

**RESOLUTION NO. 2082**

**A RESOLUTION OF  
THE BOARD OF DIRECTORS OF THE OLIVEHURST PUBLIC UTILITY DISTRICT  
WITH RESPECT TO PLUMAS LAKE COMMUNITY FACILITIES DISTRICT  
NO. 2002-1 AUTHORIZING THE EXECUTION AND DELIVERY OF A FISCAL  
AGENT AGREEMENT, A BOND PURCHASE AGREEMENT, AND A CONTINUING  
DISCLOSURE [AGREEMENT]; AUTHORIZING THE ISSUANCE OF BONDS;  
APPROVING THE FORM OF THE OFFICIAL STATEMENT AND THE  
DISTRIBUTION THEREOF, AND AUTHORIZING OTHER ACTIONS RELATED  
THERE TO**

**WHEREAS**, the Board of Directors (the "Board") of the Olivehurst Public Utility District (the "District") on November 21, 2002, duly adopted its Resolution No. 2037 (the "Resolution of Formation") establishing Olivehurst Public Utility District Plumas Lake Community Facilities District No. 2002-1 (the "Plumas Lake CFD No. 2002-1") pursuant to the Mello-Roos Community Facilities Act of 1982 (Chapter 2.5, Part 1, Division 2, Title 5 (commencing with Section 53311) of the California Government Code) (the "Act"), for the purpose of providing for the financing for certain public facilities (the "Facilities"), including any incidental expenses;

**WHEREAS**, at an election held in the Plumas Lake CFD No. 2002-1 on November 21, 2002, the qualified electors therein duly authorized the issuance of twenty-seven million dollars (\$27,000,000) principal amount of special tax bonds pursuant to the terms of the Act, for the purpose of financing the acquisition and construction of the Facilities;

**WHEREAS**, the qualified electors of the Plumas Lake CFD No. 2002-1 at such election additionally authorized the levy and collection of a special tax under the Act to be used for the purpose, among others, of paying the interest on and the principal of and redemption premiums, if any, on such special tax bonds;

**WHEREAS**, the Board has determined to authorize the issuance of a portion of such special tax bonds (the "Series 2005 Bonds") pursuant hereto and to secure the Series 2005 Bonds in the manner provided herein;

**WHEREAS**, the following documents and proposed agreements relating to the issuance, sale and delivery of the Series 2005 Bonds by the Plumas Lake CFD No. 2002-1, which are incorporated herein by reference, have been presented to the Board for its review and approval:

1. The Fiscal Agent Agreement (the "Fiscal Agent Agreement") between U.S. Bank National Association, as fiscal agent, and the District, pursuant to which the District will issue the Series 2005 Bonds;
2. The Bond Purchase Agreement (the "Bond Purchase Agreement") by and between the District and UBS Financial Services Inc. (the "Underwriter"), whereby the District will sell the Series 2005 Bonds to the Underwriter;
3. The Official Statement relating to the Series 2005 Bonds (the "Official Statement"); and
4. The Continuing Disclosure Agreement relating to the Series 2005 Bonds (the "Continuing Disclosure Agreement");

**WHEREAS**, based on information in the appraisal report of P. Richard Seevers, Kevin K. Ziegenmeyer, and Eric A. Segal, state-certified real estate appraisers, presented to the District, the value of the real property that would be subject to the special tax to pay debt service on the Series 2005 Bonds will be at least three times the principal amount of the Series 2005 Bonds and any other outstanding bonds secured by special tax or assessment liens on property within the Plumas Lake CFD No. 2002-1;

**WHEREAS**, all acts, conditions, and things required by law to exist, to have happened and to have been performed precedent to and in connection with the issuing of the Series 2005 Bonds and the execution and entering into of the Fiscal Agent Agreement do exist, have happened, and have been performed in regular and due time, form and manner as required by law;

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Directors of the Olivehurst Public Utility District that:

1. **Recitals**. The Board hereby determines that the foregoing recitals are true and correct.

2. **Authorization of Officers to Execute and Deliver Documents**. The Board hereby authorizes the President of the Board and the General Manager (the "Designated Officers"), and each of them individually, for and in the name of the and on behalf of the District, to approve, execute, and deliver the following agreements and documents:

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

in substantially the form presented to the Board at this meeting, which agreements and documents are hereby approved, with such changes, insertions, revisions, corrections, or amendments as shall be approved by the officer or officers executing the agreement or document for the Board of Directors. The execution of the foregoing by a Designated Officer or Officers shall constitute conclusive evidence of such officer's or officers' and the Board's approval of any such changes, insertions, revisions, corrections, or amendments to the respective forms of agreements and documents presented to the Board at this meeting. The date, respective principal amounts of each maturity, the interest rates, interest payment dates, denominations, forms, registration privileges, place or places of payment, terms of redemption, and other terms of the Series 2005 Bonds, shall be as provided in the Fiscal Agent Agreement as finally executed.

3. **Authorization to Issue Bonds**. The Board hereby authorizes the issuance of the Series 2005 Bonds in accordance with the terms of the Fiscal Agent Agreement as finally executed.

4. **Authorization of Sale**. The Board hereby authorizes the sale of \$8,000,000 principal amount of Series 2005 Bonds to the Underwriter pursuant to the Bond Purchase Agreement. The Designated Officers are hereby authorized and directed to negotiate with the Underwriter the final terms of the sale and its timing. The Board hereby determines that the sale of the Series 2005 Bonds by negotiation would result in an overall lower cost.

5. **Execution of Series 2005 Bonds.** The Board hereby authorizes and directs the President and the Deputy Clerk to execute each of the Series 2005 Bonds on behalf of the District.

6. **Distribution of Official Statement.** The Board hereby authorizes the Underwriter to distribute copies of the Official Statement in preliminary form to persons who may be interested in the purchase of the Series 2005 Bonds and authorizes and directs the Underwriter to deliver copies of the final Official Statement to all purchasers of the Series 2005 Bonds. The Board hereby authorizes and directs the President of the Board and the General Manager, or either of them, to deliver to the Underwriter a certificate to the effect that the Board deems the preliminary Official Statement, in the form approved by the Designated Officer or Officers, to be final and complete as of its date, except for certain final pricing and related information that may be omitted pursuant to Rule 15c2-12 of the Securities and Exchange Commission.

7. **General Authorization.** The Board hereby authorizes and directs the Designated Officers and the Deputy Clerk, and each of them, for and in the name of and on behalf of the District, to do any and all things and to execute and deliver any and all documents that they may deem necessary or advisable in order to complete the sale, issuance, and delivery of the Series 2005 Bonds and otherwise to carry out, give effect to, and comply with the terms and intent of this resolution. All actions heretofore taken by such officers and agents that are in conformity with the purposes and intent of this resolution are hereby ratified, confirmed and approved in all respects.

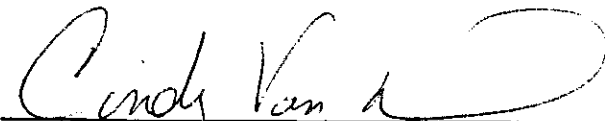
8. **Effective Date.** This resolution shall take effect immediately upon its passage.

PASSED AND ADOPTED this 7<sup>th</sup> day of April 2005.


OLIVEHURST PUBLIC UTILITY DISTRICT

  
Richard D. Danaher  
President, Board of Directors

ATTEST:

  
Cindy Van der ...  
Deputy Clerk & ex-officio Secretary

APPROVED AS TO FORM AND LEGAL SUFFICIENCY:

  
Jonathan P. Cristy, Bond Counsel



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**FISCAL AGENT AGREEMENT**

**between**

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

**and the**

**OLIVEHURST PUBLIC UTILITY DISTRICT**

**Dated April 1, 2005**

**relating to the  
OLIVEHURST PUBLIC UTILITY DISTRICT  
PLUMAS LAKE COMMUNITY FACILITIES DISTRICT NO. 2002-1  
SPECIAL TAX BONDS, SERIES 2005**

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Exhibit A -- Form of Series 2005 Bonds

## FISCAL AGENT AGREEMENT

This FISCAL AGENT AGREEMENT, dated April 1, 2005, by and between U.S. BANK NATIONAL ASSOCIATION, a national banking association duly operating under the laws of the United States of America, as fiscal agent (the "Fiscal Agent"), and the Olivehurst Public Utility District, a public utility district formed and operating under the California Public Utilities Code sections 15501 *et seq.* ("District");

### WITNESSETH:

WHEREAS, the Board of Directors of the Olivehurst Public Utility District (the "Board of Directors") on November 1, 2002, duly adopted its Resolution No. 2037 establishing the Olivehurst Public Utility District Plumas Lake Community Facilities District No. 2002-1 (the "Plumas Lake CFD No. 2002-1") for the purpose of providing for the financing of certain public facilities in and for the Plumas Lake CFD No. 2002-1;

WHEREAS, on November 21, 2002, the Board of Directors duly adopted its Resolution No. 2038 determining the necessity to incur a bonded indebtedness in the amount of \$27,000,000 with respect to the Plumas Lake CFD No. 2002-1;

WHEREAS, on November 21, 2002, the qualified electors of the Plumas Lake CFD No. 2002-1 authorized the Board of Directors to levy special taxes upon the land within the Plumas Lake CFD No. 2002-1 and to issue bonds in the principal amount of not to exceed \$27,000,000 (the "Bonds"), secured by the special taxes;

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

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

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

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

NOW, THEREFORE, THIS FISCAL AGENT AGREEMENT WITNESSETH that, in order to secure the payment of the principal of and premium (if any) and the interest on all Bonds at any time issued, authenticated and delivered hereunder and to provide the terms and conditions under which all property, rights, and interests hereby assigned and pledged are to be

dealt with and disposed of, and to secure performance and observance of the terms, conditions, stipulations, covenants, agreements, trusts, uses, and purposes hereinafter expressed, and in consideration of the premises and of the material covenants herein contained and of the purchase and acceptance of the Bonds by the registered owners thereof, and for other valuable consideration, the receipt of which is hereby acknowledged, the District does hereby agree and covenant with the Fiscal Agent for the benefit of the respective registered owners, from time to time, of the Bonds, or any part thereof, as follows:

**ARTICLE 1**  
**DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION**

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

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

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

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

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

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

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

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

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

**Administrative Expenses** means all expenses paid or incurred by the District as administrator of the Plumas Lake CFD No. 2002-1 to determine, levy, and collect the Special Taxes, including salaries of District employees and the fees of consultants, legal counsel, paying agents, fiscal agents, and trustees; the costs of collecting installments of the Special Taxes upon the general tax rolls; the cost of arbitrage calculation and arbitrage rebates; the cost of

preparation of required reports; and any other costs required to administer the Plumas Lake CFD No. 2002-1 as determined by the District.

**Annual Debt Service** means for each Bond Year the aggregate amount of principal and interest becoming due and payable on all Bonds, but excluding any interest for which there are moneys deposited in the Interest Fund from the proceeds of any Series of Bonds or other source and reserved as capitalized interest to pay such interest.

**Board of Directors** means the Board of Directors of the District.

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

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

**Bond Reserve Requirement** means, as of any date of calculation, the least of (i) Maximum Annual Debt Service as of such date, (ii) 125% of average Annual Debt Service on all Bonds Outstanding as of such date and (iii) 10% of the original principal amount of the Bonds; provided that, when calculating the Bond Reserve Requirement, (x) principal of and interest on Escrow-Secured Bonds shall be deducted from the calculation of Annual Debt Service and Maximum Annual Debt Service, and (y) the principal amount of Escrow-Secured Bonds shall be deducted from the original principal amount of the Bonds.

**Bonds** means the Olivehurst Public Utility District Plumas Lake Community Facilities District No. 2002-1 Special Tax Bonds authorized by, and at any time Outstanding pursuant to, this Fiscal Agent Agreement.

**Bond Year** means the period ending on September 1 of each year with the first Bond Year ending on September 1, 2005, and the last Bond Year ending on the date on which none of the Bonds remain outstanding.

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

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

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

shall include the statements provided for in Section 1.6 (Form and Consent of Documents Delivered to Fiscal Agent).

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

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

**Continuing Disclosure Agreement** means the Continuing Disclosure Agreement dated the date of delivery of the Series 2005 Bonds, as originally executed by the District or as it may from time to time be supplemented or amended in accordance with its terms.

**Corporate Trust Office** or **corporate trust office** means the corporate trust office of the Fiscal Agent at One California Street, Suite 2550, San Francisco, CA 94111, Attention: Corporate Trust Services, or such other or additional offices as may be designated by the Fiscal Agent.

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

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

**Defeasance Securities** means the following:

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

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

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

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

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

- (1) U.S. Export-Import Bank (Eximbank)  
Direct obligations or fully guaranteed certificates of beneficial ownership
- (2) Farmers Home Administration (FmHA)  
Certificates of beneficial ownership
- (3) Federal Financing Bank
- (4) General Services Administration  
Participation certificates
- (5) U.S. Maritime Administration  
Guaranteed Title XI financing
- (6) U.S. Department of Housing and Urban Development (HUD)  
Project Notes  
Local Authority Bonds  
New Communities Debentures - U.S. government guaranteed debentures  
U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds

**District** means the Olivehurst Public Utility District, a public utility district formed and operating under the California Public Utilities Code sections 15501 *et seq.*

**District Treasurer** means the Yuba County Treasurer who is *ex officio* the treasurer of the District.

**Escrow-Secured Bonds** means any Bonds the interest on which, the redemption of which, and required deposit into the Bond Reserve Fund with respect to which are fully secured by amounts deposited into an escrow fund held by the Fiscal Agent or secured by an irrevocable letter of credit issued by a financial institution having unsecured long-term debt obligations rated in one of the three highest Rating Categories of Moody's or Standard & Poor's and short-term obligations rated in the highest Rating Category of Moody's or Standard & Poor's.

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

**Facilities** means those public facilities as described in Resolution No. 2037 adopted by the Board of Directors on November 21, 2002, establishing the Plumas Lake CFD No. 2002-1.

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

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

**Fiscal Agent Agreement** means this Fiscal Agent Agreement dated April 1, 2005, by and between the Fiscal Agent and the District, as originally executed or as it may from time to time be supplemented or amended by any Supplemental Fiscal Agent Agreement delivered pursuant to the provisions hereof.

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

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

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

**Investment Securities** means any securities in which funds of the District may now or hereafter be legally invested as provided by applicable law in effect at the time of such investment, subject to any limitations imposed by the investment policy approved by the Board of Directors, but without regard to any limitations contained therein concerning the maximum percentage limitations for any particular investment. Investment Securities also include (a) money market funds, including funds of the Fiscal Agent or any of its affiliates, and (b) investment agreements, including guaranteed investment contract.

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

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

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

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

**Net Special Taxes** means the Special Taxes less an amount equal to thirty-five thousand dollars (\$35,000) retained each Fiscal Year by the District for the payment of Administrative Expenses.

**Opinion of Bond Counsel** means a written opinion of a law firm experienced in matters relating to obligations the interest on which is excluded from gross income for federal income tax purposes, selected by the District.

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

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

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

**Plumas Lake CFD No. 2002-1** means the Olivehurst Public Utility District Plumas Lake Community Facilities District No. 2002-1, a community facilities district duly established within the geographical jurisdiction of the District pursuant to the Law.

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

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

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

**Rate and Method of Apportionment** means the rate, method of apportionment, and manner of collection of the Special Taxes included as *Exhibit B* to Resolution No. 2037 adopted by the Board of Directors on November 21, 2002, establishing the Plumas Lake CFD No. 2002-1, as the same may be amended from time to time in accordance with the Law.

**Rating Category** means (i) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign, or other modifier, and (ii) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.



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

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

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

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

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

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

**Series 2005 Capitalized Interest Account** means the account by that name established in the Interest Fund pursuant to Section 7.5(C) (Series 2005 Capitalized Interest Account).

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

**Special Record Date** for the payment of any defaulted interest on Bonds of any Series means a date fixed by the Fiscal Agent pursuant to Section 2.7 (Payment of Interest on Bonds; Interest Rights Preserved).

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

**Special Taxes** means the special taxes authorized to be levied and collected annually on property in the Plumas Lake CFD No. 2002-1.

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

**State** means the State of California.

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

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

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

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

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

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

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

Any request, consent, or other instrument or writing of the Owner of any Bond shall bind every future Owner of the same Bond and the Owner of every Bond issued in exchange therefor

or in lieu thereof, in respect of anything done or suffered to be done by the Fiscal Agent or the District in accordance therewith or reliance thereon.

SECTION 1.4. Notices, etc., to District and Fiscal Agent. Any notice to or demand upon the Fiscal Agent may be served or presented, and such demand may be made, at the Corporate Trust Office. Any notice to or demand upon the District, shall be deemed to have been sufficiently given or served for all purposes by being deposited, first-class mail postage prepaid, in a post office letter box, addressed, as the case may be, to the District at 1970 9<sup>th</sup> Avenue, Olivehurst, CA 95961, Attention: General Manager (or such other address as may have been filed in writing by the District with the Fiscal Agent).

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

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

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

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

Fiscal Agent Agreement, but different officers, counsel, accountants, or independent consultants may certify to different matters, respectively.

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

SECTION 1.8. Successors and Assigns. Whenever in this Fiscal Agent Agreement either the 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 Fiscal Agent Agreement contained by or on behalf of the 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 1.9. Benefits of Fiscal Agent Agreement. Nothing in this Fiscal Agent Agreement or in the Bonds expressed or implied is intended or shall be construed to give to any person other than the District, the Fiscal Agent, and the Owners of the Bonds, any legal or equitable right, remedy or claim under or in respect of this Fiscal Agent Agreement or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the District, the Fiscal Agent, and the Owners of the Bonds.

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

SECTION 1.11. No Personal Liability for Debt Service. No Board member, officer, agent, or employee of the District or the Fiscal Agent shall be individually or personally liable for the payment of the principal or Redemption Price of or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such Board member, officer, agent, or employee of the District or the Fiscal Agent from the performance of any official duty provided by law or by this Fiscal Agent Agreement.

SECTION 1.12. Separability Clause. If any one or more of the provisions contained in this Fiscal Agent Agreement or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Fiscal Agent Agreement and such invalidity, illegality, or unenforceability shall not affect any other provision of this Fiscal Agent Agreement, and this Fiscal Agent Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The District hereby declares that it would have adopted this Fiscal Agent Agreement and each and every other Section, paragraph, sentence,

clause, or phrase hereof and authorized the issuance of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this Fiscal Agent Agreement may be held illegal, invalid, or unenforceable.

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

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

## ARTICLE 2 THE BONDS

SECTION 2.1. Title; Issuable in Series; General Limitations. The general title of the Bonds of all Series shall be "Olivehurst Public Utility District Plumas Lake Community Facilities District No. 2002-1 Special Tax Bonds." With respect to the Bonds of any particular Series, the District may incorporate into or add to the general title of such Bonds any words, letters, or figures designed to distinguish that Series.

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

Other than Bonds issued to refund Outstanding Bonds, the District shall not issue more than \$27,000,000 aggregate principal amount of Bonds.

SECTION 2.2. Terms of Particular Series. Each Series of Bonds, except the Series 2005 Bonds created by Article 3, shall be created by a fiscal agent agreement supplemental hereto authorized by the Board of Directors and establishing the terms and provisions of such Series of Bonds and the form of the Bonds of such Series. The several Series of Bonds may differ from the Series 2005 Bonds and as between Series in any respect not in conflict with the provisions of this Fiscal Agent Agreement and as may be prescribed in the supplemental fiscal agent agreement creating such Series.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Every new Bond issued pursuant to this Section in lieu of any destroyed, lost, or stolen Bond shall constitute an original additional contractual obligation of the District, whether or not the destroyed, lost, or stolen Bond shall be at any time enforceable by anyone, and shall be entitled to all the security and benefits of this Fiscal Agent Agreement equally and ratably with all other Outstanding Bonds secured by this Fiscal Agent Agreement. Neither the District nor the Fiscal Agent shall be required to treat both the new Bond and the Bond it replaces as being Outstanding for the purpose of determining the principal amount of Bonds that may be issued hereunder, but both the new Bond and the Bond it replaces shall be treated as one and the same.

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

Any interest on any Bond of any Series that is payable but is not punctually paid or duly provided for on any Interest Payment Date shall forthwith cease to be payable to the Owner on the relevant Regular Record Date. Such defaulted interest shall be paid to the Person in whose name the Bond is registered at the close of business on a Special Record Date for the payment of

such defaulted interest to be fixed by the Fiscal Agent. In the name and at the expense of the District, the Fiscal Agent shall cause notice of the payment of such defaulted interest and the Special Record Date to be mailed, first-class postage prepaid, to each Owner of a Bond of such Series at his address as it appears in the Bond Register not fewer than ten (10) days prior to such Special Record Date.

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

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

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

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

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

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

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

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

(2) To any substitute depository not objected to by the Fiscal Agent, upon (a) the resignation of The Depository Trust Company or its successor (or any substitute



depository or its successor) from its functions as depository, or (b) a determination by the District that The Depository Trust Company or its successor (or any substitute depository or its successor) is no longer able to carry out its functions as depository; provided that any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

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

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

(C) Notation of Reduction of Principal. In the case of partial redemption, cancellation or a refunding of any Bonds evidencing all or a portion of the principal maturing in a particular year, The Depository Trust Company shall make an appropriate notation on the Bonds indicating the date and amounts of such reduction in principal, in form acceptable to the Fiscal Agent.

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

(E) Payments to Depository. So long as all outstanding Bonds of a Series are registered in the name of "Cede & Co." or its registered assign, the District and the Fiscal Agent shall cooperate with "Cede & Co.", as sole registered Owner, and its registered assigns in

effecting payment of the principal, redemption premium, if any, and interest represented by the Bonds of such Series by arranging for payment in such manner that funds for such payments are properly identified and are made immediately available on the date they are due.

**ARTICLE 3**  
**TERMS AND ISSUE OF SERIES 2005 BONDS**

**SECTION 3.1. Terms and Form of Series 2005 Bonds.**

(A) Creation of Series 2005. The District hereby creates a series of Bonds and additionally designates them "Series 2005." At any time after the execution and delivery of this Fiscal Agent Agreement, the District may execute and the Fiscal Agent shall authenticate and deliver the Series 2005 Bonds in an aggregate principal amount not to exceed \$7,910,000 upon the Order of the District.

(B) Form of Series 2005 Bonds. The form of the Series 2005 Bonds shall be substantially as set forth in *Exhibit A* with such insertions, omissions, substitutions, and variations as may be determined by the officers executing the same, as evidenced by their execution thereof, to reflect the applicable terms of the Series 2005 Bonds established by this Article.

(C) Book-Entry Form; Denominations. The Series 2005 Bonds shall be issued in fully registered form, in denominations of \$5,000 or any integral multiple thereof, and shall be initially registered in the name of "Cede & Co.," as nominee of The Depository Trust Company. The Series 2005 Bonds shall be evidenced by one Series 2005 Bond maturing on each of the maturity dates with respect to the Series 2005 Bonds in a denomination corresponding to the total principal amount represented by the Series 2005 Bonds payable on such date. Registered ownership of the Series 2005 Bonds, or any portion thereof, may not thereafter be transferred except as set forth in Section 2.10 (Book-Entry Provisions). The Series 2005 Bonds shall bear such distinguishing numbers and letters as may be specified by the Fiscal Agent.

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

<b>Maturity Date (September 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>
2006	\$145,000	2.600%
2007	145,000	2.800
2008	150,000	3.100
2009	155,000	3.300
2010	160,000	3.500
2011	165,000	3.700

<b>Maturity Date (September 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>
2012	170,000	3.900
2013	175,000	4.000
2014	180,000	4.200
2015	190,000	4.500
2016	195,000	4.650
2017	205,000	4.750
2018	215,000	4.800
2019	225,000	4.800
2020	235,000	4.850
2025*	1,340,000	5.125
2035*	3,860,000	5.200

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*\*Term Bond*

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

(E) Principal and Interest Payments. The principal or Redemption Price of the Bonds shall be payable to the Owner thereof upon surrender thereof in lawful money of the United States of America at the Corporate Trust Office or, as provided in Section 2.10(E) (Payments to Depository), by wire transfer on each principal and mandatory redemption payment date to “Cede & Co.” or its registered assign, as sole registered Owner. Interest on the Series 2005 Bonds shall be payable on September 1, 2005, and thereafter semiannually on March 1 and September 1 of each year by check mailed by first class mail on each Interest Payment Date or, as provided in Section 2.10(E) (Payments to Depository) and upon the written request of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds who has provided the Fiscal Agent with wire transfer instructions on or before the applicable Regular Record Date, by wire transfer on each Interest Payment Date to the Owner thereof as of the close of business on the Regular Record Date. The Regular Record Date for the Series 2005 Bonds shall be the fifteenth (15th) day of the calendar month immediately preceding the relevant Interest Payment Date.

(F) Cessation of Interest Accrual. Interest on any Bond shall cease to accrue (i) on the maturity date thereof, provided that there has been irrevocably deposited with the Fiscal Agent an amount sufficient to pay the principal amount thereof, plus interest accrued thereon to such date; or (ii) on the redemption date thereof, provided there has been irrevocably deposited with the Fiscal Agent an amount sufficient to pay the Redemption Price thereof, plus interest accrued thereon to such date. The Owner of such Bond shall not be entitled to any other

payment, and such Bond shall no longer be Outstanding and entitled to the benefits of this Fiscal Agent Agreement, except for the payment of the principal amount or Redemption Price, as appropriate, of such Bond.

**SECTION 3.2. Redemption of Series 2005 Bonds.**

(A) General Redemption Provisions. The Series 2005 Bonds shall be subject to redemption as provided in Article 5.

(B) Optional Redemption. The Series 2005 Bonds are subject to redemption prior to their respective stated maturities, at the option of the District, from any source of available funds, as a whole or in part (by such maturities as may be specified by the District and at random within a maturity) on any Interest Payment Date, at the following redemption prices (computed upon the principal amount of Series 2005 Bonds called for redemption), plus accrued interest to the date fixed for redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
On or before March 1, 2013	103%
September 1, 2013, and March 1, 2014	102
September 1, 2014, and March 1, 2015	101
September 1, 2015, and thereafter	100

(C) Mandatory Sinking Fund Redemption. (1) 2025 Term Bonds. Term Bonds maturing on September 1, 2025, are subject to redemption prior to their stated maturity, in part, at random from Mandatory Redemption Payments in the following amounts and on the following dates, at the principal amount thereof on the date fixed for redemption, without premium, but which amounts will be proportionately reduced by the principal amount of all Term Bonds optionally redeemed:

<u>Mandatory Redemption Dates</u> (September 1)	<u>Principal Amount</u>
2021	\$245,000
2022	255,000
2023	265,000
2024	280,000
2025*	295,000

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\* *Maturity*

(2) 2035 Term Bonds. Term Bonds maturing on September 1, 2035, are subject to redemption prior to their stated maturity, in part, at random from Mandatory Redemption Payments in the following amounts and on the following dates, at the principal amount thereof on the date fixed for redemption, without premium, but which amounts will be proportionately reduced by the principal amount of all Term Bonds optionally redeemed:

<b>Mandatory Redemption Dates (September 1)</b>	<b><u>Principal Amount</u></b>
2026	\$310,000
2027	325,000
2028	340,000
2029	355,000
2030	375,000
2031	390,000
2032	410,000
2033	430,000
2034	450,000
2035*	475,000

\* *Maturity*

(D) Mandatory Redemption from Special Tax Prepayments. The Series 2005 Bonds are subject to redemption by the District prior to their respective stated maturities, as a whole or in part (by such maturities as may be specified by the District and at random within a maturity) on any Interest Payment Date from prepayments of the Special Taxes, at the following redemption prices (expressed as a percentage of the principal amount of Series 2005 Bonds called for redemption), together with accrued interest thereon to the date fixed for redemption:

<b><u>Redemption Dates</u></b>	<b><u>Redemption Price</u></b>
Prior to September 1, 2013	103%
September 1, 2013, and March 1, 2014	102
September 1, 2014, and March 1, 2015	101
September 1, 2015, and thereafter	100

SECTION 3.3. Application of Proceeds of Series 2005 Bonds. The District shall cause the proceeds of the sale of the Series 2005 Bonds to be set aside or transferred as follows:

(A) in the Series 2005 Capitalized Interest Account (created by Section 7.5(C) (Series 2005 Capitalized Interest Account)) \$116,037.01;

(B) in the Bond Reserve Fund (created by Section 7.4 (Allocation of Net Special Taxes)) \$524,757.50;

(C) in the Series 2005 Costs of Issuance Account (created by Section 3.4 (Establishment and Application of Costs of Issuance Fund)) \$537,500;

(D) in the Series 2005 Acquisition and Construction Account (created by Section 3.5 (Establishment and Application of Acquisition and Construction Fund)) \$6,412,639.34; and

(E) transferred to the District for deposit into the Community Facilities Fund (created by Section 7.4 (Allocation of Net Special Taxes)) \$45,000.

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

**SECTION 3.4. Establishment and Application of Costs of Issuance Fund.** The Fiscal Agent shall establish and maintain a separate fund designated as the "Costs of Issuance Fund." With respect to each Series of Bonds for which proceeds of the sale thereof are required to be set aside specifically to pay Costs of Issuance, the Fiscal Agent shall maintain a separate account within the Costs of Issuance Fund designated as the "Series 2005 Costs of Issuance Account" (inserting therein the Series designation of such Bonds). The moneys in each Costs of Issuance Account shall be applied by the Fiscal Agent to pay or to reimburse the District for the payment of the Costs of Issuance of the related Series of Bonds. Before any payment from the Costs of Issuance Fund shall be made, the District shall file or cause to be filed with the Fiscal Agent a Requisition of the District stating (i) the account from which such payment is to be drawn; (ii) the item number of such payment; (iii) the name and address of the person to whom each such payment is due, which may be the District in the case of reimbursement for costs theretofore paid by the District; (iv) the respective amounts to be paid; (v) the purpose by general classification for which each obligation to be paid was incurred; and (vi) that obligations in the stated amounts have been incurred by the District and are presently due and payable and that each item thereof is a proper charge against the Costs of Issuance Fund and has not been previously paid from said fund. At the end of six months from the date of issuance of such Series of Bonds, or upon an earlier determination by the District that amounts in such account are no longer required for the payment of Costs of Issuance, the District shall transfer any remaining amounts in such account to the Acquisition and Construction Account established for such Series of Bonds.

**SECTION 3.5. Establishment and Application of the Acquisition and Construction Fund.** (A) The Fiscal Agent shall establish and maintain a separate fund designated as the "Acquisition and Construction Fund." With respect to each Series of Bonds that funds the payment of the costs of Facilities, the Fiscal Agent shall establish and maintain in the Acquisition and Construction Fund a separate account designated as the "Series 2005 Acquisition and Construction Account" (inserting therein the Series designation of such Bonds). The moneys in the Acquisition and Construction Fund shall be used and withdrawn by the Fiscal Agent to pay the costs of the Facilities.

(B) Before any payment from the Acquisition and Construction Fund shall be made, the District Treasurer shall execute a Requisition of the District and file or cause to be filed said Requisition with the Fiscal Agent. The Requisition shall state (i) the account from which such payment is to be drawn; (ii) the item number of such payment; (iii) the name and address of the person to whom each such payment is due, which may be the District in the case of reimbursement for costs theretofore paid by the District; (iv) the respective amounts to be paid; (v) the purpose by general classification for which each obligation to be paid was incurred; (vi) that obligations in the stated amounts have been incurred by the District and are presently due and payable and that each item thereof is a proper charge against the Acquisition and Construction Fund and has not been previously paid from said fund, and (vii) that there has not been filed with or served upon the District notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the amounts payable to any of the persons named in such Requisition, that has not been released or will not be released simultaneously with

the payment of such obligation, other than materialmen's or mechanics' liens accruing by mere operation of law.

(C) Upon receipt of a Requisition conforming to the requirements of the preceding paragraph, the Fiscal Agent shall pay the amount set forth in the Requisition as directed by the terms thereof out of the Acquisition and Construction Fund. The Fiscal Agent need not make any such payment if it has received notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the moneys to be so paid, that has not been released or will not be released simultaneously with such payment. The Fiscal Agent shall not incur any liability for any disbursement from the Acquisition and Construction Fund made in reliance upon any Requisition.

(D) When the District determines that all of the costs of the Facilities have been paid, the District Treasurer shall provide written notification of such determination to the Fiscal Agent and direct the Fiscal Agent to transfer any remaining balance in any Acquisition and Construction Account into the Special Tax Fund.

SECTION 3.6. Validity of Series 2005 Bonds. The recital in the Series 2005 Bonds that they are issued pursuant to the Constitution and statutes of the State shall be conclusive evidence of their validity and of compliance with provisions of law in their issuance.

#### ARTICLE 4 ISSUANCE AND DELIVERY OF ADDITIONAL SERIES OF BONDS

SECTION 4.1. Issuance of Additional Series of Bonds. The District may by Supplemental Fiscal Agent Agreement establish one or more additional Series of Bonds secured under this Fiscal Agent Agreement, equally and ratably with Bonds previously issued, for the purpose of providing funds to finance or refinance the costs of any Facilities (or to reimburse the District for the payment of such costs), including payment of costs incidental to or connected with the Facilities, or for the repayment of funds advanced to or for the Plumas Lake CFD No. 2002-1. The District may issue, and the Fiscal Agent may authenticate and deliver to the purchasers thereof, Bonds of any Series so established, in such principal amount as shall be determined by the District, but only upon compliance by the District with the provisions of Section 4.2 (Proceedings for Issuance of Additional Series of Bonds) and any additional requirements set forth in the related Supplemental Fiscal Agent Agreement and subject to the following specific conditions, which are hereby made conditions precedent to the issuance of any such additional Series of Bonds:

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

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

form of a letter of credit, an insurance policy, or a surety bond as described in Section 7.7 (Funding and Application of Bond Reserve Fund), as provided in such Supplemental Fiscal Agent Agreement.

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

(D) Value-to-Lien Ratio. The value of each parcel of Taxable Property (and the then existing private improvements thereon) on the date of the adoption of the Supplemental Fiscal Agent Agreement authorizing the issuance of such additional Series of Bonds (based on either the assessed valuations thereof as contained in the most recent equalized assessment roll of Yuba County or an MAI fair market appraisal performed by an appraiser selected by the District and applying the standards and methods for appraisals described in the District's Local Goals and Policies Concerning the Use of the Mello-Roos Community Facilities Act, shall be equal to at least three (3) times the sum of:

(1) the aggregate principal amount of all Bonds to be outstanding after the issuance of such additional Series of Bonds (excluding Escrow-Secured Bonds), plus

(2) the aggregate principal amount of all outstanding special assessment bonds that are payable from special assessments levied on the Taxable Property, plus

(3) the aggregate prepayment amount for the Taxable Property as calculated in accordance with Section 7 of the Rate and Method of Apportionment for the District's Community Facilities District No. 2004-1 (Wastewater Treatment Facility), plus

(4) the greater of (x) the aggregate prepayment amount for the Taxable Property as calculated in accordance with the rate and method of apportionment for the special taxes to be levied within a community facilities district formed or to be formed by the Three Rivers Levee Improvement Authority and (y) the aggregate bond obligation or bond share of the Taxable property (i.e., the portion allocated to the Taxable Property of the aggregate principal amount of all bonds issued or expected to be issued) with respect to the Three Rivers Levee Improvement Authority under the Law, plus

(5) the proportion of the aggregate principal amount of all outstanding bonds issued under the Law (other than the Bonds) that are payable from special taxes to be levied on the Taxable Property.

(E) Value-to-Lien Ratio Prior to Flood Solution. Unless the limitations on issuance of building permits in the Plumas Lake Specific Plan Area pursuant to the agreement between the State Board of Reclamation, Yuba County, and TRLIA have terminated, as evidenced by a Certificate of Yuba County or TRLIA, the aggregate value of all Taxable Property with respect to which a building permit has been issued (and the then existing private improvements thereon) as of the date of the adoption of the Supplemental Fiscal Agent Agreement authorizing the issuance of such additional Series of Bonds (based on either the assessed valuations thereof as contained in the most recent equalized assessment roll of Yuba County or an MAI fair market appraisal performed by an appraiser selected by the District and applying the standards and



methods for appraisals described in the District's Local Goals and Policies Concerning the Use of the Mello-Roos Community Facilities Act), shall be equal to at least four (4) times the sum of:

(1) the aggregate principal amount of all Bonds to be outstanding after the issuance of such additional Series of Bonds, plus

(2) the aggregate lien amounts described in items (2) through (5) of subsection (D) (Value-to-Lien Ratio) above applicable to the Taxable Property with respect to which a building permit has been issued.

(F) No Material Extraordinary Assumptions or Limiting Conditions. The General Manager shall be satisfied that any appraisal used to evidence satisfaction of the value-to-lien ratio condition of Section 4.1(D) or Section 4.1(E) contains no extraordinary assumptions or limiting conditions that, if taken into account (i.e., not excepted from the analysis) by the appraiser, would cause a material reduction in valuation of the Taxable Property. If assessed value is used to evidence satisfaction of the value-to-lien ratio condition of Section 4.1(D) or Section 4.1(E), the General Manager shall be satisfied that no such material assumptions or limiting conditions would be included in an appraisal.

(G) Debt Service Coverage Ratio. The amount of Special Taxes that may be collected in each Bond Year following issuance of the additional Series of Bonds by application of the Rate and Method of Apportionment shall be no less than 110% of the aggregate of Annual Debt Service due and payable with respect to all Bonds to be Outstanding in such Bond Year. Unless the limitations on issuance of building permits in the Plumas Lake Specific Plan Area pursuant to the [agreement between the State Board of Reclamation, Yuba County, and TRLIA] have terminated, as evidenced by a Certificate of Yuba County or TRLIA, the amount of Special Taxes that may be collected in each Bond Year following issuance of the additional Series of Bonds by application of the Rate and Method of Apportionment from all Taxable Property with respect to which a building permit has been issued shall be no less than 110% of the aggregate of Annual Debt Service due and payable with respect to all Bonds to be Outstanding in such Bond Year.

(H) No Major Taxpayer Delinquencies. No owner whose properties are liable for ten percent (10%) or more of the annual Special Taxes levied in the Plumas Lake CFD No. 2002-1 shall be delinquent in the payment of such Special Taxes.

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

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

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

(A) Supplemental Fiscal Agent Agreement. Whenever the District shall determine to issue a Series of Bonds pursuant to Section 4.1 (Issuance of Additional Series of Bonds), the District shall authorize the execution of a Supplemental Fiscal Agent Agreement specifying the principal amount and prescribing the forms of Bonds of such additional Series and providing the terms, conditions, distinctive designation, denominations, methods of numbering, date, maturity date or dates, interest rate or rates (or the manner of determining the same), redemption provisions, and place or places of payment of principal or Redemption Price, if any, of and interest on such Bonds, and any other provisions respecting the Bonds of such Series not inconsistent with the terms of this Fiscal Agent Agreement.

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

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

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

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

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

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

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

(A) Series 2005 Bonds and Additional Bonds. Bonds of any Series authorized pursuant to Sections 3.1 (Terms and Form of Series 2005 Bonds) and 4.1 (Issuance of Additional Series of Bonds).

(B) Subordinate Obligations. Obligations that are junior and subordinate to the payment of the principal, premium, interest, and reserve fund requirements for the Bonds and which subordinated obligations are payable as to principal, premium, interest, and reserve fund requirements, if any, only out of Net Special Taxes after their transfer to the District for deposit into the Community Facilities Fund pursuant to Section 7.4(D) (Allocation of Net Special Taxes – Community Facilities Fund).

## ARTICLE 5 REDEMPTION OF BONDS

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

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

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

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

For all purposes of this Fiscal Agent Agreement, unless the context otherwise requires, all provisions relating to the redemption of Bonds shall relate, in the case of any Bond redeemed

or to be redeemed only in part, to the portion of the principal of such Bond that has been or is to be redeemed.

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

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

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

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

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

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

## ARTICLE 6 DEFEASANCE

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

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

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

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

discharge of this Fiscal Agent Agreement, the obligations to the Fiscal Agent under Section 10.7 (Compensation and Indemnification of Fiscal Agent) and the covenants of the District to preserve the exclusion of interest on the Bonds from gross income for federal income tax purposes contained in Section 8.10 (Federal Income Tax Covenants) shall survive.

(C) Actions Upon Discharge. In such event, upon Request of the District, the Fiscal Agent shall cause an accounting for such period or periods as may be requested by the District to be prepared and filed with the District and shall execute and deliver to the District all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Fiscal Agent shall pay over, transfer, assign, or deliver to the District all moneys or securities or other property held by it pursuant to this Fiscal Agent Agreement that, as evidenced by a verification report (upon which the Fiscal Agent may conclusively rely) from a firm of certified public accountants, or other firm acceptable to the District, are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption; subject to the provisions of Section 8.10 (Federal Income Tax Covenants) and the Tax Certificate with respect to moneys in the Rebate Fund.

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

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

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

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

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

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

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

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

## ARTICLE 7 PAYMENT OF BONDS

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

for the payment of the principal or Redemption Price of or interest on the Bonds or for any other purpose of this Fiscal Agent Agreement.

SECTION 7.2. Deposit of Special Taxes. At each time that Special Taxes (other than Special Taxes representing prepaid Special Taxes) are received, the District will set aside therefrom and deposit into the Community Facilities Fund the amount determined by the District to be required pay its budgeted Administrative Expenses for the period prior to the next expected distribution of Special Taxes from the County of Yuba (taking into account in such determination the amounts available in the Community Facilities Fund for payment of Administrative Expenses), to a maximum of thirty-five thousand dollars (\$35,000) in each Fiscal Year. The District agrees and covenants that it will transfer the balance of the Special Taxes received (and all of the Special Taxes representing prepaid Special Taxes) to the Fiscal Agent. The Fiscal Agent shall deposit any portion of such Special Taxes that represents prepaid Special Taxes into the Prepayment Fund. The Fiscal Agent shall deposit all other Special Taxes received into the "Olivehurst Public Utility District Plumas Lake Community Facilities District No. 2002-1 Special Tax Fund," which fund the Fiscal Agent shall establish and maintain. All money in the Special Tax Fund shall be held by the Fiscal Agent in trust hereunder and shall be disbursed, allocated and applied solely to the uses and purposes hereinafter set forth in this article.

SECTION 7.3 Pledge of Net Special Taxes. Subject only to the provisions of this Fiscal Agent Agreement permitting the application thereof for the purposes and on the terms and conditions set forth herein, all of the Net Special Taxes, including any prepayments thereof and proceeds from the sale of property collected pursuant to the foreclosure provisions hereof the delinquency of Special Taxes and proceeds from any security for payment of Special Taxes taken in lieu of foreclosure, and all amounts (including proceeds of the Bonds) held by the Fiscal Agent in any fund or account established hereunder (except for amounts held in the Rebate Fund) are hereby pledged to secure the payment of the principal of and interest on the Bonds in accordance with their terms and the provisions of this Fiscal Agent Agreement. This pledge shall constitute a first lien on the Net Special Taxes and amounts in such funds and shall be valid and binding from and after delivery by the Fiscal Agent of the Bonds, without any physical delivery thereof or further act. The Net Special Taxes are hereby pledged to the payment of Bonds without priority or distinction of one over the other and the Net Special Taxes constitute a trust fund for the security and payment of the interest on and principal of the Bonds; but nevertheless out of Net Special Taxes certain amounts may be applied for other purposes as provided herein. The pledge of Net Special Taxes herein made shall be irrevocable until all of the Bonds are no longer Outstanding.

SECTION 7.4. Allocation of Net Special Taxes. The Fiscal Agent shall transfer from the Special Tax Fund and deposit into the following respective accounts and funds (each of which accounts and funds is hereby created) in the following order of priority, the requirements of each such fund (including the making up of any deficiencies in any such fund resulting from lack of Net Special Taxes sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any deposit is made to any fund subsequent in priority:

(A) Interest Fund. On or before each Interest Payment Date, the Fiscal Agent shall deposit in the Interest Fund an amount equal to the aggregate amount of interest becoming due



and payable on the Outstanding Bonds on the next succeeding Interest Payment Date (excluding any interest for which there are moneys deposited in the Interest Fund from the proceeds of any Series of Bonds or other source and reserved as capitalized interest to pay such interest on such Interest Payment Date). No deposit need be made into the Interest Fund if the amount contained therein is at least equal to the interest to become due and payable on the next succeeding Interest Payment Date (but excluding any moneys on deposit in the Interest Fund from the proceeds of any Series of Bonds or other source and reserved as capitalized interest to pay interest on any future Interest Payment Dates following such Interest Payment Date).

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

No deposit need be made into the Principal Fund so long as there shall be in such fund (i) moneys sufficient to pay the principal of all Serial Bonds issued hereunder and then Outstanding and maturing by their terms within the next twelve months plus (ii) the aggregate of all Mandatory Sinking Account Payments required to be made in such twelve-month period, but less any amounts deposited into the Principal Fund during such twelve-month period and theretofore paid from the Principal Fund to redeem or purchase Term Bonds during such twelve-month period and less any principal payments that the District certifies to the Fiscal Agent will be refunded on or prior to their respective due dates.

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

(D) Community Facilities Fund. The Fiscal Agent shall transfer to the District all money remaining in the Special Tax Fund on September 5 of each year, after transferring all of the sums required to be transferred therefrom on or prior to such date by the provisions of the foregoing subsections (A), (B), and (C) of this Section, for deposit into the "Olivehurst Public Utility District Plumas Lake Community Facilities District No. 2002-1 Community Facilities Fund," which fund the District shall establish and maintain. The District shall use the money in the Community Facilities Fund solely for the payment of costs of the Facilities and Administrative Expenses or otherwise for the benefit of the Plumas Lake CFD No. 2002-1 in accordance with the Law.

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

(A) Application of Interest Fund. All amounts in the Interest Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of paying interest on the Bonds as it shall become due

and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to this Fiscal Agent Agreement).

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

(C) Series 2005 Capitalized Interest Account. The Fiscal Agent shall establish and maintain a separate account within the Interest Fund designated as the “Series 2005 Capitalized Interest Account.” The Fiscal Agent shall transfer moneys from the Series 2005 Capitalized Interest Account and deposit them in the Interest Fund in amounts sufficient to pay all the interest coming due on the Bonds on each Interest Payment Date until the amount therein is exhausted.

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

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

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

moneys in such Sinking Account, or, during said period and prior to giving said notice of redemption, the District has deposited Term Bonds of such Series and maturity with the Fiscal Agent, or Term Bonds of such Series and maturity were at any time purchased or redeemed by the Fiscal Agent from the Prepayment Fund or other source of funds and allocable to said Mandatory Sinking Account Payment, such Term Bonds so purchased or deposited or redeemed shall be applied, to the extent of the full principal amount thereof, to reduce said Mandatory Sinking Account Payment.

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

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

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

determination the letter of credit), the Fiscal Agent shall draw on the letter of credit to fund the deficiency resulting therefrom in the Bond Reserve Fund.

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

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

(2) Repayment of Amounts Recovered as Preferences in Bankruptcy. If the Fiscal Agent has notice that any payment of principal of or interest on a Bond has been recovered from a Bondowner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Fiscal Agent, pursuant to and provided that the terms of the letter of credit, insurance policy, or surety bond if any, securing the Bonds so provide, shall so notify the District thereof and draw on such letter of credit or collect under such insurance policy or surety bond to the lesser of the

extent required or the maximum amount of such letter of credit, insurance policy, or surety bond in order to pay to such Bondowners the principal and interest so recovered. If and to the extent that the Bond Reserve Requirement is satisfied by a deposit of cash or Investment Securities and one or more letters of credit, insurance policies, or surety bonds (or any combination thereof), the Fiscal Agent shall first draw on the portion of the Bond Reserve Fund held in cash or Investment Securities and then make drawings under such letters of credit, insurance policies, or surety bonds shall be made on a pro rata basis (calculated by reference to the maximum amounts of such letters of credit, insurance policies, and surety bonds).

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

(3) Reimbursement of Draws on Letters of Credit and Insurance Policies. If a drawing is made on a letter of credit, insurance policy, or surety bond, the Fiscal Agent shall use amounts deposited in the Bond Reserve Fund by the District following such draw first to make the payments required by the terms of the letter of credit, insurance policy, surety bond, or related reimbursement or loan agreement so that the letter of credit, insurance policy, or surety bond shall ( absent the delivery to the Fiscal Agent of a substitute letter of credit, insurance policy, or surety bond satisfying the requirements of this Section or the deposit in the Bond Reserve Fund of an amount sufficient to increase the balance in the Bond Reserve Fund to the Bond Reserve Requirement) be reinstated in the amount of such drawing within one year of the date of such drawing. After such reinstatement, the Fiscal Agent shall use amounts deposited in the Bond Reserve Fund by the District for the replenishment of the portion of Bond Reserve Fund held in cash or Investment Securities.

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

SECTION 7.8. Application of Prepayment Fund. The Fiscal Agent shall establish, maintain and hold in trust a special fund designated as the "Prepayment Fund." All moneys representing prepaid Special Taxes that are deposited by the District with the Fiscal Agent shall be deposited in the Prepayment Fund. Except as provided below, all amounts deposited in the Prepayment Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of redeeming Bonds of any Series, in the manner, at the times and upon the terms and conditions specified in Section 3.2(D) (Mandatory Redemption from Special Tax Prepayments) or in the Supplemental Fiscal Agent Agreement pursuant to which the Bonds to be redeemed were issued; provided that, at any time prior to giving such notice of redemption, the Fiscal Agent shall, upon receipt of a Request of the District, apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Fund) as is directed by the District, except that the purchase price (exclusive of such accrued interest) may not exceed the

Redemption Price then applicable to such Bonds. All Term Bonds purchased or redeemed from the Prepayment Fund shall be allocated to Mandatory Sinking Account Payments applicable to such Series and maturity of Term Bonds as may be specified in a Request of the District. Following a redemption of Bonds from the Prepayment Fund, the Fiscal Agent shall transfer any remaining amount that represented the amount deposited that exceeded an even multiple of \$5,000 to the District for deposit into the Special Tax Fund.

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

SECTION 7.10. Investment of Moneys in Funds and Accounts. All moneys in any of the funds and accounts held by the Fiscal Agent and established pursuant to this Fiscal Agent Agreement shall be invested solely as directed by the District, solely in Investment Securities. All Investment Securities shall, as directed by the District in writing or by telephone, promptly confirmed in writing, be acquired subject to the limitations set forth in Section 8.10 (Federal Income Tax Covenants), the limitations as to maturities hereinafter in this Section set forth and such additional limitations or requirements consistent with the foregoing as may be established by Request of the District and not inconsistent with the duties of the Fiscal Agent hereunder. In absence of any written direction from the District, the Fiscal Agent shall invest, to the extent reasonably practicable any such moneys in item (a) of the definition of Investment Securities, which by their terms mature prior to the date on which such moneys are required to be paid out hereunder and otherwise hold such amounts uninvested.

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

Unless otherwise provided in a Supplemental Fiscal Agent Agreement all interest, profits, and other income received from the investment of moneys in: (1) the Rebate Fund shall be deposited in the Rebate Fund, except as otherwise directed by the District in accordance with Section 8.10 (Federal Income Tax Covenants); (2) the Costs of Issuance Fund, the Series 2005 Capitalized Interest Account, and the Acquisition and Construction Fund shall be deposited when received into the Acquisition and Construction Fund, and (3) all other funds and accounts shall be deposited therein. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security shall be credited to the fund or account from which such accrued interest was paid.

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

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

The Fiscal Agent or any of its affiliates may act as principal or agent in the making or disposing of any investment made by the Fiscal Agent hereunder and, with the prior written consent of the District, may impose its customary charge therefor. The Fiscal Agent may sell, or present for redemption, any Investment Securities so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Investment Security is credited, and the Fiscal Agent shall not be liable or responsible for any loss resulting from such investment. The District acknowledges that, to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grants the District the right to receive brokerage confirmations of security transactions as they occur, the District specifically waives receipt of such confirmations to the extent permitted by law. The Fiscal Agent will furnish the District with periodic cash transaction statements that include detail for all investment transactions made by the Fiscal Agent hereunder. The Fiscal Agent shall not be required to determine the legality of any investments. The Fiscal Agent may make any investments hereunder through its own bond or investment department or trust investment department or those of its parent or any affiliate.

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

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

SECTION 7.11. Funds and Accounts. Any fund required by this Fiscal Agent Agreement to be established and maintained by the Fiscal Agent may be established and

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

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

## ARTICLE 8 COVENANTS OF THE DISTRICT

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

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

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

(A) Levy of the Special Taxes. (1) Minimum Amount. The District covenants that, so long as any of the Bonds are Outstanding, and subject to the maximum rates of Special Taxes that it is authorized to levy on Taxable Property, it will annually levy and make provision for the collection of the Special Taxes in amounts that will be sufficient, after making reasonable allowances for contingencies and errors in the estimates, to yield proceeds equal to the amounts required for compliance with the agreements, conditions, covenants, and terms contained herein, and that in any event will be sufficient to pay the interest on and principal of and Mandatory Sinking Account Payments for and redemption premiums, if any, and to accumulate funds to pay future debt service on the Bonds as they become due and payable and to replenish the Bond Reserve Fund to the Bond Reserve Requirement and to pay all current Administrative Expenses as they become due and payable in accordance with the provisions hereof.

(2) Levy at Maximum Rates for Series 2005 Bonds. The District further covenants that, so long as any of the Series 2005 Bonds are Outstanding, and to the extent permitted by the Rate and Method of Apportionment, it will budget pay-as-you-go expenditures in a sufficient amount



such that the Special Tax on Developed Parcels, Large Lot Parcels, and Tentative Map Parcels (as those terms are defined in the Rate and Method of Apportionment) is the Maximum Special Tax for such Parcels in each Fiscal Year.

(B) Collection of the Special Taxes. The Special Taxes shall be collected in the same manner as ordinary ad valorem property taxes are collected and, except as otherwise provided in Section 8.7 (Covenant to Foreclose) and in the Law, shall be subject to the same penalties and the same procedure, sale, and lien priority in case of delinquency as is provided for ad valorem property taxes.

(C) Maintenance of Net Special Taxes. The District covenants and agrees to not consent to or conduct proceedings with respect to a reduction in the Special Taxes that may be levied in the Plumas Lake CFD No. 2002-1 below an amount, for any Fiscal Year, equal to 110% of the aggregate of the debt service due and payable with respect to the Bonds in such Fiscal Year, plus 100% of the District's reasonable estimate of Administrative Expenses for such Fiscal Year; provided, however, that the District may at any time reduce the Net Special Taxes to the extent that the amount of Special Taxes that would result from levying the Special Taxes at such maximum amounts would result in an amount of Special Taxes in excess of the amount required to comply with such covenant. The District hereby acknowledges that Owners of Outstanding Bonds are purchasing the Bonds in reliance upon the foregoing covenant and that the covenant is necessary to assure the full and timely payment of the Bonds.

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

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

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

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

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

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

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

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

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

SECTION 8.10. Federal Income Tax Covenants. The District shall at all times do and perform all acts and things permitted by law and this Fiscal Agent Agreement that are necessary and desirable in order to assure that interest paid on the Bonds will be excluded from gross

income for federal income tax purposes and shall take no action that would result in such interest not being so excluded; provided that, prior to the issuance of any Series of Bonds, the District may exclude the application of the covenants contained in this Section to such Series of Bonds. Without limiting the generality of the foregoing, the District agrees to comply with the provisions of the Tax Certificate. This covenant shall survive the defeasance or payment in full of the Bonds.

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

SECTION 8.12. Annual and Extraordinary Reports.

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

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

- (1) the principal amount of Bonds Outstanding;
- (2) the balance in the Bond Reserve Fund;
- (3) the balance in any Capitalized Interest Account;
- (4) the following information concerning delinquent Special Taxes:
  - (a) the number of parcels of Taxable Property that are delinquent with respect to their payment of Special Taxes;
  - (b) the amount by which such parcels of Taxable Property are delinquent;
  - (c) the length of time that each such parcel of Taxable Property has been delinquent;
  - (d) whether and when foreclosure proceedings were commenced with respect to each such parcel of Taxable Property;

- (5) the amount on deposit in the Acquisition and Construction Fund; and
- (6) the assessed value of each parcel of Taxable Property as shown on the last equalized assessment roll of Yuba County.

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

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

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

SECTION 8.14. Further Assurances. The District will adopt, make, execute and deliver any and all such resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Fiscal Agent Agreement and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in this Fiscal Agent Agreement.

## ARTICLE 9 EVENTS OF DEFAULT AND REMEDIES OF BONDHOLDERS

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

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

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

(C) Other Covenant Default. if the District shall fail to observe or perform any covenant, condition, agreement or provision in this Fiscal Agent Agreement on its part to be observed or performed, other than as referred to in subsection (A) or (B) of this Section, for a period of sixty (60) days after written notice, specifying such failure and requesting that it be

remedied, has been given to the District; except that, if such failure can be remedied but not within such sixty (60) day period and if the District has taken all action reasonably possible to remedy such failure within such sixty (60) day period, such failure shall not become an Event of Default for so long as the District shall diligently proceed to remedy same.

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

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

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

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

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

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

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

Third: To the payment of the persons entitled thereto of the unpaid principal of any Bonds that shall have become due, whether at maturity or by call for redemption, in the order of their due dates, with interest on the overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference.

SECTION 9.4. Restoration of Positions. In case any proceedings taken by any one or more Bondholders on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Bondholders, then in every such case the District and the Bondholders, subject to any determination in such

proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers, and duties of the District and the Bondholders shall continue as though no such proceedings had been taken.

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

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

## ARTICLE 10 THE FISCAL AGENT

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

SECTION 10.2. Certain Duties and Responsibilities.

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

(B) Reliance on Documents. In the absence of bad faith on its part the Fiscal Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Fiscal Agent and conforming to the requirements of this Fiscal Agent Agreement; but in the case of any such certificates or opinions that by any provision hereof are specifically required to be furnished to the Fiscal Agent, the Fiscal Agent shall be under a duty to examine the same to determine whether or not they conform to the requirements of the Fiscal Agent Agreement.

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

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

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

(3) no provision of this Fiscal Agent Agreement shall require the Fiscal Agent to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties hereunder, or in the exercise of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

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

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

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

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

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

(C) Reliance on District Certificate. whenever in the fulfillment of the obligations imposed upon it by this Fiscal Agent Agreement the Fiscal Agent shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action hereunder, the Fiscal Agent (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon a Certificate of the District, but in its discretion the Fiscal Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable;

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

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

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

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

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

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

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

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

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



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

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

SECTION 10.7. Compensation and Indemnification of Fiscal Agent. The District agrees

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

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

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

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

SECTION 10.8. Fiscal Agent Required; Eligibility. There shall at all times be a Fiscal Agent hereunder, which shall be a trust company or bank having the powers of a trust company having a corporate trust office in the State, having a combined capital and surplus of at least fifty million dollars (\$50,000,000), and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority, then for the purpose of this Section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Fiscal Agent shall cease to be eligible in accordance with the

provisions of this Section, the Fiscal Agent shall resign immediately in the manner and with the effect specified in this Article.

SECTION 10.9. Removal and Resignation; Appointment of Successor.

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

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

(C) District's Right to Remove Fiscal Agent. The District may remove the Fiscal Agent at any time, unless an Event of Default shall have occurred and then be continuing, by giving 30 days written notice of such removal to the Fiscal Agent.

(D) Removal of Fiscal Agent at Request of Owners. The District shall remove the Fiscal Agent if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing), by giving 30 days written notice of such removal to the Fiscal Agent.

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

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

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

in each case by giving 30 days written notice of such removal to the Fiscal Agent.

(F) Appointment of Successor. If the Fiscal Agent shall resign, be removed, or become incapable of acting, or if a vacancy shall occur in the office of Fiscal Agent for any cause, the District shall promptly appoint a successor Fiscal Agent by an instrument in writing. If no successor Fiscal Agent shall have been so appointed by the District and accepted appointment in the manner hereinafter provided within 30 days after such resignation, removal, or incapability

or the occurrence of such vacancy, the Bondholders may, by an instrument or instruments signed by the Holders of a majority in principal amount of the Bonds, appoint a successor Fiscal Agent, or any Bondholder (on behalf of himself and all other Bondholders) may petition any court of competent jurisdiction for the appointment of a successor Fiscal Agent, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Fiscal Agent.

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

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

SECTION 10.11. Merger or Consolidation. Any company into which the Fiscal Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion, or consolidation to which it shall be a party or any company to which the Fiscal Agent may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under Section 10.8 (Fiscal Agent Required; Eligibility), shall be the successor to such Fiscal Agent without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding. In case any Bonds shall have been authenticated, but not delivered, by the Fiscal Agent then in office, any successor by merger, conversion, or consolidation to such authenticating Fiscal Agent may adopt such authentication and deliver the Bonds so authenticated with the same effect as if such successor Fiscal Agent had itself authenticated such Bonds.

SECTION 10.12. Preservation and Inspection of Documents. All documents received by the Fiscal Agent under the provisions of this Fiscal Agent Agreement shall be retained in its possession and shall be subject at all reasonable times to the inspection of the District and any Owner, and their agents and representatives duly authorized in writing, at reasonable times and under reasonable conditions.

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

SECTION 10.14. Reports to CDIAC.

(A) Information to District. On or before October 1 in each year, the Fiscal Agent shall provide to the District the amount of funds available in the Acquisition and Construction Fund.

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

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

(2) withdrawal of amounts from the Bond Reserve Fund to make up a deficiency in the Interest Fund or the Principal Fund, the Fiscal Agent shall mail, postage prepaid, a notice of such occurrence to CDIAC and to the District.

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

ARTICLE 11

MODIFICATION OR AMENDMENT OF THIS FISCAL AGENT AGREEMENT

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

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

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

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

(D) Additional Series. to create any Series of Bonds (other than the Series 2005 Bonds) and make such other provisions as provided in Article 4 (Issuance and Delivery of Additional Series of Bonds);

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

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

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

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

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

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

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

(B) Credit Provider Consent. This Fiscal Agent Agreement and the rights and obligations of the District and of the Owners of the Bonds and of the Fiscal Agent may also be modified or amended at any time by a Supplemental Fiscal Agent Agreement entered into by the District and the Fiscal Agent, which shall become binding when the written consents of each

provider of a letter of credit or a policy of bond insurance for the Bonds shall have been filed with the Fiscal Agent, provided that at such time the payment of all the principal of and interest on all Outstanding Bonds shall be insured by a policy or policies of municipal bond insurance or payable under a letter of credit the provider of which shall be a financial institution or association having unsecured debt obligations rated, or insuring or securing other debt obligations rated on the basis of such insurance or letters of credit, in one of the two highest Rating Categories of Moody's and Standard & Poor's.

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

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

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

SECTION 11.3. Execution of Supplemental Fiscal Agent Agreements. In executing, or accepting the additional duties created by, any Supplemental Fiscal Agent Agreement permitted by this Article or the modification thereby of the duties created by this Fiscal Agent Agreement, the Fiscal Agent shall be entitled to receive, and, subject to Section 10.2 (Certain Duties and Responsibilities), shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such Supplemental Fiscal Agent Agreement is authorized or permitted by this Fiscal Agent Agreement. The Fiscal Agent may, but shall not be obligated to enter into any such Supplemental Fiscal Agent Agreement that affects the Fiscal Agent's own rights, duties, or immunities under this Fiscal Agent Agreement or otherwise.

SECTION 11.4. Effect of Supplemental Fiscal Agent Agreement. From and after the time any Supplemental Fiscal Agent Agreement becomes effective pursuant to this Article, this Fiscal Agent Agreement shall be deemed to be modified and amended in accordance therewith,

and the respective rights, duties, and obligations under this Fiscal Agent Agreement of the District, the Fiscal Agent, and all Owners of Bonds Outstanding shall thereafter be determined, exercised, and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Fiscal Agent Agreement shall be deemed to be part of the terms and conditions of this Fiscal Agent Agreement for any and all purposes.

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

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

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

**U.S. BANK NATIONAL ASSOCIATION**

By: *Myrona P. Chorris*  
Authorized Signatory

**OLIVEHURST PUBLIC UTILITY DISTRICT**

By: \_\_\_\_\_  
Vice President, Board of Directors

**ATTEST:**

\_\_\_\_\_  
Deputy District Clerk & ex-officio Secretary

**APPROVED AS TO FORM:**

\_\_\_\_\_  
Jonathan P. Cristy, Bond Counsel

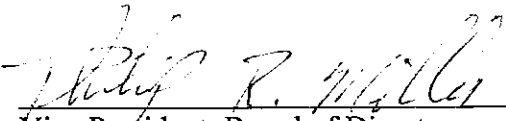


IN WITNESS WHEREOF, the parties hereto have executed this Fiscal Agent Agreement by their officers thereunto duly authorized as of the day and year first written above.

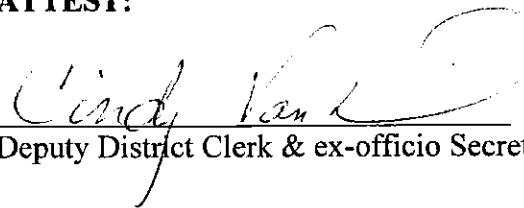
**U.S. BANK NATIONAL ASSOCIATION**

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

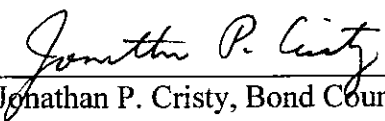
**OLIVEHURST PUBLIC UTILITY DISTRICT**

By:   
Vice President, Board of Directors

**ATTEST:**

  
Deputy District Clerk & ex-officio Secretary

**APPROVED AS TO FORM:**

  
Jonathan P. Cristy, Bond Counsel

**EXHIBIT A**

[FORM OF SERIES 2005 BONDS]

REGISTERED  
No. R-1

REGISTERED  
\$ \_\_\_\_\_

**OLIVEHURST PUBLIC UTILITY DISTRICT  
PLUMAS LAKE COMMUNITY FACILITIES DISTRICT NO. 2002-1  
SPECIAL TAX BONDS  
SERIES 2005**

<u>MATURITY DATE</u>	<u>INTEREST RATE PER ANNUM</u>	<u>DATE</u>	<u>CUSIP:</u>
September 1, 20__	____%	May 11, 2005	_____

REGISTERED OWNER: CEDE & CO.

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

The Olivehurst Public Utility District, a public utility district duly organized and existing under and pursuant to the Constitution and laws of the State of California (the "District"), for value received, hereby promises to pay (but only out of the Net Special Taxes hereinafter referred to) to the registered owner named above or registered assigns, on the maturity date specified above, the principal sum specified above together with interest thereon from the date hereof until the principal hereof shall have been paid, at the interest rate per annum specified above, payable on September 1, 2005, and semiannually thereafter on March 1 and September 1 in each year. Interest hereon is payable in lawful money of the United States of America by check mailed on each Interest Payment date or, upon the written request of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds who has provided the Fiscal Agent with wire transfer instructions, by wire transfer on each interest payment date to the registered owner as of the close of business on the 15th day of the calendar month immediately preceding such interest payment date. The principal hereof and premium, if any, hereon are payable at the corporate trust office of U.S. Bank National Association, as fiscal agent (together with any successor as fiscal agent under the hereinafter mentioned Fiscal Agent Agreement, the "Fiscal Agent"), in St. Paul, Minnesota, in lawful money of the United States of America.

This bond is one of a duly authorized issue of Olivehurst Public Utility District Plumas Lake Community Facilities District No. 2002-1 Special Tax Bonds (the "Bonds"), limited in aggregate principal amount to \$27,000,000, except for refunding bonds, which issue consists or may consist of one or more series of varying denominations, dates, maturities, interest rates and other provisions, as provided in the Fiscal Agent Agreement (as defined below), all issued and to be issued pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982 (Sections 53311 *et seq.* of the Government Code of the State of California, as amended) (the "Law") and pursuant to a fiscal agent agreement dated April 1, 2005, between the Fiscal Agent and the District (said fiscal agent agreement, as amended and supplemented from time to time,

the "Fiscal Agent Agreement"). This Bond is also one of a duly authorized series of Bonds additionally designated "Series 2005," issued in the aggregate principal amount of \$7,910,000.

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

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

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

The Series 2005 Bonds are subject to redemption prior to their respective stated maturities, at the option of the District, from any source of available funds, as a whole or in part (by such maturities as may be specified by the District and at random within a maturity) on any Interest Payment Date, at the following redemption prices (computed upon the principal amount of Series 2005 Bonds called for redemption), plus accrued interest to the date fixed for redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
On or before March 1, 2013	103%
September 1, 2013, and March 1, 2014	102
September 1, 2014, and March 1, 2015	101
September 1, 2015, and thereafter	100

Series 2005 Term Bonds maturing on September 1, 2025, and September 1, 2035, shall also be subject to redemption prior to their respective stated maturities, in part, at random, from mandatory sinking account payments required by and as specified in the Fiscal Agent Agreement at the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

The Series 2005 Bonds are subject to redemption by the District prior to their respective stated maturities, as a whole or in part (by such maturities as may be specified by the District and at random within a maturity) on any Interest Payment Date from prepayments of the Special Taxes, at the following redemption prices (expressed as a percentage of the principal amount of Series 2005 Bonds called for redemption), together with accrued interest thereon to the date fixed for redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
Prior to September 1, 2013	103%
September 1, 2013, and March 1, 2014	102
September 1, 2014, and March 1, 2015	101
September 1, 2015, and thereafter	100

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

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

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

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

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

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

IN WITNESS WHEREOF, the Olivehurst Public Utility District has caused this Bond to be executed in its name and on its behalf by its Vice President and countersigned by its Deputy District Clerk, all as of the date stated above.

**OLIVEHURST PUBLIC UTILITY DISTRICT**

By: \_\_\_\_\_  
Vice President, Board of Directors

**ATTEST:**

\_\_\_\_\_  
Deputy District Clerk & ex-officio Secretary

**CERTIFICATE OF AUTHENTICATION**

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

Dated: May 11, 2005

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

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

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

Signature(s) Guaranteed by:

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

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

**CERTIFICATE**

I hereby certify that the following is a true and correct copy of the legal opinion relating to the Bonds described therein that was manually signed by Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, and was dated the date of delivery and payment of the Bonds.

---

Deputy District Clerk

KRONICK, MOSKOVITZ, TIEDEMANN & GIRARD  
A Professional Corporation  
400 Capitol Mall, 27<sup>th</sup> Floor  
Sacramento, CA 95814

Board of Directors  
Olivehurst Public Utility District  
1970 9<sup>th</sup> Avenue  
Olivehurst, CA 95961

Re: *Olivehurst Public Utility District  
Plumas Lake Community Facilities District No. 2002-1  
Special Tax Bonds, Series 2005*

Dear Members of the Board of Directors:

We have acted as bond counsel in connection with the issuance by the Olivehurst Public Utility District (the "District") of \$7,910,000 aggregate principal amount of Olivehurst Public Utility District Plumas Lake Community Facilities District No. 2002-1 Special Tax Bonds, Series 2005 (the "Series 2005 Bonds"), under and pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982 of the State of California (being §§53311, *et seq.*, of the Government Code of the State of California), and pursuant to the provisions of the Fiscal Agent Agreement dated April 1, 2005 (the "Fiscal Agent Agreement"), between U.S. Bank National Association, as fiscal agent, and the District in such capacity, we have examined such law and such certified proceedings and other documents as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the representations of the District contained in the Fiscal Agent Agreement and in the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The District has duly authorized, executed and delivered the Bonds. The Bonds are valid and binding limited obligations of the District, payable solely from the proceeds of the Net Special Taxes (as that term is defined in the Fiscal Agent Agreement) and certain funds held under the Fiscal Agent Agreement to the extent specified therein.

2. The Fiscal Agent Agreement constitutes a valid and binding obligation of the District. The Fiscal Agent Agreement creates a valid lien on the Net Special Taxes and other funds pledged by the Fiscal Agent Agreement for the security of the Bonds.

3. Interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The District has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

4. Interest on the Bonds is exempt from present State of California personal income taxes.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Fiscal Agent Agreement are limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

We express no opinion regarding the accuracy, adequacy, or completeness of the Official Statement or other offering material relating to the Bonds. Further, we express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

KRONICK, MOSKOVITZ, TIEDEMANN & GIRARD  
A Professional Corporation



**OLIVEHURST PUBLIC UTILITY DISTRICT  
PLUMAS LAKE COMMUNITY FACILITIES DISTRICT NO. 2002-1  
SPECIAL TAX BONDS, SERIES 2005**

**BOND PURCHASE AGREEMENT**

April 27, 2005

Olivehurst Public Utility District  
1970 9<sup>th</sup> Avenue  
Olivehurst, CA 95961

Ladies and Gentlemen:

The undersigned, UBS Financial Services Inc. (the "Underwriter"), offers to enter into this Bond Purchase Agreement with the Olivehurst Public Utility District (the "District"), on behalf of itself and the Olivehurst Public Utility District Plumas Lake Community Facilities District No. 2002-1 (the "Plumas Lake CFD No. 2002-1"), which, upon acceptance, will be binding upon the District, upon the Plumas Lake CFD No. 2002-1, and upon the Underwriter. This offer is made subject to the District's written acceptance of this Bond Purchase Agreement and delivery of such acceptance to the Underwriter on the date hereof and, if not so accepted, will be subject to withdrawal by the Underwriter upon written notice delivered to the District at any time prior to the acceptance hereof by the District.

1. **Purchase and Sale of the Bonds.** Subject to the terms and conditions and in reliance upon the representations, warranties, and agreements herein set forth, the Underwriter hereby agrees to purchase from the District, and the District hereby agrees to sell to the Underwriter, all (but not less than all) of the Olivehurst Public Utility District Plumas Lake Community Facilities District No. 2002-1 Special Tax Bonds, Series 2005 (the "Bonds"), dated their date of delivery, in the aggregate principal amount of \$7,910,000, bearing interest at the rates and maturing on the dates and in the amounts as set forth in *Exhibit A* attached hereto and incorporated herein by this reference. The purchase price for the Bonds shall be \$7,635,933.85, which is the principal amount of the Bonds, less an underwriting discount of \$143,650.00, and less net original issue discount of \$130,416.15.

2. **Closing.** Except as the District and the Underwriter may otherwise agree, the District will deliver to the Underwriter, through the facilities of The Depository Trust Company ("DTC") by initial deposit with the Fiscal Agent (in care of DTC) through DTC's F.A.S.T. procedures, the Bonds in definitive form, duly executed by the District and authenticated by U.S. Bank National Association (the "Fiscal Agent"), and, at the offices of Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, in Sacramento, California, or at such other location as may be designated by the Underwriter and agreed to by the District, the other

documents herein mentioned at 8:00 a.m. local time, on May 11, 2005 (the "Closing Date"), and the Underwriter will accept such delivery and pay the purchase price of the Bonds as set forth in this Section by a federal funds wire or check in immediately available funds to the order of the District (such delivery and payment being herein referred to as the "Closing"). The Bonds shall be in fully registered form. It is anticipated that CUSIP identification numbers will be inserted on the Bonds, but neither the failure to provide such numbers nor any error with respect thereto shall constitute a cause for failure or refusal by the Underwriter to accept delivery of the Bonds in accordance with the terms of this Bond Purchase Agreement.

3. **Terms of the Bonds.** The issuance of the Bonds is authorized pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (the "Law"), and the approval by more than two-thirds of the votes cast by the qualified electors of the Plumas Lake Community Facilities District No. 2002-1 at an election held on November 21, 2002 (the "Election"). The Bonds shall be substantially in the form described in, shall be issued and secured under the provisions of, and shall be payable and subject to redemption as provided in the Fiscal Agent Agreement dated April 1, 2005 (the "Fiscal Agent Agreement"), between the Fiscal Agent and the District, and as further described in *Exhibit A* hereto. Interest on and principal of the Bonds will be payable from special taxes (the "Special Taxes") to be levied in the Plumas Lake Community Facilities District No. 2002-1 (the "Plumas Lake CFD No. 2002-1") that were approved by more than two-thirds of the votes cast by the qualified electors of the Plumas Lake CFD No. 2002-1 at the Election. Proceeds of the sale of the Bonds will be used in accordance with the Fiscal Agent Agreement and the Law.

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

5. **Official Statement.** a. **Final Official Statement.** The District shall deliver or cause to be delivered to the Underwriter, promptly after the District's acceptance of this Bond Purchase Agreement, copies of its Official Statement relating to the Bonds, dated the date hereof, substantially in the form of the Preliminary Official Statement dated April 12, 2005 (the "Preliminary Official Statement"), with only such changes therein as have been accepted by the Underwriter (the Preliminary Official Statement with such changes, and including the cover page and all appendices thereto, being referred to as the "Official Statement"), signed on behalf of the District by the President of its Board of Directors or such other official as may be approved by the Underwriter.

b. **Preliminary Official Statement.** The District hereby ratifies, confirms, and approves the use and distribution of the Preliminary Official Statement by the Underwriter, and hereby authorizes the Underwriter to use and distribute the Official Statement and the Fiscal Agent Agreement in connection with the offer and sale of the Bonds. The District confirms that

the Preliminary Official Statement was deemed final for purposes of Rule 15c2-12 adopted under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”), as of its date, except for final information as to the offering prices, interest rates, selling compensation, amount of proceeds, delivery dates, other terms depending on such factors, and other information permitted to be omitted under Rule 15c2-12.

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

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

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

6. Continuing Disclosure. The District will undertake, pursuant to the Fiscal Agent Agreement and a Continuing Disclosure Undertaking (the “Continuing Disclosure Undertaking”), to provide certain annual financial information and notices of the occurrence of certain events, if material. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement.

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

a. Valid Existence. The District is a public utility district duly organized and validly existing under the Constitution and laws of the State of California.

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

c. Official Action. By official action of the District's Board of Directors prior to or concurrently with the acceptance hereof, the District has duly established the Plumas Lake CFD No. 2002-1, approved the Fiscal Agent Agreement, authorized the distribution of the Official Statement in preliminary form, approved and authorized the distribution of the Official Statement, approved and authorized the execution and delivery of the Bonds and this Bond Purchase Agreement, approved and authorized the performance by the District of the obligations on its part contained in the Fiscal Agent Agreement, the Bonds, and this Bond Purchase Agreement, and approved and authorized the consummation of all other transactions contemplated by this Bond Purchase Agreement and the Official Statement.

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

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

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

g. Conformity with Description. The Bonds when issued and the Fiscal Agent Agreement when executed and delivered will conform as to form and tenor to the descriptions thereof contained in the Official Statement; and, when delivered to and paid for by the Underwriter on the Closing Date as provided herein, the Bonds will be validly issued and outstanding and entitled to all the benefits of the Fiscal Agent Agreement.

h. Accuracy of Official Statement. The Preliminary Official Statement did not as of its date and the Official Statement will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (provided that no representation is made with respect to information about The Depository Trust Company or the owners of land within the Plumas Lake CFD No. 2002-1).

i. No Litigation. Except as disclosed in the Official Statement, to the current actual knowledge (after reasonable investigation) of the officer of the District executing this Bond Purchase Agreement, no action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court, regulatory agency, or public board or body is pending or has been overtly threatened in writing that in any way (a) seeks to affect the existence of the District or the titles of its officers to their respective offices, (b) challenges the establishment of the Plumas Lake CFD No. 2002-1 or the results of the Election, (c) seeks to restrain or to enjoin the execution, sale, or delivery of the Bonds, the application of the proceeds thereof in accordance with the Fiscal Agent Agreement, or the levy and collection of the Special Taxes, (d) contests or seeks to affect the validity or enforceability of the Fiscal Agent Agreement, the Bonds, or this Bond Purchase Agreement or any action of the District contemplated by any of said documents, (e) contests the completeness or accuracy of the Official Statement or the powers of the District or its authority with respect to the Bonds or the Fiscal Agent Agreement or any action of the District contemplated by any of said documents, or (f) would adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or the exemption of such interest from California personal income taxation.

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

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

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

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

8. Closing Conditions. The Underwriter has entered into this Bond Purchase Agreement in reliance upon the representations and warranties of the District contained herein, upon the representations and warranties to be contained in the documents and instruments to be delivered at the Closing, and upon the performance by the District of its obligations hereunder, both as of the date hereof and as of the Closing Date. Accordingly, the obligations of the Underwriter under this Bond Purchase Agreement to accept delivery of and to pay for the Bonds on the Closing Date shall be conditioned upon the accuracy in all material respects of the

representations and warranties on the part of the District contained herein as of the date hereof and as of the Closing Date, upon the accuracy in all material respects of the statements of the officers and other officials of the District made in any certificates or other documents furnished pursuant to the provisions hereof, and upon the performance by the District of its obligations to be performed hereunder at or prior to the Closing Date and also shall be subject to the following additional conditions:

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

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

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

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

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

(3) Continuing Disclosure Undertaking. The executed Continuing Disclosure Undertaking;

(4) Resolutions. The resolutions (i) establishing the Plumas Lake CFD No. 2002-1, (ii) confirming the results of the Election, and (iii) approving the Fiscal Agent Agreement, the Bond Purchase Agreement, the Official Statement, and Continuing Disclosure Undertaking (the "Resolutions"), together with certificates of the District's Deputy Clerk dated as of the Closing Date, to the effect that each such resolution is a true, correct, and complete copy of the one duly adopted by the District and that it has not been amended, modified, or rescinded (except as may have been agreed to by the Underwriter) and is in full force and effect as of the Closing Date;

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

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

(a) Enforceability of Bond Purchase Agreement. This Bond Purchase Agreement has been duly authorized, executed, and delivered by the District and, assuming due authorization, execution, and delivery by and enforceability against the Underwriter, this Bond Purchase Agreement constitutes a valid and binding obligation of the District enforceable in accordance with its terms, except as such enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other similar laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against public agencies in the State of California;

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

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

(7) District Counsel Opinion. An opinion of the general counsel to the District dated the Closing Date and addressed to the Underwriter, to the effect that:

(a) the District is a public utility district duly organized and validly existing under and by virtue of the Constitution and laws of the State of California;

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

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

(d) the Fiscal Agent Agreement, the Continuing Disclosure Undertaking, and this Bond Purchase Agreement have been duly authorized, executed, and delivered by the District and, assuming due authorization, execution, and delivery by and enforceability against the other parties thereto, the Fiscal Agent Agreement, the Continuing Disclosure Undertaking, and this Bond

Purchase Agreement constitute valid and binding obligations of the District enforceable in accordance with their respective terms, except as such enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other similar laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against public agencies in the State of California;

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

(f) the adoption of the Resolutions, the execution and delivery of the Fiscal Agent Agreement, the Bonds, and the Bond Purchase Agreement by the District and compliance by the District with the provisions thereof, under the circumstances contemplated thereby, do not to such counsel's current actual knowledge constitute a material breach of the terms, conditions, or provisions of or constitute a default under any other material contract, undertaking, indenture, or other agreement by which the District is bound;

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

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

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



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

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

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

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

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

(c) there are no actions or proceedings against the Fiscal Agent pending (service of process having been accomplished) before any court, governmental agency, or arbitrator or, to the best of the Fiscal Agent's knowledge, overtly threatened in writing that (i) seek to restrain or enjoin the authentication or delivery of the Bonds, or (ii) seek to affect the validity of the Bonds;

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

(12) Appraiser's Consent and Certificate. Any and all consents necessary to incorporate and use the appraisal of land in the Plumas Lake CFD No. 2002-1 (the "Appraisal") in the Preliminary Official Statement and Official Statement, together with a certificate of Seevers Jordan Ziegenmeyer (the "Appraiser") to the effect that:

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

(b) the Appraiser has authorized inclusion of the excerpt from the Appraisal that is included in the Official Statement;

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

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

(13) Special Tax Consultant's Certificate. A certificate of Economic & Planning Systems, Inc. to the effect that:

(a) it is of the opinion that the Special Taxes, when levied and collected in accordance with the terms of the Rate and Method, will provide an annual cash flow at least sufficient to fulfill the obligations of the District under the Fiscal Agent Agreement; and

(b) as of the dates of the Preliminary Official Statement, the Official Statement, and the Closing Date, the information in the Official Statement under the caption "Security and Sources of Payment for the Bonds – Special Tax Methodology" and in Appendix B "Rate and Method of Apportionment of Special Tax" and any other information provided by the Special Tax Consultant and included in the Preliminary Official Statement and the Official Statement does not, to their knowledge, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading;

(14) Landowner Certificates re Official Statement. Certificates of landowners in the Plumas Lake CFD No. 2002-1 certifying the accuracy of the information relating to them contained in the Official Statement, in substantially the form attached hereto as Exhibit B;

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

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

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

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

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

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

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

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

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

b. The opinions contemplated by Sections 8(c)(4) (Final Approving Opinion of Bond Counsel) and (6) (District Counsel Opinion) shall have been delivered substantially in the forms described herein.

10. **Termination.** The Underwriter shall have the right to terminate its obligations under this Bond Purchase Agreement to purchase, to accept delivery of and to pay for the Bonds by notifying the District of its election to do so if, after the execution hereof and prior to the Closing, the market price or marketability of the Bonds at the initial offering prices set forth in *Exhibit A* hereto shall have been materially adversely affected, in the judgment of the Underwriter, because of:

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

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

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

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

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

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

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

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

i. the occurrence of any event that requires an amendment or supplement to the Official Statement or that, in the opinion of the Underwriter, materially impairs the investment quality of the Bonds;

j. any litigation instituted, pending, or threatened to restrain or enjoin the issuance or sale of the Bonds or in any way contesting or affecting any authority for or the validity of the Bonds or the existence or powers of the District or that materially adversely affects the development of property in the Plumas Lake CFD No. 2002-1; or

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

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

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

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

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

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

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

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

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

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

(5) the fees of CUSIP and CDIAC in connection with the Bonds;

(6) any MSRB or TBMA fees in connection with the Bonds; and

(7) the fees of The Depository Trust Company.

12. Notices. Any notice or other communication to be given under this Bond Purchase Agreement to the parties hereto shall be given by delivering the same in writing to the addresses below:

**If to the District:** Olivehurst Public Utility District  
1970 9<sup>th</sup> Avenue (P.O. Box 670)  
Olivehurst, CA 95961

**If to the Underwriter:** UBS Financial Services Inc.  
777 S. Figueroa Street, 50<sup>th</sup> Floor  
Los Angeles, CA 90017

provided, however, that all such notices, requests or other communications may be made by telephone and promptly confirmed by writing. The District and the Underwriter may, by notice given as aforesaid, specify a different address for any such notices or other communications.

13. **Survival of Representations and Warranties.** The representations and warranties of the District, and the Underwriter, set forth in or made pursuant to this Bond Purchase Agreement, shall not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing or termination of this Bond Purchase Agreement and regardless of any investigations made concerning such representations and statements of the District or the Underwriter and regardless of delivery of and payment for the Bonds.

14. **Parties in Interest; Non-Assignability.** This Bond Purchase Agreement is made solely for the benefit of the District and the Underwriter (including successors or assigns of the Underwriter) and no other person shall acquire or have any rights hereunder or by virtue hereof. This Bond Purchase Agreement shall not be assigned by the District.

15. **Applicable Law.** This Bond Purchase Agreement shall be governed by the laws of the State of California.

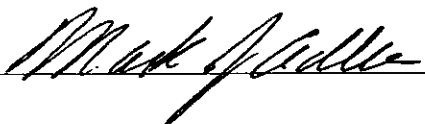
16. **No Prior Agreements; Entire Agreement.** This Bond Purchase Agreement supersedes and replaces all prior negotiations, agreements and understandings between the parties hereto in relation to the sale of the Bonds and represents the entire agreement of the parties as to the subject matter herein.

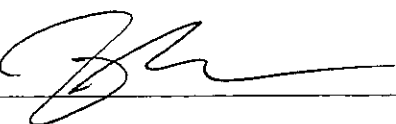
17. **Counterparts.** This Bond Purchase Agreement may be executed in several counterparts, each of which shall be regarded as an original and all of which shall constitute one and the same agreement.

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

Very truly yours,


**UBS FINANCIAL SERVICES INC**

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

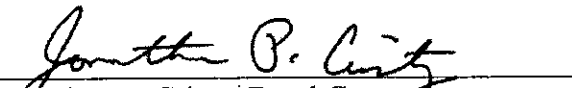
By:  \_\_\_\_\_

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

**OLIVEHURST PUBLIC UTILITY DISTRICT,**  
on behalf of itself and the Plumas Lake CFD No. 2002-1

By:   
Vice President, Board of Directors

**APPROVED AS TO FORM:**

By:   
Jonathan P. Cristy, Bond Counsel

## EXHIBIT A

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

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u>
2006	\$145,000	2.600%	99.870%
2007	145,000	2.800	99.665
2008	150,000	3.100	99.685
2009	155,000	3.300	99.401
2010	160,000	3.500	99.278
2011	165,000	3.700	99.439
2012	170,000	3.900	99.054
2013	175,000	4.000	98.950
2014	180,000	4.200	98.856
2015	190,000	4.500	100.000
2016	195,000	4.650	100.000
2017	205,000	4.750	100.000
2018	215,000	4.800	99.507
2019	225,000	4.800	98.468
2020	235,000	4.850	98.401
2025	1,340,000	5.125	98.075
2035	3,860,000	5.200	97.754



**EXHIBIT B**

Form of Property Owner Certificate

**OLIVEHURST PUBLIC UTILITY DISTRICT  
PLUMAS LAKE COMMUNITY FACILITIES DISTRICT NO. 2002-1  
SPECIAL TAX BONDS, SERIES 2005**

**CERTIFICATE OF PROPERTY OWNER**

In connection with the issuance and sale of the above-captioned Bonds, and pursuant to the Bond Purchase Agreement, dated April 27, 2005, by and between the Olivehurst Public Utility District (the "District"), on behalf of itself and the Olivehurst Public Utility District Plumas Lake Community Facilities District No. 2002-1 (the "Community Facilities District"), and the Underwriter named therein (the "Bond Purchase Agreement"), the undersigned hereby certifies, represents, warrants and covenants, on behalf of \_\_\_\_\_, a \_\_\_\_\_ (the "Property Owner") that:

1. The undersigned is, and at all pertinent times mentioned herein has been, the authorized representative of the Property Owner, and is authorized to make this certification on behalf of the Property Owner.
2. Capitalized terms that are not defined herein shall have the meanings ascribed to them in the Bond Purchase Agreement.
3. The Property Owner is a duly organized and validly existing corporation in good standing under the laws of \_\_\_\_\_.
4. I have reviewed the contents of the Preliminary Official Statement and the contents of the Official Statement. I have reviewed the contents of this Certificate and have conferred with our counsel for the purpose of discussing the meaning of its contents.
5. All information concerning the Property Owner, the ownership of the Property Owner, and the Property Owner's property within the Community Facilities District submitted in writing by, or on behalf of, the Property Owner to the Underwriter, District, the Community Facilities District, Bond Counsel or Disclosure Counsel in connection with the preparation of the Preliminary Official Statement and the Official Statement, to the Appraiser in connection with preparation of the Appraisal, and to the Special Tax Consultant in connection with the Rate and Method of Apportionment was, to the best of my knowledge, true, complete, and correct at the time submitted.
6. As of the date of this Certificate, and to the best of my knowledge, the information contained in the sections of the Preliminary Official Statement or the Official Statement entitled "THE CFD" and "OWNERSHIP OF PROPERTY WITHIN THE CFD" that relate to the Property Owner, the ownership of the Property Owner and the Property Owner's property within the Community Facilities District (excluding therefrom information that is identified as having been provided by a source other than the Property Owner) does not contain any untrue

statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

7. As of the date of this Certificate, and to the best of my knowledge, no proceedings are pending or threatened in which the Property Owner may be adjudicated as bankrupt or discharged from any and all of its respective debts or obligations or granted an extension of time to pay its debts or a reorganization or readjustment of the debts.
8. As of the date of this Certificate, and to the best of my knowledge, no action, suit, proceeding, inquiry, or investigation, at law or in equity, is pending before or by any court, regulatory agency, public board or body, or threatened in any way, seeking to restrain or to enjoin the Property Owner's ability to develop its property in the Community Facilities District as described in the Official Statement or to pay the Special Taxes for which it is responsible.
9. The Property Owner is fully qualified by all necessary permits, licenses, and certifications to conduct its business as it is presently being conducted. Except as may be required under blue sky or other securities laws of any state, and except for such licenses, certificates, approvals, variances, and permits that may be necessary for the construction of improvements within the Community Facilities District, there is no consent, approval, authorization, or other order of, or filing with, or certification by, any regulatory authority having jurisdiction over the Property Owner necessary (except such as have been obtained and are in full force and effect) for the consummation by the Property Owner of the actions contemplated to be consummated by the Property Owner under the Official Statement.
10. As of the date of this Certificate, and to the best of my knowledge, the Property Owner is not in violation of any provision of, or in default under, its operating agreement or any material agreement, lease, or other contract, the violation of or default under which would materially and adversely affect its ability to develop its property in the Community Facilities District as described in the Official Statement or to pay the Special Taxes for which it is responsible.
11. Other than as described in the Official Statement, as of the date of this Certificate, and to the best of my knowledge, the Property Owner has not submitted an application for, nor received actual notice of (i) the formation or authorization of any assessment district or community facilities district that would include any portion of the land owned by Property Owner in the Community Facilities District or (ii) the authorization or issuance of any debt secured by a special tax or assessment to be levied on any portion of the land owned by the Property Owner in the Community Facilities District.
12. None of the parcels of land within the Improvement Area owned by the Property Owner is delinquent in the payment of any taxes or assessments.

Dated: May 11, 2005

[PROPERTY OWNER], a \_\_\_\_\_

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

**CONTINUING DISCLOSURE AGREEMENT  
(Utility District)**

**THIS CONTINUING DISCLOSURE AGREEMENT** (the "Disclosure Agreement") is dated as of May 11, 2005, is by and among the Olivehurst Public Utility District, a public body, corporate and politic, organized and existing under and by virtue of the laws of the State of California (the "Issuer" or the "Utility District"), and U.S. Bank National Association, in its capacity as Dissemination Agent (the "Dissemination Agent").

**WITNESSETH:**

**WHEREAS**, pursuant to the Fiscal Agent Agreement, dated as of April 1, 2005 (the "Agreement"), by and between the Utility District and the Fiscal Agent, the Utility District has issued its Plumas Lake Community Facilities District No. 2002-1 Special Tax Bonds Series 2005 (the "Bonds"), in the aggregate principal amount of \$7,910,000; and

**WHEREAS**, this Disclosure Agreement is being executed and delivered by the Utility District, the Fiscal Agent and the Dissemination Agent for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter of the Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5);

**NOW, THEREFORE**, for and in consideration of the mutual promises and covenants herein contained, the parties hereto agree as follows:

**SECTION 1. Definitions.** In addition to the definitions set forth in the Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

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

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

"Disclosure Representative" shall mean the designees of the Utility District to act as the disclosure representative.

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

"Listed Events" shall mean any of the events listed in Section 4(a) of this Disclosure Agreement and any other event legally required to be reported pursuant to the Rule.

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

"Official Statement" means the Official Statement, dated April 27, 2005, relating to the Bonds.

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

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

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

"State" shall mean the State of California.

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

## **SECTION 2. Provision of Annual Reports.**

(a) The Utility District shall, or shall cause the Dissemination Agent to, not later than 9 months after the end of the Utility District's fiscal year, commencing with the fiscal year ending June 30, 2005 (for the report due April 1, 2006), provide to each Repository an Annual Report which is consistent with the requirements of Section 3 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 3 of this Disclosure Agreement. Not later than fifteen (15) Business Days prior to said date, the Utility District shall provide the Annual Report to the Dissemination Agent. The Utility District shall provide an Officer's Certificate with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the Utility District hereunder. The Dissemination Agent may conclusively rely upon such Officer's Certificate of the Utility District.

(b) If by fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repositories, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Utility District to determine if the Utility District is in compliance with subsection (a).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repositories by the date required in subsection (a), the Dissemination Agent

shall send a notice to the Municipal Securities Rulemaking Board in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

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

(ii) (if the Dissemination Agent is other than the Utility District), to the extent appropriate information is available to it, file a report with the Utility District certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

**SECTION 3. Content of Annual Reports.** The Utility District's Annual Report shall contain or include by reference the following:

(a) The following information:

1. Principal amount of Bonds outstanding.
2. Balance in the Acquisition and Construction Fund or construction account.
3. Balance in debt service reserve fund, and statement of the reserve fund requirement. Statement of projected reserve fund draw, if any.
4. Balance in other funds and accounts held by Issuer or fiscal agent related to the Bonds.
5. Additional debt authorized by the Utility District and payable from or secured by assessments or special taxes with respect to property within the CFD.
6. The Special Tax levy, the delinquency rate, total amount of delinquencies, number of parcels delinquent in payment.
7. Notwithstanding the June 30th reporting date for the Annual Report, the following information shall be reported as of the last day of the month immediately preceding the date of the Annual Report rather than as of June 30th. Identity of each delinquent taxpayer responsible for 5 percent or more of total special tax/assessment levied, and the following information: assessor parcel number, assessed value of applicable properties, amount of Special Tax levied, amount delinquent by parcel number and status of foreclosure proceedings. If any foreclosure has been completed, summary of results of foreclosure sales or transfers.
8. Most recently available assessed value of all parcels subject to the special tax or assessment.
9. List of landowners and assessor's parcel number of parcels subject to 20% or more of the Special Tax levy including the following information: development status to the extent shown in Utility District records, land use classification, assessed value (land and improvements).

10. The status of the improvements, if any, constructed since the date of the Official Statement to the levee system protecting the land in the CFD from flooding, and the status of the County limitations on the issuance of building permits as described under the caption "THE CFD – Limitations on Building Permits" in the Official Statement or any other significant limitations to development which arise after the date of issuance of the Bonds and remain in effect as of the date of the Annual Report.

11. A statement of number of homes sold to homeowners in the CFD since its formation, provided that when such number exceeds 1,650 homes, reporting of this fact is no longer required.

(b) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Utility District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 2(a), the Annual Report shall contain unaudited financial statements in a format similar to that used for the Utility District's audited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available; provided, that in each Annual Report or other filing containing the Utility District's financial statements, the following statement shall be included in bold type:

**THE UTILITY DISTRICT'S ANNUAL FINANCIAL STATEMENT IS PROVIDED SOLELY TO COMPLY WITH THE SECURITIES EXCHANGE COMMISSION STAFF'S INTERPRETATION OF RULE 15C2-12. NO FUNDS OR ASSETS OF THE UTILITY DISTRICT (OTHER THAN THE PROCEEDS OF THE SPECIAL TAXES LEVIED FOR THE CFD AND SECURING THE BONDS) ARE REQUIRED TO BE USED TO PAY DEBT SERVICE ON THE BONDS AND THE UTILITY DISTRICT IS NOT OBLIGATED TO ADVANCE AVAILABLE FUNDS FROM THE UTILITY DISTRICT TREASURY TO COVER ANY DELINQUENCIES. INVESTORS SHOULD NOT RELY ON THE FINANCIAL CONDITION OF THE UTILITY DISTRICT IN EVALUATING WHETHER TO BUY, HOLD OR SELL THE BONDS.**

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

#### **SECTION 4. Reporting of Significant Events.**

(a) Pursuant to the provisions of this Section 4, the Utility District shall give an Officer's Certificate including notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults.
3. Modifications to rights of Bondholders.
4. Optional, contingent or unscheduled Bond calls.
5. Defeasances.

6. Rating changes.
7. Adverse tax opinions or events affecting the tax-exempt status of the Bonds.
8. Unscheduled draws on the debt service reserves, if any, reflecting financial difficulties.
9. Unscheduled draws on credit enhancements reflecting financial difficulties.
10. Substitution of credit or liquidity providers, or their failure to perform.
11. Release, substitution, or sale of property securing repayment of the Bonds.

(b) Whenever the Utility District obtains knowledge of the occurrence of a Listed Event, the Utility District shall as soon as possible determine if such event would constitute material information for Holders of Bonds, provided, that any event under subsection (a)(6) will always be defined to be material.

(c) If the Utility District has determined that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities laws, the Utility District shall promptly notify the Dissemination Agent by Officer's Certificate. Such Officer's Certificate shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (e).

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

(e) If the Dissemination Agent has been instructed by the Utility District to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Repository. Notwithstanding the foregoing:

**SECTION 5. Termination of Reporting Obligation.** The obligations of the Utility District, the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Utility District shall give notice of such termination in the same manner as for a Listed Event under Section 4(e) hereof. If the Utility District's obligations under the Agreement are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the Utility District, and the Utility District shall have no further responsibility hereunder.

**SECTION 6. Dissemination Agent.** The Utility District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign at any time by providing at least 30 days' notice in writing to the Issuer and the Utility District.

**SECTION 7. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Agreement, the Utility District and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the Issuer, provided no amendment increasing or affecting the obligations or duties of the Dissemination Agent shall be made without the consent of either such party) and any provision of this Disclosure Agreement may be waived if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to the Issuer,

the Utility District and the Dissemination Agent to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

**SECTION 8. Additional Information.** Nothing in this Disclosure Agreement shall be deemed to prevent the Utility District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Utility District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the Utility District shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**SECTION 9. Duties, Immunities and Liabilities of Fiscal Agent and Dissemination Agent.** The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Utility District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their respective powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Utility District for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Bondholders, or any other party. The obligations of the Utility District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

**SECTION 10. Notices.** Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Utility District: Olivehurst Public Utility District  
P.O. Box 670  
Olivehurst, CA 95961  
Attn: CFD Administrator

To the Dissemination Agent: U.S. Bank National Association  
One California Street, Suite 2550  
San Francisco, CA 94111

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

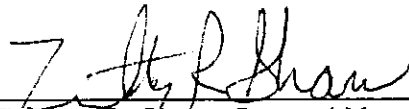


**SECTION 11. Beneficiaries.** This Disclosure Agreement shall inure solely to the benefit of the Utility District, the Dissemination Agent, the Fiscal Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

**SECTION 12. Counterparts.** This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date first above written.

**OLIVEHURST PUBLIC UTILITY DISTRICT**, for and on behalf of Plumas Lake  
Community Facilities District No. 2002-1

By:   
Timothy R. Shaw, General Manager

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

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

**OLIVEHURST PUBLIC UTILITY DISTRICT**, for and on behalf of Plumas Lake  
Community Facilities District No. 2002-1

By: \_\_\_\_\_  
Timothy R. Shaw, General Manager

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

By: *Mylene P. Choroch*  
Authorized Signatory