be held in trust for the benefit of the persons entitled to such Redemption Price.

**SECTION 5.6. Bonds Payable on Redemption Date.** Notice of redemption having been duly given as aforesaid and moneys for payment of the Redemption Price of the Bonds so to be redeemed being held by the Fiscal Agent, on the redemption date designated in such notice (i) the Bonds so to be redeemed shall become due and payable at the Redemption Price specified in such notice, (ii) interest on such Bonds shall cease to accrue, (iii) such Bonds shall cease to be entitled to any benefit or security under this Fiscal Agent Agreement, and (iv) the Owners of such Bonds shall have no rights in respect thereof except to receive payment of the Redemption Price. Upon surrender of any such Bond for redemption in accordance with said notice, such Bond shall be paid by Fiscal Agent at the Redemption Price. Installments of interest due on or prior to the Redemption Date shall be payable to the Owners of the Bonds on the relevant Record Dates according to the terms of such Bonds and the provisions of Section 2.7 (Payment of Interest on Bonds; Interest Rights Preserved).

SECTION 5.7. Bonds Redeemed in Part. Upon surrender of any Bond redeemed in part only, the City shall execute and the Fiscal Agent shall authenticate and deliver to the Owner thereof, at the expense of the City, a new Bond or Bonds of the same Series of authorized denominations, and of the same maturity, equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

## ARTICLE 6 DEFEASANCE

### SECTION 6.1. Discharge of Fiscal Agent Agreement.

(A) Payment of Bonds. Bonds of any Series may be paid by the City in any of the following ways:

- (1) by paying or causing to be paid the principal of and interest on such Bonds, as and when the same become due and payable;
- (2) by depositing with the Fiscal Agent, an escrow agent or other fiduciary, in trust, at or before maturity, money or securities in the necessary amount (as provided in Section 6.3 (Deposit of Money or Securities)) to pay or redeem such Bonds; or
- (3) by delivering such Bonds to the Fiscal Agent for cancellation.

(B) Consequence of Payment of All Bonds Outstanding. If the City shall pay all Bonds Outstanding and also pay or cause to be paid all other sums payable hereunder by the City, then and in that case, at the election of the City, evidenced by a Certificate of the City filed with the Fiscal Agent signifying the intention of the City to discharge all such indebtedness and this Fiscal Agent Agreement, and notwithstanding that any Bonds shall not have been surrendered for payment, this Fiscal Agent Agreement, the pledge of Net Special Taxes and other assets made hereunder, all covenants and agreements and other obligations of the City under this Fiscal Agent Agreement, and the rights and interests created hereby (except as to any surviving rights of transfer or exchange of Bonds as provided in Section 2.5 (Registration, Transfer, and Exchange)) and rights to payment from moneys deposited with the Fiscal Agent as provided in Section 6.2 (Discharge of Liability on Bonds)) shall cease, terminate, become void, and be completely discharged and satisfied. Notwithstanding the satisfaction and discharge of this Fiscal Agent Agreement, the obligations to the Fiscal Agent under Section 10.7 (Compensation and Indemnification of Fiscal Agent) and the covenants of the City to preserve the exclusion of interest on the Bonds from gross income for federal income tax purposes contained in Section 8.10 (Federal Income Tax Covenants) shall survive.

(C) Actions Upon Discharge. In such event, upon Request of the City, the Fiscal Agent shall cause an accounting for such period or periods as may be requested by the City to be prepared and filed with the City and shall execute and deliver to the City all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Fiscal Agent shall pay over, transfer, assign, or deliver to the City all moneys or securities or other property held by it pursuant to this Fiscal Agent Agreement that, as evidenced by a verification report (upon which the Fiscal Agent may conclusively rely) from a firm of certified public accountants, or other firm acceptable to the Fiscal Agent, are not required for the payment or redemption of

Bonds not theretofore surrendered for such payment or redemption; subject to the provisions of Section 8.10 (Federal Income Tax Covenants) and the Tax Certificate with respect to moneys in the Rebate Fund.

(D) Notice of Defeasance. If moneys or Defeasance Securities are deposited with and held by the Fiscal Agent as hereinabove provided, the Fiscal Agent shall within thirty (30) days after such money and Defeasance Securities shall have been deposited with it mail a notice, first class postage prepaid, to the Bondholders at the addresses listed on the registration books kept by the Fiscal Agent pursuant to Section 2.5 (Registration, Transfer, and Exchange), (a) setting forth the maturity or date fixed for prepayment, as the case may be, of the Bonds, (b) giving a description of the Defeasance Securities, if any, so held by it, and (c) stating that this Fiscal Agent Agreement has been discharged in accordance with the provisions of this Section.

SECTION 6.2. Discharge of Liability on Bonds. Upon the deposit with the Fiscal Agent, escrow agent or other fiduciary, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 6.3 (Deposit of Money or Securities)) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as in Article 5 (Redemption of Bonds) provided or provision satisfactory to the Fiscal Agent shall have been made for the giving of such notice, then all liability of the City in respect of such Bond shall cease, terminate, and be completely discharged, except that thereafter (i) the Owner thereof shall be entitled to payment of the principal of and premium, if any, and interest on such Bond by the City and the City shall remain liable for such payment, but only out of such money or securities deposited with the Fiscal Agent as aforesaid for their payment, subject, however, to the provisions of Section 6.4 (Payment of Bonds After Discharge of Fiscal Agent Agreement) and (ii) the Owner thereof shall retain its rights of transfer or exchange of Bonds as provided in Section 2.5 (Registration, Transfer, and Exchange).

The City may at any time surrender to the Fiscal Agent for cancellation by it any Bonds previously issued and delivered, which the City may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

SECTION 6.3. Deposit of Money or Securities with Fiscal Agent. Whenever in this Fiscal Agent Agreement it is provided or permitted that there be deposited with or held in trust by the Fiscal Agent money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Fiscal Agent in the funds and accounts established pursuant to this Fiscal Agent Agreement and shall be:

(a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds that are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as in Article 5 (Redemption of Bonds) provided or provision satisfactory to the Fiscal Agent shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount or Redemption Price of such Bonds and all unpaid interest thereon to the redemption date; or

(b) Defeasance Securities the principal of and interest on which when due will, in the opinion of an independent certified public accountant delivered to the Fiscal Agent (upon which opinion the Fiscal Agent may conclusively rely), provide money sufficient to pay the principal or Redemption Price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or Redemption Price and interest become due, provided that, in the case of Bonds that are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in Article 5 (Redemption of Bonds) provided or provision satisfactory to the Fiscal Agent shall have been made for the giving of such notice;

provided, in each case, that the Fiscal Agent shall have been irrevocably instructed (by the terms of this Fiscal Agent Agreement or by Request of the City) to apply such money to the payment of such principal or Redemption Price and interest with respect to such Bonds.

SECTION 6.4. Payment of Bonds After Discharge of Fiscal Agent Agreement. Any moneys held by the Fiscal Agent in trust for the payment of the principal or Redemption Price of, or interest on, any Bonds and remaining unclaimed for two years after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption as provided in this Fiscal Agent Agreement), if such moneys were so held at such date, or two years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall, upon Request of the City, be repaid to the City free from the trusts created by this Fiscal Agent Agreement, and all liability of the Fiscal Agent with respect to such moneys shall thereupon cease; provided that the City has certified to the Fiscal Agent that the City has complied with the provisions of Sections 50050-50056 of the California Government Code.

## ARTICLE 7 PAYMENT OF BONDS

SECTION 7.1. Liability of City Limited to Special Taxes. Notwithstanding anything in this Fiscal Agent Agreement or in the Bonds contained, the City shall not be required to advance any moneys derived from any source other than the Special Taxes and other assets pledged hereunder for any of the purposes in this Fiscal Agent Agreement mentioned, whether for the payment of the principal or Redemption Price of or interest on the Bonds or for any other purpose of this Fiscal Agent Agreement.

SECTION 7.2. Deposit of Special Taxes in the Special Tax Fund. The City agrees and covenants that all Special Taxes will be deposited as and when received in the "City of Elk Grove East Franklin Community Facilities District No. 2002-1 Special Tax Fund," which fund the City shall establish and maintain. All money in the Special Tax Fund shall be held by the City in trust hereunder and shall be disbursed, allocated and applied solely to the uses and purposes hereinafter set forth in this article; provided that any portion of such Special Taxes that represents prepaid Special Taxes shall be applied to the redemption of Bonds in accordance with the provisions of Section 3.2(D) (Mandatory Redemption from Special Tax Prepayments) and shall be deposited in the Prepayment Fund.

SECTION 7.3 Pledge of Net Special Taxes. Subject only to the provisions of this Fiscal Agent Agreement permitting the application thereof for the purposes and on the terms and

conditions set forth herein, all of the Net Special Taxes, including any prepayments thereof and proceeds from the sale of property collected pursuant to the foreclosure provisions hereof of the delinquency of Special Taxes and proceeds from any security for payment of Special Taxes taken in lieu of foreclosure, and all amounts (including proceeds of the Bonds) held by the Fiscal Agent in any fund or account established hereunder (except for amounts held in the Rebate Fund) are hereby pledged to secure the payment of the principal of and interest on the Bonds in accordance with their terms and the provisions of this Fiscal Agent Agreement. This pledge shall constitute a first lien on the Net Special Taxes and amounts in such funds and shall be valid and binding from and after delivery by the Fiscal Agent of the Bonds, without any physical delivery thereof or further act. The Net Special Taxes are hereby pledged to the payment of Bonds without priority or distinction of one over the other and the Net Special Taxes constitute a trust fund for the security and payment of the interest on and principal of the Bonds; but nevertheless out of Net Special Taxes certain amounts may be applied for other purposes as provided herein. The pledge of Net Special Taxes herein made shall be irrevocable until all of the Bonds are no longer Outstanding.

**SECTION 7.4. Allocation of Net Special Taxes.** The City shall pay all current Administrative Expenses from the Special Tax Fund as they become due and payable. All remaining money in the Special Tax Fund shall be set aside or transferred by the City for deposit in the following respective accounts and funds (each of which accounts and funds are hereby created) in the following order of priority, the requirements of each such fund (including the making up of any deficiencies in any such fund resulting from lack of Net Special Taxes sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any deposit is made to any fund subsequent in priority:

(A) **Interest Fund.** At least three (3) Business Days before each Interest Payment Date, the City shall transfer to the Fiscal Agent for deposit in the Interest Fund an amount equal to the aggregate amount of interest becoming due and payable on the Outstanding Bonds on the next succeeding Interest Payment Date (excluding any interest for which there are moneys deposited in the Interest Fund from the proceeds of any Series of Bonds or other source and reserved as capitalized interest to pay such interest on such Interest Payment Date). No deposit need be made into the Interest Fund if the amount contained therein is at least equal to the interest to become due and payable on the next succeeding Interest Payment Date (but excluding any moneys on deposit in the Interest Fund from the proceeds of any Series of Bonds or other source and reserved as capitalized interest to pay interest on any future Interest Payment Dates following such Interest Payment Date).

(B) **Principal Fund; Sinking Accounts.** At least three (3) Business Days before each Principal Payment Date, the City shall transfer to the Fiscal Agent for deposit in the Principal Fund an amount equal to (a) the aggregate amount of principal becoming due and payable on the Outstanding Serial Bonds of all Series on the next succeeding Principal Payment Date plus (b) the aggregate amount of the Mandatory Sinking Account Payments to be paid on the next succeeding Principal Payment Date into the respective Sinking Accounts for the Term Bonds of all Series for which Sinking Accounts have been created; provided that, if the City certifies to the Fiscal Agent that any principal payments shall be refunded on or prior to their respective due dates, no amounts need be set aside towards such principal to be so refunded.

No deposit need be made into the Principal Fund so long as there shall be in such fund (i) moneys sufficient to pay the principal of all Serial Bonds issued hereunder and then Outstanding and maturing by their terms within the next twelve months plus (ii) the aggregate of all Mandatory Sinking Account Payments required to be made in such twelve-month period, but less any amounts deposited into the Principal Fund during such twelve-month period and theretofore paid from the Principal Fund to redeem or purchase Term Bonds during such twelve-month period, and less any principal payments to be refunded on or prior to their respective due dates. At the beginning of each Fiscal Year and in any event not later than August 1 of each year, the Fiscal Agent shall request from the City a Certificate of the City setting forth the principal payments for which deposits will not be necessary pursuant to the preceding sentence and the reason therefor.

(C) Bond Reserve Fund. On or before each Interest Payment Date, the City shall transfer to the Fiscal Agent for deposit in the Bond Reserve Fund, except as otherwise provided in Section 7.7 (Funding and Application of Bond Reserve Fund), the amount required to restore the balance in the Bond Reserve Fund to an amount equal to the Bond Reserve Requirement. The Fiscal Agent shall promptly notify the City of any deficiencies in the Bond Reserve Fund.

(D) Community Facilities Fund. The City shall deposit all money remaining in the Special Tax Fund on September 1 of each year, after transferring all of the sums required to be transferred therefrom on or prior to such date by the provisions of the foregoing subsections (A), (B), and (C) of this Section, into the “City of Elk Grove East Franklin Community Facilities District No. 2002-1 Community Facilities Fund,” which fund the City shall establish and maintain. The City shall use the money in the Community Facilities Fund solely for the payment of costs of the Facilities and Administrative Expenses or otherwise for the benefit of the CFD in accordance with the Law.

SECTION 7.5. Application of Interest Fund; Capitalized Interest Accounts.

(A) Application of Interest Fund. All amounts in the Interest Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to this Fiscal Agent Agreement).

(B) Capitalized Interest Accounts. With respect to each Series of Bonds for which proceeds of the sale thereof are required to be set aside to pay interest on the Bonds, the Fiscal Agent (if so instructed by this Fiscal Agent Agreement or the Supplemental Fiscal Agent Agreement providing for the issuance of such Series) shall establish and maintain a separate account within the Interest Fund designated as the “\_\_\_\_\_ Capitalized Interest Account” (inserting therein the Series designation of such Bonds). Moneys in a Capitalized Interest Account shall be transferred by the Fiscal Agent and deposited in the Interest Fund in the amounts and at the times specified herein or in the Supplemental Fiscal Agent Agreement providing for the issuance of such Series.

(C) Series 2002A Capitalized Interest Account. The Fiscal Agent shall establish and maintain a separate account within the Interest Fund designated as the “Series 2002A Capitalized Interest Account.” The Fiscal Agent shall transfer moneys from the Series 2002A Capitalized Interest Account and deposit them in the Interest Fund in amounts sufficient to pay all the

interest coming due on the Bonds on each Interest Payment Date until the amount therein is exhausted.

**SECTION 7.6. Application of Principal Fund; Sinking Accounts.**

**(A) Application of Principal Fund.** All amounts in the Principal Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of paying the principal of the Bonds when due and payable, except that all amounts in the Sinking Accounts shall be used and withdrawn by the Fiscal Agent solely to purchase or redeem or pay at maturity Term Bonds, as provided herein.

**(B) Sinking Accounts.** The Fiscal Agent shall establish and maintain within the Principal Fund a separate account for the Term Bonds of each Series and maturity, designated as the “\_\_\_\_\_ Sinking Account,” inserting therein the Series and maturity designation of such Bonds. On the Business Day prior to any date upon which a Mandatory Sinking Account Payment is due, the Fiscal Agent shall transfer the amount of such Mandatory Sinking Account Payment from the Principal Fund to the applicable Sinking Account. With respect to each Sinking Account, on each Mandatory Sinking Account Payment date established for such Sinking Account, the Fiscal Agent shall apply the Mandatory Sinking Account Payment required on that date to the redemption (or payment at maturity, as the case may be) of Term Bonds of such Series and maturity for which such Sinking Account was established, upon the notice and in the manner provided in the Supplemental Fiscal Agent Agreement pursuant to which such Series of Bonds was created; provided that, at any time prior to giving such notice of such redemption, the Fiscal Agent shall, upon receipt of a Request of the City, apply moneys in such Sinking Account to the purchase of Term Bonds of such Series and maturity at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Fund) as is directed by the City, except that the purchase price (excluding accrued interest) shall not exceed the principal amount thereof. If, during the twelve-month period immediately preceding said Mandatory Sinking Account Payment date, the Fiscal Agent has purchased Term Bonds of such Series and maturity with moneys in such Sinking Account, or, during said period and prior to giving said notice of redemption, the City has deposited Term Bonds of such Series and maturity with the Fiscal Agent, or Term Bonds of such Series and maturity were at any time purchased or redeemed by the Fiscal Agent from the Prepayment Fund or other source of funds and allocable to said Mandatory Sinking Account Payment, such Term Bonds so purchased or deposited or redeemed shall be applied, to the extent of the full principal amount thereof, to reduce said Mandatory Sinking Account Payment.

Any amounts remaining in a Sinking Account when all of the Term Bonds for which such account was established are no longer Outstanding shall be withdrawn by the Fiscal Agent and transferred to the City for deposit into the Community Facilities Fund.

All Term Bonds purchased from a Sinking Account or deposited by the City with the Fiscal Agent in a twelve-month period ending August 31 shall be allocated first to the next succeeding Mandatory Sinking Account Payment for such Series and maturity of Term Bonds, then as a credit against such future Mandatory Sinking Account Payments for such Series and maturity of Term Bonds as may be specified in a Request of the City. All Term Bonds redeemed

by the Fiscal Agent from the Prepayment Fund or other source of funds shall be credited to such future Mandatory Sinking Account Payments for such Series and maturity of Term Bonds as may be specified in a Request of the City.

**SECTION 7.7. Funding and Application of Bond Reserve Fund.** (A) **Letter of Credit.** In lieu of making the Bond Reserve Requirement deposit in compliance with Sections 4.1(B) (**Issuance of Additional Series of Bonds -- Bond Reserve Fund**) and 7.4 (**Allocation of Net Special Taxes**), or in replacement of moneys then on deposit in the Bond Reserve Fund (which shall be transferred by the Fiscal Agent to the City for deposit into the Community Facilities Fund), the City may deliver to the Fiscal Agent an irrevocable letter of credit issued by a financial institution having unsecured debt obligations rated in one of the two highest Rating Categories of Moody's and Standard & Poor's, in an amount, together with moneys, Investment Securities, insurance policies, or surety bonds (as described in Section 7.7(B) (**Insurance Policy**)) on deposit in the Bond Reserve Fund, equal to the Bond Reserve Requirement. Such letter of credit shall have a term no less than three (3) years or, if less, the maturity of the Series of Bonds in connection with which such letter of credit was obtained and shall provide by its terms that it may be drawn upon as provided in this Section. At least one year prior to the stated expiration of such letter of credit, the City shall either (i) deliver a replacement letter of credit, (ii) deliver an extension of the letter of credit for at least an additional year or, if less, the maturity of the Series of Bonds in connection with which such letter of credit was obtained, or (iii) deliver to the Fiscal Agent an insurance policy or surety bond satisfying the requirements of Section 7.7(B) (**Insurance Policy**). Upon delivery of such replacement letter of credit, extended letter of credit, insurance policy, or surety bond, the Fiscal Agent shall deliver the then-effective letter of credit to or upon the order of the City. Alternatively, the City shall include in the Special Taxes to be collected the amount needed to restore the amount on deposit in the Bond Reserve Fund to an amount equal to the Bond Reserve Requirement by no later than one week prior to the stated expiration date of the letter of credit. If an amount equal to the Bond Reserve Requirement as of the date following the expiration of the letter of credit is not on deposit in the Bond Reserve Fund one week prior to the expiration date of the letter of credit (excluding from such determination the letter of credit), the Fiscal Agent shall draw on the letter of credit to fund the deficiency resulting therefrom in the Bond Reserve Fund.

(B) **Insurance Policy.** In lieu of making the Bond Reserve Requirement deposit in compliance with Sections 4.1(B) (**Issuance of Additional Series of Bonds -- Bond Reserve Fund**) and 7.4 (**Allocation of Net Special Taxes**), or in replacement of moneys then on deposit in the Bond Reserve Fund (which shall be transferred by the Fiscal Agent to the City for deposit into the Community Facilities Fund), the City may also deliver to the Fiscal Agent an insurance policy or surety bond securing an amount, together with moneys, Investment Securities or letters of credit on deposit in the Bond Reserve Fund, no less than the Bond Reserve Requirement issued by an insurance company whose unsecured debt obligations (or for which obligations secured by such insurance company's insurance policies or surety bonds) are rated in one of the two highest Rating Categories of Moody's and Standard & Poor's. Such insurance policy or surety bond shall have a term of no less than the maturity of the Series of Bonds in connection with which such insurance policy or surety bond was obtained. In the event that such insurance policy or surety bond for any reason lapses or expires, the City shall immediately implement (i) or (iii) of the preceding paragraph or make the required deposits to the Bond Reserve Fund.

**(C) Application of Bond Reserve Fund. (1) Payment of Debt Service Deficiencies.** All amounts in the Bond Reserve Fund (including all amounts that may be obtained from letters of credit, insurance policies, and surety bonds on deposit in the Bond Reserve Fund) shall be used and withdrawn by the Fiscal Agent, as hereinafter provided, solely for the purpose of making up any deficiency in the Interest Fund or the Principal Fund. The portion of the Bond Reserve Fund held in cash or Investment Securities may be used (together with any other moneys available therefor) for the payment or redemption of all Bonds then Outstanding; such portion may also be used for the payment of the final principal and interest payment of a Series of Bonds if, following such payment, the amounts in the Bond Reserve Fund (including the amounts that may be obtained from letters of credit, insurance policies, and surety bonds on deposit therein) will equal the Bond Reserve Requirement. The Fiscal Agent shall first draw on the portion of the Bond Reserve Fund held in cash or Investment Securities and then, on a pro rata basis with respect to the portion of the Bond Reserve Fund held in the form of letters of credit, insurance policies, and surety bonds (calculated by reference to the maximum amounts of such letters of credit, insurance policies, and surety bonds), draw on each letter of credit and collect under each insurance policy or surety bond issued with respect to the Bond Reserve Fund, in a timely manner and pursuant to the terms of such letter of credit, insurance policy, or surety bond to the extent necessary in order to obtain sufficient funds on or prior to the date such funds are needed to pay the principal of, Mandatory Sinking Account Payments with respect to, and interest on the Bonds when due.

**(2) Repayment of Amounts Recovered as Preferences in Bankruptcy.** If the Fiscal Agent has notice that any payment of principal of or interest on a Bond has been recovered from a Bondowner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Fiscal Agent, pursuant to and provided that the terms of the letter of credit, insurance policy, or surety bond if any, securing the Bonds so provide, shall so notify the City thereof and draw on such letter of credit or collect under such insurance policy or surety bond to the lesser of the extent required or the maximum amount of such letter of credit, insurance policy, or surety bond in order to pay to such Bondowners the principal and interest so recovered. If and to the extent that the Bond Reserve Requirement is satisfied by a deposit of cash or Investment Securities and one or more letters of credit, insurance policies, or surety bonds (or any combination thereof), the Fiscal Agent shall first draw on the portion of the Bond Reserve Fund held in cash or Investment Securities and then make drawings under such letters of credit, insurance policies, or surety bonds shall be made on a pro rata basis (calculated by reference to the maximum amounts of such letters of credit, insurance policies, and surety bonds).

The City shall reimburse draws upon any letter of credit, insurance policy, or surety bond that satisfies the Bond Reserve Requirement in whole or in part in accordance with the terms of this Agreement and any insurance agreement or reimbursement agreement between the City and the provider of such security instruments. Any such reimbursement shall only be made from Net Special Taxes.

**(3) Reimbursement of Draws on Letters of Credit and Insurance Policies.** If a drawing is made on a letter of credit, insurance policy, or surety bond, the Fiscal Agent shall use amounts deposited in the Bond Reserve Fund by the City following such draw first to make the payments required by the terms of the letter of credit, insurance policy, surety bond, or related

reimbursement or loan agreement so that the letter of credit, insurance policy, or surety bond shall ( absent the delivery to the Fiscal Agent of a substitute letter of credit, insurance policy, or surety bond satisfying the requirements of this Section or the deposit in the Bond Reserve Fund of an amount sufficient to increase the balance in the Bond Reserve Fund to the Bond Reserve Requirement) be reinstated in the amount of such drawing within one year of the date of such drawing. After such reinstatement, the Fiscal Agent shall use amounts deposited in the Bond Reserve Fund by the City for the replenishment of the portion of Bond Reserve Fund held in cash or Investment Securities.

(4) Surplus Amounts. Any amounts in the Bond Reserve Fund in excess of the Bond Reserve Requirement shall be transferred by the Fiscal Agent to the City on September 1 of each year for deposit into the Community Facilities Fund; provided that such amounts shall be transferred only from the portion of the Bond Reserve Fund held in the form of cash or Investment Securities.

**SECTION 7.8. Application of Prepayment Fund.** The Fiscal Agent shall establish, maintain and hold in trust a special fund designated as the "Prepayment Fund." All moneys representing prepaid Special Taxes that are deposited by the City with the Fiscal Agent shall be deposited in the Prepayment Fund. Except as provided below, all amounts deposited in the Prepayment Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of redeeming Bonds of any Series, in the manner, at the times and upon the terms and conditions specified in Section 3.2(D) (Mandatory Redemption from Special Tax Prepayments) or in the Supplemental Fiscal Agent Agreement pursuant to which the Bonds to be redeemed were issued; provided that, at any time prior to giving such notice of redemption, the Fiscal Agent shall, upon receipt of a Request of the City, apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Fund) as is directed by the City, except that the purchase price (exclusive of such accrued interest) may not exceed the Redemption Price then applicable to such Bonds. All Term Bonds purchased or redeemed from the Prepayment Fund shall be allocated to Mandatory Sinking Account Payments applicable to such Series and maturity of Term Bonds as may be specified in a Request of the City. Following a redemption of Bonds from the Prepayment Fund, the Fiscal Agent shall transfer any remaining amount that represented the amount deposited that exceeded an even multiple of \$5,000 to the City for deposit into the Special Tax Fund.

**SECTION 7.9. Rebate Fund.** The Fiscal Agent shall establish and maintain a fund designated as the "Rebate Fund" separate from any other fund held by the Fiscal Agent. The Fiscal Agent shall deposit moneys into and disburse moneys from the Rebate Fund pursuant to written instructions from the City. The Fiscal Agent shall be deemed conclusively to have complied with the provisions of this Section and the Tax Certificate if it follows the instructions of the City, including to supply all necessary information in the manner specified in the Tax Certificate. In the absence of written instructions from the City, the Fiscal Agent shall not be required to take any action with respect to the Rebate Fund or the Tax Certificate and shall have no liability or responsibility to enforce compliance by the City with the terms of the Tax Certificate.

**SECTION 7.10. Investment of Moneys in Funds and Accounts.** All moneys in any of the funds and accounts held by the Fiscal Agent and established pursuant to this Fiscal Agent Agreement shall be invested solely as directed by the City, solely in Investment Securities. All Investment Securities shall, as directed by the City in writing or by telephone, promptly confirmed in writing, be acquired subject to the limitations set forth in Section 8.10 (Federal Income Tax Covenants), the limitations as to maturities hereinafter in this Section set forth and such additional limitations or requirements consistent with the foregoing as may be established by Request of the City and not inconsistent with the fiduciary duties of the Fiscal Agent.

Moneys in the Bond Reserve Fund shall be invested in Investment Securities maturing or available on demand within five years of the date of such investment. Moneys in the remaining funds and accounts shall be invested in Investment Securities maturing or available on demand not later than the date on which it is estimated that such moneys will be required by the Fiscal Agent.

Unless otherwise provided in a Supplemental Fiscal Agent Agreement all interest, profits, and other income received from the investment of moneys in: (1) the Rebate Fund shall be deposited in the Rebate Fund, except as otherwise directed by the City in accordance with Section 8.10 (Federal Income Tax Covenants); (2) the Costs of Issuance Fund and in the Acquisition and Construction Fund shall be deposited when received into the Acquisition and Construction Fund, and (3) all other funds and accounts shall be deposited therein. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security shall be credited to the fund or account from which such accrued interest was paid.

All Investment Securities credited to the Bond Reserve Fund shall be valued as of August 15 of each year at their market value determined to the extent practical by reference to the closing bid price thereof published in the Wall Street Journal or any other financial publication or quotation service selected by the Fiscal Agent in its discretion.

The Fiscal Agent may commingle any of the funds or accounts established pursuant to this Fiscal Agent Agreement into a separate fund or funds for investment purposes only, provided that all funds or accounts held by the Fiscal Agent hereunder shall be accounted for separately as required by this Fiscal Agent Agreement.

The Fiscal Agent may act as principal or agent in the making or disposing of any investment and, with the prior written consent of the City, may impose its customary charge therefor. The Fiscal Agent may sell at the best price obtainable, or present for redemption, any Investment Securities so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Investment Security is credited, and the Fiscal Agent shall not be liable or responsible for any loss resulting from such investment. The City acknowledges that, to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grants the City the right to receive brokerage confirmations of security transactions as they occur, the City specifically waives receipt of such confirmations to the extent permitted by law. The Fiscal Agent will furnish the City

periodic cash transaction statements that include detail for all investment transactions made by the Fiscal Agent hereunder.

The Fiscal Agent shall keep proper books of record and accounts containing complete and correct entries of all transactions relating to the receipt, investment, disbursement, allocation and application of the moneys related to the Bonds, including moneys derived from, pledged to, or to be used to make payments on the Bonds. Such records shall specify the account or fund to which each investment (or portion thereof) held by the Fiscal Agent is to be allocated and shall set forth, in the case of each investment security, (a) its purchase price, (b) identifying information, including par amount, coupon rate, and payment dates, (c) the amount received at maturity or its sale price, as the case may be, including accrued interest, (d) the amounts and dates of any payments made with respect thereto, and (e) the dates of acquisition and disposition or maturity.

The Fiscal Agent shall also provide to the City, in accordance with a Request of the City, with respect to each Investment Security such documentation as is reasonably available to the Fiscal Agent and is required by the Code or other applicable law to be obtained by the City as evidence to establish that all investments have been acquired and disposed of on an established market in arm's-length transactions at a price equal to their fair market value and with no amounts have been paid to reduce the yield on the investments, or shall be United States Treasury Obligations-State and Local Government Series as set forth in the Tax Certificate.

SECTION 7.11. Funds and Accounts. Any fund required by this Fiscal Agent Agreement to be established and maintained by the Fiscal Agent may be established and maintained in the accounting records of the Fiscal Agent either as a fund or an account and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds shall at all times be maintained in accordance with customary standards of the corporate trust industry, to the extent practicable, and with due regard for the protection of the security of the Bonds and the rights of every Owner thereof.

SECTION 7.12. Money Held for Particular Bonds. The money held by the Fiscal Agent for the payment of the interest, principal or Redemption Price due on any date with respect to particular Bonds (or portions of Bonds in the case of Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it uninvested for the Owners of the Bonds entitled thereto, subject, however, to the provisions of Section 6.4 (Payment of Bonds After Discharge of Fiscal Agent Agreement).

## ARTICLE 8 COVENANTS OF THE CITY

SECTION 8.1. Power to Issue Bonds and Make Pledge. The City is duly authorized pursuant to the law to issue the Bonds and to enter into this Fiscal Agent Agreement and to pledge the Net Special Taxes and other assets purported to be pledged under this Fiscal Agent Agreement in the manner and to the extent provided in this Fiscal Agent Agreement. The Bonds and the provisions of this Fiscal Agent Agreement are and will be the valid and binding limited obligations of the City in accordance with their terms.

**SECTION 8.2. Limitations on Liens.** The City will not create any pledge, lien or charge upon any of the Net Special Taxes or other amounts pledged hereunder having priority over or having parity with the lien of the Bonds while any of the Bonds are Outstanding, except only as permitted in Section 4.1 (Issuance of Additional Series of Bonds).

**SECTION 8.3. Levy and Collection of the Special Taxes; Maintenance of Net Special Taxes; Expense Budgets.**

(A) **Levy and Collection of the Special Taxes.** The City covenants that, so long as any of the Bonds are Outstanding, it will annually levy and make provision for the collection of the Special Taxes in amounts that will be sufficient, after making reasonable allowances for contingencies and errors in the estimates, to yield proceeds equal to the amounts required for compliance with the agreements, conditions, covenants, and terms contained herein, and that in any event will be sufficient to pay the interest on and principal of and Mandatory Sinking Account Payments for and redemption premiums, if any, and to accumulate funds to pay future debt service on the Bonds as they become due and payable and to replenish the Bond Reserve Fund to the Bond Reserve Requirement and to pay all current Administrative Expenses as they become due and payable in accordance with the provisions hereof. The Special Taxes shall be collected in the same manner as ordinary ad valorem property taxes are collected and, except as otherwise provided in Section 8.7 (Covenant to Foreclose) and in the Law, shall be subject to the same penalties and the same procedure, sale, and lien priority in case of delinquency as is provided for ad valorem property taxes.

(B) **Maintenance of Net Special Taxes.** The City covenants and agrees to not consent to or conduct proceedings with respect to a reduction in the Special Taxes that may be levied in the District below an amount, for any Fiscal Year, equal to 110% of the aggregate of the debt service due and payable with respect to the Bonds in such Fiscal Year, plus a reasonable estimate of Administrative Expenses for such Fiscal Year; provided, however, that the City may at any time reduce the Net Special Taxes to the extent that the amount of Special Taxes that would result from levying the Special Taxes at such maximum amounts would result in an amount of Special Taxes in excess of the amount required to comply with such covenant. The City hereby acknowledges that Owners of Outstanding Bonds are purchasing the Bonds in reliance upon the foregoing covenant and that the covenant is necessary to assure the full and timely payment of the Bonds.

(C) **Expense Budget.** The City will, on or before August 1 in each year, adopt a budget for the Fiscal Year setting forth the estimated Administrative Expenses for such Fiscal Year; provided that any budget adopted in accordance with this section may be amended at any time.

**SECTION 8.4. Punctual Payment and Performance.** The City will punctually pay or cause to be paid the principal or Redemption Price and interest to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of this Fiscal Agent Agreement, according to the true intent and meaning thereof, and shall punctually pay or cause to be paid all Mandatory Sinking Account Payments, but in each case only out of Net Special Taxes as provided in this Fiscal Agent Agreement. The City will faithfully observe and perform all of the conditions, covenants, and terms contained herein and in the Bonds required to be observed and performed by it.

SECTION 8.5. Extension of Payment of Bonds. The City will not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any or claims for interest by any arrangement and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Fiscal Agent Agreement, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon that shall not have been so extended. Nothing in this Section shall be deemed to limit the right of the City to issue bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

SECTION 8.6. Limits on Special Tax Waivers and Bond Tenders. The City covenants not to exercise its rights under the Law to waive delinquency and redemption penalties related to or to declare an amnesty program with respect to such delinquency and redemption penalties related to the Special Taxes if to do so would materially and adversely affect the interests of the Owners of Outstanding Bonds. The City further covenants not to permit the tender of Bonds in payment of any Special Taxes except upon receipt of a certificate of an independent certified public accountant that to accept such tender will not result in the City's having insufficient Special Tax revenues to pay the principal of and interest on the Bonds that will remain Outstanding following such tender.

SECTION 8.7. Covenant to Foreclose. (A) Annual Review. The City will annually review the public records of Sacramento County relating to the collection of the Special Taxes in order to determine, by a date not later than August 1 of each year, the amount of Special Taxes collected and the amount thereof delinquent in the prior Fiscal Year.

(B) Individual Delinquencies. If the City determines on the basis of such review that the Special Tax with respect to any single parcel of Taxable Property is delinquent by more than two thousand five hundred dollars (\$2,500), then the City shall send a notice of delinquency and a demand for immediate payment thereof to the owner of the parcel by September 15. If the delinquency is not cured by November 1, the City will institute, prosecute, and pursue foreclosure proceedings to judgment and sale in order to enforce the lien of the delinquent installments of Special Taxes against such property owner's parcel(s).

(C) Aggregate Delinquencies. If the City determines on the basis of such review that (1) the amount of Special Taxes received was less than ninety-five per cent (95%) of the amount of Special Taxes levied in the Fiscal Year or (2) there were ten (10) or fewer owners of Taxable Property, then, by September 15, the City shall send a notice of delinquency and a demand for immediate payment thereof to each owner of a parcel with respect to which the Special Tax is delinquent. If a delinquency with respect to a parcel is not cured by November 1, the City will institute, prosecute, and pursue foreclosure proceedings to judgment and sale in order to enforce the lien of the delinquent installments of Special Taxes against the parcel.

SECTION 8.8. Preservation of Rights of Owners. The City and the Fiscal Agent shall at all times, to the extent permitted by law, defend, preserve, and protect the pledge of Net Special Taxes and other assets and all the rights of the Bondholders under this Fiscal Agent Agreement against all claims and demands of all persons whomsoever.

**SECTION 8.9. Waiver of Laws.** The City will not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in this Fiscal Agent Agreement or in the Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the City to the extent permitted by law.

**SECTION 8.10. Federal Income Tax Covenants.** The City shall at all times do and perform all acts and things permitted by law and this Fiscal Agent Agreement that are necessary and desirable in order to assure that interest paid on the Bonds will be excluded from gross income for federal income tax purposes and shall take no action that would result in such interest not being so excluded; provided that, prior to the issuance of any Series of Bonds, the City may exclude the application of the covenants contained in this Section to such Series of Bonds. Without limiting the generality of the foregoing, the City agrees to comply with the provisions of the Tax Certificate. This covenant shall survive the defeasance or payment in full of the Bonds.

**SECTION 8.11. Accounting for Special Taxes.** The City will at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with generally accepted accounting principles, in which complete and accurate entries shall be made of all transactions relating to the receipt and disbursement of the Special Taxes (including the expenditure of moneys from the Special Tax Fund). Such books of record and account shall be available for inspection by the Fiscal Agent at reasonable hours and under reasonable circumstances.

**SECTION 8.12. Annual and Extraordinary Reports.**

(A) **Annual Report to City Council.** Pursuant to Government Code sections 50075.3 and 53411, on or before October 30 in each year, as long as the Bonds are Outstanding the City's Director of Administrative Services shall prepare and file with the City Council a report containing (1) the amount of Special Taxes levied and collected in the preceding Fiscal Year, (2) the amount of funds available in the Acquisition and Construction Fund and the Community Facilities Fund, and (3) the status of the acquisition and construction of the Facilities.

(B) **Annual Report to CDIAC.** Pursuant to Government Code sections 53359.5(b), on or before October 30 in each year, as long as any Bonds are Outstanding, the City shall mail, postage prepaid, a report to CDIAC comprising the following data, all as of July 1 of such year:

- (1) the principal amount of Bonds Outstanding;
- (2) the balance in the Bond Reserve Fund;
- (3) the balance in any Capitalized Interest Account;
- (4) the following information concerning delinquent Special Taxes:
  - (a) the number of parcels of Taxable Property that are delinquent with respect to their payment of Special Taxes;
  - (b) the amount by which such parcels of Taxable Property are delinquent;

- (c) the length of time that each such parcel of Taxable Property has been delinquent;
  - (d) whether and when foreclosure proceedings were commenced with respect to each such parcel of Taxable Property;
- (5) the amount on deposit in the Acquisition and Construction Fund; and
- (6) the assessed value of each parcel of Taxable Property as shown on the last equalized assessment roll of Sacramento County.

(C) Extraordinary Reports to CDIAC. If the City knows that either of the events identified in Section 10.14(B) (Notice to CDIAC) has occurred and by the fifteenth day after such occurrence has not received a copy of the notice required of the Fiscal Agent in such event, then the City shall mail, postage prepaid, a notice of the occurrence to CDIAC as soon as possible thereafter.

(D) No Liability to Owners. The City shall not be liable to any Owners for failure to deliver any of the reports or notices required by this Section or for any error in the information contained in any such report or notice.

SECTION 8.13. Continuing Disclosure. The City will comply with and carry out all of the provisions of its Continuing Disclosure Certificate, as originally executed and as it may be amended from time to time in accordance with the terms thereof, and notwithstanding any other provision hereof, failure of the City to comply with such Continuing Disclosure Certificate shall not be considered a default hereunder; provided that any Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this section.

SECTION 8.14. Further Assurances. The City will adopt, make, execute and deliver any and all such 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 of the rights and benefits provided in this Fiscal Agent Agreement.

## ARTICLE 9 EVENTS OF DEFAULT AND REMEDIES OF BONDHOLDERS

SECTION 9.1. Events of Default. The following events shall be Events of Default:

(A) Principal Payment Default. default in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise, or default in the redemption from any Sinking Account of any Bonds in the amounts and at the times provided therefor;

(B) **Interest Payment Default.** default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable; and

(C) **Other Covenant Default.** if the City shall fail to observe or perform any covenant, condition, agreement or provision in this Fiscal Agent Agreement on its part to be observed or performed, other than as referred to in subsection (A) or (B) of this Section, for a period of sixty (60) days after written notice, specifying such failure and requesting that it be remedied, has been given to the City; except that, if such failure can be remedied but not within such sixty (60) day period and if the City has taken all action reasonably possible to remedy such failure within such sixty (60) day period, such failure shall not become an Event of Default for so long as the City shall diligently proceed to remedy same.

**SECTION 9.2. Remedies of Bondholders.** Upon the occurrence and continuance of an Event of Default, any Owner shall have the right for the equal benefit and protection of all Owners similarly situated

(A) by mandamus or other action, suit, or proceeding at law or in equity to enforce the Owners' rights against the City Council or the City or any of the officers or employees of the City, and to compel the City Council or the City or any such officers or employees to perform and carry out their duties under the Law and the agreements and covenants with the Owners contained herein;

(B) by suit in equity to enjoin any acts or things that are unlawful or violate the rights of the Owners; or

(C) by suit in equity upon the nonpayment of the Bonds to require the City Council or the City or its officers and employees to account as the trustee of an express trust.

**SECTION 9.3. Application of Money Collected.** If an Event of Default shall occur and be continuing, the Fiscal Agent shall apply all funds then held or thereafter received by the Fiscal Agent under any of the provisions of this Fiscal Agent Agreement (except as otherwise provided in this Fiscal Agent Agreement) as follows and in the following order:

**First:** To the payment of reasonable fees and expenses of the Fiscal Agent (including reasonable fees and disbursements of its counsel and other agents) incurred in and about the performance of its duties under this Fiscal Agent Agreement;

**Second:** To the payment of the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the persons entitled thereto, without any discrimination or preference; and

**Third:** To the payment of the persons entitled thereto of the unpaid principal of any Bonds that shall have become due, whether at maturity or by call for redemption, in the order of their due dates, with interest on the overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be sufficient to pay in full all the

Bonds due on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference.

SECTION 9.4. Restoration of Positions. In case any proceedings taken by any one or more Bondholders on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Bondholders, then in every such case the City and the Bondholders, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers, and duties of the City and the Bondholders shall continue as though no such proceedings had been taken.

SECTION 9.5. Rights and Remedies Cumulative. No right or remedy herein conferred upon or reserved to the Owners of the Bonds is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right or remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

SECTION 9.6. Delay or Omission Not Waiver. No delay or omission of any Owner of the Bonds to exercise any right or remedy accruing upon an Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Fiscal Agent Agreement or by law to the Owners of the Bonds may be exercised from time to time, and as often as may be deemed expedient, by the Owners.

## ARTICLE 10 THE FISCAL AGENT

SECTION 10.1. Appointment of Fiscal Agent. U.S. Bank, N.A., is hereby appointed as Fiscal Agent, paying agent, bond registrar, and authenticating agent for the Bonds under this Fiscal Agent Agreement and hereby accepts the trust imposed upon it as Fiscal Agent hereunder and to perform all the functions and duties of the Fiscal Agent hereunder, subject to the terms and conditions set forth in this Fiscal Agent Agreement.

SECTION 10.2. Certain Duties and Responsibilities.

(A) Duties Limited to Those Specified. The Fiscal Agent undertakes to perform such duties and only such duties as are specifically set forth in this Fiscal Agent Agreement and no implied covenants shall be read into this Fiscal Agent Agreement against the Fiscal Agent.

(B) Reliance on Documents. In the absence of bad faith on its part the Fiscal Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Fiscal Agent and conforming to the requirements of this Fiscal Agent Agreement; but in the case of any such certificates or opinions that by any provision hereof are specifically required to be furnished to the Fiscal Agent, the

Fiscal Agent shall be under a duty to examine the same to determine whether or not they conform to the requirements of the Fiscal Agent Agreement.

(C) Immunities of Fiscal Agent. No provision of this Fiscal Agent Agreement shall be construed to relieve the Fiscal Agent from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that

(1) this Subsection shall not be construed to limit the effect of Subsection A of this Section;

(2) the Fiscal Agent shall not be liable for any error of judgment made in good faith by a responsible officer, unless it shall be proved that the Fiscal Agent was negligent in ascertaining the pertinent facts; and

(3) no provision of 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 or exercise of any of its duties hereunder, or in the exercise of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(D) Immunities Applicable to All Provisions of Fiscal Agent Agreement. Whether or not therein expressly so provided, every provision of this Fiscal Agent Agreement relating to the conduct or affecting the liability of or affording protection to the Fiscal Agent shall be subject to the provisions of this Article 10 (The Fiscal Agent).

SECTION 10.3. Notice of Defaults. Within 90 days after the occurrence of any default hereunder, the Fiscal Agent shall transmit by mail to all Owners of Bonds as their names and addresses appear on the Bond Register notice of such default hereunder known to the Fiscal Agent, unless such default shall have been cured or waived. For purposes of this Section, the term “default” means any event that is, or after notice or lapse of time or both would become, and Event of Default.

SECTION 10.4. Certain Rights of Fiscal Agent; Liability of Fiscal Agent. Except as otherwise provided in Section 10.2 (Certain Duties and Responsibilities):

(A) Reliance on Documents Believed Genuine. the Fiscal Agent may rely and shall be protected in acting or refraining from acting upon any requisition, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, note, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(B) Documentation of City’s Directions. any request or direction of the City mentioned herein shall be sufficiently evidenced by a Certificate, Statement, Request, Requisition, or Order of the City;

(C) Reliance on City Certificate. whenever in the fulfillment of the obligations imposed upon it by this Fiscal Agent Agreement the Fiscal Agent shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action hereunder, the

Fiscal Agent (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon a Certificate of the City, 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;

(D) Reliance on Advice of Counsel. the Fiscal Agent may consult with counsel, including, without limitation, counsel of or to the City, and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered, or omitted by the Fiscal Agent hereunder in good faith and in reliance thereon;

(E) Investigation of Factual Matters. the Fiscal Agent shall not be bound to make any investigation into the facts or matters stated in any requisition, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, coupon or other paper or document, but the Fiscal Agent, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Fiscal Agent shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the City, personally or by agent or attorney.

(F) Performance of Duties by Agents. the Fiscal Agent may perform the duties required of it hereunder by or through attorneys, agents, or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its duty hereunder, but the Fiscal Agent shall be answerable for the negligence or misconduct of any such attorney-in-fact, agent, or receiver selected by it; provided that the Fiscal Agent shall not be answerable for the negligence or misconduct of any attorney-in-law or certified public accountant selected by it with due care.

**SECTION 10.5. Fiscal Agent Not Responsible for Recitals or Issuance of Bonds or Application of Proceeds.**

(A) Fiscal Agent Makes No Representations. The recitals of facts herein and in the Bonds contained shall be taken as statements of the City, and the Fiscal Agent assumes no responsibility for the correctness of the same (other than the certificate of authentication of the Fiscal Agent on each Bond). The Fiscal Agent makes no representations as to the validity or sufficiency of this Fiscal Agent Agreement or of the Bonds, as to the sufficiency of the Net Special Taxes or the priority of the lien of this Fiscal Agent Agreement thereon, or as to the financial or technical feasibility of any Project and shall not incur any responsibility in respect of any such matter, other than in connection with the duties or obligations expressly herein or in the Bonds assigned to or imposed upon it.

(B) Fiscal Agent Not Responsible for Application of Certain Moneys. The Fiscal Agent shall not be responsible for:

(1) the application or handling by the City of any Special Taxes or other moneys transferred to or pursuant to any Requisition or Request of the City in accordance with the terms and conditions hereof;

(2) the application and handling by the City of the Community Facilities Fund or any other fund or account designated to be held by the City hereunder;

(3) any error or omission by the City in making any computation or giving any instruction pursuant to Section 8.10 (Federal Income Tax Covenants) hereof and may rely conclusively on any computations or instructions furnished to it by the City in connection with the requirements of Section 8. 10 (Federal Income Tax Covenants) and the Tax Certificate;

(4) the construction, operation, or maintenance of any Facilities by the City.

**SECTION 10.6. Fiscal Agent May Hold Bonds.** The Fiscal Agent and its directors, officers, employees or agents may in good faith buy, sell, own, hold, and deal in any of the Bonds and may join in any action that any Owner of a Bond may be entitled to take, with like effect as if the Fiscal Agent were not the Fiscal Agent under this Fiscal Agent Agreement. The Fiscal Agent may in good faith hold any other form of indebtedness of the City, own, accept or negotiate any drafts, bills of exchange, acceptances or obligations of the City and make disbursements for the City and enter into any commercial or business arrangement therewith, without limitation.

**SECTION 10.7. Compensation and Indemnification of Fiscal Agent.** The City agrees

(A) Compensation. to pay to the Fiscal Agent from time to time reasonable compensation for all services rendered by it hereunder and, except as otherwise expressly provided herein, to reimburse the Fiscal Agent upon its request for all reasonable expenses, disbursements, and advances incurred or made by the Fiscal Agent in accordance with any provision of this Fiscal Agent Agreement, all in accordance with the terms of the written agreement between the City and the Fiscal Agent;

(B) Reimbursement. except as otherwise expressly provided herein, to reimburse the Fiscal Agent upon its request for all reasonable expenses, disbursements, and advances incurred or made by the Fiscal Agent in accordance with any provision of this Fiscal Agent Agreement (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement, or advance as be attributable to the Fiscal Agent's negligence or bad faith; and

(C) Indemnification. to indemnify the Fiscal Agent for, and to hold it harmless against, any loss, liability, or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of the trusts created hereby, including the costs and expenses (including attorneys' fees) of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

The rights of the Fiscal Agent and the obligations of the City under this Section 10.7 (Compensation and Indemnification of Fiscal Agent) shall survive the discharge of the Bonds and this Fiscal Agent Agreement.

**SECTION 10.8. Fiscal Agent Required; Eligibility.** There shall at all times be a Fiscal Agent hereunder, which shall be a trust company or bank having the powers of a trust company having a corporate trust office in the State, having a combined capital and surplus of at least fifty million dollars (\$50,000,000), and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually,

pursuant to law or to the requirements of any supervising or examining authority, then for the purpose 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. If at any time the Fiscal Agent shall cease to be eligible in accordance with the provisions of this Section, the Fiscal Agent shall resign immediately in the manner and with the effect specified in this Article.

**SECTION 10.9. Removal and Resignation; Appointment of Successor.**

(A) Effectiveness of Resignation or Removal. No removal or resignation of the Fiscal Agent and appointment of a successor Fiscal Agent pursuant to this Article shall become effective until the acceptance of appointment by the successor Fiscal Agent under Section 10.10 (Acceptance of Appointment by Successor).

(B) Fiscal Agent's Right to Resign. The Fiscal Agent may resign at any time by giving written notice of such resignation to the City and by giving the Bondholders notice of such resignation by mail at the addresses shown on the Bond Register. If an instrument of acceptance by a successor Fiscal Agent shall not have been delivered to the Fiscal Agent within thirty (30) days after the giving of such notice of resignation, the resigning Fiscal Agent may petition any court of competent jurisdiction for the appointment of a successor Fiscal Agent, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Fiscal Agent.

(C) City's Right to Remove Fiscal Agent. The City may remove the Fiscal Agent at any time, unless an Event of Default shall have occurred and then be continuing, by giving written notice of such removal to the Fiscal Agent.

(D) Removal of Fiscal Agent at Request of Owners. The City shall remove the Fiscal Agent if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing), by giving written notice of such removal to the Fiscal Agent.

(E) Mandatory Removal of Fiscal Agent. The City shall remove the Fiscal Agent if at any time

(1) the Fiscal Agent shall cease to be eligible in accordance with Section 10.8 (Fiscal Agent Required; Eligibility) and shall fail to resign after written request therefor by the City, or

(2) the Fiscal Agent shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Fiscal Agent or of its property shall be appointed or any public officer shall take control or charge of the Fiscal Agent or of its property or affairs for the purpose of rehabilitation, conservation, or liquidation,

in each case by giving written notice of such removal to the Fiscal Agent.

(F) Appointment of Successor. If the Fiscal Agent shall resign, be removed, or become incapable of acting, or if a vacancy shall occur in the office of Fiscal Agent for any cause, the City shall promptly appoint a successor Fiscal Agent by an instrument in writing. If no successor Fiscal Agent shall have been so appointed by the City and accepted appointment in the manner hereinafter provided within 30 days after such resignation, removal, or incapability or the occurrence of such vacancy, the Bondholders may, by an instrument or instruments signed by the Holders of a majority in principal amount of the Bonds, appoint a successor Fiscal Agent, or any Bondholder (on behalf of himself and all other Bondholders) may petition any court of competent jurisdiction for the appointment of a successor Fiscal Agent, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Fiscal Agent.

(G) Notice of Removal or Resignation. The City shall give notice of each resignation and each removal of the Fiscal Agent and each appointment of a successor Fiscal Agent by mailing written notice of such event by first-class mail, postage prepaid, to the Owners as their names and addresses appear in the Bond Register. Each notice shall include the name of the successor Fiscal Agent and the address of its principal corporate trust office. If the City fails to mail such notice within fifteen (15) days after acceptance of appointment by the successor Fiscal Agent, the successor Fiscal Agent shall cause such notice to be mailed at the expense of the City.

SECTION 10.10. Acceptance of Appointment by Successor. Any successor Fiscal Agent appointed under this Fiscal Agent Agreement shall execute and deliver to the City and to its predecessor Fiscal Agent an instrument accepting such appointment, and thereupon such successor Fiscal Agent, without any further act, deed, or conveyance, shall become vested with all the moneys, rights, and duties of the predecessor Fiscal Agent; but, at the Request of the City or the request of the successor Fiscal Agent, the predecessor Fiscal Agent shall, upon payment of its charges, execute and deliver an instrument conveying and transferring to the successor Fiscal Agent all the right, title, and interest of such predecessor Fiscal Agent in and to any property held by it under this Fiscal Agent Agreement and shall duly assign, transfer, and deliver to the successor Fiscal Agent all property and money held by the predecessor Fiscal Agent hereunder. Upon request of any successor Fiscal Agent, the City shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Fiscal Agent all such moneys, properties, rights, and duties.

SECTION 10.11. 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, provided such company shall be eligible under Section 10.8 (Fiscal Agent Required; Eligibility), shall be the successor to such Fiscal Agent without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding. In case any Bonds shall have been authenticated, but not delivered, by the Fiscal Agent then in office, any successor by merger, conversion, or consolidation to such authenticating Fiscal Agent may adopt such authentication and deliver the Bonds so authenticated with the same effect as if such successor Fiscal Agent had itself authenticated such Bonds.

SECTION 10.12. Preservation and Inspection of Documents. All documents received by the Fiscal Agent under the provisions of this Fiscal Agent Agreement shall be retained in its

possession and shall be subject at all reasonable times to the inspection of the City and any Owner, and their agents and representatives duly authorized in writing, at reasonable times and under reasonable conditions.

SECTION 10.13. Accounting Records. The Fiscal Agent will at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions relating to the Net Special Taxes. Such books of record and account shall be available for inspection by the City at reasonable hours and under reasonable circumstances.

SECTION 10.14. Reports to CDIAC.

(A) Information to City. On or before October 1 in each year, the Fiscal Agent shall provide to the City the information described in subsections (A)(1) and (2) of Section 8.12 (Annual and Extraordinary Reports to CDIAC).

(B) Notice to CDIAC. Not later than ten days following the occurrence of either of the following events:

(1) an Event of Default under Section 9.1(A) (Principal Default) or 9.1(B) (Interest Default), and

(2) withdrawal of amounts from the Bond Reserve Fund to make up a deficiency in the Interest Fund or the Principal Fund,

the Fiscal Agent shall mail, postage prepaid, a notice of such occurrence to CDIAC and to the City.

(C) No Liability to Owners. The Fiscal Agent shall not be liable to any Owner for failure to deliver the notice required by subsection (B) of this Section or for any error in the information delivered to the City pursuant to subsection (A) of this Section.

ARTICLE 11

MODIFICATION OR AMENDMENT OF THIS FISCAL AGENT AGREEMENT

SECTION 11.1. Supplemental Fiscal Agent Agreements Without Consent of Bondholders. This Fiscal Agent Agreement and the rights and obligations of the City, of the Fiscal Agent, and of the Owners of the Bonds may be modified or amended from time to time and at any time by a Supplemental Fiscal Agent Agreement, which the City may adopt without the consent of any Bondholders but only to the extent permitted by law and only for any one or more of the following purposes:

(A) Additional Security. to add to the covenants and agreements of the City contained in this Fiscal Agent Agreement other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the City;

(B) Curative Provisions. to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in this Fiscal Agent Agreement, or in regard to matters or questions arising under this Fiscal Agent Agreement, as the City may deem necessary or desirable, and that shall not materially and adversely affect the interests of the Owners of the Bonds;

(C) Trust Indenture Act Qualification. 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, and to add such other terms, conditions, and provisions as may be permitted by said act or similar federal statute, and that shall not materially and adversely affect the interests of the Owners of the Bonds;

(D) Additional Series. to create any Series of Bonds (other than the Series 2002A Bonds) and make such other provisions as provided in Article 4 (Issuance and Delivery of Additional Series of Bonds);

(E) Book-Entry System. to provide for the issuance of Bonds in book-entry form, provided that no such provision shall materially and adversely affect the interests of the Owners of the Bonds;

(F) Notice of Redemption. to modify or add to the procedures providing for the notice in the event of redemption of the Bonds in order to comply with regulations promulgated by the United States Securities and Exchange Commission;

(G) Credit Enhancements. to make modifications or adjustments necessary, appropriate, or desirable to accommodate credit enhancements including letters of credit, insurance policies, and surety bonds;

(H) Preservation of Tax Exemption. if the City agrees in a Supplemental Fiscal Agent Agreement to maintain the exclusion of interest on a Series of Bonds from gross income for purposes of federal income taxation, to make such provisions as are necessary or appropriate to ensure such exclusion; and

(I) No Material Effect. for any other purpose that does not materially and adversely affect the interests of the Owners of the Bonds.

**SECTION 11.2. Supplemental Fiscal Agent Agreements with Consent of Bondholders or Credit Providers.**

(A) Majority Consent. This Fiscal Agent Agreement and the rights and obligations of the City, the Owners of the Bonds, and the Fiscal Agent may be modified or amended from time to time and at any time by a Supplemental Fiscal Agent Agreement, which the City and the Fiscal Agent may enter into with the written consent of the Owners of a majority in aggregate principal amount of the Bonds (or, if such Supplemental Fiscal Agent Agreement is only applicable to a Series of Bonds, such Series of Bonds) then Outstanding shall have been filed with the Fiscal Agent; provided that, if such modification or amendment will, by its terms, not take effect so long as any Bonds of any particular maturity remain Outstanding, the consent of

the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Bonds Outstanding under this Section.

(B) Credit Provider Consent. This Fiscal Agent Agreement and the rights and obligations of the City and of the Owners of the Bonds and of the Fiscal Agent may also be modified or amended at any time by a Supplemental Fiscal Agent Agreement entered into by the City and the Fiscal Agent, which shall become binding when the written consents of each provider of a letter of credit or a policy of bond insurance for the Bonds shall have been filed with the Fiscal Agent, provided that at such time the payment of all the principal of and interest on all Outstanding Bonds shall be insured by a policy or policies of municipal bond insurance or payable under a letter of credit the provider of which shall be a financial institution or association having unsecured debt obligations rated, or insuring or securing other debt obligations rated on the basis of such insurance or letters of credit, in one of the two highest Rating Categories of Moody's and Standard & Poor's.

(C) Limitations on Amendments. No such modification or amendment shall (1) extend the fixed maturity of any Bond, or reduce the amount of principal thereof, or extend the time of payment or reduce the amount of any Mandatory Sinking Account Payment provided for the payment of any Bond, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the Owner of each Bond so affected, or (2) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Net Special Taxes and other assets pledged under this Fiscal Agent Agreement prior to or on a parity with the lien created by this Fiscal Agent Agreement, or deprive the Owners of the Bonds of the lien created by this Fiscal Agent Agreement on such Net Special Taxes and other assets (in each case, except as expressly provided in this Fiscal Agent Agreement), without the consent of the Owners of all of the Bonds then Outstanding.

(D) Manner of Consent. It shall not be necessary for the consent of the Bondholders to approve the particular form of any Supplemental Fiscal Agent Agreement, but it shall be sufficient if such consent shall approve the substance thereof.

(E) Notice of Amendments. Promptly after the execution and delivery by the Fiscal Agent and the City of any Supplemental Fiscal Agent Agreement pursuant to this Section, the Fiscal Agent shall mail a notice, setting forth in general terms the substance of such Supplemental Fiscal Agent Agreement or attaching a copy thereof, to the Owners of the Bonds at the addresses shown on the Bond Register. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Fiscal Agent Agreement.

SECTION 11.3. Execution of Supplemental Fiscal Agent Agreements. In executing, or accepting the additional duties created by, any Supplemental Fiscal Agent Agreement permitted by this Article or the modification thereby of the duties created by this Fiscal Agent Agreement, the Fiscal Agent shall be entitled to receive, and, subject to Section 10.2 (Certain Duties and Responsibilities), shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such Supplemental Fiscal Agent Agreement is authorized or permitted by this Fiscal

**Agent Agreement.** The Fiscal Agent may, but shall not be obligated to enter into any such Supplemental Fiscal Agent Agreement that affects the Fiscal Agent's own rights, duties, or immunities under this Fiscal Agent Agreement or otherwise.

**SECTION 11.4. Effect of Supplemental Fiscal Agent Agreement.** From and after the time any Supplemental Fiscal Agent Agreement becomes effective pursuant to this Article, this Fiscal Agent Agreement 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 City, the Fiscal Agent, and all Owners of Bonds Outstanding shall thereafter be determined, exercised, and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Fiscal Agent Agreement shall be deemed to be part of the terms and conditions of this Fiscal Agent Agreement for any and all purposes.

**SECTION 11.5. Endorsement of Bonds; Preparation of New Bonds.** Bonds delivered after any Supplemental Fiscal Agent Agreement becomes effective pursuant to this Article may, and if the Fiscal Agent so determines shall, bear a notation by endorsement or otherwise in form approved by the City and the Fiscal Agent as to any modification or amendment provided for in such Supplemental Fiscal Agent Agreement, and, in that case, upon demand of the Owner of any Bond Outstanding at the time of such execution and presentation of his Bond for such purpose at the Corporate Trust Office or at such additional offices as the Fiscal Agent may select and designate for that purpose, a suitable notation shall be made on such Bond. If the Supplemental Fiscal Agent Agreement shall so provide, new Bonds so modified as to conform, in the opinion of the City and the Fiscal Agent, to any modification or amendment contained in such Supplemental Fiscal Agent Agreement, shall be prepared and executed by the City and authenticated by the Fiscal Agent and, upon demand of the Owners of any Bonds then Outstanding and upon surrender for cancellation of such Bonds, shall be exchanged at the Corporate Trust Office, without cost to any Bondholder, for Bonds then Outstanding in equal aggregate principal amounts of the same Series, tenor, and maturity.

**SECTION 11.6. Amendment of Particular Bonds.** The provisions of this Article shall not prevent any Bondholder from accepting any amendment as to the particular Bonds held by him, provided that due notation thereof is made on such Bonds.

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

**U.S. BANK, N.A.**

By \_\_\_\_\_

**CITY OF ELK GROVE**

\_\_\_\_\_  
Mayor

ATTEST:

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

APPROVED AS TO FORM:

By \_\_\_\_\_  
Anthony Manzanetti, City Attorney

EXHIBIT A

[FORM OF SERIES 2002A BONDS]

REGISTERED  
No.

REGISTERED  
\$

CITY OF ELK GROVE  
EAST FRANKLIN COMMUNITY FACILITIES DISTRICT NO. 2002-1  
SPECIAL TAX BONDS, SERIES 2002A

Maturity	Interest Rate Per Annum	Date	CUSIP
September 1, 20__	%	August __, 2002	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT:

The City of Elk Grove, a municipal corporation duly organized and existing under and pursuant to the Constitution and laws of the State of California (the "City"), for value received, hereby promises to pay (but only out of the Net Special Taxes hereinafter referred to) to the registered owner named above or registered assigns, on the maturity date specified above, the principal sum specified above together with interest thereon from the date hereof until the principal hereof shall have been paid, at the interest rate per annum specified above, payable on September 1, 2002, and semiannually thereafter on March 1 and September 1 in each year. Interest hereon is payable in lawful money of the United States of America by check mailed or, upon the written request of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds who has provided the Fiscal Agent with wire transfer instructions, by wire transfer on each interest payment date to the registered owner as of the close of business on the 15th day of the calendar month immediately preceding such interest payment date. The principal hereof and premium, if any, hereon are payable at the corporate trust office of U.S. Bank, N.A., as fiscal agent (together with any successor as fiscal agent under the hereinafter mentioned Fiscal Agent Agreement, the "Fiscal Agent"), in Los Angeles, California, in lawful money of the United States of America.

This bond is one of a duly authorized issue of City of Elk Grove East Franklin Community Facilities District No. 2002-1 Special Tax Bonds (the "Bonds"), unlimited in aggregate principal amount, except as otherwise provided in said Fiscal Agent Agreement, which issue consists or may consist of one or more series of varying denominations, dates, maturities, interest rates and other provisions, as in said Fiscal Agent Agreement provided, all issued and to be issued pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982 (Sections 53311 et seq. of the Government Code of the State of California, as amended) (the "Law") and pursuant to a fiscal agent agreement dated July 1, 2002, between the Fiscal Agent and the City (said fiscal agent agreement, as amended and supplemented from time to time, the "Fiscal Agent Agreement"). This Bond is also one of a duly authorized series of Bonds

additionally designated "Series 2002A," issued in the aggregate principal amount of \$ \_\_\_\_\_.

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

The Bonds and the interest thereon (to the extent set forth in the Fiscal Agent Agreement) are payable from, and are secured by a charge and lien on, the proceeds derived by the City from the special taxes imposed pursuant to the Law within the City's East Franklin Community Facilities District No. 2002-1 (as more particularly defined in the Fiscal Agent Agreement, the "Net Special Taxes"). All of the Bonds are equally secured by a pledge of, and charge and lien upon, all of the Net Special Taxes. The Net Special Taxes constitute a trust fund for the security and payment of the interest on and principal of the Bonds; but nevertheless out of Net Special Taxes certain amounts may be applied for other purposes as provided in the Fiscal Agent Agreement.

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

The Series 2002A Bonds maturing on or after September 1, 20\_\_, are subject to redemption prior to their respective stated maturities, at the option of the City, from any source of available funds, as a whole on any date or in part (by such maturities as may be specified by the City and at random within a maturity) on any Interest Payment Date on or after September 1, 20\_\_, at the following redemption prices (computed upon the principal amount of Series 2002A Bonds called for redemption), plus accrued interest to the date fixed for redemption:

<u>Redemption Period</u> <u>(Both Dates Inclusive)</u>	<u>Redemption</u> <u>Price</u>
September 1, 20__, through August 31, 20__	102%
September 1, 20__, through August 31, 20__	101%
September 1, 20__, and thereafter	100

Series 2002A Term Bonds maturing on September 1, 20\_\_, and September 1, 20\_\_, shall also be subject to redemption prior to their respective stated maturities, in part, at random, from mandatory sinking account payments required by and as specified in the Fiscal Agent Agreement at the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

The Series 2002A Bonds are subject to redemption by the City prior to their respective stated maturities, as a whole or in part on any Interest Payment Date from prepayments of the Special Taxes, at the following redemption prices (expressed as a percentage of the principal amount of Series 2002A Bonds called for redemption), together with accrued interest thereon to the date fixed for redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
prior to September 1, 20__	103%
September 1, 20__, and March 1, 20__	102%
September 1, 20__, and March 1, 20__	101%
September 1, 20__, and thereafter	100

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

Unless this Bond is presented by an authorized representative of The Depository Trust Company to the Fiscal Agent for registration of transfer, exchange or payment, and any Bond issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

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

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

The City hereby certifies and recites that any and all acts, conditions, and things required to exist, to happen, and to be performed, precedent to and in the incurring of the indebtedness

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

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

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

CITY OF ELK GROVE

By: \_\_\_\_\_  
Mayor

Countersigned:

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

**CERTIFICATE OF AUTHENTICATION**

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

Dated:

U.S. BANK, N.A.,  
as Fiscal Agent

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

**[FORM OF ASSIGNMENT]**

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

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

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

Signature(s) Guaranteed by:

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

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

\_\_\_\_\_