

MARKED TO SHOW CHANGES.

FISCAL AGENT AGREEMENT

by and between

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT

and

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

dated as of December 1, 2014

**relating to:
\$4,004,331.15
Plumas Lake Elementary School District
Community Facilities District No. 1
2014 Special Tax Refunding Bonds**

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EXHIBIT A – FORM OF 2014 BOND

FISCAL AGENT AGREEMENT

THIS FISCAL AGENT AGREEMENT (the "Agreement"), dated as of December 1, 2014, is by and between the Plumas Lake Elementary School District, a school district duly established and validly existing as a political subdivision of the State of California (the "School District"), for and on behalf of the Plumas Elementary School District Community Facilities District No. 1 (the "CFD"), and U.S. Bank National Association, a national banking association duly organized and existing under the laws of the United States of America, as fiscal agent (the "Fiscal Agent").

RECITALS:

WHEREAS, the Board of Trustees of the School District has formed the CFD under the provisions of the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.* of the California Government Code) (the "Act") and Resolution No. 2003-11 of the Board of Trustees of the School District adopted on September 15, 2003;

WHEREAS, the Board of Trustees of the School District, as the legislative body with respect to the CFD, is authorized under the Act to levy special taxes to pay for the costs of facilities eligible to be financed by the CFD and to authorize the issuance of bonds, including bonds to refund any bonds of the School District for the CFD, secured by said special taxes under the Act;

WHEREAS, under the provisions of the Act, on October 18, 2005, the School District, for and on behalf of the CFD, issued \$4,900,000 initial principal amount of its Plumas Elementary School District Community Facilities District No. 1 Special Tax Bonds, Series 2005 (the "2005 Bonds");

WHEREAS, due to favorable interest rates in the financial markets, the Board of Trustees now has determined to refund the 2005 Bonds in full;

WHEREAS, under the provisions of the Act and Article 11, commencing with Section 53580, of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Refunding Law"), on October 2, 2014, the Board of Trustees of the School District adopted its Resolution No. _____ (the "Resolution"), which resolution, among other matters, authorized the issuance of the Plumas Lake Elementary School District Community Facilities District No. 1 2014 Special Tax Refunding Bonds (the "2014 Bonds") to provide moneys to defease and currently refund in whole the outstanding 2005 Bonds and provided that said issuance would be in accordance with this Agreement, and authorized the execution hereof;

WHEREAS, it is in the public interest and for the benefit of the School District, the CFD, the persons responsible for the payment of special taxes to be levied in the CFD and the owners of the 2014 Bonds that the School District enter into this Agreement to provide for the issuance of the 2014 Bonds, the disbursement of proceeds of the 2014 Bonds, the disposition of the special taxes securing the 2014 Bonds and the administration and payment of the 2014 Bonds; and

WHEREAS, the School District has determined that all things necessary to cause the 2014 Bonds, when authenticated by the School District for the CFD and issued as in the Act, the Refunding Law, the Resolution and this Agreement provided, to be legal, valid and binding and special obligations of the School District for the CFD in accordance with their terms, and all things necessary to cause the creation, authorization, execution and delivery of this Agreement and the creation, authorization, execution and issuance of the 2014 Bonds, subject to the terms hereof, have in all respects been duly authorized.

AGREEMENT:

NOW, THEREFORE, in consideration of the covenants and provisions herein set forth and for other valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto do hereby agree as follows:

ARTICLE I

STATUTORY AUTHORITY AND DEFINITIONS

Section 1.01. Authority for this Agreement. This Agreement is entered into pursuant to the provisions of the Act, the Refunding Law and the Resolution.

Section 1.02. Agreement for Benefit of Bondowners. The provisions, covenants and agreements herein set forth to be performed by or on behalf of the School District shall be for the equal benefit, protection and security of the Owners. All of the Bonds, without regard to the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, except as expressly provided in or permitted by this Agreement. Any action by any Owner to enforce the provisions of this Agreement shall be for the equal benefit and protection of all Owners of the Bonds.

The Fiscal Agent may become the owner of any of the Bonds in its own or any other capacity with the same rights it would have if it were not Fiscal Agent.

Section 1.03. Definitions. Unless the context otherwise requires, the terms defined in this Section 1.03 shall, for all purposes of this Agreement, of any Supplemental Agreement, and of any certificate, opinion or other document herein mentioned, have the meanings herein specified. All references herein to "Articles", "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Agreement, and the words "herein", "hereof", "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or subdivision hereof.

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

"Administrative Expenses" means any or all of the following: the fees and expenses of the Fiscal Agent (including any fees or expenses of its counsel), the expenses of the School District and the Treasurer in carrying out their duties hereunder (including, but not limited to, the levying and collection of the Special Taxes, and the foreclosure of the liens of delinquent Special Taxes) including the fees and expenses of its counsel, an allocable share of the salaries of School District and Treasurer staff related thereto and a proportionate amount of School District and County general administrative overhead related thereto, any amounts paid by the School District from its general funds pursuant to Section 6.02, any amounts paid or payable to any persons or entities employed by the School District or the Treasurer in connection with the discharge of any of the School District's or the Treasurer's obligations hereunder (including, but not limited to, the calculation of the levy of the Special Taxes, foreclosures with respect to delinquent taxes, and the calculation of amounts subject to rebate to the United States), any fees or expenses of the Escrow Bank and any costs incurred by the School District under or in connection with the Escrow Agreement, and all other costs and expenses of the School District, the Treasurer or the Fiscal Agent incurred in connection with the discharge of their respective duties hereunder or in connection with the 2014 Bonds or the refunding of the 2005 Bonds and, in the case of the School District or the Treasurer, in any way related to the administration of the Bonds or the CFD. Administrative Expenses shall include any such expenses incurred in prior years but not yet paid.

"Agreement" means this Fiscal Agent Agreement, as it may be amended or supplemented from time to time by any Supplemental Agreement adopted pursuant to the provisions hereof.

“Annual Debt Service” means, for each Bond Year, the sum of (i) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled, and (ii) the principal amount of the Outstanding Bonds due in such Bond Year.

“Approved Institutional Buyer” means (a) a “qualified institutional buyer” as defined in Rule 144A promulgated under the United States Securities Act of 1933, as in effect on the date hereof (the “Securities Act”); (b) an “accredited investor” as defined in Sections 501(a)(1) through (3) of Regulation D promulgated under the Securities Act; (c) an entity that is directly or indirectly wholly owned or controlled by the purchaser/bondholder representative (being a financial institution described in (a) above); (d) an entity all of the investors in which are described in (a), (b) or (c) above; or (e) a custodian or trustee for a party described in (a), (b) or (c) above.

“Auditor” means the Auditor-Controller of the County, as such other official at the County who is responsible for preparing property tax bills.

“Authorized Officer” means the President of the Board of Trustees of the School District, the Superintendent or any other officer or employee authorized by the Board of Trustees of the School District or by an Authorized Officer to undertake the action referenced in this Agreement as required to be undertaken by an Authorized Officer.

“Bond Counsel” means (i) Quint & Thimmig LLP, or (ii) any attorney or other firm of attorneys acceptable to the School District and nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities.

“Bond Fund” means the fund by that name established by Section 4.04(A) hereof.

“Bond Register” means the books for the registration and transfer of Bonds maintained by the Fiscal Agent under Section 2.08 hereof.

“Bond Year” means the one-year period beginning on August 1st in each year and ending on the day prior to August 1st in the following year except that the first Bond Year shall begin on the Closing Date and end on July 31, 2015.

“Bonds” means, collectively, the 2014 Bonds, and, if the context requires, any Parity Bonds, at any time Outstanding under this Agreement or any Supplemental Agreement.

“Business Day” means any day other than (i) a Saturday or a Sunday, or (ii) a day on which banking institutions in the state in which the Fiscal Agent has its corporate trust office are authorized or obligated by law or executive order to be closed.

“CFD” means the Plumas Elementary School District Community Facilities District No. 1, formed pursuant to the Act and the Resolution of Formation.

“Closing Date” means December 2, 2014, being the date upon which there is a physical delivery of the 2014 Bonds in exchange for the amount representing the purchase price of the 2014 Bonds by the Original Purchaser.

“Code” means the Internal Revenue Code of 1986 as in effect on the date of issuance of the 2014 Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the 2014 Bonds, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

“Community Facilities Fund” means the fund by that name established by Section 4.06(A) hereof.

“Costs of Issuance” means items of expense payable or reimbursable directly or indirectly by the School District and related to the authorization, sale and issuance of the 2014 Bonds and the refunding and defeasance of the 2005 Bonds, which items of expense shall include, but not be limited to, printing costs, costs of reproducing and binding documents, closing costs, filing and recording fees, initial fees and charges of the Fiscal Agent including its first annual administration fee, fees and expenses of Fiscal Agent’s counsel, expenses incurred by the School District in connection with the issuance of the 2014 Bonds and the defeasance and redemption of the 2005 Bonds, Escrow Bank fees and expenses, special tax consultant fees and expenses, legal fees and charges, including those of bond counsel, School District Counsel, financial advisor’s fees and expenses, placement agent fees and expenses, charges for execution, transportation and safekeeping of the 2014 Bonds and other costs, charges and fees in connection with the foregoing.

“Cost of Issuance Fund” means the fund by that name established by Section 4.02(A) hereof.

“County” means the County of Yuba, California.

“Debt Service” means the scheduled amount of interest and amortization of principal payable on the Bonds during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

“District Value” means the market value, as of the date of the appraisal described below or as of the most recent County assessment role, as applicable, of all parcels of real property in the CFD subject to the levy of the Special Taxes and not delinquent in the payment of any Special Taxes then due and owing, as determined by reference to (i) an appraisal performed within six (6) months of the date of issuance of any proposed Parity Bonds by an MAI appraiser (the “Appraiser”) selected by the School District, or (ii), in the alternative, the assessed value of all such nondelinquent parcels and improvements thereon as shown on the then current County real property tax roll available to the School District. The School District shall not be liable to the Owners, the Original Purchaser or any other person or entity in respect of any appraisal provided for purposes of this definition or by reason of any exercise of discretion made by any Appraiser pursuant to this definition.

“Escrow Agreement” means the Escrow Agreement, dated as of December 1, 2014, by and among the School District and the Escrow Bank.

“Escrow Bank” means Wells Fargo Bank, National Association, in its capacity as escrow bank under the Escrow Agreement.

“Fair Market Value” means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable

regulations under the Code, or (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt.

"Federal Securities" means any of the following which are non-callable and which at the time of investment are legal investments under the laws of the State of California for funds held by the Fiscal Agent:

(i) direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the United States Department of the Treasury) and obligations, the payment of principal of and interest on which are directly or indirectly guaranteed by the United States of America, including, without limitation, such of the foregoing which are commonly referred to as "stripped" obligations and coupons; or

(ii) any of the following obligations of the following agencies of the United States of America: (a) direct obligations of the Export-Import Bank, (b) certificates of beneficial ownership issued by the Farmers Home Administration, (c) participation certificates issued by the General Services Administration, (d) mortgage-backed bonds or pass-through obligations issued and guaranteed by the Government National Mortgage Association, (e) project notes issued by the United States Department of Housing and Urban Development, and (f) public housing notes and bonds guaranteed by the United States of America.

"Fiscal Agent" means the Fiscal Agent appointed by the School District and acting as an independent fiscal agent with the duties and powers herein provided, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in Section 7.01.

"Fiscal Year" means the twelve-month period extending from July 1 in a calendar year to June 30 of the succeeding year, both dates inclusive.

"Independent Financial Consultant" means any consultant or firm of such consultants appointed by the School District or any Authorized Officer, and who, or each of whom: (i) is judged by the person or entity that approved them to have experience in matters relating to the issuance and/or administration of bonds under the Act; (ii) is in fact independent and not under the domination of the School District; (iii) does not have any substantial interest, direct or indirect, with or in the School District, or any owner of real property in the CFD, or any real property in the CFD; and (iv) is not connected with the School District as an officer or employee of the School District, but who may be regularly retained to make reports to the School District.

"Interest Payment Dates" means February 1 and August 1 of each year, commencing February 1, 2015.

"Maximum Annual Debt Service" means the largest Annual Debt Service for any Bond Year after the calculation is made through the final scheduled maturity date for any Outstanding Bonds.

"Officer's Certificate" means a written certificate of the School District signed by the Treasurer or an Authorized Officer of the School District.

"Ordinance" means the Ordinance approved by Resolution No. 2003-12, adopted by the Board of Trustees of the School District on October 22, 2003, and any other ordinance of the School District levying the Special Taxes.

“Original Purchaser” means the first purchaser of the 2014 Bonds from the School District, being City National Bank.

“Outstanding”, when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 8.04) all Bonds except: (i) Bonds theretofore canceled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation; (ii) Bonds paid or deemed to have been paid within the meaning of Section 9.03; and (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the School District pursuant to this Agreement or any Supplemental Agreement.

“Owner” or “Bondowner” means any person who shall be the registered owner of any Outstanding Bond.

“Parity Bonds” means bonds issued by the School District for the CFD payable and secured on a parity with any then Outstanding Bonds, pursuant to Section 2.13 hereof.

“Permitted Investments” means the following, but only to the extent that the same are acquired at Fair Market Value and are otherwise legal investments for funds of the School District:

(a) Federal Securities.

(b) Registered state warrants or treasury notes or bonds of the State of California (the “State”), including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the State or by a department, board, agency, or authority of the State, which are rated in one of the two highest short-term or long-term rating categories by either Moody’s Investors Service or Standard and Poor’s Ratings Group, and which have a maximum term to maturity not to exceed three years.

(c) Demand deposits, time certificates of deposit or certificates of deposit issued by a state or nationally chartered bank or trust company, or a state or federal savings and loan association which may include the Fiscal Agent and its affiliates; provided, that the certificates of deposit shall be one or more of the following: continuously and fully insured by the Federal Deposit Insurance Corporation, and/or continuously and fully secured by securities described in subdivision (a) or (b) of this definition of Permitted Investments which shall have a market value, as determined on a marked-to-market basis calculated at least weekly, and exclusive of accrued interest, or not less than 102 percent of the principal amount of the certificates on deposit.

(d) Commercial paper which at the time of purchase is of “prime” quality of the highest ranking or of the highest letter and numerical rating as provided by either Moody’s Investors Service or Standard and Poor’s Ratings Group, which commercial paper is limited to issuing corporations that are organized and operating within the United States of America and that have total assets in excess of five hundred million dollars (\$500,000,000) and that have an “A” or higher rating for the issuer’s debentures, other than commercial paper, by either Moody’s Investors Service or Standard and Poor’s Ratings Group, provided that purchases of eligible commercial paper may not exceed 180 days’ maturity nor represent more than 10 percent of the outstanding commercial paper of an issuing corporation. Purchases of commercial paper may not exceed 20 percent of the total amount invested pursuant to this definition of Permitted Investments.

(e) A repurchase agreement with a state or nationally chartered bank or trust company or a national banking association or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, provided that all of the following conditions are satisfied: (1) the agreement is secured by any one or more of the securities described in subdivision (a) of this definition of Permitted Investments, (2) the underlying securities are required by the repurchase agreement to be held by a bank, trust company, or primary dealer having a combined capital and surplus of at least one hundred million dollars (\$100,000,000) and which is independent of the issuer of the repurchase agreement, and (3) the underlying securities are maintained at a market value, as determined on a marked-to-market basis calculated at least weekly, of not less than 103 percent of the amount so invested.

(f) An investment agreement or guaranteed investment contract with, or guaranteed by, a financial institution the long-term unsecured obligations of which are rated Aa2 and "AA" or better, respectively, by Moody's Investors Service and Standard and Poor's Ratings Group at the time of initial investment. The investment agreement shall be subject to a downgrade provision with at least the following requirements: (1) the agreement shall provide that within five business days after the financial institution's long-term unsecured credit rating has been withdrawn, suspended, other than because of general withdrawal or suspension by Moody's Investors Service or Standard and Poor's Ratings Group from the practice of rating that debt, or reduced below "AA-" by Standard and Poor's Ratings Group or below "Aa3" by Moody's Investors Service (these events are called "rating downgrades") the financial institution shall give notice to the School District and, within the five-day period, and for as long as the rating downgrade is in effect, shall deliver in the name of the School District or the Fiscal Agent to the School District or the Fiscal Agent Federal Securities allowed as investments under subdivision (a) of this definition of Permitted Investments with aggregate current market value equal to at least 105 percent of the principal amount of the investment agreement invested with the financial institution at that time, and shall deliver additional allowed federal securities as needed to maintain an aggregate current market value equal to at least 105 percent of the principal amount of the investment agreement within three days after each evaluation date, which shall be at least weekly, and (2) the agreement shall provide that, if the financial institution's long-term unsecured credit rating is reduced below "A3" by Moody's Investors Service or below "A-" by Standard and Poor's Ratings Group, the Fiscal Agent or the School District may, upon not more than five business days' written notice to the financial institution, withdraw the investment agreement, with accrued but unpaid interest thereon to the date, and terminate the agreement.

(g) The Local Agency Investment Fund of the State of California.

(h) Investments in a money market fund (including any funds of the Fiscal Agent or its affiliates and including any funds for which the Fiscal Agent or its affiliates provides investment advisory or other management services) rated in the highest rating category (without regard to plus (+) or minus (-) designations) by Moody's or S&P.

(i) The California Asset Management Program.

(j) Any other lawful investment for School District funds.

"Principal Office" means the corporate trust office of the Fiscal Agent as identified pursuant to Section 9.06 hereof; provided, however, for the purpose of maintenance of the Registration Books and surrender of Bonds for payment, transfer or exchange such term means

the office at which the Fiscal Agent conducts its corporate agency business, or such other or additional offices as may be designated by the Fiscal Agent.

“Project” means the facilities eligible to be funded by the CFD, as specified by the Resolution of Formation.

“Rate and Method of Apportionment” means the Rate and Method of Apportionment of Special Tax for the CFD, as approved by the Resolution of Formation, and as it may be amended from time to time in accordance with the provisions of the Act.

“Rating Category” means one of the two highest rating categories then in effect under the rating systems of Moody’s Investors Service or Standard and Poor’s Ratings Group, a division of McGraw-Hill, without regard to plus or minus sign or numerical or other qualifying designation.

“Record Date” means the fifteenth day of the month next preceding the month of the applicable Interest Payment Date, whether or not such fifteenth (15th) day is a Business Day.

“Refunding Bonds” means bonds issued by the School District for the CFD the net proceeds of which are used to refund all or a portion of the then Outstanding Bonds; provided that the debt service on the Refunding Bonds in any Bond Year is not in excess of the debt service on the Bonds being refunded, and the final maturity of the Refunding Bonds is not later than the final maturity of the Bonds being refunded.

“Refunding Fund” means the fund by that name created by and held by the Escrow Bank pursuant to the Escrow Agreement.

“Refunding Law” means Article 11, commencing with Section 53580, of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code.

“Registration Books” means the records maintained by the Fiscal Agent pursuant to Section 2.08 for the registration and transfer of ownership of the Bonds.

“Regulations” means temporary and permanent regulations promulgated under the Code.

“Reserve Fund” means the fund by that name established pursuant to Section 4.03(A) hereof.

“Reserve Requirement” means, as of any date of calculation, an amount equal to \$120,129.93 (being an amount equal to three percent (3.0%) of the original principal amount of the 2014 Bonds).

“Resolution” means Resolution No. _____, adopted by the Board of Trustees of the School District on October 2, 2014, authorizing the issuance of the 2014 Bonds.

“Resolution of Formation” means Resolution No. 2003-11, adopted by the Board of Trustees of the School District on September 15, 2003.

“School District” means the Plumas Lake Elementary School District.

“School District Counsel” means the School District’s General Counsel, which counsel may be a private individual or firm of attorneys specializing in school district law, and initially means Lozano Smith, LLP ~~or his or her designee.~~

“Special Tax Fund” means the fund by that name established by Section 4.05(A) hereof.

“Special Tax Prepayments” means the proceeds of any prepayments of Special Taxes received by the School District, as calculated pursuant to the Rate and Method of Apportionment, less any administrative fees or penalties collected as part of any such prepayment.

“Special Tax Prepayments Account” means the account by that name within the Bond Fund established by Section 4.04(A) hereof.

“Special Tax Revenues” means the proceeds of the Special Taxes received by the School District, including any scheduled payments and any prepayments thereof, interest and penalties thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien, but shall not include interest and penalties, if any, collected with the Special Taxes that are in excess of the rate of interest payable on the Bonds.

“Special Taxes” means the special taxes levied within the CFD pursuant to the Act, the Ordinance and this Agreement.

“Supplemental Agreement” means an agreement the execution of which is authorized by a resolution which has been duly adopted by the School District under the Act and which agreement is amendatory of or supplemental to this Agreement, but only if and to the extent that such agreement is specifically authorized hereunder.

“Tax Consultant” means any independent financial or tax consultant retained by the School District for the purpose of computing the annual levy of the Special Taxes.

“Treasurer” means the Treasurer of the County, who is the ex officio Treasurer of the School District.

“2005 Bonds” means the Plumas Elementary School District Community Facilities District No. 1 Special Tax Bonds, Series 2005.

“2014 Bonds” means the Plumas Lake Elementary School District Community Facilities District No. 1 2014 Special Tax Refunding Bonds at any time Outstanding under this Agreement.

ARTICLE II
THE BONDS

Section 2.01. Principal Amount; Designation. 2014 Bonds in the aggregate principal amount of Four Million Four Thousand Three Hundred Thirty-One Dollars and Fifteen Cents (\$4,004,331.15) are hereby authorized to be issued by the School District for the CFD under and subject to the terms of the Resolution, this Agreement, the Act, the Refunding Law and other applicable laws of the State of California. The 2014 Bonds are hereby designated the "Plumas Lake Elementary School District Community Facilities District No. 1 2014 Special Tax Refunding Bonds."

Section 2.02. Terms of 2014 Bonds.

(A) Denominations. The 2014 Bonds shall be issued in fully registered form without coupons in denominations of \$0.01 or any integral multiple in excess thereof.

(B) Date of 2014 Bonds. The 2014 Bonds shall be dated the Closing Date.

(C) [intentionally omitted]

(D) Maturity. The 2014 Bonds shall be in the principal amount of \$4,004,331.15, shall mature on August 1, 2035 and shall bear interest (calculated on the basis of a 360-day year of twelve 30-day months) at the rate of 3.75% per annum.

(E) Method of Payment. Interest on the 2014 Bonds shall be payable on each Interest Payment Date to the person whose name appears on the registration books maintained by the Fiscal Agent as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check of the Fiscal Agent mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owner at the address of such Owner as it appears on the registration books maintained by the Fiscal Agent as of the preceding Record Date. Subject to Section 2.02(G), principal of and premium (if any) on any 2014 Bond shall be paid by check upon presentation and surrender thereof, at maturity or the prior redemption thereof, at the Principal Office of the Fiscal Agent. The principal of and interest and premium (if any) on the 2014 Bonds shall be payable in lawful money of the United States of America.

All 2014 Bonds paid by the Fiscal Agent pursuant to this Article shall be canceled by the Fiscal Agent. The Fiscal Agent shall destroy the canceled 2014 Bonds and, upon written request of the School District, issue a certificate of destruction thereof to the School District.

(F) Interest. Each 2014 Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date; or (b) it is authenticated on or before January 15, 2015 in which event it shall bear interest from the Closing Date; *provided, however*, that if, as of the date of authentication of any 2014 Bond, interest thereon is in default, such 2014 Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

(G) Provisions Applicable While the 2014 Bonds Owned by Original Purchaser. Notwithstanding anything herein to the contrary, so long as the 2014 Bonds are owned by the Original Purchaser, (i) the Fiscal Agent shall pay principal of and interest and redemption

premium on the 2014 Bonds when due by wire transfer in immediately available funds to the Original Purchaser in accordance with such wire transfer instructions as shall be filed by the Original Purchaser with the Fiscal Agent from time to time, (ii) payments of principal on the 2014 Bonds pursuant to the mandatory sinking payment redemption provisions of Section 2.03(A)(iii) shall be made without the requirement for presentation and surrender of the 2014 Bonds by the Original Purchaser, provided that principal of the 2014 Bond which is payable at maturity shall be made only upon presentation and surrender of the 2014 Bond at the office of the Fiscal Agent as provided in Section 2.03(C), and (iii) the Fiscal Agent shall not be required to give notice to the Original Purchaser of the sinking fund payments of the 2014 Bonds under Section 2.03(E).

Section 2.03. Redemption.

(A) Redemption Dates.

(i) *Optional Redemption.* The 2014 Bonds are subject to optional redemption prior to their stated maturities on any date occurring on or after August 1, 2019, as a whole or in part, upon payment from any source of funds available for that purpose (other than Special Tax Prepayments), at a redemption price equal to 101% of the principal amount of the 2014 Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption.

(ii) The 2014 Bonds are subject to mandatory redemption in part by lot, on August 1 in each year commencing August 1, 2015 from sinking fund payments made by the School District from the Bond Fund pursuant to Section 4.04, at a redemption price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on August 1 in the respective years, all as set forth in the following table; provided, however, if some but not all of the 2014 Bonds have been redeemed pursuant to subsection (i) above, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of 2014 Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis as determined by the Treasurer, notice of which determination shall be given by the School District to the Fiscal Agent.

Sinking Fund Payment Date <u>(August 1)</u>	Sinking Fund <u>Payment Amount</u>
2015	\$188,202.26
2016	133,621.34
2017	138,194.64
2018	142,656.94
2019	146,999.08
2020	156,211.54
2021	160,244.48
2022	164,123.64
2023	172,918.28
2024	176,497.71
2025	184,978.88
2026	193,313.09
2027	201,397.33
2028	204,314.73
2029	212,001.53
2030	219,501.59
2031	226,807.90
2032	228,913.19
2033	240,247.44
2034	251,256.72
2035 (maturity)	261,928.84

Redemption of the 2014 Bonds pursuant to this Section 2.03(A)(ii) shall be subject to the provisions of clause (ii) of Section 2.02(G).

(B) Notice to Fiscal Agent. The School District shall give the Fiscal Agent written notice of its intention to redeem 2014 Bonds pursuant to subsection (A)(ii) above not less than forty-five (45) days prior to the applicable redemption date, or such lesser number of days as the Fiscal Agent shall allow.

(C) Priority of Redemption. Whenever provision is made in this Agreement for the redemption of less than all of the 2014 Bonds or any given portion thereof, the Fiscal Agent shall select the 2014 Bonds to be redeemed by lot in any manner which the Fiscal Agent in its sole discretion shall deem appropriate and fair. For purposes of such selection, all 2014 Bonds shall be deemed to be comprised of separate \$0.01 portions and such portions shall be treated as separate Bonds which may be separately redeemed.

(D) Purchase of Bonds in lieu of Redemption. In lieu of redemption under Section 2.03(A) above, moneys in the Bond Fund may be used and withdrawn by the Fiscal Agent for purchase of Outstanding 2014 Bonds, upon the filing with the Fiscal Agent of an Officer's Certificate requesting such purchase prior to the selection of 2014 Bonds for redemption, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Officer's Certificate may provide, but in no event may 2014 Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase.

(E) Redemption Procedure by Fiscal Agent. Except as otherwise provided in Section 2.02(G), the Fiscal Agent shall cause notice of any redemption to be mailed by first class mail, postage prepaid, at least thirty (30) days but not more than sixty (60) days prior to the date fixed for redemption, to the respective registered Owners of any 2014 Bonds designated for redemption, at their addresses appearing on the 2014 Bond registration books in the Principal Office of the Fiscal Agent; but such mailing shall not be a condition precedent to such

redemption and failure to mail or to receive any such notice, or any defect therein, shall not affect the validity of the proceedings for the redemption of such Bonds.

Such notice shall state the redemption date and the redemption price and, if less than all of the then Outstanding Bonds are to be called for redemption, shall state as to any 2014 Bond called in part the principal amount thereof to be redeemed, and shall require that such Bonds be then surrendered at the Principal Office of the Fiscal Agent for redemption at the said redemption price, and shall state that further interest on such Bonds will not accrue from and after the redemption date.

Notwithstanding the foregoing, in the case of any redemption of the 2014 Bonds under Section 2.03(A)(i) above, the notice of redemption may state that the redemption is conditioned upon receipt by the Fiscal Agent of sufficient moneys to redeem the 2014 Bonds on the anticipated redemption date, and that the redemption shall not occur if by no later than the scheduled redemption date sufficient moneys to redeem the 2014 Bonds have not been deposited with the Fiscal Agent. In the event that the Fiscal Agent does not receive sufficient funds by the scheduled redemption date to so redeem the 2014 Bonds to be redeemed, the Fiscal Agent shall send written notice to the owners of the 2014 Bonds to the effect that the redemption did not occur as anticipated, and the 2014 Bonds for which notice of redemption was given shall remain Outstanding for all purposes of this Agreement.

Upon surrender of 2014 Bonds redeemed in part only, the School District shall execute and the Fiscal Agent shall authenticate and deliver to the registered Owner, at the expense of the School District, a new 2014 Bond or 2014 Bonds, of the same maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the 2014 Bond or 2014 Bonds.

(F) Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of, and interest and any premium on, the 2014 Bonds so called for redemption shall have been deposited in the Bond Fund, such Bonds so called shall cease to be entitled to any benefit under this Agreement other than the right to receive payment of the redemption price, and no interest shall accrue thereon on or after the redemption date specified in such notice.

All Bonds redeemed and purchased by the Fiscal Agent pursuant to this Section shall be canceled by the Fiscal Agent. The Fiscal Agent shall destroy the canceled Bonds and, upon written request of the School District, issue a certificate of destruction thereof to the School District.

Section 2.04. Form of 2014 Bonds. The 2014 Bonds, the form of Fiscal Agent's certificate of authentication and the form of assignment, to appear thereon, shall be substantially in the forms, respectively, set forth in Exhibit A attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Agreement, the Resolution and the Act.

Section 2.05. Execution of Bonds. The Bonds shall be executed on behalf of the School District by the facsimile signatures of the President of the Board of Trustees of the School District and the Secretary of the Board of Trustees who are in office on the date of adoption of this Agreement or at any time thereafter. If any officer whose signature appears on any Bond ceases to be such officer before delivery of the Bonds to the owner, such signature shall nevertheless be as effective as if the officer had remained in office until the delivery of the Bonds to the owner. Any Bond may be signed and attested on behalf of the School District by such persons as at the actual date of the execution of such Bond shall be the proper officers of

the School District although at the nominal date of such Bond any such person shall not have been such officer of the School District.

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

Section 2.06. Transfer of Bonds. (A) Any Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of Section 2.08 by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form approved by the Fiscal Agent. Whenever any Bond or Bonds shall be surrendered for transfer, the School District shall execute and the Fiscal Agent shall authenticate and deliver a new Bond or Bonds, for like aggregate principal amount.

(B) The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such transfer shall be paid by the School District from any lawfully available funds of the CFD, including but not limited to amounts in the Community Facilities Fund. The Fiscal Agent shall collect from the Owner requesting such transfer any tax or other governmental charge required to be paid with respect to such transfer.

(C) The following shall apply to all transfers of the 2014 Bonds after the initial delivery of the 2014 Bonds, unless otherwise agreed by the School District in its sole and absolute discretion by written notice of an Authorized Officer to the Fiscal Agent:

(i) the 2014 Bonds, in the form attached hereto as Exhibit A, shall be physical certificated instruments, and shall not be held in a book-entry only system or registered through The Depository Trust Company;

(ii) the 2014 Bonds shall only be transferred to an entity that is an Approved Institutional Buyer;

(iii) the 2014 Bonds may only be transferred in denominations of \$0.01 or any integral multiple in excess thereof;

(iv) each transferee of the 2014 Bonds shall deliver to the School District and the Fiscal Agent an investor's letter in the form of Exhibit B hereto; and

(iv) the Fiscal Agent shall not authenticate or register a 2014 Bond unless the conditions of this Section 2.06(C) have been satisfied.

Nothing contained in this Section 2.06(C) shall be deemed to limit or otherwise restrict the sale by any Owner of any participation interests in any 2014 Bond; provided that (a) such Owner is selling interests to one or more Approved Institutional Buyers; or (b) (I) such Owner shall remain the Owner of record of such 2014 Bond following the sale of any such participation interest; (II) the purchaser of the participation interest is an Approved Institutional Buyer; and (III) each purchaser of a participation interest shall provide an investor letter to the School District and the Fiscal Agent substantially in the form of Exhibit B hereto.

(D) In no case shall a purchaser of a participation interest in any 2014 Bond be deemed to be an Owner of the 2014 Bonds, or have any rights of an Owner of the 2014 Bonds.

(E) No transfers of Bonds shall be required to be made (i) fifteen days prior to the date established by the Fiscal Agent for selection of Bonds for redemption or (ii) with respect to a Bond after such Bond has been selected for redemption.

Section 2.07. Exchange of Bonds. Bonds may be exchanged at the Principal Office of the Fiscal Agent for a like aggregate principal amount of Bonds of authorized denominations of the same series and of the same maturity. The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such exchange shall be paid by the School District from amounts in the Community Facilities Fund. The Fiscal Agent shall collect from the Owner requesting such exchange any tax or other governmental charge required to be paid with respect to such exchange.

No exchanges of Bonds shall be required to be made (i) fifteen days prior to the date established by the Fiscal Agent for selection of Bonds for redemption or (ii) with respect to a Bond after such Bond has been selected for redemption.

Section 2.08. Bond Register. The Fiscal Agent will keep or cause to be kept, at its Principal Office a Bond Register consisting of books for the registration and transfer of the Bonds which books shall show the series number, date, amount, rate of interest and last known owner of each Bond and shall at all times be open to inspection by the School District during regular business hours upon reasonable notice; and, upon presentation for such purpose, the Fiscal Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, the ownership of the Bonds as hereinbefore provided.

The School District and the Fiscal Agent will treat the Owner of any Bond whose name appears on the Bond Register as the absolute Owner of such Bond for any and all purposes, and the School District and the Fiscal Agent shall not be affected by any notice to the contrary. The School District and the Fiscal Agent may rely on the address of the Bondowner as it appears in the Bond register for any and all purposes.

Section 2.09. Temporary Bonds. The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such authorized denominations as may be determined by the School District, and may contain such reference to any of the provisions of this Agreement as may be appropriate. Every temporary Bond shall be executed by the School District upon the same conditions and in substantially the same manner as the definitive Bonds. If the School District issues temporary Bonds it will execute and furnish definitive Bonds without delay and thereupon the temporary Bonds shall be surrendered, for cancellation, in exchange for the definitive Bonds at the Principal Office of the Fiscal Agent or at such other location as the Fiscal Agent shall designate, and the Fiscal Agent shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations. Until so exchanged, the temporary bonds shall be entitled to the same benefits under to this Agreement as definitive Bonds authenticated and delivered hereunder.

Section 2.10. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the School District, at the expense of the Owner of said Bond, shall execute, and the Fiscal Agent shall authenticate and deliver, a new Bond of like tenor and principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Fiscal Agent of the Bond so mutilated. Every mutilated Bond so surrendered to the Fiscal Agent shall be canceled by it and destroyed by the Fiscal Agent.

If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Fiscal Agent and, if such evidence be satisfactory to it and indemnity for the School District and the Fiscal Agent satisfactory to the Fiscal Agent shall be given, the School District, at the expense of the Owner, shall execute, and the Fiscal Agent shall authenticate and deliver, a new Bond of like tenor and principal amount in lieu of and in substitution for the Bond so lost, destroyed or stolen. The School District may require payment of a sum not exceeding the actual cost of preparing each new Bond delivered under this Section and of the expenses which may be incurred by the School District and the Fiscal Agent for the preparation, execution, authentication and delivery. Any Bond delivered under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the School District whether or not the Bond so alleged to be lost, destroyed or stolen is at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Agreement with all other Bonds issued pursuant to this Agreement.

Section 2.11. Limited Obligation. All obligations of the School District under this Agreement and the Bonds shall be special obligations of the School District, payable solely from the Special Tax Revenues and the funds pledged therefore hereunder. Neither the faith and credit nor the taxing power of the School District (except with respect to the levy of Special Taxes in the CFD, to the limited extent set forth herein) or the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

Section 2.12. No Acceleration. The principal of the Bonds shall not be subject to acceleration hereunder. Nothing in this Section shall in any way prohibit the prepayment or redemption of Bonds under Section 2.03 hereof, or the defeasance of the Bonds and discharge of this Agreement under Section 9.03 hereof.

Section 2.13. Issuance of Parity Bonds. The School District may issue one or more series of Parity Bonds, in addition to the 2014 Bonds authorized under Section 2.01 hereof, by means of a Supplemental Agreement and without the consent of any Bondowners, upon compliance with the provisions of this Section 2.13. Only Refunding Bonds that comply with the requirements of this Section 2.13 shall be Parity Bonds, and such Parity Bonds shall constitute Bonds hereunder and shall be secured by a lien on the Special Tax Revenues and funds pledged for the payment of the Bonds hereunder on a parity with all other Bonds Outstanding hereunder. The School District may issue Refunding Bonds that are Parity Bonds subject to the following specific conditions precedent:

(A) **Current Compliance.** The School District shall be in compliance on the date of issuance of the Parity Bonds with all covenants set forth in this Agreement and all Supplemental Agreements, and the principal amount of the Parity Bonds shall not cause the School District to exceed the maximum authorized indebtedness of the CFD under the provisions of the Act.

(B) **Payment Dates.** The Supplemental Agreement providing for the issuance of such Parity Bonds shall provide that interest thereon shall be payable on February 1 and August 1, and principal thereof shall be payable on August 1 in any year in which principal is payable (provided that there shall be no requirement that any Parity Bonds pay interest on a current basis).

(C) **Funds and Accounts; Reserve Fund Deposit.** The Supplemental Agreement providing for the issuance of such Parity Bonds may provide for the establishment of separate funds and accounts, and may provide for a deposit to a separate reserve fund created to secure the payment of the respective Parity Bonds.

(D) Value-to-Lien Ratio. The District Value shall be at least three (3) times the sum of: (i) the aggregate principal amount of all Bonds then Outstanding, plus (ii) the aggregate principal amount of the series of Parity Bonds proposed to be issued, plus (iii) the aggregate principal amount of any fixed assessment liens on the parcels in the CFD subject to the levy of Special Taxes, plus (iv) a portion of the aggregate principal amount of any and all other community facilities district bonds then outstanding and payable at least partially from special taxes to be levied on parcels of land within the District (the "Other District Bonds") equal to the aggregate principal amount of the Other District Bonds multiplied by a fraction, the numerator of which is the amount of special taxes levied for the Other District Bonds on parcels of land within the CFD, and the denominator of which is the total amount of special taxes levied for the Other District Bonds on all parcels of land against which the special taxes are levied to pay the Other District Bonds (such fraction to be determined based upon the maximum special taxes which could be levied in the year in which maximum annual debt service on the Other District Bonds occurs), based upon information from the most recent available Fiscal Year.

(E) The Special Tax Coverage Test. The School District shall obtain a certificate of a Tax Consultant to the effect that the amount of the maximum Special Taxes that may be levied in each Fiscal Year shall be at least one hundred ten percent (110%) of the total Annual Debt Service for each such Fiscal Year on the Bonds and the proposed Parity Bonds.

(F) Officer's Certificate. The School District shall deliver to the Fiscal Agent an Officer's Certificate certifying that the conditions precedent to the issuance of such Parity Bonds set forth in subsections (A), (B), (C), (D) and (E) of this Section 2.13 have been satisfied; provided that the requirements described in subsections (D) and (E) need not be met with respect to any Parity Bonds that are Refunding Bonds. In delivering such Officer's Certificate, the Authorized Officer that executes the same may conclusively rely upon such certificates of the Fiscal Agent and others selected with due care, without the need for independent inquiry or certification.

Nothing in this Section 2.13 shall prohibit the School District from issuing bonds or otherwise incurring debt secured by a pledge of Special Tax Revenues subordinate to the pledge thereof under Section 4.01 of this Agreement.

ARTICLE III

ISSUANCE OF 2014 BONDS

Section 3.01. Issuance and Delivery of 2014 Bonds. At any time after the execution of this Agreement, the School District may issue the 2014 Bonds for the CFD in the aggregate principal amount set forth in Section 2.01 and deliver the 2014 Bonds to the Original Purchaser. The Authorized Officers of the School District and the Treasurer are hereby authorized and directed to deliver any and all documents and instruments necessary to cause the issuance of the 2014 Bonds in accordance with the provisions of the Act, the Refunding Law, the Resolution and this Agreement, to authorize the payment of Costs of Issuance and costs of the refunding of the 2005 Bonds from the proceeds of the 2014 Bonds and to do and cause to be done any and all acts and things necessary or convenient for delivery of the 2014 Bonds to the Original Purchaser.

Section 3.02. Pledge of Special Tax Revenues. The Bonds shall be secured by a first pledge of all of the Special Tax Revenues and all moneys deposited in the Bond Fund and, until disbursed as provided herein, in the Special Tax Fund. The 2014 Bonds shall also be secured by a first and exclusive pledge of and lien on amounts in the Reserve Fund. The Special Tax Revenues and all moneys deposited into said funds (except as otherwise provided herein) are hereby dedicated to the payment of the principal of, and interest and any premium on, the Bonds as provided herein and in the Act until all of the Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose in accordance with Section 9.03, except that amounts in the Reserve Fund shall only be security for the 2014 Bonds.

Amounts in the Administrative Expense Fund, the Costs of Issuance Fund and the Refunding Fund are not pledged to the repayment of the Bonds. The facilities financed by the CFD are not in any way pledged to pay the debt service on the Bonds. Any proceeds of the sale, condemnation or destruction of any facilities financed by the CFD are not pledged to pay the debt service on the Bonds and are free and clear of any lien or obligation imposed hereunder.

Section 3.03. Validity of Bonds. The validity of the authorization and issuance of the Bonds shall not be dependent upon the performance by any person of his obligation with respect to the Project.

ARTICLE IV

PROCEEDS OF THE 2014 BONDS; FUNDS AND ACCOUNTS

Section 4.01. Application of Proceeds of Sale of 2014 Bonds. (A) The proceeds of the purchase of the 2014 Bonds by the Original Purchaser (being \$4,004,331.15) shall be paid to the Fiscal Agent, who shall forthwith set aside, pay over and deposit such proceeds on the Closing Date as follows:

(i) Deposit in the Reserve Fund \$120,129.93 (being an amount equal to the Reserve Requirement).

(ii) Deposit in the Costs of Issuance Fund an amount equal to \$116,250.00.

(iii) Transfer to the Escrow Bank for deposit by the Escrow Bank in the Refunding Fund an amount equal to \$3,767,951.22.

(B) In addition to the foregoing, on the Closing Date the School District shall transfer or cause to be transferred certain moneys held with respect to the 2005 Bonds as follows:

(i) Transfer from the community facilities fund held under the fiscal agent agreement for the 2005 Bonds to the Treasurer for deposit by the Treasurer in the Community Facilities Fund, all amounts on deposit in such community facilities fund.

(ii) Transfer from the special tax fund held with respect to the 2005 Bonds (a) to the Escrow Bank for deposit by the Escrow Bank in the Refunding Fund \$_____ ; and (b) to the Treasurer for deposit by the Treasurer in the Special Tax Fund, all remaining amounts on deposit in such special tax fund.

(iii) Transfer from the reserve fund held with respect to the 2005 Bonds to the Escrow Bank for deposit by the Escrow Bank in the Refunding Fund, the \$311,313.97 on deposit in such reserve fund.

(iv) Transfer amounts in any other fund held under the fiscal agent agreement with respect to the 2005 Bonds to the Treasurer for deposit by the Treasurer in the Community Facilities Fund, any amounts on deposit in such bond fund.

(C) The Fiscal Agent may establish a temporary fund or account in its records to facilitate any of the deposits or transfers referred to in this Section 4.01.

Section 4.02. Costs of Issuance Fund.

(A) Establishment of Costs of Issuance Fund. There is hereby established as a separate fund to be held by the Fiscal Agent, the Community Facilities District No. 1 2014 Special Tax Refunding Bonds, Costs of Issuance Fund, to the credit of which a deposit shall be made as required by clause (ii) of Section 4.01(A). Moneys in the Costs of Issuance Fund shall be held by the Fiscal Agent and shall be disbursed as provided in subsection (B) of this Section.

(B) Disbursement. Amounts in the Costs of Issuance Fund shall be disbursed from time to time to pay Costs of Issuance, as set forth in a requisition containing respective amounts to be paid to the designated payees, signed by an Authorized Officer or the Treasurer and delivered to the Fiscal Agent concurrently with the delivery of the 2014 Bonds. The Fiscal Agent shall pay all Costs of Issuance upon receipt of an invoice from any such payee which requests payment in

an amount which is less than or equal to the amount set forth with respect to such payee in such requisition, or upon receipt of an Officer's Certificate requesting payment of a Cost of Issuance not listed on the initial requisition delivered to the Fiscal Agent on the Closing Date. Each such Officer's Certificate shall be sufficient evidence to the Fiscal Agent of the facts stated therein and the Fiscal Agent shall have no duty to confirm the accuracy of such facts. The Fiscal Agent shall maintain the Cost of Issuance Fund for a period of 120 days from the Closing Date and then shall transfer any moneys remaining therein, including any investment earnings thereon, to the Treasurer for deposit by the Treasurer to the Community Facilities Fund.

(C) Investment. Moneys in the Cost of Issuance Fund shall be invested by the Fiscal Agent in accordance with Section 6.01. Interest earnings and profits resulting from said investment shall be retained by the Fiscal Agent in the Cost of Issuance Fund to be used for the purposes of such fund.

Section 4.03. Reserve Fund.

(A) Establishment of Reserve Fund. There is hereby established as a separate fund to be held by the Fiscal Agent, the Community Facilities District No. 1 2014 Special Tax Refunding Bonds, Reserve Fund to the credit of which a deposit shall be made as required by clause (i) of Section 4.01(A), which deposit is equal to the initial Reserve Requirement, and deposits shall be made as provided in subclause second of clause (ii) of the second paragraph of Section 4.05(A), and Section 4.05(B). Moneys in the Reserve Fund shall be held by the Fiscal Agent for the benefit of the Owners of the 2014 Bonds as a reserve for the payment of principal of, and interest and any premium on, the 2014 Bonds and shall be subject to a lien in favor of the Owners of the 2014 Bonds.

(B) Use of Reserve Fund. Except as otherwise provided in this Section, all amounts deposited in the Reserve Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of, and interest and any premium on, the 2014 Bonds.

(C) Transfer of Excess of Reserve Requirement. Whenever, on the Business Day before any Interest Payment Date, or on any other date at the request of an Authorized Officer, the amount in the Reserve Fund exceeds the then Reserve Requirement, the Fiscal Agent shall provide written notice to the School District and the Treasurer of the amount of the excess and shall transfer an amount equal to the excess from the Reserve Fund to the Bond Fund to be used for the payment of interest on the 2014 Bonds on the next Interest Payment Date in accordance with Section 4.04.

(D) Transfer for Rebate Purposes. Amounts in the Reserve Fund shall be withdrawn, at the written request of an Authorized Officer or the Treasurer, for purposes of making payment to the federal government to comply with Section 6.02.

(E) Transfer When Balance Exceeds Outstanding Bonds. Whenever the balance in the Reserve Fund exceeds the amount required on any Interest Payment Date to pay the remaining principal of Outstanding 2014 Bonds on such Interest Payment Date, the Fiscal Agent shall transfer the amount in the Reserve Fund to the Bond Fund to be applied, on such Interest Payment Date to the payment, in accordance with Section 4.04, of the principal due on such date on Outstanding 2014 Bonds. In the event that the amount so transferred from the Reserve Fund to the Bond Fund exceeds the amount required to pay the principal due on the such date on Outstanding 2014 Bonds, the balance in the Reserve Fund shall be transferred to the Treasurer for deposit by the Treasurer in the Community Facilities Fund.

Notwithstanding the foregoing, no amounts shall be transferred from the Reserve Fund pursuant to this Section 4.03(E) until after the calculation, pursuant to Section 6.02, of any amounts due to the federal government following payment of the 2014 Bonds and withdrawal of any such amount under Section 4.03(D) for purposes of making such payment to the federal government.

(F) Investment. Moneys in the Reserve Fund shall be invested by the Fiscal Agent in accordance with Section 6.01. One Business Day before each Interest Payment Date, interest earnings and profits resulting from said investment shall be transferred by the Fiscal Agent to the Bond Fund to be used by the Fiscal Agent to pay scheduled debt service on the 2014 Bonds, but any such transfer shall be made only to the extent that following such transfer the amount on deposit in the Reserve Fund equals the then Reserve Requirement.

Section 4.04. Bond Fund.

(A) Establishment of Bond Fund. There is hereby established as a separate fund to be held by the Fiscal Agent, the Community Facilities District No. 1 2014 Special Tax Refunding Bonds, Bond Fund to the credit of which deposits shall be made as required by subclause first of clause (ii) of the second paragraph of Section 4.05(A), Section 4.05(B), and Section 4.03, and any other amounts required to be deposited therein by this Agreement or the Act. Within the Bond Fund there is hereby established a Special Tax Prepayments Account to the credit of which deposits shall be made as required by clause (iii) of the second paragraph of Section 4.05(A). Moneys in the Bond Fund and the Special Tax Prepayments Account therein shall be held by the Fiscal Agent for the benefit of the Owners of the Bonds, shall be disbursed for the payment of the principal of, and interest and any premium on, the Bonds as provided below, and, pending such disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

(B) Disbursements. (i) Bond Fund Disbursements. At least ten (10) Business Days before each Interest Payment Date, the Fiscal Agent shall notify the Treasurer in writing as to the principal and premium, if any, and interest due on the Bonds on the next Interest Payment Date and the total amount of scheduled interest and principal due on Bonds in the calendar year commencing in that Fiscal Year. On each Interest Payment Date, and following any transfers required pursuant to Sections 4.05(B), 4.04(B)(ii) and 4.03(C), (E) and (F) in connection with such Interest Payment Date, the Fiscal Agent shall withdraw from the Bond Fund and pay to the Owners of the Bonds the principal of, and interest and any premium, then due and payable on the Bonds, including any amounts due on the Bonds by reason of a redemption of the Bonds required by Section 2.03(A)(i) or (ii), such payments to be made in the priority listed in the third succeeding paragraph. Notwithstanding the foregoing, amounts in the Bond Fund as a result of a transfer pursuant to clause (ii) of the second paragraph of Section 4.05(A) shall be immediately disbursed by the Fiscal Agent to pay past due amounts owing on the Bonds.

At least two (2) Business Days prior to each Interest Payment Date, the Fiscal Agent shall determine if the amounts then on deposit in the Bond Fund are sufficient to pay the debt service due on the Bonds on the next Interest Payment Date. In the event that amounts in the Bond Fund are insufficient for such purpose, the Fiscal Agent promptly shall notify the Treasurer in writing of the amount of the insufficiency.

In the event that amounts in the Bond Fund are insufficient for the purpose of paying all amounts then due on the 2014 Bonds, the Fiscal Agent shall withdraw from the Reserve Fund to the extent of any funds therein amounts to cover the amount of such insufficiency. Amounts so withdrawn from the Reserve Fund shall be deposited by the Fiscal Agent in the Bond Fund and shall be used solely to pay amounts due on the 2014 Bonds.

If, after the foregoing transfers, there are insufficient funds in the Bond Fund to make the payments provided for in the first sentence of the first paragraph of this Section 4.02(B)(i), the Fiscal Agent shall apply the available funds first to the payment of interest on the Bonds, then to the payment of principal due on the Bonds.

(ii) Special Tax Prepayments Account Disbursements. Moneys in the Special Tax Prepayments Account shall be transferred by the Fiscal Agent to the Bond Fund on the next date for which notice of redemption of 2014 Bonds under Section 2.03(A)(i) can timely be given by the Fiscal Agent under Section 2.03(E), and shall be used to redeem Bonds on the redemption date selected in accordance with Section 2.03.

(C) Investment. Moneys in the Bond Fund and the Special Tax Prepayments Account shall be invested by the Fiscal Agent in accordance with Section 6.01. Interest earnings and profits resulting from investment of amounts in the Bond Fund and the Special Tax Prepayments Account shall be retained by the Fiscal Agent in the Bond Fund and the Special Tax Prepayments Account, respectively, to be used for the purposes of such fund and account as applicable.

(D) State Reporting. If at any time the Fiscal Agent fails to pay principal and interest due on any scheduled payment date for the Bonds, or if funds are withdrawn from the Reserve Fund to pay principal and/or interest on the 2014 Bonds, the Fiscal Agent shall notify the Treasurer and the School District in writing of such failure or withdrawal, and the Treasurer shall notify the California Debt and Investment Advisory Commission of such failure or withdrawal within 10 days of the failure to make such payment or the date of such withdrawal.

Section 4.05. Special Tax Fund.

(A) Establishment of Special Tax Fund. There is hereby established as a separate fund to be held by the Treasurer, the Community Facilities District No. 1 2014 Special Tax Refunding Bonds, Special Tax Fund. The Treasurer shall deposit, as soon as practicable following receipt, all Special Tax Revenues and any amounts required by Section 4.01(B)(ii)(b) and Section 4.01(B)(iv) to be deposited to the Special Tax Fund.

Notwithstanding the foregoing,

(i) any Special Tax Revenues constituting payment of the portion of the Special Tax levy for Administrative Expenses, as identified by the Treasurer, shall be deposited by the Treasurer in the Community Facilities Fund;

(ii) any Special Tax Revenues constituting the collection of delinquencies in payment of Special Taxes, as identified by the Treasurer, shall be transferred by the Treasurer first, to the Fiscal Agent for deposit by the Fiscal Agent in the Bond Fund to the extent needed to pay any past due debt service on the Bonds; second, to the Fiscal Agent for deposit by the Fiscal Agent in the Reserve Fund to the extent needed to increase the amount then on deposit in the Reserve Fund up to the then Reserve Requirement; third, to the Fiscal Agent for deposit by the Fiscal Agent in any reserve fund established for any Parity Bonds, to such reserve fund to the extent needed to increase the amount then on deposit in such reserve fund up to the applicable reserve requirement for such reserve fund as specified in the Supplemental Agreement providing for the issuance of such Parity Bonds; and fourth, shall be transferred by the Treasurer to the in the Community Facilities Fund; and

(iii) any proceeds of Special Tax Prepayments, as identified by the Treasurer, shall be transferred by the Treasurer to the Fiscal Agent for deposit by the Fiscal Agent to the Special Tax Prepayments Account established pursuant to Section 4.04(A).

Moneys in the Special Tax Fund shall be held by the Treasurer for the benefit of the School District and the Owners of the Bonds, shall be disbursed as provided below and, pending and disbursement, shall be subject to a lien in favor of the Owners of the Bonds and the School District.

(B) Disbursements. On the Business Day before each Interest Payment Date, the Treasurer shall withdraw from the Special Tax Fund and transfer the following amounts in the following order of priority (i) to the Fiscal Agent for deposit by the Fiscal Agent in the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund and any expected transfers from the Reserve Fund and the Special Tax Fund to the Bond Fund pursuant to Sections 4.03(C), (E) and (G), and 4.05(A), such that the amount in the Bond Fund equals the principal, premium, if any, and interest due on the Bonds on the next Interest Payment Date, (ii) to the Fiscal Agent for deposit by the Fiscal Agent in the Reserve Fund an amount, taking into account amounts then on deposit in the Reserve Fund, such that the amount in the Reserve Fund is equal to the Reserve Requirement, (iii) to the Fiscal Agent for deposit by the Fiscal Agent in the reserve fund established for any Parity Bonds an amount, taking into account amounts then on deposit in such reserve fund, such that the amount in said reserve fund is equal to the reserve requirement specified in the Supplemental Agreement providing for the issuance of such Parity Bonds, and (iv) following the foregoing transfers, to the Community Facilities Fund; provided that any such transfer to the Community Facilities Fund on the Business Day prior to any February 1 shall be such that there shall remain on deposit in the Special Tax Fund an amount equal to one-half of the scheduled principal due on the Bonds on the next August 1 following the transfer; provided that no such transfers shall exceed the amount then available to be transferred from the Special Tax Fund.

(C) Investment. Moneys in the Special Tax Fund shall be invested by the Treasurer in accordance with Section 6.01. Interest earnings and profits resulting from investment of amounts in the Special Tax Fund shall be retained by the Treasurer in the Special Tax Fund to be used for the purposes thereof.

Section 4.06. Community Facilities Fund.

(A) Establishment of Administrative Expense Fund. There is hereby established as a separate fund to be held by the Treasurer, the Community Facilities District No. 1 2014 Special Tax Refunding Bonds, Community Facilities Fund, to the credit of which deposits shall be made as required by Section 4.01(B)(i) and (iv), clause (i) and (ii) of the second paragraph of Section 4.05(A), Section 4.02(B) and Section 4.05(B). Moneys in the Administrative Expense Fund shall be held by the Treasurer for the benefit of the School District, and shall be disbursed as provided below.

(B) Disbursement. Amounts in the Community Facilities Fund shall be withdrawn by the Treasurer and paid to the Treasurer or its order upon receipt by the Treasurer of an Officer's Certificate stating the amount to be withdraw, that such amount is to be used to pay an Administrative Expense, to pay for costs of the Project or for any other lawful purpose of the CFD, and the nature of such Administrative Expense, cost or other purpose. Amounts transferred to the Community Facilities Fund pursuant to Section 4.02(B) shall be used for purposes of such fund prior to using other available amounts therein.

(C) Investment. Moneys in the Community Facilities Fund shall be invested by the Treasurer in accordance with Section 6.01. Interest earnings and profits resulting from said

investment shall be retained by the School District in the Community Facilities Fund to be used for the purposes of such fund.

ARTICLE V

OTHER COVENANTS OF THE SCHOOL DISTRICT

Section 5.01. Collection of Special Tax Revenues. The School District shall comply with all requirements of the Act so as to assure the timely collection of Special Tax Revenues, including without limitation, the enforcement of delinquent Special Taxes.

On or within five (5) Business Days of June 1 of each year, the Fiscal Agent shall provide the School District and the Treasurer with a notice stating the amounts then on deposit in the Bond Fund, the Reserve Fund and in any reserve fund established for any Parity Bonds, and the total amount of the scheduled principal and interest due on the Bonds in the next calendar year. The receipt of or failure to receive such notice by the School District or the Treasurer shall in no way affect the obligations of the School District under the following three paragraphs. Upon receipt of such notice, the School District shall ascertain the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits during the preceding and then current year. In computing the amount of Special Taxes to be levied, the School District shall take into account funds available in the Bond Fund to make the payment of debt service on the Bonds due on the Interest Payment Dates occurring in the next calendar year, along with any transfers of investment earnings pursuant to Sections 4.03(C) or 4.03(F) to the Bond Fund expected to occur on such Interest Payment Date.

The School District shall effect the levy of the Special Taxes from time to time during each Fiscal Year in accordance with the Ordinance and the Rate and Method of Apportionment. Specifically, the School District shall compute the amount of Special Taxes to be so levied each Fiscal Year before the final date on which the Auditor will accept the transmission of the Special Tax amounts for the parcels within the CFD for inclusion on the next secured or unsecured, as applicable, real property tax roll. Upon the completion of the computation of the amounts of the levy, the School District shall prepare or cause to be prepared such data as may be required to include the levy of the Special Taxes on the next real property tax roll. The Special Taxes so levied shall be payable and be collected in the same manner and at the same time and in the same installment as the taxes on property levied on the tax roll are payable, and have the same priority, become delinquent at the same times and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general ad valorem taxes levied on the County's secured tax roll.

In the event that the School District determines to levy all or a portion of the Special Taxes by means of direct billing of the property owners within the CFD, and to the extent permitted by the Ordinance, the School District shall, not less than forty-five (45) days prior to the first Interest Payment Date for which the levy is being made, send bills to the property owners in the CFD for Special Taxes necessary to meet the financial obligations of the CFD due on the Interest Payment Dates for which the levy is being made, said bills to specify that the amounts so levied shall be due and payable in two equal installments with each installment due not less than thirty (30) days prior to the related Interest Payment Date and each installment shall be delinquent if not paid when due.

In any event, the School District shall fix and levy the amount of Special Taxes within the CFD required for the timely payment of principal of and interest on any outstanding Bonds becoming due and payable, including any necessary replenishment or expenditure of the Reserve Fund for the 2014 Bonds and of any reserve fund established for any Parity Bonds and an amount estimated to be sufficient to pay the Administrative Expenses, and shall take into account any prepayments of Special Taxes theretofore received by the School District. The

Special Taxes so levied shall not exceed the maximum amounts as provided in the Rate and Method of Apportionment.

The Superintendent of the School District is hereby authorized to employ consultants to assist in computing the levy of the Special Taxes hereunder and any reconciliation of amounts levied to amounts received. The fees and expenses of such consultants and the costs and expenses of the School District (including a charge for School District staff time) in conducting the School District's duties hereunder shall be an Administrative Expense hereunder.

Section 5.02. Covenant to Foreclose. The School District hereby covenants with and for the benefit of the Owners of the Bonds that it will order, and cause to be commenced as hereinafter provided, and thereafter diligently prosecute to judgment (unless such delinquency is theretofore brought current), an action in the superior court to foreclose the lien of any Special Tax or installment thereof not paid when due as provided in the following paragraph. The School District shall notify School District Counsel of any such delinquency of which it is aware, and School District Counsel shall commence, or cause to be commenced, such proceedings.

The School District shall review its public records in connection with the collection of the Special Taxes not later than July 1 of each year to determine the amount of the Special Taxes collected in the Fiscal Year ending the preceding June 30, and:

(A) Individual Delinquencies. If the School District determines that any single parcel subject to the Special Tax in the CFD is delinquent in the payment of Special Taxes in the aggregate amount of \$1,000 or more, then the School District shall send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner within 45 days of such determination, and (if the delinquency remains uncured) foreclosure proceedings shall be commenced by the School District within 120 days of such determination and shall be diligently pursued by the School District to completion. Notwithstanding the foregoing, the School District may defer any such action if the amount then in the Reserve Fund is at least equal to the Reserve Requirement and the amount then on deposit in any reserve fund established for any Parity Bonds is at least equal to the reserve requirement for such reserve fund as specified in the Supplemental Agreement for such Parity Bonds.

(B) Aggregate Delinquencies. If the School District determines that the total amount of delinquent Special Tax for the prior Fiscal Year for the entire CFD, (including the total of delinquencies under subsection (A) above), exceeds 5% of the total Special Tax due and payable for the prior Fiscal Year, the School District shall notify or cause to be notified property owners who are then delinquent in the payment of Special Taxes (and demand immediate payment of the delinquency) within 45 days of such determination, and the School District shall commence foreclosure proceedings within 120 days of such determination against each parcel of land in the CFD with a Special Tax delinquency of \$1,000 or more, and the School District shall diligently pursue such proceedings to completion.

The Superintendent and the School District Counsel, as applicable, are hereby authorized to employ counsel to conduct any such foreclosure proceedings. The fees and expenses of any such counsel (including a charge for School District staff time) in conducting foreclosure proceedings shall be an Administrative Expense hereunder.

Section 5.03. Punctual Payment. The School District will punctually pay or cause to be paid the principal of and interest and any premium on, the Bonds when and as due in strict conformity with the terms of this Agreement and any Supplemental Agreement, and it will

faithfully observe and perform all of the conditions, covenants and requirements of this Agreement and all Supplemental Agreements and of the Bonds.

Section 5.04. Limited Obligation. The Bonds are limited obligations of the School District on behalf of the CFD and are payable solely from and secured solely by the Special Tax Revenues and the amounts in the Bond Fund, the Reserve Fund (with respect to payment of the 2014 Bonds only), and the Special Tax Fund created hereunder.

Section 5.05. Extension of Time for Payment. In order to prevent any accumulation of claims for interest after maturity, the School District shall not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and shall not, directly or indirectly, be a party to the approval of any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the School District, such claim for interest so extended or funded shall not be entitled, in case of default hereunder, to the benefits of this 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 which shall not have been so extended or funded.

Section 5.06. Against Encumbrances. The School District will not encumber, pledge or place any charge or lien upon any of the Special Tax Revenues or other amounts pledged to the Bonds superior to or on a parity with the pledge and lien herein created for the benefit of the Bonds, except as permitted by this Agreement.

Section 5.07. Books and Records. The Treasurer will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the School District, in which complete and correct entries shall be made of all transactions relating to the Special Tax Revenues and the Community Facilities Fund. Such books of record and accounts shall at all times during County business hours and following reasonable prior written notice be subject to the inspection of the Fiscal Agent and the Owners of not less than ten percent (10%) of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

Section 5.08. Protection of Security and Rights of Owners. The School District will preserve and protect the security of the Bonds and the rights of the Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the delivery of Bonds by the School District, such Bonds shall be incontestable by the School District.

Section 5.09. Compliance with Law. The School District will comply with all applicable provisions of the Act in administering the CFD; provided that the School District shall have no obligation to advance any of its own funds for any purpose whatsoever under this Agreement.

Section 5.10. Private Activity Bond Limitation. The School District shall assure that the proceeds of the 2005 Bonds and of the 2014 Bonds are not so used as to cause the 2005 Bonds or the 2014 Bonds to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code.

Section 5.11. Federal Guarantee Prohibition. The School District shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the 2014 Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code.

Section 5.12. Further Assurances. The School District will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Agreement, and for the better assuring and confirming unto the Owners of the rights and benefits provided in this Agreement.

Section 5.13. No Arbitrage. The School District shall not take, or permit or suffer to be taken by the Fiscal Agent or otherwise, any action with respect to the proceeds of the 2014 Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the 2014 Bonds would have caused the 2014 Bonds to be "arbitrage bonds" within the meaning of section 148 of the Code.

Section 5.14. Maintenance of Tax-Exemption. The School District shall take all actions necessary to assure the exclusion of interest on the 2014 Bonds from the gross income of the owners of the 2014 Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the 2014 Bonds.

Section 5.15. No Additional Bonds. Except as expressly permitted by Section 2.13 hereof, the School District shall not issue any additional bonds secured by (A) a pledge of Special Taxes on a parity with or senior to the pledge thereof under Section 4.01 hereof; or (B) any amounts in any funds or accounts established hereunder.

Section 5.16. Yield of the 2014 Bonds. In determining the yield of the 2014 Bonds to comply with Section 5.13 and 6.02 hereof, the School District will take into account redemption (including premium, if any) in advance of maturity based on the reasonable expectations of the School District, as of the Closing Date, regarding prepayments of Special Taxes and use of prepayments for redemption of the 2014 Bonds, without regard to whether or not prepayments are received or 2014 Bonds redeemed.

Section 5.17. Continuing Disclosure. Within 270 days of the end of each Fiscal Year, commencing with the 2013-14 Fiscal Year, and for so long as any of the 2014 Bonds are Outstanding, the School District shall provide to each registered owner of an Outstanding 2014 Bond the following "Annual Report":

(A) ~~Promptly following the approval of the same by the Board of Trustees each year that the 2014 Bonds are Outstanding,~~ a copy of the School District's audited financial statements for the Fiscal Year then ended.

(B) ~~Within 270 days of the end of each Fiscal Year, the School District shall provide each registered owner of a 2014 Bond with the following~~ operating information regarding the CFD, as follows:

(i) the aggregate amount of the Special Taxes levied on parcels in the CFD during the most recent Fiscal Year;

(ii) the amount of any delinquency in payment of the Special Taxes so levied as of ~~the~~ August 1 following the Fiscal Year in which the Special Taxes were levied, including a listing of each parcel with a delinquent Special Tax levy, the amount of the respective delinquent Special Taxes and any action being taken by the School District in respect of the delinquency; and

(iii) the amount ~~then~~ on deposit in the Reserve Fund, as of the most recent date for which such information is readily available from the Fiscal Agent.

If the School District's audited financial statements are not available by the time the Annual Report is required to be provided pursuant to this Section 5.17, the Annual Report shall contain unaudited financial statements, and the audited financial statements shall be provided as soon as practicable after they become available. Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the School District or related public entities, which have been submitted to the EMMA System or the Securities and Exchange Commission.

Section 5.18. Reduction of Special Taxes. The School District covenants and agrees to not consent or conduct proceedings with respect to a reduction in the maximum Special Taxes that may be levied in the CFD below an amount, for any Fiscal Year, equal to 110% of the aggregate of the debt service due on the Bonds in such Fiscal Year, plus a reasonable estimate of Administrative Expenses for such Fiscal Year. It is hereby acknowledged that Bondowners are purchasing the Bonds in reliance on the foregoing covenant, and that said covenant is necessary to assure the full and timely payment of the Bonds.

Section 5.19. State Reporting Requirements. The following requirements shall apply to the 2014 Bonds, in addition to those requirements under Section 5.17:

(A) Annual Reporting. Annual Reporting. Not later than October 30 of each calendar year, beginning with ~~the~~ October 30, 2015, and in each calendar year thereafter until the October 30 following the final maturity of the Bonds, the School District shall cause the following information to be supplied to the California Debt and Investment Advisory Commission ("CDIAC"): (i) the name of the School District; (ii) the full name of the CFD; (iii) the name, title, and series of each series of Bonds theretofore issued; (iv) any credit rating for the Bonds and the name of the rating agency; (v) the Closing Date of the Bond issue and the original principal amount of the Bond issue; (vi) the amount of the Reserve Requirement and of any reserve requirement for any Parity Bonds; (vii) the principal amount of Bonds outstanding; (viii) the balance in the Reserve Fund and in any reserve fund for any Parity Bonds; (ix) that there is no capitalized interest account for the Bonds; (x) the number of parcels in the CFD that are delinquent with respect to Special Tax payments, the amount that each parcel is delinquent, the total amount of Special Taxes due on the delinquent parcels, the length of time that each has been delinquent, when foreclosure was commenced for each delinquent parcel, the total number of foreclosure parcels for each date specified, and the total amount of tax due on the foreclosure parcels for each date specified; (xi) the balance in the Community Facilities Fund; (xii) the assessed value of all parcels subject to the Special Tax to repay the Bonds as shown on the most recent equalized roll, the date of assessed value reported, and the source of the information; (xiii) the total amount of Special Taxes due, the total amount of unpaid Special Taxes, and whether or not the Special Taxes are paid under the County's Teeter Plan (Chapter 6.6 (commencing with Section 54773) of the California Government Code), if any; (xiv) the reason and the date, if applicable, that the Bonds were retired; and (xv) contact information for the party providing the foregoing information. The annual reporting shall be made using such form or forms as may be prescribed by CDIAC.

(B) Other Reporting. If at any time the Fiscal Agent fails to pay principal and interest due on any scheduled payment date for the Bonds, or if funds are withdrawn from the Reserve Fund or from any reserve fund for any Parity Bonds to pay principal and interest on any Bonds, the Fiscal Agent shall notify the Treasurer and the School District of such failure or withdrawal in writing. The Treasurer shall notify CDIAC and the Original Purchaser of such failure or withdrawal within 10 days of such failure or withdrawal.

(C) Amendment. The reporting requirements of this Section 5.19 shall be amended from time to time, without action by the School District or the Fiscal Agent to reflect any amendments to Section 53359.5(b) or Section 53359.5(c) of the Act. The School District shall notify the Fiscal Agent in writing of any such amendments which affect the reporting obligations of the Fiscal Agent under this Agreement.

(D) No Liability. None of the School District and its officers, agents and employees, the Treasurer or the Fiscal Agent, shall be liable for any inadvertent error in reporting the information required by this Section 5.19.

The School District shall provide copies of any reports prepared pursuant to this Section 5.19 to any Bondowner upon the written request of a Bondowner and payment by the person requesting the information of the cost of the School District to produce such information and pay any postage or other delivery cost to provide the same, as determined by the Treasurer.

Section 5.20. Limits on Special Tax Waivers and Bond Tenders. The School District covenants not to exercise its rights under the Act to waive delinquency and redemption penalties related to the Special Taxes or to declare Special Tax penalties amnesty program if to do so would materially and adversely affect the interests of the owners of the Bonds. The School District further covenants not to permit the tender of Bonds in payment of any Special Taxes except upon receipt of a certificate of an Independent Financial Consultant that to accept such tender will not result in the School District having insufficient Special Tax Revenues to pay the principal of and interest on the Bonds that will remain Outstanding following such tender.

Section 5.21. School District Bid at Foreclosure Sale. The School District will not bid at a foreclosure sale of property in respect of delinquent Special Taxes unless it expressly agrees to take the property subject to the lien for Special Taxes imposed by the CFD and that the Special Taxes levied on the property are payable while the School District owns the property.

Section 5.22. Small Issuer Exemption from Bank Nondeductibility Restriction. The School District hereby designates the 2014 Bonds for purposes of paragraph (3) of section 265(b) of the Code and represents that neither it nor any related or any applicable subordinate entities (for purposes of the Code), reasonably expects to issue or incur any Tax-Exempt Debt (as defined below), other than the 2014 Bonds, in calendar year 2014, with a principal amount, together with the initial principal amount of the 2014 Bonds, that exceeds \$10,000,000. The term "Tax-Exempt Debt," as used in the preceding sentence means and includes any obligations the interest on which is excludable (under section 103(a) of the Code) from gross income for federal income tax purposes, excluding (A) private activity bonds, as defined in section 141 of the Code, and (B) current refunding obligations to the extent the amount of the refunding obligation does not exceed the outstanding amount of the refunded obligation.

ARTICLE VI

INVESTMENTS; DISPOSITION OF INVESTMENT PROCEEDS; LIABILITY OF THE SCHOOL DISTRICT

Section 6.01. Deposit and Investment of Moneys in Funds. Moneys in any fund or account created or established by this Agreement and held by the Fiscal Agent shall be invested by the Fiscal Agent in Permitted Investments, as directed pursuant to an Officer's Certificate executed by the Treasurer filed with the Fiscal Agent at least two (2) Business Days in advance of the making of such investments. The Officer's Certificate shall contain a certification to the Fiscal Agent that the investments being directed are Permitted Investments as required hereunder. In the absence of any such Officer's Certificate, the Fiscal Agent shall invest any such moneys in Permitted Investments described in clause (h) of the definition thereof; provided, however, that any such investment shall be made by the Fiscal Agent only if, prior to the date on which such investment is to be made, the Fiscal Agent shall have received an Officer's Certificate executed by the Treasurer specifying a specific money market fund into which the funds shall be invested and, if no such Officer's Certificate is so received, the Fiscal Agent shall hold such moneys uninvested.

Moneys in any fund or account created or established by this Agreement and held by the Treasurer shall be invested by the Treasurer in any lawful investments that the School District may make or in any Permitted Investment, which in any event by their terms mature prior to the date on which such moneys are required to be paid out hereunder. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account, subject, however, to the requirements of this Agreement for transfer of interest earnings and profits resulting from investment of amounts in funds and accounts. Whenever in this Agreement any moneys are required to be transferred by the Treasurer to the Fiscal Agent, such transfer may be accomplished by transferring a like amount of Permitted Investments.

The Fiscal Agent or the Treasurer may act as principal or agent in the acquisition or disposition of any investment, and all investments may be made through the Fiscal Agent's investment department or that of its affiliates. The Fiscal Agent or its affiliates may act as sponsor, agent manager or depository with regard to any Permitted Investment. Neither the Fiscal Agent nor the Treasurer shall incur any liability for losses arising from any investments made pursuant to this Section.

Except as otherwise provided in the next sentence, the School District shall direct or make investments hereunder such that all investments of amounts deposited in any fund or account created by or pursuant to this Agreement, or otherwise containing gross proceeds of the Bonds (within the meaning of section 148 of the Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Agreement or the Code) at Fair Market Value. The Treasurer shall direct or make investments hereunder such that investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code and (unless valuation is undertaken at least annually) investments in the Reserve Fund shall be valued at their present value (within the meaning of section 148 of the Code). The Fiscal Agent shall have no duty in connection with the determination of the Fair Market Value of any investment other than to follow: (A) its normal practices in the purchase, sale and determining the value of Permitted Investments; and (B) the investment directions of the Treasurer.

Investments in any and all funds and accounts may be commingled in a separate fund or funds for purposes of making, holding and disposing of investments, notwithstanding provisions herein for transfer to or holding in or to the credit of particular funds or accounts of

amounts received or held by the Fiscal Agent or the Treasurer hereunder, provided that the Fiscal Agent or the Treasurer, as applicable, shall at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in this Agreement.

The Fiscal Agent shall sell in a commercially reasonable manner, or present for redemption, any investment security 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 neither the Fiscal Agent nor the Treasurer shall be liable or responsible for any loss resulting from the acquisition or disposition of such investment security in accordance herewith.

The School District acknowledges that regulations of the Comptroller of the Currency grant the School District the right to receive brokerage confirmations of security transactions to be effected by the Fiscal Agent hereunder as they occur. The School District specifically waives the right to receive such notification to the extent permitted by applicable law and agrees that it will instead receive monthly cash transactions statements which include detail for the investment transactions effected by the Fiscal Agent hereunder; provided, however, that the School District retains its rights to, upon written request to the Fiscal Agent, receive brokerage confirmation on any investment transaction requested by the Treasurer.

Section 6.02. Rebate of Excess Investment Earnings to the United States. The School District shall take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the 2014 Bonds.

The Treasurer shall direct the Fiscal Agent to withdraw such amounts from the Reserve Fund pursuant to Section 4.03(D) as necessary to make any required rebate payments, and pay such amounts to the federal government as required by the Code and the Regulations. In the event of any shortfall in amounts available to make such payments under Section 4.03(D), the School District shall make such payment from any amounts available in the Community Facilities Fund or from any other lawfully available funds of the CFD or the School District. Any fees or expenses incurred by the School District under or pursuant to this Section 6.02 shall be Administrative Expenses.

In order to provide for the administration of this Section 6.02, the Superintendent and the Treasurer may provide for the employment of independent attorneys, accountants and consultants compensated on such reasonable basis as the Superintendent or the Treasurer may deem appropriate and in addition, and without limitation of the provisions of Sections 7.01 and 7.02, the Treasurer and the School District may rely conclusively upon and be fully protected from all liability in relying upon the opinions, determinations, calculations and advice of such agents, attorneys and consultants employed hereunder.

The Fiscal Agent may rely conclusively upon the School District's determinations, calculations and certifications required by this Section. The Fiscal Agent shall have no responsibility to independently make any calculation or determination or to review the School District's calculations hereunder.

Section 6.03. Liability of School District. The School District shall not incur any responsibility in respect of the Bonds or this Agreement other than in connection with the duties or obligations explicitly herein or in the Bonds assigned to or imposed upon it. The School District shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful default. The School District shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions

covenants or agreements of the Fiscal Agent herein or of any of the documents executed by the Fiscal Agent in connection with the Bonds, or as to the existence of a default or event of default thereunder.

In the absence of bad faith, the School District, including the Superintendent, and the Treasurer, 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 School District or the Treasurer, as applicable, and conforming to the requirements of this Agreement. The School District, including the Superintendent, and the Treasurer, shall not be liable for any error of judgment made in good faith unless it shall be proved that it was negligent in ascertaining the pertinent facts.

No provision of this Agreement shall require the School District to expend or risk its own general funds or otherwise incur any financial liability (other than with respect to the Special Tax Revenues) in the performance of any of its obligations hereunder, or in the exercise of any 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.

The School District may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The School District, the Superintendent and the Treasurer may consult with counsel, who may be School District Counsel, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

The School District shall not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto satisfactory established, if disputed.

Whenever in the administration of its duties under this Agreement the School District shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of willful misconduct on the part of the School District, be deemed to be conclusively proved and established by a certificate of the Fiscal Agent or other appropriate agent or consultant, and such certificate shall be full warrant to the School District for any action taken or suffered under the provisions of this Agreement or any Supplemental Agreement upon the faith thereof, but in its discretion the School District may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

Section 6.04. Employment of Agents by School District. In order to perform its duties and obligations hereunder, the School District, the Superintendent and/or the Treasurer may employ such persons or entities as it, respectively, deems necessary or advisable. Neither the School District nor the Treasurer shall not be liable for any of the acts or omissions of such persons or entities employed by it in good faith hereunder, and shall be entitled to rely, and shall be fully protected in doing so, upon the opinions, calculations, determinations and directions of such persons or entities.

ARTICLE VII

THE FISCAL AGENT

Section 7.01. Appointment of Fiscal Agent. U.S. Bank National Association, at its corporate trust office in _____, California is hereby appointed Fiscal Agent and paying agent for the Bonds. The Fiscal Agent undertakes to perform such duties, and only such duties, as are specifically set forth in this Agreement, and no implied covenants or obligations shall be read into this Agreement against the Fiscal Agent.

Any company or association into which the Fiscal Agent may be merged or converted or with which it may be consolidated or any company or association resulting from any merger, conversion or consolidation to which it shall be a party or any company or association to which the Fiscal Agent may sell or transfer all or substantially all of its corporate trust business, provided such company or association shall be eligible under the following paragraph of this Section, 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. The Fiscal Agent shall give the School District and the Treasurer written notice of any such succession hereunder.

The School District may remove the Fiscal Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto, but any such successor shall be a bank, association or trust company having a combined capital (exclusive of borrowed 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, association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section 7.01, combined capital and surplus of such bank, association 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.

The Fiscal Agent may at any time resign by giving written notice to the School District and the Treasurer, and by giving to the Owners notice by mail of such resignation. Upon receiving notice of such resignation, the School District shall promptly appoint a successor Fiscal Agent by an instrument in writing. Any resignation or removal of the Fiscal Agent shall become effective only upon acceptance of appointment by the successor Fiscal Agent. Upon such acceptance, the successor Fiscal Agent shall be vested with all rights and powers of its predecessor hereunder without any further act.

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

If, by reason of the judgment of any court, or reasonable agency, the Fiscal Agent is rendered unable to perform its duties hereunder, all such duties and all of the rights and powers of the Fiscal Agent hereunder shall be assumed by and vest in the Treasurer for the benefit of the Owners. The School District covenants for the direct benefit of the Owners that Treasurer in such case shall be vested with all of the rights and powers of the Fiscal Agent hereunder, and shall assume all of the responsibilities and perform all of the duties of the Fiscal Agent hereunder, in trust for the benefit of the Owners of the Bonds. In such event, the Treasurer may designate a successor Fiscal Agent qualified to act as Fiscal Agent hereunder.

Section 7.02. Liability of Fiscal Agent. The recitals of facts, covenants and agreements herein and in the Bonds contained shall be taken as statements, covenants and agreements of the School District, and the Fiscal Agent assumes no responsibility for the correctness of the same, or makes any representations as to the validity or sufficiency of this Agreement or of the Bonds, or shall incur any responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Bonds assigned to or imposed upon it. The Fiscal Agent shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful default. The Fiscal Agent assumes no responsibility or liability for any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

In the absence of bad faith, 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 Agreement; but in the case of any such certificates or opinions by which 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 this Agreement. Except as provided above in this paragraph, Fiscal Agent shall be protected and shall incur no liability in acting or proceeding, or in not acting or not proceeding, in good faith, reasonably and in accordance with the terms of this Agreement, upon any resolution, order, notice, request, requisition, Officer's Certificate, consent or waiver, certificate, statement, affidavit, or other paper or document which it shall in good faith reasonably believe to be genuine and to have been adopted or signed by the proper person or to have been prepared and furnished pursuant to any provision of this Agreement, and the Fiscal Agent shall not be under any duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument.

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.

No provision of this Agreement shall require the Fiscal Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers.

The Fiscal Agent shall be under no obligation to exercise any of the rights or powers vested in it by this Agreement at the request or direction of any of the Owners pursuant to this Agreement unless such Owners shall have offered to the Fiscal Agent security or indemnity satisfactory to it against the fees, expenses and liabilities (including reasonable attorney's fees) which might be incurred by it in compliance with such request or direction.

The Fiscal Agent may become the owner of the Bonds with the same rights it would have if it were not the Fiscal Agent.

The Fiscal Agent shall have no duty or obligation whatsoever to enforce the collection of Special Taxes or other funds to be deposited with it hereunder, or as to the correctness of any amounts received, and its liability shall be limited to the proper accounting for such funds as it shall actually receive.

The Fiscal Agent may consult with counsel, who may be counsel of or to the School District, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

In order to perform its duties and obligations hereunder, the Fiscal Agent may employ such persons or entities as it deems necessary or advisable. The Fiscal Agent shall not be liable for any of the acts or omissions of such persons or entities employed by it in good faith hereunder, and shall be entitled to rely, and shall be fully protected in doing so, upon the opinions, calculations, determinations and directions of such persons or entities.

The Fiscal Agent agrees to accept and act upon instructions or directions pursuant to this Agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods; provided, however, that the Fiscal Agent shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the School District elects to give the Fiscal Agent e-mail or facsimile instructions (or instructions by a similar electronic method) and the Fiscal Agent in its discretion elects to act upon such instructions, the Fiscal Agent's reasonable understanding of such instructions shall be deemed controlling. The Fiscal Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Fiscal Agent's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The School District agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Fiscal Agent, including without limitation the risk of interception and misuse by third parties.

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

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

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

Section 7.03. Information; Books and Accounts. The Fiscal Agent shall provide to the School District and the Treasurer such information relating to the Bonds and the funds and accounts maintained by the Fiscal Agent hereunder as the School District or the Treasurer shall reasonably request, including but not limited to periodic statements reporting funds held and transactions by the Fiscal Agent.

The Fiscal Agent will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Fiscal Agent, in which complete and correct entries shall be made of all transactions relating to the expenditure of amounts disbursed from the Bond Fund, the Special Tax Prepayments Account, the Reserve Fund and the Costs of Issuance Fund. Such books of record and accounts shall upon reasonable prior notice at all times during business hours be subject to the inspection of the School District, the Treasurer and

the Owners of not less than ten percent (10%) of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

Section 7.04. Notice to Fiscal Agent. The Fiscal Agent may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, requisition, Officer's Certificate, consent, order, certificate, report, warrant, Bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties.

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

Whenever in the administration of its duties under this Agreement the Fiscal Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of willful misconduct on the part of the Fiscal Agent, be deemed to be conclusively proved and established by a certificate of the School District, and such certificate shall be full warrant to the Fiscal Agent for any action taken or suffered under the provisions of this Agreement or any Supplemental Agreement upon the faith thereof, but in its discretion the Fiscal Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

Section 7.05. Compensation, Indemnification. The School District shall pay to the Fiscal Agent from time to time, promptly upon written request, reasonable compensation for all services rendered as Fiscal Agent under this Agreement, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Agreement, but the Fiscal Agent shall not have a lien therefor on any funds at any time held by it under this Agreement. The School District further agrees, to the extent permitted by applicable law, to indemnify and save the Fiscal Agent, its officers, employees, directors and agents harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder (including legal fees and expenses) which are not due to its negligence or willful misconduct. The obligation of the School District under this Section shall survive resignation or removal of the Fiscal Agent under this Agreement and payment of the Bonds and discharge of this Agreement, but any monetary obligation of the School District arising under this Section shall be limited solely to amounts on deposit in the Community Facilities Fund.

ARTICLE VIII

MODIFICATION OR AMENDMENT OF THIS AGREEMENT

Section 8.01. Amendments Permitted. This Agreement and the rights and obligations of the School District and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Agreement pursuant to the affirmative vote at a meeting of Owners, or with the written consent without a meeting, of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 8.04. No such modification or amendment shall (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the School District to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation by the School District of any pledge or lien upon the Special Taxes superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise permitted by the Act, the laws of the State of California or this Agreement), or reduce the percentage of Bonds required for the amendment hereof. Any such amendment may not modify any of the rights or obligations of the Fiscal Agent without its written consent.

This Agreement and the rights and obligations of the School District and of the Owners may also be modified or amended at any time by a Supplemental Agreement, without the consent of any Owners, only to the extent permitted by law and only for any one or more of the following purposes:

(A) to add to the covenants and agreements of the School District in this Agreement contained, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power herein reserved to or conferred upon the School District;

(B) to make modifications not adversely affecting any outstanding series of Bonds of the School District in any material respect;

(C) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in this Agreement, or in regard to questions arising under this Agreement, as the School District may deem necessary or desirable and not inconsistent with this Agreement, and which shall not adversely affect the rights of the Owners of the Bonds;

(D) to make such additions, deletions or modifications as may be necessary or desirable to assure the exclusion from gross income, for purposes of federal income taxation, of interest on the 2014 Bonds; and

(E) in connection with the issuance of Parity Bonds under and pursuant to Section 2.13.

The Fiscal Agent may in its discretion, but shall not be obligated to, enter into any such Supplemental Agreement authorized by this Section which materially adversely affects the Fiscal Agent's own rights, duties or immunities under this Fiscal Agent Agreement or otherwise with respect to the Bonds or any agreements related thereto.

Section 8.02. Owners' Meetings. The School District may at any time call a meeting of the Owners. In such event the School District is authorized to fix the time and place of said

meeting and to provide for the giving of notice thereof, and to fix and adopt rules and regulations for the conduct of said meeting.

Section 8.03. Procedure for Amendment with Written Consent of Owners. The School District and the Fiscal Agent may at any time adopt a Supplemental Agreement amending the provisions of the Bonds or of this Agreement or any Supplemental Agreement, to the extent that such amendment is permitted by Section 8.01, to take effect when and as provided in this Section. The School District or the Fiscal Agent may obtain an opinion of Bond Counsel that such Supplemental Agreement complies with the provisions of this Article VIII, and the School District and Fiscal Agent may rely conclusively upon such opinion. A copy of such Supplemental Agreement, together with a request to Owners for their consent thereto, shall be mailed by first class mail, by the Fiscal Agent to each Owner of Bonds Outstanding, but failure to mail copies of such Supplemental Agreement and request shall not affect the validity of the Supplemental Agreement when assented to as in this Section provided.

Such Supplemental Agreement shall not become effective unless there shall be filed with the Fiscal Agent the written consents of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in Section 8.04) and a notice shall have been mailed as hereinafter in this Section provided. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given, which proof shall be such as is permitted by Section 9.04. Any such consent shall be binding upon the Owner of the Bonds giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Fiscal Agent prior to the date when the notice hereinafter in this Section provided for has been mailed.

After the Owners of the required percentage of Bonds shall have filed their consents to the Supplemental Agreement, the School District shall mail a notice to the Owners in the manner hereinbefore provided in this Section for the mailing of the Supplemental Agreement, stating in substance that the Supplemental Agreement has been consented to by the Owners of the required percentage of Bonds and will be effective as provided in this Section (but failure to mail copies of said notice shall not affect the validity of the Supplemental Agreement or consents thereto). Proof of the mailing of such notice shall be filed with the Fiscal Agent. A record, consisting of the papers required by this Section 8.03 to be filed with the Fiscal Agent, shall be proof of the matters therein stated until the contrary is proved. The Supplemental Agreement shall become effective upon the filing with the Fiscal Agent of the proof of mailing of such notice, and the Supplemental Agreement shall be deemed conclusively binding (except as otherwise hereinabove specifically provided in this Article) upon the School District and the Owners of all Bonds at the expiration of sixty (60) days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such sixty-day period.

Section 8.04. Disqualified Bonds. Bonds owned or held for the account of the School District, excepting any pension or retirement fund, shall not be deemed Outstanding for the purpose of any vote, consent or other action or any calculation of Outstanding Bonds provided for in this Article VIII, and shall not be entitled to vote upon, consent to, or take any other action provided for in this Article VIII. Upon written request, the School District shall specify to the Fiscal Agent those Bonds disqualified pursuant to this Section 8.04. The Fiscal Agent may conclusively rely upon such request.

Section 8.05. Effect of Supplemental Agreement. From and after the time any Supplemental Agreement becomes effective pursuant to this Article VIII, this Agreement shall be deemed to be modified and amended in accordance therewith, the respective rights, duties

and obligations under this Agreement of the School District and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such Supplemental Agreement shall be deemed to be part of the terms and conditions of this Agreement for any and all purposes.

Section 8.06. Endorsement or Replacement of Bonds Issued After Amendments. The School District may determine that Bonds issued and delivered after the effective date of any action taken as provided in this Article VIII shall bear a notation, by endorsement or otherwise, in form approved by the School District, as to such action. In that case, upon demand of the Owner of any Bond Outstanding at such effective date and presentation of his Bond for that purpose at the Principal Office of the Fiscal Agent or at such other office as the School District may select and designate for that purpose, a suitable notation shall be made on such Bond. The School District may determine that new Bonds, so modified as in the opinion of the School District is necessary to conform to such Owners' action, shall be prepared, executed and delivered. In that case, upon demand of the Owner of any Bonds then Outstanding, such new Bonds shall be exchanged at the Principal Office of the Fiscal Agent without cost to any Owner, for Bonds then Outstanding, upon surrender of such Bonds.

Section 8.07. Amendatory Endorsement of Bonds. The provisions of this Article VIII shall not prevent any Owner from accepting any amendment as to the particular Bonds held by him, provided that due notation thereof is made on such Bonds.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Benefits of Agreement Limited to Parties. Nothing in this Agreement, expressed or implied, is intended to give to any person other than the School District, the Treasurer, the Fiscal Agent and the Owners, any right, remedy, claim under or by reason of this Agreement. Any covenants, stipulations, promises or agreements in this Agreement contained by and on behalf of the School District shall be for the sole and exclusive benefit of the Owners and the Fiscal Agent.

Section 9.02. Successor is Deemed Included in All References to Predecessor. Whenever in this Agreement or any Supplemental Agreement either the School District 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 Agreement contained by or on behalf of the School District or the Fiscal Agent shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 9.03. Discharge of Agreement. The School District shall have the option to pay and discharge the entire indebtedness on all or any portion of the Bonds Outstanding in any one or more of the following ways:

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

(B) by depositing with the Fiscal Agent, in trust, at or before maturity, money which, together with the amounts then on deposit in the Bond Fund and (with respect to the 2014 Bonds only) the Reserve Fund is fully sufficient to pay such Bonds Outstanding, including all principal, interest and redemption premiums; or

(C) by irrevocably depositing with the Fiscal Agent, in trust, cash and Federal Securities in such amount as the School District shall determine as confirmed by Bond Counsel, an Independent Financial Consultant or an independent certified public accountant will, together with the interest to accrue thereon and moneys then on deposit in the Bond Fund and the Reserve Fund, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

If the School District shall have taken any of the actions specified in (A), (B) or (C) above, and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been given as in this Agreement provided or provision satisfactory to the Fiscal Agent shall have been made for the giving of such notice, then, at the election of the School District, and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Special Taxes and other funds provided for in this Agreement and all other obligations of the School District under this Agreement with respect to such Bonds Outstanding shall cease and terminate. Notice of such election shall be filed with the Fiscal Agent. Notwithstanding the foregoing, the obligations of the School District to pay or cause to be paid to the Owners of the Bonds not so surrendered and paid all sums due thereon, to pay all amounts owing to the Fiscal Agent pursuant to Section 7.05, and otherwise to assure that no action is taken or failed to be taken if such action or failure adversely affects the exclusion of interest on the Bonds from gross income for federal income tax purposes, shall continue in any event.

Upon compliance by the School District with the foregoing with respect to all Bonds Outstanding, any funds held by the Fiscal Agent after payment of all fees and expenses of the Fiscal Agent, which are not required for the purposes of the preceding paragraph, shall be paid over to the School District and any Special Taxes thereafter received by the School District shall not be remitted to the Fiscal Agent but shall be retained by the School District to be used for any purpose permitted under the Act.

Section 9.04. Execution of Documents and Proof of Ownership by Owners. Any request, declaration or other instrument which this Agreement may require or permit to be executed by Owners may be in one or more instruments of similar tenor, and shall be executed by Owners in person or by their attorneys appointed in writing.

Except as otherwise herein expressly provided, the fact and date of the execution by any Owner or his attorney of such request, declaration or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing 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.

Except as otherwise herein expressly provided, the ownership of registered Bonds and the amount, maturity, number and date of holding the same shall be proved by the Registration Books.

Any request, declaration or other instrument or writing of the Owner of any Bond shall bind all future Owners of such Bond in respect of anything done or suffered to be done by the School District or the Fiscal Agent in good faith and in accordance therewith.

Section 9.05. Waiver of Personal Liability. No member of the Board of Trustees, officer, agent or employee of the School District, nor the Treasurer, shall be individually or personally liable for the payment of the principal of, or interest or any premium on, the Bonds; but nothing herein contained shall relieve any such member, officer, agent or employee, or the Treasurer from the performance of any official duty provided by law.

Section 9.06. Notices to and Demands on School District, Treasurer and Fiscal Agent. Any notice or demand which by any provision of this Agreement is required or permitted to be given or served by the Fiscal Agent or the Treasurer to or on the School District may be given or served by being deposited postage prepaid in a post office letter box addressed (until another address is filed by the School District with the Fiscal Agent and the Treasurer) as follows:

Plumas Lake Elementary School District
2743 Plumas School Road
Plumas Lake, California 95961
Attention: Superintendent

Any notice or demand which by any provision of this Agreement is required or permitted to be given or served by the Fiscal Agent or the School District to or on the Treasurer may be given or served by being deposited postage prepaid in a post office letter box addressed (until another address is filed by the Treasurer with the Fiscal Agent and the School District) as follows:

County of Yuba
915 8th Street, Suite 103
Marysville, California 95901
Attention: Treasurer/Tax Collector

Any notice or demand which by any provision of this Agreement is required or permitted to be given or served by the School District or the Treasurer to or on the Fiscal Agent may be given or served by being deposited postage prepaid in a post office letter box addressed (until another address is filed by the Fiscal Agent with the School District and the Treasurer) as follows:

U.S. Bank National Association

Attention: Corporate Trust Department

Section 9.07. Partial Invalidity. If any Section, paragraph, sentence, clause or phrase of this Agreement shall for any reason be held illegal or unenforceable, such holding shall not affect the validity of the remaining portions of this Agreement. The School District hereby declares that it would have adopted this Agreement and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issue of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this Agreement may be held illegal, invalid or unenforceable.

Section 9.08. Unclaimed Moneys. Anything contained herein to the contrary notwithstanding, any moneys held by the Fiscal Agent in trust for the payment and discharge of the principal of, and the interest and any premium on, the Bonds which remains unclaimed for two (2) years after the date when the payments of such principal, interest and premium have become payable, if such moneys were held by the Fiscal Agent at such date, shall be repaid by the Fiscal Agent to the School District as its absolute property free from any trust, and the Fiscal Agent shall thereupon be released and discharged with respect thereto and the Bond Owners shall look only to the School District for the payment of the principal of, and interest and any premium on, such Bonds. Any right of any Owner to look to the School District for such payment shall survive only so long as required under applicable law.

Section 9.09. Applicable Law. This Agreement shall be governed by and enforced in accordance with the laws of the State of California applicable to contracts made and performed in the State of California.

Section 9.10. Conflict with Act. In the event of a conflict between any provision of this Agreement with any provision of the Act as in effect on the Closing Date, the provision of the Act shall prevail over the conflicting provision of this Agreement.

Section 9.11. Conclusive Evidence of Regularity. Bonds issued pursuant to this Agreement shall constitute conclusive evidence of the regularity of all proceedings under the Act relative to their issuance and the levy of the Special Taxes.

Section 9.12. Payment on Business Day. In any case where the date of the maturity of interest or of principal (and premium, if any) of the Bonds or the date fixed for redemption of any Bonds or the date any action is to be taken pursuant to this Agreement is other than a Business Day, the payment of interest or principal (and premium, if any) or the action need not be made on such date but may be made on the next succeeding day which is a Business Day with the same force and effect as if made on the date required and no interest shall accrue for the period from and after such date.

Section 9.13. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original.

IN WITNESS WHEREOF, the School District has caused this Agreement to be executed in its name and the Fiscal Agent has caused this Agreement to be executed in its name, all as of December 1, 2014.

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT, for and on behalf of the PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT COMMUNITY FACILITIES DISTRICT NO. 1

By: _____
[President,
Board of Trustees / Designated Officer]

ATTEST:

By: _____
Secretary,
Board of Trustees

U.S. BANK NATIONAL ASSOCIATION, as
Fiscal Agent

By: _____
Authorized Signatory

16028.04:J12853

EXHIBIT A
FORM OF 2014 BOND

No. _____

\$4,004,331.15

UNITED STATES OF AMERICA
STATE OF CALIFORNIA

PLUMAS LAKE ELEMENTARY SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 1
2014 SPECIAL TAX REFUNDING BOND

INTEREST RATE	MATURITY DATE	BOND DATE
3.75%	August 1, 2035	December 2, 2014

REGISTERED OWNER: CITY NATIONAL BANK

PRINCIPAL AMOUNT: FOUR MILLION FOUR THOUSAND THREE HUNDRED THIRTY-ONE DOLLARS AND FIFTEEN CENTS

The Plumas Lake Elementary School District (the "School District"), for and on behalf of the Plumas Lake Elementary School District Community Facilities District No. 1 (the "CFD"), for value received, hereby promises to pay solely from the Special Tax (as hereinafter defined) to be collected in the CFD or amounts in the funds and accounts held under the Agreement (as hereinafter defined), to the registered owner named above, or registered assigns, on the maturity date set forth above, unless redeemed prior thereto as hereinafter provided, the principal amount set forth above, and to pay interest on such principal amount from the Bond Date shown above, or from the most recent Interest Payment Date (defined below) to which interest has been paid or duly provided for, semiannually on February 1 and August 1, commencing February 1, 2015 (each, an "Interest Payment Date"), at the interest rate set forth above, until the principal amount hereof is paid or made available for payment. The principal of this Bond is payable to the registered owner hereof in lawful money of the United States of America upon presentation and surrender of this Bond at the principal corporate trust office of U.S. Bank National Association (the "Fiscal Agent"). Interest on this Bond shall be paid by check of the Fiscal Agent mailed on each Interest Payment Date to the registered owner hereof as of the close of business on the 15th day of the month preceding the month in which the Interest Payment Date occurs (the "Record Date") at such registered owner's address as it appears on the registration books maintained by the Fiscal Agent, or (i) if the Bonds are in book-entry-only form, or (ii) otherwise upon written request filed with the Fiscal Agent prior to any Record Date by a registered owner of at least \$1,000,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to the depository for the Bonds or to an account in the United States designated by such registered owner in such written request, respectively.

Interest on this Bond shall be payable from the interest payment date next preceding the date of authentication hereof, unless (i) it is authenticated on an interest payment date, in which event it shall bear interest for such Interest Payment Date, or (ii) such date of authentication is after a Record Date but on or prior to an Interest Payment Date, in which event interest will be payable from such Interest Payment Date, or (iii) such date of authentication is prior to the first

Record Date, in which event interest will be payable from the Bond Date shown above; provided however, that if at the time of authentication of this Bond, interest is in default hereon, this Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment hereon.

This Bond is one of a duly authorized issue of bonds in the aggregate principal amount of \$4,004,331.15 approved by the Board of Trustees of the School District on October 2, 2014 pursuant to the California Government Code (the "Act") for the purpose of refunding the Plumas Elementary School District Community Facilities District No. 1 Special Tax Bonds, Series 2005, and is one of the series of Bonds designated "Plumas Lake Elementary School District Community Facilities District No. 1 2014 Special Tax Refunding Bonds" (the "Bonds"). The creation of the Bonds and the terms and conditions thereof are provided for the Fiscal Agent Agreement, dated as of December 1, 2014, between the School District, for and on behalf of the CFD, and the Fiscal Agent (the "Agreement") and this reference incorporates the Resolution and the Agreement herein, and by acceptance hereof the owner of this Bond assents to said terms and conditions. Pursuant to and as more particularly provided in the Agreement, additional bonds may be issued by the School District from time to time secured by a lien on funds held under the Agreement on a parity with the lien securing the Bonds. The Agreement is authorized under and this Bond is issued under, and both are to be construed in accordance with, the laws of the State of California.

The Bonds are not general obligations of the School District, but are limited obligations payable solely from the revenues and funds pledged therefor under the Agreement. Neither the faith and credit nor the taxing power of the School District (except to the extent of the Special Tax levy in the CFD, as set forth in the Agreement) or the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

Pursuant to the Act, and the Agreement, the principal of and interest on this Bond are payable solely from the annual Special Tax authorized under the Mello-Roos Community Facilities Act of 1982 to be collected within the CFD and certain funds held under the Agreement. Any tax for the payment hereof shall be limited to the Special Tax, except to the extent that provision for payment has been made by the School District, as may be permitted by law. The Bonds do not constitute obligations of the School District for which said School District is obligated to levy or pledge, or has levied or pledged, general or special taxation other than described hereinabove.

The School District has covenanted for the benefit of the owners of the Bonds that it will commence and pursue to completion appropriate foreclosure actions in the event of delinquencies of any Special Tax installments levied for payment of principal and interest as more particularly set forth in the Agreement.

The Bonds are subject to optional redemption prior to their stated maturity on any date occurring on or after August 1, 2019, as a whole, or in part, from any source of available funds, at a redemption price equal to 101% of the principal amount of the Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption.

The Bonds are subject to mandatory sinking fund redemption in part on the dates and in the amounts specified in the Agreement, without premium.

Notice of redemption with respect to the Bonds to be redeemed shall be given, if required under the Agreement, to the registered owners thereof, in the manner, to the extent and subject to the provisions of the Agreement. Notices of optional redemption or redemption from Special Tax Prepayments may be conditioned upon receipt by the Fiscal Agent of sufficient moneys to redeem the Bonds on the anticipated redemption date, and if the Fiscal

Agent does not receive sufficient funds by the scheduled redemption date the redemption shall not occur and the Bonds for which notice of redemption was given shall remain outstanding for all purposes of the Agreement.

The Bonds are issuable as fully registered Bonds without coupons in denominations of \$0.01 or any integral multiple thereof. Subject to the limitations and restrictions and upon payment of the charges, if any, provided in the Agreement, Bonds may be transferred, or may be exchanged at the Principal Office of the Fiscal Agent for a like aggregate principal amount and maturity of Bonds of other authorized denominations.

Each registration and transfer of registration of this Bond shall be entered by the Fiscal Agent in books kept by it for this purpose and authenticated by its manual signature upon the certificate of authentication endorsed hereon.

No transfer or exchange hereof shall be valid for any purpose unless made by the registered owner, by execution of the form of assignment endorsed hereon, and authenticated as herein provided, and the principal hereof, interest hereon and any redemption premium shall be payable only to the registered owner or to such owner's order. The Fiscal Agent shall require the registered owner requesting transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange. No transfer or exchange hereof shall be required to be made (i) fifteen days prior to the date established by the Fiscal Agent for selection of Bonds for redemption or (ii) with respect to a Bond after such Bond has been selected for redemption.

The Agreement and the rights and obligations of the School District thereunder may be modified or amended as set forth therein. The Agreement contains provisions permitting the School District to make provision for the payment of the interest on, and the principal of the Bonds so that such Bonds shall no longer be deemed to be outstanding under the terms of the Agreement.

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

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

IN WITNESS WHEREOF, the Plumas Lake Elementary School District, has caused this Bond to be dated the Bond Date shown above, to be signed by the facsimile signature of the President of the Board of Trustees and countersigned by the facsimile signature of the Secretary of the Board of Trustees.

PLUMAS LAKE ELEMENTARY SCHOOL
DISTRICT

By: _____
President of the Board of Trustees

Attest: _____
Secretary of the Board of Trustees

FISCAL AGENT'S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the Resolution and the Agreement which has been authenticated on _____.

U.S. BANK NATIONAL ASSOCIATION,
as Fiscal Agent

By: _____
Authorized Signatory

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned do(es) hereby sell, assign and transfer unto

(Name, address and Tax identification Number of Assignee)

the within-mentioned registered Bond and hereby irrevocably constitute(s) and appoint(s) _____ attorney, to transfer the same on the books of the Fiscal Agent with full power of substitution in the premises.

Dated: _____

Signatures Guaranteed:

Note: Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Fiscal Agent.

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

EXHIBIT B

FORM OF INVESTOR'S LETTER

Plumas Lake Elementary School District

U.S. Bank National Association
as Fiscal Agent

Re: Plumas Lake Elementary School District Community Facilities District No. 1 2014
Special Taxes Bonds

Ladies and Gentlemen:

The undersigned (the "Purchaser"), being the purchaser of \$_____ principal amount of the above-referenced bonds (the "Bonds") issued pursuant to the Fiscal Agent Agreement, dated as of December 1, 2014 (the "Agreement"), between the Plumas Lake Elementary School District (the "School District") and U.S. Bank National Association, as fiscal agent (the "Fiscal Agent") does hereby certify, represent and warrant for the benefit of the School District and the Fiscal Agent that (capitalized terms used below have the meanings given to them in the Agreement):

(a) The Purchaser is an Approved Institutional Buyer.

(b) The Purchaser has sufficient knowledge and experience in financial and business matters, including the purchase and ownership of tax-exempt obligations, and is capable of evaluating the merits and risks of its investment in the Bonds. The Purchaser is able to bear the economic risk of, and an entire loss of, an investment in the Bonds.

(c) The Purchaser is acquiring the Bonds solely for its own account for investment purposes, and does not presently intend to make a public distribution of, or to resell or transfer, all or any part of the Bonds.

(d) The Purchaser understands that the Bonds have not been registered under the United States Securities Act of 1933, as amended, or under any state securities laws. The Purchaser agrees that it will comply with any applicable state and federal securities laws then in effect with respect to any disposition of the Bonds by it, and further acknowledges that any current exemption from registration of the Bonds does not affect or diminish such requirements.

(e) The Purchaser understands that the Bonds are payable solely from the Special Taxes and amounts in the Bond Fund and the Reserve Fund under the Agreement. The Purchaser has been provided an opportunity to ask questions of, and the Purchaser has received answers from, representatives of the School District regarding the terms and conditions of the Bonds and the status of the CFD. The Purchaser has obtained all information requested by it in connection with the issuance of the Bonds as it regards necessary to evaluate all merits and risks of its investment in the Bonds. The Purchaser has reviewed the documents executed in conjunction with the issuance of the Bonds, including, without limitation, the Agreement.

(f) The Purchaser has authority to purchase the Bonds and to execute this letter. The individual who is signing this letter on behalf of the Purchaser is a duly appointed, qualified, and acting officer of the Purchaser and is authorized to cause the Purchaser to make the certificates, representations and warranties contained herein by execution of this letter on behalf of the Purchaser.

(g) In entering into this transaction, the Purchaser has not relied upon any representations or opinions of the School District or the Fiscal Agent relating to the legal consequences or other aspects of its investment in the Bonds, nor has it looked to, nor expected, the School District to undertake or require any credit investigation or due diligence reviews relating to the CFD.

(h) The Purchaser understands that the Bonds are not secured by any pledge of any moneys received or to be received by the School District (other than the Special Taxes), the State of California or any political subdivision thereof; that the Bonds will never represent or constitute a general obligation or a pledge of the faith and credit of the School District, the State of California or any political subdivision thereof; that no right will exist to have taxes levied by the State of California or any political subdivision thereof for the payment of principal and interest on the Bonds; and that the liability of the School District with respect to the Bonds is subject to further limitations as set forth in the Bonds and the Agreement.

(i) The Purchaser has been informed that the Bonds (i) have not been and will not be registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any jurisdiction, (ii) will not be listed on any stock or other securities exchange, and (iii) will carry no rating from any rating service.

(j) The Purchaser acknowledges that it has the right to sell and transfer the Bonds, subject to compliance with the transfer restrictions set forth in Section 2.06 of the Agreement, including the requirement for the delivery to the School District and the Fiscal Agent of an investor's letter in the same form as this Investor's Letter, including this paragraph. Failure to comply with the provisions of Section 2.06 of the Agreement shall cause the purported transfer to be null and void. The Purchaser agrees to indemnify and hold harmless the School District with respect to any claim asserted against the School District that arises with respect to any sale, transfer or other disposition of the Bonds by the Purchaser or any transferee thereof in violation of the provisions of the Agreement.

(k) The Purchaser acknowledges that the Bonds are exempt from the requirements of Rule 15c2-12 of the Securities and Exchange Commission.

The Purchaser acknowledges that the sale of the Bonds to the Purchaser is made in reliance upon the certifications, representations and warranties herein by the addressees hereto.

Dated: _____

[PURCHASER]

By: _____

Name: _____

Title: _____