

Resolution No. 03-0653

STOCKTON CITY COUNCIL

RESOLUTION AUTHORIZING THE ISSUANCE OF SPECIAL TAX BONDS FOR AND ON BEHALF OF THE CITY OF STOCKTON CAMERA ESTATES COMMUNITY FACILITIES DISTRICT NO. 2003-1, APPROVING AND DIRECTING THE EXECUTION OF A FISCAL AGENT AGREEMENT, APPROVING THE FORM OF PRELIMINARY OFFICIAL STATEMENT, APPROVING SALE OF SUCH BONDS, AND APPROVING OTHER RELATED DOCUMENTS AND ACTIONS

**CITY OF STOCKTON
Camera Estates Community Facilities District No. 2003-1**

WHEREAS, the City Council has conducted proceedings under and pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (the "Act"), to form the Camera Estates Community Facilities District No. 2003-1 (the "District"), to authorize the levy of special taxes upon the land within the District, and to issue bonds secured by said special taxes for the purpose of providing moneys for the construction and acquisition of improvements within the District; and

WHEREAS, the City Council, as legislative body of the District, authorized the issuance of special tax bonds of the City for the District in the maximum principal amount not to exceed \$3,250,000, and desires to issue bonds designated City of Stockton Camera Estates Community Facilities District No. 2003-1 Special Tax Bonds Series 2003 (the "Bonds"); and

WHEREAS, there has been submitted to the City Council a Fiscal Agent Agreement (the "Fiscal Agent Agreement") providing for the issuance the Bonds of the City for the District, and the City Council, with the aid of City staff, has reviewed the Fiscal Agent Agreement and found it to be in proper order, and now desires to approve the Fiscal Agent Agreement and the issuance of the Bonds; and

WHEREAS, the City proposes to sell the Bonds to Westhoff, Cone & Holmstedt (the "Underwriter") pursuant to the terms of a Bond Purchase Agreement (the "Bond Purchase Agreement") by and between the City and the Underwriter, and the Underwriter proposes to offer the Bonds to the investing public by means of a Preliminary Official Statement (the "Preliminary Official Statement"); and

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WHEREAS, it appears that each of said documents and instruments which are now before this meeting is in appropriate form and is an appropriate document or instrument to be executed and delivered for the purpose intended; and

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

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF STOCKTON, AS FOLLOWS:

Section 1. Pursuant to the Act, this Resolution and the Fiscal Agent Agreement, special tax bonds of the City for the District designated as "City of Stockton Camera Estates Community Facilities District No. 2003-1 Special Tax Bonds Series 2003" in an aggregate principal amount not to exceed \$3,250,000 are hereby authorized to be issued. The Bonds shall be executed in the form set forth in and otherwise as provided in the Fiscal Agent Agreement.

In furtherance of the issuance of the Bonds, the City Council hereby makes the following findings and determinations: (i) it is prudent in the management and development of the City and the District to issue the Bonds for the purpose of providing moneys for the construction and acquisition of improvements within the District, (ii) the Bonds and the District are in compliance with the City's Statement of Policies and Procedures for Special Assessment and Community Facilities District Debt Financing Programs, and (iii) the value of the real property within the District subject to the special tax to pay debt service on the Bonds, based upon the findings of an independent appraiser hired by the City for the purpose of determining such value, is at least three times the proposed principal amount of the Bonds and the principal amount of all other bonds outstanding that are secured by a special tax levied pursuant to the Act or by a special assessment on property within the District.

The City Council hereby approves the Fiscal Agent Agreement in the form presented to the City Council at this meeting. The City Manager, Assistant City Manager, Administrative Services Officer or such other person or persons as either of them may designate (collectively, the "Authorized Officers") are each hereby authorized and directed to execute the Fiscal Agent Agreement, for and in the name and on behalf of the City and the District, in such form, together with any additions thereto or changes therein deemed necessary or advisable by the Authorized Officer executing such document upon consultation with Bond Counsel. The proceeds of the Bonds shall be applied by the City for the purposes and in the amounts as set forth in the Fiscal Agent Agreement. The City Council hereby authorizes the delivery and performance by the City of the Fiscal Agent Agreement.

Section 2. The City Council hereby approves the Bond Purchase Agreement between the City and the Underwriter in the form presented to the City Council at this meeting. The Authorized Officers are each hereby authorized and directed to accept the offer of the Underwriter to purchase the Bonds contained in the Bond Purchase Agreement and to execute the Bond Purchase Agreement, for and in the name and on behalf of the City and the District, in such form, together with any additions thereto or changes therein deemed necessary or advisable by the Authorized Officer executing such document upon consultation with Bond Counsel (provided that no additions or changes shall authorize an aggregate principal amount of Bonds in excess of \$3,250,000 or result in an underwriter's discount in excess of two percent (2%), or an average true interest rate on the Bonds in excess of eight percent (8%) per annum. The City Council hereby authorizes the delivery and performance by the City of the Bond Purchase Agreement.

The City Council hereby finds and determines that the sale of the Bonds at negotiated sale as contemplated by the Bond Purchase Agreement will result in a lower overall cost.

Section 3. The City Council hereby approves the Preliminary Official Statement in the form presented to the City Council at this meeting. The Authorized Officers are each hereby authorized and directed to execute a final Official Statement (the "Official Statement"), for and in the name and on behalf of the City and the District, in such form, together with any additions thereto or changes therein deemed necessary or advisable by the Authorized Officer executing such document upon consultation with Bond Counsel. The City Council hereby authorizes and directs the Underwriter to distribute copies of said Preliminary Official Statement to persons who may be interested in the purchase of the Bonds and to deliver copies of the Official Statement to all actual purchasers of the Bonds. The City Council hereby authorizes the delivery by the City of the Official Statement.

The Authorized Officers are each hereby authorized and directed to execute a certificate or certificates to the effect that the Official Statement and the Preliminary Official Statement were deemed "final" as of their respective dates for purposes of Rule 15c2-12 of the Securities Exchange Act of 1934, and the Authorized Officers are each hereby authorized to so deem such statements final.

Section 4. The City Council hereby approves the Continuing Disclosure Agreement (the "Disclosure Agreement"), between the City and the Dissemination Agent named therein, in the form presented to the City Council at this meeting (as an exhibit to the Preliminary Official Statement). The Authorized Officers are each hereby authorized and directed to execute the Disclosure Agreement, for and in the name and on behalf of the City and the District, in such form, together with any additions thereto or changes therein deemed necessary or advisable by the Authorized Officer executing such document upon consultation with Bond Counsel. The City Council hereby authorizes the delivery and performance by the City of the Disclosure Agreement.

Section 5. The City Council hereby approves the Agreement to Construct and Acquire Public Facilities for Camera Estates Community Facilities District No. 2003-1 (the "Acquisition Agreement"), between the City and KB Home North Bay Inc. or an affiliate thereof named therein, in the form presented to the City Council at this meeting. The Authorized Officers are each hereby authorized and directed to execute the Acquisition Agreement, for and in the name and on behalf of the City and the District, in such form, together with any additions thereto or changes therein deemed necessary or advisable by the Authorized Officer executing such document upon consultation with Bond Counsel. The City Council hereby authorizes the delivery and performance by the City of the Acquisition Agreement.

Section 6. The City hereby covenants, for the benefit of the Bondowners, to commence and diligently pursue to completion any foreclosure action regarding delinquent installments of any amount levied as a special tax for the payment of interest or principal of the Bonds, said foreclosure action to be commenced and pursued as more completely set forth in the Fiscal Agent Agreement.

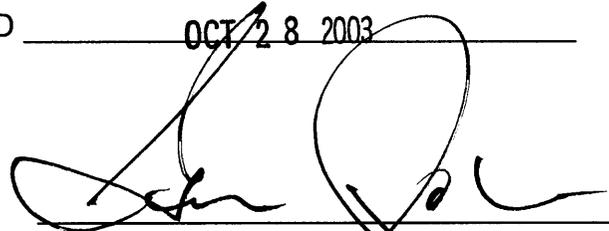
Section 7. The Bonds, when executed, shall be delivered to the Fiscal Agent for authentication. The Fiscal Agent is hereby requested and directed to authenticate the Bonds by executing the Fiscal Agent's certificate of authentication and registration appearing thereon, and to deliver the Bonds, when duly executed and authenticated, to the Underwriter in accordance with written instructions executed on behalf of the City by one or more of the Authorized Officers, which instructions such officers are each hereby authorized, for and in the name and on behalf of the City, to execute and deliver to the Fiscal Agent. Such instructions shall provide for the delivery of the Bonds to the Underwriter or its designee in accordance with the Bond Purchase Agreement, upon payment of the purchase price therefor.

Section 8. The Law Offices of Timothy J. Hachman and Jones Hall, A Professional Law Corporation, are hereby designated as Co-Bond Counsel to the City for the Bonds. The law firm of Jones Hall, A Professional Law Corporation is hereby designated as Disclosure Counsel to the City for the Bonds. The Authorized Officers are each hereby authorized and directed to execute an agreement with said firm for its services in connection with the Bonds, provided that the compensation payable to said firm is payable solely from the proceeds, and wholly contingent upon the issuance, of the Bonds.

Section 9. All actions heretofore taken by the officers and agents of the City with respect to the establishment of the District and the sale and issuance of the Bonds are hereby approved, confirmed and ratified, and the proper officers of the City are each hereby authorized and directed to do any and all things and take any and all actions and execute any and all certificates, agreements and other documents, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Bonds in accordance with this Resolution, and any certificate, agreement, and other document described in the documents herein

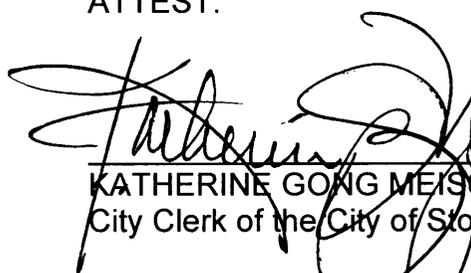
approved. Any document herein approved and executed and delivered by any one of the Authorized Officers shall be a valid and binding agreement of the City.

PASSED, APPROVED and ADOPTED OCT 28 2003



GARY A. PODESTO, Mayor
of the City of Stockton

ATTEST:



KATHERINE GONG MEISNER
City Clerk of the City of Stockton



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I, KATHERINE GONG MEISSNER, do hereby certify as follows:

I am the duly appointed, qualified City Clerk of the City of Stockton, a California municipal corporation; as such City Clerk, I am the custodian of the official records of the City Council of said City. The attached Resolution is a full, true, and correct copy of Resolution No. 05-0232 of said City Council, which was adopted by the City Council on June 7, 2005, on file in the City Clerk's office.

IN WITNESS WHEREOF, I have hereto affixed my hand and the seal of the City of Stockton on June 13, 2005.

**KATHERINE GONG MEISSNER, CITY CLERK
CITY OF STOCKTON**

By



Raeann Cyceñas, Deputy



Resolution No. **05-0232**

STOCKTON CITY COUNCIL

RESOLUTION AUTHORIZING THE ISSUANCE OF SOUTH STOCKTON COMMUNITY FACILITIES DISTRICT NO. 90-1 2005 SPECIAL TAX REFUNDING BONDS, AND APPROVING RELATED DOCUMENTS AND ACTIONS

WHEREAS, the City Council (the "Council") of the City of Stockton (the "City") has conducted proceedings under and pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (the "Act"), to form the City of Stockton South Stockton Community Facilities District No. 90-1 (the "District"), to authorize the levy of special taxes upon the land within the District, and to issue bonds secured by said special taxes to finance sewer system improvements authorized to be funded by the District (the "Improvements"); and

WHEREAS, in 1990, the City issued \$16,000,000 principal amount of special tax bonds (the "1990 Bonds") to finance the Improvements, with the 1990 Bonds having been issued pursuant to the provisions of the Act and Resolution No. 90-0614 adopted by the Council on August 27, 1990; and

WHEREAS, on June 11, 1997, the City issued \$15,085,000 principal amount of special tax refunding bonds (the "1997 Bonds") to refund in whole the then outstanding 1990 Bonds, with the 1997 Bonds having been issued pursuant to the provisions of the Act and Resolution No. 97-0176 adopted by the Council on May 19, 1997; and

WHEREAS, the Council has determined that, due to favorable interest rates, it is in the best interests of the City and the District that the 1997 Bonds be refunded; and

WHEREAS, there has been submitted to the Council a fiscal agent agreement (the "Fiscal Agent Agreement") providing for the issuance of special tax refunding bonds of the City (the "Bonds") for the District under the authority provided in Article 11, commencing with Section 53580, of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Refunding Law"), and the Council, with the aid of City staff, has reviewed the Fiscal Agent Agreement and found it to be in proper order, and now desires to approve the Fiscal Agent Agreement and to authorize the issuance of the Bonds; and

WHEREAS, there has been presented to the Council an escrow agreement providing for the creation of an escrow fund which will be used to defease and refund the 1997 Bonds and the Council now desires to approve the escrow agreement in connection with the refunding of the 1997 Bonds; and

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WHEREAS, the City proposes to sell the Bonds to Stinson Securities, LLC, as senior managing underwriter, and to Stone & Youngberg LLC and RBC Dain Rauscher Inc., as co-managing underwriters (collectively, the "Underwriters"), pursuant to the terms of a bond purchase agreement (the "Bond Purchase Agreement") by and between the City and Stinson Securities, LLC on behalf of the Underwriters, and the Underwriters propose to offer the Bonds to the investing public by means of a preliminary official statement (the "Preliminary Official Statement"); and

WHEREAS, it appears that each of said documents and instruments which are now before the Council at this meeting is in appropriate form and is an appropriate document or instrument to be executed and delivered for the purpose intended; and

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

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF STOCKTON, AS FOLLOWS:

Section 1. Issuance of Bonds; Approval of Fiscal Agent Agreement and Escrow Agreement. Pursuant to the Refunding Law, the Act, this Resolution and the Fiscal Agent Agreement, special tax refunding bonds of the City for the District designated as "City of Stockton South Stockton Community Facilities District No. 90-1 2005 Special Tax Refunding Bonds" in an aggregate principal amount not to exceed \$8,000,000, are hereby authorized to be issued. The Bonds shall be executed in the form set forth in and otherwise as provided in the Fiscal Agent Agreement.

In furtherance of the issuance of the Bonds, the Council hereby makes the following findings and determinations: (a) it is prudent in the management of the fiscal affairs of the City, the Council and the District to issue the Bonds for the purpose of refunding the 1997 Bonds, (ii) the total net interest cost to maturity on the Bonds plus the principal amount of the Bonds will not exceed the total net interest cost to maturity on the 1997 Bonds plus the principal amount of the 1997 Bonds, and (iii) the Bonds satisfy the requirements of Section 53345.8(a) of the Act in that the assessed value of the land in the District is more than three times the principal amount of the Bonds.

The Council hereby approves the Fiscal Agent Agreement in the form on file with the City Clerk. The City Manager is hereby authorized and directed to execute the Fiscal Agent Agreement, for and in the name and on behalf of the City and the District, in such form, together with any additions thereto or changes therein deemed necessary or advisable by the City Manager upon consultation with Bond Counsel and the City Attorney. The proceeds of the Bonds shall be applied by the City for the purposes and in the amounts as set forth in the Fiscal Agent Agreement. The Council hereby authorizes the delivery and performance by the City of the Fiscal Agent Agreement. For purposes of Section 53363.2 of the Act, (i) it is expected that the purchase of the Bonds will occur on or after June 15, 2005, (ii) the date, denomination, maturity dates,

places of payment and form of the Bonds shall be as set forth in the Fiscal Agent Agreement, (iii) the minimum rate of interest to be paid on the Bonds shall be one percent (1%) with the actual rate or rates to be set forth in the Fiscal Agent Agreement as executed, (iv) the place of payment for the 1997 Bonds shall be as set forth in Resolution No. 97-0176 adopted by the Council on May 19, 1997, authorizing the issuance of the 1997 Bonds; and (v) the designated costs of issuing the Bonds shall be as described in Section 53363.8(a) of the Act, and as otherwise described in the Fiscal Agent Agreement and the Escrow Agreement hereafter approved, in the Official Statement for the Bonds and the closing certificates for the Bonds, including Bond Counsel and Disclosure Counsel fees and expenses, Underwriters' discount, printing costs for the Official Statement, escrow verification costs, initial fiscal agent fees, and costs of City staff incurred in connection with the sale and issuance of the Bonds.

The Council hereby approves the refunding of the 1997 Bonds with the proceeds of the Bonds and other funds of the District available for such purpose, in accordance with the provisions of the documents pursuant to which such 1997 Bonds were sold and delivered and the Escrow Agreement between the City and the Paying Agent for the 1997 Bonds. The Council hereby approves the Escrow Agreement in the form on file with the City Clerk. The Council hereby authorizes and directs the City Manager to execute and deliver the Escrow Agreement for and in the name and on behalf of the City, in such form, together with any changes therein or additions thereto deemed advisable by the City Manager upon consultation with Bond Counsel and the City Attorney. The Council hereby authorizes the delivery and performance by the City of the Escrow Agreement.

Section 2. Delivery of the Bonds. The Bonds, when executed, shall be delivered to the Fiscal Agent, as designated in the Fiscal Agent Agreement, for authentication. The Fiscal Agent is hereby requested and directed to authenticate the Bonds by executing the Fiscal Agent's certificate of authentication and registration appearing thereon, and to deliver the Bonds, when duly executed and authenticated, to the Underwriters or their order in accordance with written instructions executed on behalf of the City by the City Manager, which instructions such officer is hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver to the Fiscal Agent. Such instructions shall provide for the delivery of the Bonds to the Underwriters or their order in accordance with the Bond Purchase Agreement, upon payment of the purchase price therefor.

Section 3. Sale of the Bonds. The Council hereby approves the sale of the Bonds to the Underwriters. The Bond Purchase Agreement, in the form on file with the City Clerk, be and the same is hereby approved and the City Manager (or, in his absence, the Director of Administrative Services) is hereby authorized and directed to execute the Bond Purchase Agreement in said form, with such changes, insertions and omissions as may be approved by such official, provided that the principal amounts of the Bonds do not exceed the amount set forth in Section 1, the net interest cost of the Bonds is not in excess of 6.500%, and the Underwriters' discount (without regard to any original issue discount) is not in excess of 0.950% of the initial principal amount of the Bonds.

The Council hereby finds and determines that (i) the issuance of the Bonds should proceed for the public policy reason that, as a result of such issuance, the annual special taxes to be levied in the District will be lower than if the refunding contemplated with the proceeds of the Bonds did not occur, and (ii) the sale of the Bonds by negotiated sale to the Underwriters as contemplated by the Bond Purchase Agreement will result in a lower overall cost.

Section 4. Official Statement. The Council hereby approves the preliminary official statement for the Bonds (the "Preliminary Official Statement") in the form on file with the City Clerk, together with any changes therein or additions thereto deemed advisable by the City Manager. The Council authorizes and directs the City Manager, on behalf of the City and the District, to deem "final" pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule") the Preliminary Official Statement prior to its distribution by the Underwriters to prospective purchasers of the Bonds.

The Underwriters, on behalf of the City and the District, are authorized and directed to cause the Preliminary Official Statement to be distributed to such municipal bond broker-dealers, to such banking institutions and to such other persons as may be interested in purchasing the Bonds.

The City Manager and the Director of Administrative Services are hereby authorized and directed to assist the Disclosure Counsel in causing the Preliminary Official Statement to be brought into the form of final official statement (the "Final Official Statement"), and the City Manager is hereby authorized to execute the Final Official Statement and a statement that the facts contained in the Final Official Statement, and any supplement or amendment thereto (which shall be deemed an original part thereof for the purpose of such statement) were, at the time of sale of the Bonds, true and correct in all material respects and that the Final Official Statement did not, on the date of sale of the Bonds, and do not, as of the date of delivery of the Bonds contain any untrue statement of material fact with respect to the City or the District or omit to state material facts with respect to the City or the District required to be stated where necessary to make any statement made therein not misleading in the light of the circumstances under which it was made. The execution and delivery by the City of the Final Official Statement, which shall include such changes and additions thereto deemed advisable by the City Manager and such information permitted to be excluded from the Preliminary Official Statement pursuant to the Rule, shall be conclusive evidence of the approval of the Final Official Statement by the City.

The Final Official Statement, when prepared, is approved for distribution in connection with the offering and sale of the Bonds.

Section 5. Continuing Disclosure Certificate. The Continuing Disclosure Certificate, in the form on file with the City Clerk, is hereby approved. The City Manager is hereby authorized and directed to execute and deliver the Continuing Disclosure Certificate in said form, with such additions thereto or changes therein as are deemed necessary or advisable by the City Manager upon consultation with Disclosure Counsel and the City Attorney, the approval of such changes to be

conclusively evidenced by the execution and delivery by the City Manager of the Continuing Disclosure Certificate.

Section 6. Foreclosure Covenant. The City hereby covenants, for the benefit of the Bondowners, to commence and diligently pursue to completion any foreclosure action regarding delinquent installments of any amount levied as a special tax for the payment of interest or principal of the Bonds, said foreclosure action to be commenced and pursued as more completely set forth in the Fiscal Agent Agreement.

Section 7. Designation of Consultants. The firm of Del Rio Advisors, LLC is hereby designated as financial advisor to the City with respect to the Bonds, the firm of Stinson Securities, LLC is hereby designated as managing underwriter for the Bonds, the firms of Stone & Youngberg LLC and RBC Dain Rauscher Inc. are hereby designated as co-managing underwriters for the Bonds, the law firm of Quint & Thimmig LLP is hereby designated as Bond Counsel to the City with respect to the Bonds and the Law Office of Robert M. Haight is hereby designated as Disclosure Counsel to the City with respect to the Bonds. The compensation payable to the foregoing firms shall be as specified in their respective proposals to the City, with payment contingent upon the issuance of, and payable solely from the proceeds of, the Bonds (except that the compensation to the Underwriters shall be in the form of a discount on its purchase of the Bonds from the City, as contemplated by the Bond Purchase Agreement).

Section 8. Official Actions. All actions heretofore taken by the officers and agents of the City with respect to the sale and issuance of the Bonds are hereby approved, confirmed and ratified, and the proper officers of the City are hereby authorized and directed to do any and all things and take any and all actions and execute any and all certificates, agreements and other documents, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Bonds and the refunding of the 1997 Bonds in accordance with this Resolution, and any certificate, agreement, and other document described in the documents herein approved. The City Manager and other appropriate City Staff are hereby expressly authorized to take such actions and execute such certificates and other documents as are necessary to obtain a policy of bond insurance for the Bonds and/or a surety bond to be held for the benefit of the reserve fund for the Bonds, if, in the judgment of the City Manager, upon consultation with the Underwriters and the City's Financial Advisor for the Bonds, the cost of such insurance will be more than offset by interest rate savings on the Bonds and such surety bond is in the best interests of the City in connection with the refunding program, as applicable, and the premiums for such insurance and surety bond policy are payable solely from the proceeds of the Bonds. Whenever in this Resolution any officer of the City is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer shall be absent or unavailable.

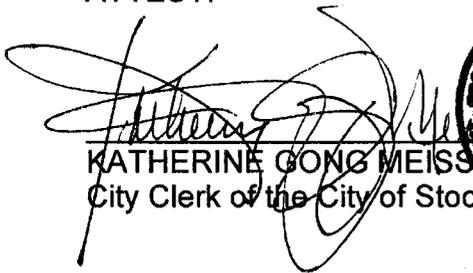
Section 9. Effective Date. This Resolution shall take effect immediately upon its adoption.

PASSED, APPROVED and ADOPTED JUN 7 2005



EDWARD J. CHAVEZ,
Mayor of the City of Stockton

ATTEST:



KATHERINE GONG MEISS
City Clerk of the City of Stockton



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Resolution No. **05-0232**

STOCKTON CITY COUNCIL

**RESOLUTION AUTHORIZING THE ISSUANCE OF SOUTH STOCKTON
COMMUNITY FACILITIES DISTRICT NO. 90-1 2005 SPECIAL TAX REFUNDING
BONDS, AND APPROVING RELATED DOCUMENTS AND ACTIONS**

WHEREAS, the City Council (the "Council") of the City of Stockton (the "City") has conducted proceedings under and pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (the "Act"), to form the City of Stockton South Stockton Community Facilities District No. 90-1 (the "District"), to authorize the levy of special taxes upon the land within the District, and to issue bonds secured by said special taxes to finance sewer system improvements authorized to be funded by the District (the "Improvements"); and

WHEREAS, in 1990, the City issued \$16,000,000 principal amount of special tax bonds (the "1990 Bonds") to finance the Improvements, with the 1990 Bonds having been issued pursuant to the provisions of the Act and Resolution No. 90-0614 adopted by the Council on August 27, 1990; and

WHEREAS, on June 11, 1997, the City issued \$15,085,000 principal amount of special tax refunding bonds (the "1997 Bonds") to refund in whole the then outstanding 1990 Bonds, with the 1997 Bonds having been issued pursuant to the provisions of the Act and Resolution No. 97-0176 adopted by the Council on May 19, 1997; and

WHEREAS, the Council has determined that, due to favorable interest rates, it is in the best interests of the City and the District that the 1997 Bonds be refunded; and

WHEREAS, there has been submitted to the Council a fiscal agent agreement (the "Fiscal Agent Agreement") providing for the issuance of special tax refunding bonds of the City (the "Bonds") for the District under the authority provided in Article 11, commencing with Section 53580, of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Refunding Law"), and the Council, with the aid of City staff, has reviewed the Fiscal Agent Agreement and found it to be in proper order, and now desires to approve the Fiscal Agent Agreement and to authorize the issuance of the Bonds; and

WHEREAS, there has been presented to the Council an escrow agreement providing for the creation of an escrow fund which will be used to defease and refund the 1997 Bonds and the Council now desires to approve the escrow agreement in connection with the refunding of the 1997 Bonds; and

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DATE MAY 26 2005

SCANNED

WHEREAS, the City proposes to sell the Bonds to Stinson Securities, LLC, as senior managing underwriter, and to Stone & Youngberg LLC and RBC Dain Rauscher Inc., as co-managing underwriters (collectively, the "Underwriters"), pursuant to the terms of a bond purchase agreement (the "Bond Purchase Agreement") by and between the City and Stinson Securities, LLC on behalf of the Underwriters, and the Underwriters propose to offer the Bonds to the investing public by means of a preliminary official statement (the "Preliminary Official Statement"); and

WHEREAS, it appears that each of said documents and instruments which are now before the Council at this meeting is in appropriate form and is an appropriate document or instrument to be executed and delivered for the purpose intended; and

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

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF STOCKTON, AS FOLLOWS:

Section 1. Issuance of Bonds; Approval of Fiscal Agent Agreement and Escrow Agreement. Pursuant to the Refunding Law, the Act, this Resolution and the Fiscal Agent Agreement, special tax refunding bonds of the City for the District designated as "City of Stockton South Stockton Community Facilities District No. 90-1 2005 Special Tax Refunding Bonds" in an aggregate principal amount not to exceed \$8,000,000, are hereby authorized to be issued. The Bonds shall be executed in the form set forth in and otherwise as provided in the Fiscal Agent Agreement.

In furtherance of the issuance of the Bonds, the Council hereby makes the following findings and determinations: (a) it is prudent in the management of the fiscal affairs of the City, the Council and the District to issue the Bonds for the purpose of refunding the 1997 Bonds, (ii) the total net interest cost to maturity on the Bonds plus the principal amount of the Bonds will not exceed the total net interest cost to maturity on the 1997 Bonds plus the principal amount of the 1997 Bonds, and (iii) the Bonds satisfy the requirements of Section 53345.8(a) of the Act in that the assessed value of the land in the District is more than three times the principal amount of the Bonds.

The Council hereby approves the Fiscal Agent Agreement in the form on file with the City Clerk. The City Manager is hereby authorized and directed to execute the Fiscal Agent Agreement, for and in the name and on behalf of the City and the District, in such form, together with any additions thereto or changes therein deemed necessary or advisable by the City Manager upon consultation with Bond Counsel and the City Attorney. The proceeds of the Bonds shall be applied by the City for the purposes and in the amounts as set forth in the Fiscal Agent Agreement. The Council hereby authorizes the delivery and performance by the City of the Fiscal Agent Agreement. For purposes of Section 53363.2 of the Act, (i) it is expected that the purchase of the Bonds will occur on or after June 15, 2005, (ii) the date, denomination, maturity dates,

places of payment and form of the Bonds shall be as set forth in the Fiscal Agent Agreement, (iii) the minimum rate of interest to be paid on the Bonds shall be one percent (1%) with the actual rate or rates to be set forth in the Fiscal Agent Agreement as executed, (iv) the place of payment for the 1997 Bonds shall be as set forth in Resolution No. 97-0176 adopted by the Council on May 19, 1997, authorizing the issuance of the 1997 Bonds; and (v) the designated costs of issuing the Bonds shall be as described in Section 53363.8(a) of the Act, and as otherwise described in the Fiscal Agent Agreement and the Escrow Agreement hereafter approved, in the Official Statement for the Bonds and the closing certificates for the Bonds, including Bond Counsel and Disclosure Counsel fees and expenses, Underwriters' discount, printing costs for the Official Statement, escrow verification costs, initial fiscal agent fees, and costs of City staff incurred in connection with the sale and issuance of the Bonds.

The Council hereby approves the refunding of the 1997 Bonds with the proceeds of the Bonds and other funds of the District available for such purpose, in accordance with the provisions of the documents pursuant to which such 1997 Bonds were sold and delivered and the Escrow Agreement between the City and the Paying Agent for the 1997 Bonds. The Council hereby approves the Escrow Agreement in the form on file with the City Clerk. The Council hereby authorizes and directs the City Manager to execute and deliver the Escrow Agreement for and in the name and on behalf of the City, in such form, together with any changes therein or additions thereto deemed advisable by the City Manager upon consultation with Bond Counsel and the City Attorney. The Council hereby authorizes the delivery and performance by the City of the Escrow Agreement.

Section 2. Delivery of the Bonds. The Bonds, when executed, shall be delivered to the Fiscal Agent, as designated in the Fiscal Agent Agreement, for authentication. The Fiscal Agent is hereby requested and directed to authenticate the Bonds by executing the Fiscal Agent's certificate of authentication and registration appearing thereon, and to deliver the Bonds, when duly executed and authenticated, to the Underwriters or their order in accordance with written instructions executed on behalf of the City by the City Manager, which instructions such officer is hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver to the Fiscal Agent. Such instructions shall provide for the delivery of the Bonds to the Underwriters or their order in accordance with the Bond Purchase Agreement, upon payment of the purchase price therefor.

Section 3. Sale of the Bonds. The Council hereby approves the sale of the Bonds to the Underwriters. The Bond Purchase Agreement, in the form on file with the City Clerk, be and the same is hereby approved and the City Manager (or, in his absence, the Director of Administrative Services) is hereby authorized and directed to execute the Bond Purchase Agreement in said form, with such changes, insertions and omissions as may be approved by such official, provided that the principal amounts of the Bonds do not exceed the amount set forth in Section 1, the net interest cost of the Bonds is not in excess of 6.500%, and the Underwriters' discount (without regard to any original issue discount) is not in excess of 0.950% of the initial principal amount of the Bonds.

The Council hereby finds and determines that (i) the issuance of the Bonds should proceed for the public policy reason that, as a result of such issuance, the annual special taxes to be levied in the District will be lower than if the refunding contemplated with the proceeds of the Bonds did not occur, and (ii) the sale of the Bonds by negotiated sale to the Underwriters as contemplated by the Bond Purchase Agreement will result in a lower overall cost.

Section 4. Official Statement. The Council hereby approves the preliminary official statement for the Bonds (the "Preliminary Official Statement") in the form on file with the City Clerk, together with any changes therein or additions thereto deemed advisable by the City Manager. The Council authorizes and directs the City Manager, on behalf of the City and the District, to deem "final" pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule") the Preliminary Official Statement prior to its distribution by the Underwriters to prospective purchasers of the Bonds.

The Underwriters, on behalf of the City and the District, are authorized and directed to cause the Preliminary Official Statement to be distributed to such municipal bond broker-dealers, to such banking institutions and to such other persons as may be interested in purchasing the Bonds.

The City Manager and the Director of Administrative Services are hereby authorized and directed to assist the Disclosure Counsel in causing the Preliminary Official Statement to be brought into the form of final official statement (the "Final Official Statement"), and the City Manager is hereby authorized to execute the Final Official Statement and a statement that the facts contained in the Final Official Statement, and any supplement or amendment thereto (which shall be deemed an original part thereof for the purpose of such statement) were, at the time of sale of the Bonds, true and correct in all material respects and that the Final Official Statement did not, on the date of sale of the Bonds, and do not, as of the date of delivery of the Bonds contain any untrue statement of material fact with respect to the City or the District or omit to state material facts with respect to the City or the District required to be stated where necessary to make any statement made therein not misleading in the light of the circumstances under which it was made. The execution and delivery by the City of the Final Official Statement, which shall include such changes and additions thereto deemed advisable by the City Manager and such information permitted to be excluded from the Preliminary Official Statement pursuant to the Rule, shall be conclusive evidence of the approval of the Final Official Statement by the City.

The Final Official Statement, when prepared, is approved for distribution in connection with the offering and sale of the Bonds.

Section 5. Continuing Disclosure Certificate. The Continuing Disclosure Certificate, in the form on file with the City Clerk, is hereby approved. The City Manager is hereby authorized and directed to execute and deliver the Continuing Disclosure Certificate in said form, with such additions thereto or changes therein as are deemed necessary or advisable by the City Manager upon consultation with Disclosure Counsel and the City Attorney, the approval of such changes to be

conclusively evidenced by the execution and delivery by the City Manager of the Continuing Disclosure Certificate.

Section 6. Foreclosure Covenant. The City hereby covenants, for the benefit of the Bondowners, to commence and diligently pursue to completion any foreclosure action regarding delinquent installments of any amount levied as a special tax for the payment of interest or principal of the Bonds, said foreclosure action to be commenced and pursued as more completely set forth in the Fiscal Agent Agreement.

Section 7. Designation of Consultants. The firm of Del Rio Advisors, LLC is hereby designated as financial advisor to the City with respect to the Bonds, the firm of Stinson Securities, LLC is hereby designated as managing underwriter for the Bonds, the firms of Stone & Youngberg LLC and RBC Dain Rauscher Inc. are hereby designated as co-managing underwriters for the Bonds, the law firm of Quint & Thimmig LLP is hereby designated as Bond Counsel to the City with respect to the Bonds and the Law Office of Robert M. Haight is hereby designated as Disclosure Counsel to the City with respect to the Bonds. The compensation payable to the foregoing firms shall be as specified in their respective proposals to the City, with payment contingent upon the issuance of, and payable solely from the proceeds of, the Bonds (except that the compensation to the Underwriters shall be in the form of a discount on its purchase of the Bonds from the City, as contemplated by the Bond Purchase Agreement).

Section 8. Official Actions. All actions heretofore taken by the officers and agents of the City with respect to the sale and issuance of the Bonds are hereby approved, confirmed and ratified, and the proper officers of the City are hereby authorized and directed to do any and all things and take any and all actions and execute any and all certificates, agreements and other documents, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Bonds and the refunding of the 1997 Bonds in accordance with this Resolution, and any certificate, agreement, and other document described in the documents herein approved. The City Manager and other appropriate City Staff are hereby expressly authorized to take such actions and execute such certificates and other documents as are necessary to obtain a policy of bond insurance for the Bonds and/or a surety bond to be held for the benefit of the reserve fund for the Bonds, if, in the judgment of the City Manager, upon consultation with the Underwriters and the City's Financial Advisor for the Bonds, the cost of such insurance will be more than offset by interest rate savings on the Bonds and such surety bond is in the best interests of the City in connection with the refunding program, as applicable, and the premiums for such insurance and surety bond policy are payable solely from the proceeds of the Bonds. Whenever in this Resolution any officer of the City is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer shall be absent or unavailable.

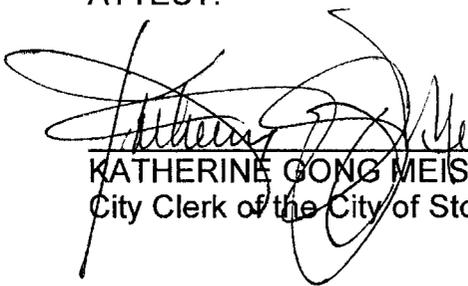
Section 9. Effective Date. This Resolution shall take effect immediately upon its adoption.

PASSED, APPROVED and ADOPTED JUN 7 2005.



EDWARD J. CHAVEZ,
Mayor of the City of Stockton

ATTEST:



KATHERINE GONG MEISSNER
City Clerk of the City of Stockton



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Resolution No. _____

STOCKTON CITY COUNCIL

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**A RESOLUTION AUTHORIZING THE ISSUANCE
OF SPECIAL TAX REFUNDING BONDS, APPROVING THE FORMS OF BOND
INDENTURE, PURCHASE CONTRACT, PRELIMINARY OFFICIAL STATEMENT
AND CONTINUING DISCLOSURE CERTIFICATE AND AUTHORIZING OTHER
ACTIONS IN CONNECTION THEREWITH**

**CITY OF STOCKTON
COMMUNITY FACILITIES DISTRICT NO. 90-2
(BROOKSIDE ESTATES)**

WHEREAS, this City Council has conducted proceedings under and pursuant to the Mello-Roos Community Facilities Act of 1982, being Chapter 2.5 of Part 1 of Division 2 of Title 5, commencing with Section 53311, of the California Government Code (the "Act"), to form Community Facilities District No. 90-2 (Brookside Estates) (the "District"), to authorize the levy of special taxes upon the land within the District and to issue bonds for the District secured by such special taxes for the purpose of financing the acquisition or construction of authorized public facilities (the "Facilities"); and

WHEREAS, in 1990 the City, on behalf of the District, caused to be issued a third series of special tax bonds consisting of the Community Facilities District No. 90-2 (Brookside Estates) City of Stockton, San Joaquin County, California Special Tax Bonds, Series 002 (the "Series 002 Bonds") in the aggregate principal amount of \$25,060,000; and

WHEREAS, in 1992 the City, on behalf of the District, caused to be issued two series of special tax bonds consisting of (a) the Community Facilities District No. 90-2 (Brookside Estates) City of Stockton, San Joaquin County, California Special Tax Bonds, Series 305 (the "Series 305 Bonds") in the aggregate principal amount of \$6,010,000 and (b) the City of Stockton, Community Facilities District No. 90-2 (Brookside Estates), Project 90-2, Series 006 (the "Series 006 Bonds") in the aggregate principal amount of \$8,175,000; and

WHEREAS, the proceeds of the Series 305 Bonds, the Series 006 Bonds and the Series 002 Bonds were used to finance the acquisition or construction of Facilities; and

WHEREAS, in 1997 the City, acting on behalf of the District, caused to be issued special tax bonds consisting of the City of Stockton Community Facilities District No. 90-2 (Brookside Estates) Refunding Special Tax Bonds, Series 1997A (the "1997 Special

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Tax Bonds") in the aggregate principal amount of \$32,320,000 for the purpose of refunding the Series 305 Bonds and the Series 002 Bonds; and

WHEREAS, in 1997, acting under and pursuant to the powers of the City with respect to municipal affairs in accordance with Section 300 of Article III of the Charter of the City and Section 5 of Article XI of the California Constitution, the City also caused to be issued revenue bonds consisting of the City of Stockton Mello-Roos Revenue Bonds, Series 1997A (Community Facilities District No. 90-2 (Brookside Estates) (the "1997 Revenue Bonds") in the aggregate principal amount of \$32,320,000 for the purpose of financing the acquisition of the 1997 Special Tax Bonds and raising additional amounts to be applied to the acquisition, construction and improvement of public capital improvements relating to the District; and

WHEREAS, in 2002 the City, acting on behalf of the District, caused to be issued special tax refunding bonds consisting of the City of Stockton, Community Facilities District No. 90-2 (Brookside Estates), Project 90-2, Refunding Special Tax Bonds, Series 2002-006 (the "2002 Special Tax Bonds" and, together with the 1997 Special Tax Bonds, the "Prior Special Tax Bonds") in the aggregate principal amount of \$6,300,000 for the purpose of refunding the Series 006 Bonds; and

WHEREAS, as a result of a combination of favorable conditions in the municipal bond market and the level of development, diversity of ownership and increase in value of the properties within the District for which the Prior Special Tax Bonds were issued and sold, this City Council, acting as the legislative body of the District, desires to issue special tax refunding bonds ("Special Tax Refunding Bonds") for the purpose of refunding the Prior Special Tax Bonds prior to their scheduled maturity in order to reduce the borrowing costs on such indebtedness; and

WHEREAS, the reduction in such borrowing costs will, in turn, result in a reduction in the rate of special taxes necessary to be levied within the District thereby resulting in savings to the owners of the properties subject to the levy of such special taxes; and

WHEREAS, the City Council proposes to sell the Special Tax Refunding Bonds by negotiated sale to Stone & Youngberg LLC, RBC Dain Rauscher, Inc. and Stinson Securities, LLC (collectively, the "Underwriters"); and

WHEREAS, for the purposes of the issuance, sale and delivery of the Special Tax Refunding Bonds, there are now on file with the City copies of the forms of the following documents:

A. the Bond Indenture by and between the City and Wells Fargo, National Association, as fiscal agent (the "Fiscal Agent"), establishing the terms and conditions pertaining to the issuance of the Special Tax Refunding Bonds (the "Bond Indenture");

B. the Purchase Contract by and among the City and the Underwriters relating to the purchase by the Underwriters of the Special Tax Refunding Bonds (the "Purchase Contract");

C. the Preliminary Official Statement describing the City, the District and the Special Tax Refunding Bonds (the "Preliminary Official Statement");

D. the Continuing Disclosure Certificate of the City pursuant to which the City, on behalf of the District, will agree to provide continuing disclosure of certain information specified therein (the "Continuing Disclosure Certificate"); and

WHEREAS, this City Council has reviewed and considered the Bond Indenture, the Purchase Contract, the Preliminary Official Statement and the Continuing Disclosure Certificate and finds those documents suitable for approval, subject to the conditions set forth in this resolution; and

WHEREAS, all conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of the Special Tax Refunding Bonds as contemplated by this resolution and the documents referred to herein exist, have happened and have been performed or have been ordered to have been performed in due time, form and manner as required by the laws of the State of California, including the Act; now, therefore,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF STOCKTON, as follows:

Section 1. Recitals. The above recitals are all true and correct.

Section 2. Special Tax Refunding Bonds Authorized. Pursuant to the Act and this Resolution, the Special Tax Refunding Bonds are hereby authorized to be issued and shall be designated the "City of Stockton Community Facilities District No. 90-2 (Brookside Estates) 2005 Special Tax Refunding Bonds."

In furtherance of the issuance of the Special Tax Refunding Bonds, the City Council hereby makes the following findings and determinations: (a) it is prudent in the management of the fiscal affairs of the City and the District to issue the Special Tax Refunding Bonds for the purpose, inter alia, of redeeming the Prior Special Tax Bonds, (b) the principal amount of the Special Tax Refunding Bonds will be less than one third of the value of the property within the District subject to the levy of the special taxes authorized under the Act securing the Special Tax Refunding Bonds, as confirmed by the aggregate assessed value of taxable parcels in the District, and (c) the issuance of the Special Tax Refunding Bonds is in compliance with the Act and the City's goals and policies for Community Facilities Districts.

For purposes of Section 53363.2 of the Act, the City Council hereby further finds and determines that: (a) the date, manner of payment, interest rate or rates, interest payment dates, denominations, form, registration privileges, manner of execution, place of payment, terms of redemption and other terms, covenants and conditions of the Special Tax Refunding Bonds shall be as provided in the Bond Indenture as finally executed, (b) the purchase of the Special Tax Refunding Bonds will occur on the Closing Date (as such term is defined in the Bond Indenture), (c) the maximum annual interest rate to be paid on the Special Tax Refunding Bonds shall not exceed six and

one half percent (6.50%) per annum with the actual rate or rates to be set forth in the Bond Indenture as executed; (d) the place of payment for each series of the Prior Special Tax Bonds shall be as set forth in the applicable fiscal agent agreement; and (e) the designated costs of issuing the Special Tax Refunding Bonds shall include those costs and expenses as permitted by Section 53363.8 of the Act, including but not limited to, the fees and expenses of bond counsel, disclosure counsel, financial advisor, special tax consultant and fiscal agent, underwriter's discount, fees for municipal bond insurance and ratings, and costs of City staff incurred in connection with the sale and issuance of the Special Tax Refunding Bonds.

Section 3. Authorization and Conditions. The City Manager, the Director of Administrative Services and such other officer of the City as may be appointed by the City Council or the City Manager (each an "Authorized Officer"), acting for and on behalf of the District, are, and each of them is, hereby authorized and directed to execute and deliver the various documents and instruments described in this Resolution with such changes, insertions and omissions as the Authorized Officer executing the same may require or approve as are necessary or advisable to permit the timely issuance, sale or delivery of the Special Tax Refunding Bonds or being in the best interests of the District subject to any limiting conditions contained herein. Notwithstanding the foregoing, the specific terms and conditions upon which the authorities granted herein may be exercised shall be as follows: (a) the total net interest cost to maturity of the Special Tax Refunding Bonds plus the principal amount the Special Tax Refunding Bonds will not exceed the total net interest cost to maturity of each series of the Prior Special Tax Bonds plus the principal amount of each series of the Prior Special Tax Bonds being refunded from the proceeds of the Special Tax Refunding Bonds, (b) the maximum principal amount of the Special Tax Refunding Bonds shall not exceed \$30,000,000, (c) the maximum annual interest rate on the Special Tax Refunding Bonds shall not exceed the rate set forth in Section 2 above, and (d) the maximum Underwriters' discount (not including original issue discount) shall not exceed ninety-five hundredths percent (0.95%). The approval of such additions or changes shall be conclusively evidenced by the execution and delivery of such documents or instruments by the Authorized Officer, upon consultation with and review by the City Attorney or his specified designee, Timothy J. Hachman, Esq. and Best Best & Krieger LLP, co-bond counsel ("Co-Bond Counsel") and Orrick, Herrington & Sutcliffe, disclosure counsel ("Disclosure Counsel").

Section 4. Bond Indenture. The form of the Bond Indenture on file with the City is hereby approved.

Section 5. Sale of Special Tax Refunding Bonds; Purchase Contract. This City Council hereby finds and determines that the possibility of issuing and selling the Special Tax Refunding Bonds during the most favorable conditions in the municipal bond market will be enhanced if the completion of such proceedings can be expedited and that such proceedings can be completed more expeditiously by selling the Special Tax Refunding Bonds by negotiation, without advertising for bids. As a result this City Council further finds and determines that the sale of the bonds to the Underwriters at private sale will result in a lower overall cost. This City Council, therefore, authorizes and approves the sale of the Special Tax Refunding Bonds by negotiation to the

Underwriters subject to the terms and conditions contained herein and in the Purchase Contract. The form of the Purchase Contract on file with the City is hereby approved.

Section 6. Preliminary Official Statement. The form of Preliminary Official Statement on file with the City is hereby approved. The Authorized Officers are, and each of them is, hereby authorized and directed to approve such changes, insertions and omissions therein as are necessary to enable such Authorized Officer to certify on behalf of the City that the approved Preliminary Official Statement is deemed final as of its date except for the omission of certain information as permitted by Section 240.15c2-12(b)(1) of Title 17 of the Code of Federal Regulations. The Authorized Officers are, and each of them is further authorized and directed to cause the City, in consultation with the Disclosure Counsel, Co-Bond Counsel and the Underwriters, to bring the Preliminary Official Statement into the form of a final official statement (the "Final Official Statement"). The Underwriters are hereby authorized to distribute copies of the Preliminary Official Statement to persons who may be interested in the purchase of the Special Tax Refunding Bonds and are directed to deliver copies of the Final Official Statement to all actual purchasers of the Special Tax Refunding Bonds from the Underwriters acting in such capacity.

Section 7. Continuing Disclosure Certificate. The form of the Continuing Disclosure Certificate presented at this meeting is hereby approved.

Section 8. Authorization to Apply for Rating and Municipal Bond Insurance. The City Manager, the Director of Administrative Services or any other Authorized Officer directed by the City Manager is, with the assistance of Del Rio Advisors, LLC, acting as the financial advisor to the City regarding the Special Tax Refunding Bonds (the "Financial Advisor"), and the Underwriters, hereby authorized to apply for a rating for the Special Tax Refunding Bonds with any nationally recognized rating agency such Authorized Officer deems advisable. Additionally, such Authorized Officer, with the assistance of the Financial Advisor and the Underwriters, is hereby authorized to apply with providers of municipal bond insurance for a commitment to provide such insurance for the Special Tax Refunding Bonds and to provide a surety bond to fund all or any portion of the reserve requirement for such bonds. Such Authorized Officer is further authorized to accept any such commitment if such Authorized Officer, after consultation with the Financial Advisor and the Underwriters, determines that acceptance of such commitment would be in the best financial interests of the City and the District and to execute any commitment letter so accepted and to do any and all other things and to deliver any and all documents necessary or advisable in order to obtain such municipal bond insurance and surety bond, if any, for the Special Tax Refunding Bonds.

Section 9. Actions. All actions heretofore taken by the officers and agents of the City, acting for and on behalf of the District, with respect to the sale and issuance of the Special Tax Refunding Bonds are hereby approved, confirmed and ratified, and the proper officers of the City, acting for and on behalf of the District, are hereby authorized and directed to do any and all things and take any and all actions and execute any and all certificates, agreements, contracts, and other documents, which they, or any of them,

may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Special Tax Refunding Bonds in accordance with the Act, this Resolution, the Bond Indenture, the Purchase Contract and any certificate, agreement, contract, and other document described in the documents herein approved and to consummate the lawful issuance and delivery of the Special Tax Refunding Bonds.

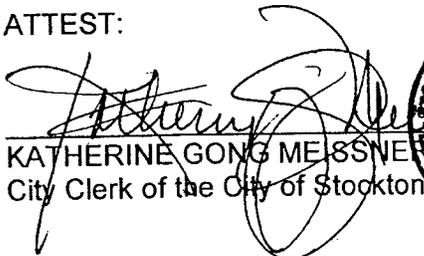
Section 10. Effective Date. This Resolution shall take effect from and after its date of adoption.

PASSED, APPROVED AND ADOPTED JUN 21 2005.



EDWARD J. CHAVEZ, Mayor
of the City of Stockton

ATTEST:



KATHERINE GONG MEISSNER
City Clerk of the City of Stockton



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Resolution No. **06-0079**

STOCKTON CITY COUNCIL

**A RESOLUTION AUTHORIZING THE ISSUANCE
OF BONDS, APPROVING THE FORMS OF FISCAL AGENT AGREEMENT,
PURCHASE CONTRACT, PRELIMINARY OFFICIAL STATEMENT AND
CERTIFICATE DISCLOSURE UNDERTAKING AND AUTHORIZING OTHER
ACTIONS IN CONNECTION THEREWITH**

**CITY OF STOCKTON
SPANOS PARK WEST COMMUNITY FACILITIES DISTRICT NO. 2001-1**

WHEREAS, this City Council has conducted proceedings under and pursuant to the Mello-Roos Community Facilities Act of 1982, being Chapter 2.5 of Part 1 of Division 2 of Title 5, commencing with Section 53311, of the California Government Code (the "Act"), to form Spanos Park West Community Facilities District No. 2001-1 (the "District"), to authorize the levy of special taxes upon the land within the District and to issue bonds for the District secured by such special taxes for the purpose of financing the acquisition or construction of authorized public facilities (the "Facilities"); and

WHEREAS, in 2002 the City, on behalf of the District, caused to be issued special tax bonds consisting of the City of Stockton Spanos Park West Community Facilities District No. 2001-1 Series 2002 (the "Prior Bonds") in the aggregate principal amount of \$21,460,000; and

WHEREAS, the proceeds of the Prior Bonds were used to finance the acquisition or construction of the Facilities; and

WHEREAS, as a result of a combination of favorable conditions in the municipal bond market and the level of development, diversity of ownership and increase in value of the properties within the District for which the Prior Bonds were issued and sold, this City Council, acting as the legislative body of the District, desires to issue Bonds ("Bonds") for the purpose of refunding the Prior Bonds prior to their scheduled maturity in order to reduce the borrowing costs on such indebtedness; and

WHEREAS, the reduction in such borrowing costs will, in turn, result in a reduction in the rate of special taxes necessary to be levied within the District thereby resulting in savings to the owners of the properties subject to the levy of such special taxes; and

WHEREAS, the City Council proposes to sell the Bonds by negotiated sale to RBC Dain Rauscher, Inc. (the "Underwriter"); and

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WHEREAS, for the purposes of the issuance, sale and delivery of the Bonds, there are now on file with the City copies of the forms of the following documents:

A. the Fiscal Agent Agreement by and between the City and Wells Fargo Bank, National Association, as fiscal agent (the "Fiscal Agent"), establishing the terms and conditions pertaining to the issuance of the Bonds (the "Fiscal Agent Agreement");

B. the Escrow Deposit and Trust Agreement by and between the City and Wells Fargo Bank, National Association, as escrow bank, establishing the terms and conditions pertaining to the investment of the proceeds of the Bonds and the defeasance and refunding of the Prior Bonds (the "Escrow Agreement");

C. the Purchase Contract by and among the City and the Underwriter relating to the purchase by the Underwriter of the Bonds (the "Purchase Contract");

D. the Preliminary Official Statement describing the City, the District and the Bonds (the "Preliminary Official Statement"); and

E. the Certificate Disclosure Undertaking of the City pursuant to which the City, on behalf of the District, will agree to provide continuing disclosure of certain information specified therein (the "Certificate Disclosure Undertaking"); and

WHEREAS, this City Council has reviewed and considered the Fiscal Agent Agreement, the Escrow Agreement, the Purchase Contract, the Preliminary Official Statement and the Certificate Disclosure Undertaking and finds those documents suitable for approval, subject to the conditions set forth in this resolution; and

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

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF STOCKTON, AS FOLLOWS:

Section 1. Recitals. The above recitals are all true and correct.

Section 2. Bonds Authorized. Pursuant to the Act and this Resolution, the Bonds are hereby authorized to be issued and shall be designated the "City of Stockton Spanos Park West Community Facilities District No. 2001-1 Special Tax Refunding Bonds Series 2006."

In furtherance of the issuance of the Bonds, the City Council hereby makes the following findings and determinations: (a) it is prudent in the management of the fiscal affairs of the City and the District to issue the Bonds for the purpose, inter alia, of redeeming the Prior Bonds, (b) the principal amount of the Bonds will be less than one

third of the value of the property within the District subject to the levy of the special taxes authorized under the Act securing the Bonds, as confirmed by the aggregate assessed value of taxable parcels in the District, and (c) the issuance of the Bonds is in compliance with the Act and the City's goals and policies for Community Facilities Districts.

For purposes of Section 53363.2 of the Act, the City Council hereby further finds and determines that: (a) the date, manner of payment, interest rate or rates, interest payment dates, denominations, form, registration privileges, manner of execution, place of payment, terms of redemption and other terms, covenants and conditions of the Bonds shall be as provided in the Fiscal Agent Agreement as finally executed, (b) the purchase of the Bonds will occur on the Closing Date (as such term is defined in the Fiscal Agent Agreement), (c) the maximum annual interest rate to be paid on the Bonds shall not exceed five and one-half percent (5.50%) per annum with the actual rate or rates to be set forth in the Fiscal Agent Agreement as executed; (d) the place of payment for each series of the Prior Bonds shall be as set forth in the applicable fiscal agent agreement; and (e) the designated costs of issuing the Bonds shall include those costs and expenses as permitted by Section 53363.8 of the Act, including but not limited to, the fees and expenses of bond counsel, disclosure counsel, financial advisor, special tax consultant and fiscal agent, underwriter's discount, fees for municipal bond insurance and ratings, and costs of City staff incurred in connection with the sale and issuance of the Bonds.

Section 3. Authorization and Conditions. The Interim City Manager, the Director of Administrative Services and such other officer of the City as may be appointed by the City Council or the Interim City Manager (each an "Authorized Officer"), acting for and on behalf of the District, are, and each of them is, hereby authorized and directed to execute and deliver the various documents and instruments described in this Resolution with such changes, insertions and omissions as the Authorized Officer executing the same may require or approve as are necessary or advisable to permit the timely issuance, sale or delivery of the Bonds or being in the best interests of the District subject to any limiting conditions contained herein. Notwithstanding the foregoing, the specific terms and conditions upon which the authorities granted herein may be exercised shall be as follows: (a) the total net interest cost to maturity of the Bonds plus the principal amount the Bonds will not exceed the total net interest cost to maturity of the Prior Bonds plus the principal amount of the Prior Bonds being refunded from the proceeds of the Bonds, (b) the maximum principal amount of the Bonds shall not exceed \$25,000,000, (c) the maximum annual interest rate on the Bonds shall not exceed the rate set forth in Section 2 above, (d) the maximum Underwriter's discount (not including original issue discount) shall not exceed ninety-five hundredths percent (0.95%) and (d) the Bonds shall mature not later than September 1, 2032. The approval of such additions or changes shall be conclusively evidenced by the execution and delivery of such documents or instruments by the Authorized Officer, upon consultation with and review by the City Attorney or his specified designee, Timothy J. Hachman, Esq. and Best Best & Krieger LLP, co-bond counsel ("Co-Bond Counsel") and Jones Hall, disclosure counsel ("Disclosure Counsel").

Section 4. Fiscal Agent Agreement. The form of the Fiscal Agent Agreement on file with the City is hereby approved.

Section 5. Escrow Agreement. The form of the Escrow Agreement on file with the City is hereby approved.

Section 6. Sale of Bonds; Purchase Contract. This City Council hereby finds and determines that the possibility of issuing and selling the Bonds during the most favorable conditions in the municipal bond market will be enhanced if the completion of such proceedings can be expedited and that such proceedings can be completed more expeditiously by selling the Bonds by negotiation, without advertising for bids. As a result this City Council further finds and determines that the sale of the bonds to the Underwriter at private sale will result in a lower overall cost. This City Council, therefore, authorizes and approves the sale of the Bonds by negotiation to the Underwriter subject to the terms and conditions contained herein and in the Purchase Contract. The form of the Purchase Contract on file with the City is hereby approved.

Section 7. Preliminary Official Statement. The form of Preliminary Official Statement on file with the City is hereby approved. The Authorized Officers are, and each of them is, hereby authorized and directed to approve such changes, insertions and omissions therein as are necessary to enable such Authorized Officer to certify on behalf of the City that the approved Preliminary Official Statement is deemed final as of its date except for the omission of certain information as permitted by Section 240.15c2-12(b)(1) of Title 17 of the Code of Federal Regulations. The Authorized Officers are, and each of them is further authorized and directed to cause the City, in consultation with the Disclosure Counsel, Co-Bond Counsel and the Underwriter, to bring the Preliminary Official Statement into the form of a final official statement (the "Final Official Statement"). The Underwriter are hereby authorized to distribute copies of the Preliminary Official Statement to persons who may be interested in the purchase of the Bonds and are directed to deliver copies of the Final Official Statement to all actual purchasers of the Bonds from the Underwriter acting in such capacity.

Section 8. Certificate Disclosure Undertaking. The form of the Certificate Disclosure Undertaking presented at this meeting is hereby approved.

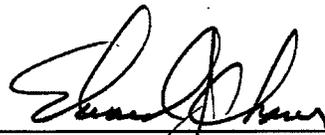
Section 9. Authorization to Apply for Rating and Municipal Bond Insurance. The Interim City Manager, the Director of Administrative Services or any other Authorized Officer directed by the Interim City Manager is, with the assistance of Public Financial Management, acting as the financial advisor to the City regarding the Bonds (the "Financial Advisor"), and the Underwriter, hereby authorized to apply for a rating for the Bonds with any nationally recognized rating agency such Authorized Officer deems advisable. Additionally, such Authorized Officer, with the assistance of the Financial Advisor and the Underwriter, is hereby authorized to apply with providers of municipal bond insurance for a commitment to provide such insurance for the Bonds and to provide a surety bond to fund all or any portion of the reserve requirement for such bonds. Such Authorized Officer is further authorized to accept any such commitment if such Authorized Officer, after consultation with the Financial Advisor and

the Underwriter, determines that acceptance of such commitment would be in the best financial interests of the City and the District and to execute any commitment letter so accepted and to do any and all other things and to deliver any and all documents necessary or advisable in order to obtain such municipal bond insurance and surety bond, if any, for the Bonds.

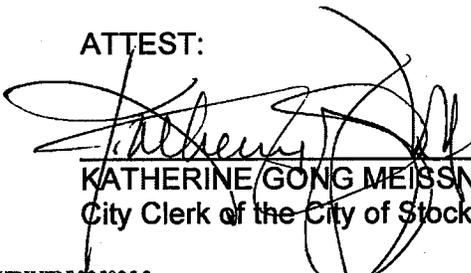
Section 10. Actions. All actions heretofore taken by the officers and agents of the City, acting for and on behalf of the District, with respect to the sale and issuance of the Bonds are hereby approved, confirmed and ratified, and the proper officers of the City, acting for and on behalf of the District, are hereby authorized and directed to do any and all things and take any and all actions and execute any and all certificates, agreements, contracts, and other documents, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Bonds in accordance with the Act, this Resolution, the Fiscal Agent Agreement, the Purchase Contract and any certificate, agreement, contract, and other document described in the documents herein approved and to consummate the lawful issuance and delivery of the Bonds.

Section 11. Effective Date. This Resolution shall take effect from and after its date of adoption.

PASSED, APPROVED AND ADOPTED FEB - 7 2006


EDWARD J. CHAVEZ, Mayor
of the City of Stockton

ATTEST:


KATHERINE GONG MEISSNER
City Clerk of the City of Stockton



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Resolution No. **06-0126**

STOCKTON CITY COUNCIL

**RESOLUTION AUTHORIZING THE ISSUANCE OF SPECIAL TAX
BONDS
FOR AND ON BEHALF OF THE CITY OF STOCKTON
COMMUNITY FACILITIES DISTRICT NO. 2006-1
(Riverbend) APPROVING AND DIRECTING THE EXECUTION OF A
FISCAL AGENT AGREEMENT, APPROVING THE FORM OF
PRELIMINARY OFFICIAL
STATEMENT, APPROVING SALE OF SUCH BONDS, AND APPROVING OTHER
RELATED DOCUMENTS AND ACTIONS**

**CITY OF STOCKTON
Community Facilities District No. 2006-1 (Riverbend)**

RESOLVED, by the City Council of the City of Stockton (the "City") that:

WHEREAS, the City Council has conducted proceedings under and pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (the "Act"), to form the Community Facilities District No. 2006-1 (Riverbend) (the "District"), to authorize the levy of special taxes upon the land within the District, and to issue bonds secured by said special taxes for the purpose of providing moneys for the construction and acquisition of improvements within the District; and

WHEREAS, the City Council, as legislative body of the District, authorized the issuance of special tax bonds of the City for the District in the maximum principal amount of not to exceed \$5,000,000 designated City of Stockton Community Facilities District No. 2006-1 (Riverbend) Special Tax Bonds and the City now desires to issue the bonds (the "Bonds"); and

WHEREAS, the City proposes to sell the Bonds by competitive bidding; and

WHEREAS, there has been submitted to the City Council a Fiscal Agent Agreement (the "Fiscal Agent Agreement") providing for the issuance of the Bonds of the City for the District, and the City Council, with the aid of City staff, has reviewed the Fiscal Agent Agreement and found it to be in proper order, and now desires to approve the Fiscal Agent Agreement and the issuance of the Bonds; and

WHEREAS, there has been submitted to the City Council a form of Agreement to Construct and Acquire Public Improvements for Riverbend Community Facilities District No. 2006-1 (the "Acquisition Agreement") providing for the use of proceeds of the Bonds to pay for authorized facilities financed by the District, and the City Council, with the aid of City staff, has

CITY ATTY
REVIEW



DATE

FEB 28 2006

reviewed the Acquisition Agreement and found it to be in proper order, and now desires to approve the Acquisition Agreement in connection with the issuance of the Bonds; and

WHEREAS, it appears that each of said documents and instruments which are now before this meeting is in appropriate form and is an appropriate document or instrument to be executed and delivered for the purpose intended; and

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

NOW, THEREFORE, IT IS HEREBY ORDERED, as follows:

Section 1. Pursuant to the Act, this Resolution and the Fiscal Agent Agreement, special tax bonds of the City for the District designated as "City of Stockton Community Facilities District No. 2006-1 (Riverbend) Special Tax Bonds Series 2006" in an aggregate principal amount not to exceed \$5,000,000 are hereby authorized to be issued. The Bonds shall be executed in the form set forth in and otherwise as provided in the Fiscal Agent Agreement.

In furtherance of the issuance of the Bonds, the City Council hereby makes the following findings and determinations: (i) it is prudent in the management and development of the City and the District to issue the Bonds for the purpose of providing moneys for the construction and acquisition of improvements within the District, (ii) the Bonds and the District are in compliance with the City's guidelines for the issuance of special tax bonds of a Community Facilities District, and (iii) the value of the real property within the District subject to the special tax to pay debt service on the Bonds, based upon the findings of an independent appraiser hired by the City for the purpose of determining such value, is at least three times the proposed principal amount of the Bonds and the principal amount of all other bonds outstanding that are secured by a special tax levied pursuant to the Act or by a special assessment on property within the District.

The City Council hereby approves the Fiscal Agent Agreement and Acquisition Agreement in the form presented to the City Council at this meeting. The Director of Administrative Services, the City Manager (or any Interim City Manager) or such other person or persons as either of them may designate (collectively, the "Authorized Officers") are each hereby authorized and directed to execute the Fiscal Agent Agreement and Acquisition Agreement, for and in the name and on behalf of the City and the District, in such form, together with any additions thereto or changes therein deemed necessary or advisable by the Authorized Officer executing such document upon consultation with Co-Bond Counsel. The proceeds of the Bonds shall be applied by the City for the purposes and in the amounts as set forth in the Fiscal Agent Agreement and Acquisition Agreement. The City Council hereby authorizes the delivery and performance by the City of the Fiscal Agent Agreement and Acquisition Agreement.

Section 2. The Authorized Officer is hereby authorized to offer the Bonds for sale pursuant to the terms contained in the Official Notice of Sale in substantially the form on file

with the City Clerk and sold to the highest responsible bidder at a public sale. The forms of the Official Notice of Sale and the Official Bid Form on file with the City Clerk are hereby approved.

The Authorized Officer is hereby authorized and directed to cause the publication of the Notice of Sale of the Bonds in substantially the form on file with the City Clerk) in *The Bond Buyer*, a financial newspaper of statewide circulation, one time, at least fifteen (15) days before the date of the sale of the Bonds.

The Authorized Officer is hereby authorized, on behalf of the City, to accept the best responsive bid for the Bonds determined as set forth in the Official Notice of Sale or reject all bids.

Section 3. The City Council hereby approves the Preliminary Official Statement in the form presented to the City Council at this meeting. The Authorized Officers are each hereby authorized and directed to execute a final Official Statement (the "Official Statement"), for and in the name and on behalf of the City and the District, in such form, together with any additions thereto or changes therein deemed necessary or advisable by the Authorized Officer executing such document upon consultation with Co-Bond Counsel. The City Council hereby authorizes and directs distribution of copies of said Preliminary Official Statement to persons who may be interested in the purchase of the Bonds and to deliver copies of the Official Statement to all actual purchasers of the Bonds. The City Council hereby authorizes the delivery by the City of the Official Statement.

The Authorized Officers are each hereby authorized and directed to execute a certificate or certificates to the effect that the Official Statement and the Preliminary Official Statement were deemed "final" as of their respective dates for purposes of Rule 15c2-12 of the Securities Exchange Act of 1934, and the Authorized Officers are each hereby authorized to so deem such statements final.

Section 4. The City Council hereby approves the continuing disclosure undertaking (the "Disclosure Agreement"), between the City and the Dissemination Agent named therein, in the form presented to the City Council at this meeting (as an exhibit to the Preliminary Official Statement). The Authorized Officers are each hereby authorized and directed to execute the Disclosure Agreement, for and in the name and on behalf of the City and the District, in such form, together with any additions thereto or changes therein deemed necessary or advisable by the Authorized Officer executing such document upon consultation with Co-Bond Counsel. The City Council hereby authorizes the delivery and performance by the City of the Disclosure Agreement.

Section 5. The City hereby covenants, for the benefit of the Bondowners, to commence and diligently pursue to completion any foreclosure action regarding delinquent installments of any amount levied as a special tax for the payment of interest or principal of the Bonds, said foreclosure action to be commenced and pursued as more completely set forth in the Fiscal Agent Agreement.

Section 6. The Bonds, when executed, shall be delivered to the Fiscal Agent for authentication. The Fiscal Agent is hereby requested and directed to authenticate the Bonds by executing the Fiscal Agent's certificate of authentication and registration appearing thereon, and to deliver the Bonds, when duly executed and authenticated, to the Underwriter in accordance with written instructions executed on behalf of the City by one or more of the

Authorized Officers, which instructions such officers are each hereby authorized, for and in the name and on behalf of the City, to execute and deliver to the Fiscal Agent. Such instructions shall provide for the delivery of the Bonds to the Underwriter or its designee in accordance with the Bond Purchase Agreement, upon payment of the purchase price therefor.

Section 7. The law firm of Jones Hall, A Professional Law Corporation and the Law Offices of Timothy Hachman are hereby designated as Co-Bond Counsel to the City for the Bonds.

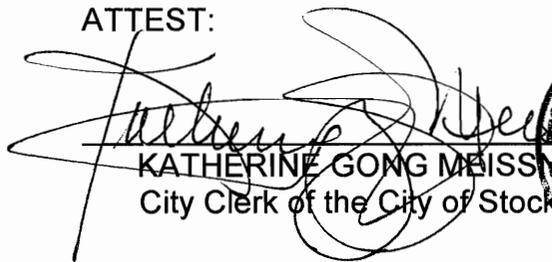
Section 8. All actions heretofore taken by the officers and agents of the City with respect to the establishment of the District and the sale and issuance of the Bonds are hereby approved, confirmed and ratified, and the proper officers of the City are each hereby authorized and directed to do any and all things and take any and all actions and execute any and all certificates, agreements and other documents, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Bonds in accordance with this Resolution, and any certificate, agreement, and other document described in the documents herein approved. Any document herein approved and executed and delivered by any one of the Authorized Officers shall be a valid and binding agreement of the City.

Section 9. This Resolution shall take effect from and after its adoption.

PASSED, APPROVED AND ADOPTED MAR - 7 2006


EDWARD J. CHAVEZ Mayor
of the City of Stockton

ATTEST:


KATHERINE GONG MEISSNER
City Clerk of the City of Stockton



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STOCKTON CITY COUNCIL

A RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF SPECIAL TAX REFUNDING BONDS IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$30,000,000 FOR THE PURPOSE OF REFUNDING BONDS WHICH FINANCED IMPROVEMENTS WITHIN THE CITY OF STOCKTON COMMUNITY FACILITIES DISTRICT NO. 1 (WESTON RANCH), AND APPROVING RELATED AGREEMENTS AND ACTIONS

**CITY OF STOCKTON
Community Facilities District No. 1 (Weston Ranch)**

RESOLVED, by the City Council (the "Council") of the City of Stockton (the "City"), County of San Joaquin, State of California, that:

WHEREAS, this Council has conducted proceedings under and pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, Sections 53311, et seq., California Government Code (the "Act"), to form Community Facilities District No. 1 (Weston Ranch) (the "CFD"), to authorize the levy of special taxes upon the land within the CFD, and to issue bonds secured by said special taxes the proceeds of which are to be used to finance certain facilities (the "Facilities"), all as described in those proceedings; and

WHEREAS, the City has entered into a Fiscal Agent Agreement dated as of May 1, 1998, with BNY Western Trust Company, as predecessor to The Bank of New York Trust Company, N.A. (the "Fiscal Agent"), and has authorized, issued, sold and delivered its City of Stockton Community Facilities District No. 1 (Weston Ranch) Refunding Special Tax Bonds, Series 1998, in the original aggregate principal amount of \$38,780,000 (the "1998 Bonds") and are currently outstanding in the aggregate principal amount of \$28,765,000; and

WHEREAS, the City has entered into a First Supplemental Fiscal Agent Agreement dated as of July 1, 2001, with the Fiscal Agent, and has authorized, issued, sold and delivered its City of Stockton Community Facilities District No. 1 (Weston Ranch) Special Tax Bonds, Series 2001, in the original aggregate principal amount of \$3,220,000 (the "2001 Bonds"), all of which are currently outstanding;

WHEREAS, this Council now wishes to provide for the issuance of the special tax bonds for the purpose of refunding and defeasing the 1998 Bonds and the 2001 Bonds, and there have been submitted to this Council certain documents described below providing for the issuance of the special tax bonds for the CFD and the use of the proceeds of those bonds, and this Council with the aid of its staff, has reviewed the documents and found them to be in proper order; and

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

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED, AS FOLLOWS:

Section 1. Law Applicable. For the purposes of these proceedings in and for the CFD, and under the charter city powers of the City, this Council hereby adopts the Act and Article 11 of Chapter 3 of Division 3 of Title 5 (commencing with Section 53580) of the California Government Code (the "Refunding Act") as the authority for the issuance of the Bonds (as hereafter defined) except that Section 53364.2 of the Act shall not apply to the Bonds.

Section 2. Bonds Authorized. Pursuant to the Act, the Refunding Act, this Resolution and the Fiscal Agent Agreement, (as hereafter defined) the bonds of the City for the CFD designated as "City of Stockton, Community Facilities District No. 1 (Weston Ranch) Special Tax Refunding Bonds, Series 2006" (the "Bonds") in an aggregate principal amount not to exceed \$30,000,000 are hereby authorized to be issued. The Bonds shall be executed in the forms, mature, and bear interest at the rates as set forth in and otherwise as provided in the Fiscal Agent Agreement. Each Authorized Officer (defined below) is hereby authorized to take the actions necessary to procure bond insurance for the Bonds if such action is recommended by the City's financial advisor.

Section 3. Authority Granted. The City Manager, Assistant City Manager, Director of Administrative Services, the City Treasurer, the City Clerk, the City Attorney or such other official of the City as may be designated by the Council (each an "Authorized Officer") are hereby separately authorized and directed to execute and deliver the Bonds and the documents and instruments herein specified in substantially such forms, with such additions thereto or changes therein as are approved by the Authorized Officer upon consultation with City's bond counsel, including such additions or changes as are necessary or advisable to permit the timely issuance, sale and delivery of the Bonds, provided, however, that: (a) no additions or changes shall authorize an aggregate principal amount of Bonds in excess of \$30,000,000; (b) result in an average interest rate on the Bonds in excess of seven percent (7%) per annum; (c) result in an underwriter's discount in excess of one percent (1%) of the principal amount of the Bonds, or (d) provide for a final maturity date of the Bonds later than September 1, 2024. The approval of such additions or changes shall be conclusively evidenced by the execution and delivery of the documents and instruments herein specified by the Authorized Officer.

Section 4. Second Supplemental Fiscal Agent Agreement. The proposed form of the Second Supplemental Fiscal Agent Agreement ("Second Supplemental Agreement") between the City and the Fiscal Agent, which supplements the Fiscal Agent Agreement dated as of May 1, 1998, as previously amended and supplemented by the First Supplemental Fiscal Agent Agreement dated as of July 1, 2001, each between the City and the Fiscal Agent (as amended and supplemented, the "Fiscal Agent Agreement"), with respect to the Bonds, in the form on file with the City Clerk is hereby approved. The date, manner of payment, interest rate or rates, interest payment dates, denominations, form, registration privileges, manner of execution, place of payment, terms of redemption and other terms of the Bonds shall be as provided in the Second Supplemental Agreement as finally executed. The terms and provisions of the Second Supplemental Agreement, as executed, are incorporated herein by this reference as if fully set forth herein. Each Authorized Officer is hereby authorized and directed to execute the Second Supplemental Agreement on behalf of the City, with such changes as the Authorized Officer deems appropriate to carry out the issuance of the Bonds authorized in Section 2 hereof.

Section 5. Escrow Agreements. The proposed forms of (i) the Escrow Agreement between the City and the Fiscal Agent, as Escrow Agent, providing for the refunding of the 1998 Bonds ("1998 Bonds Escrow Agreement"); and (ii) the Escrow Agreement between the City and the Escrow Agent providing for the refunding of the 2001 Bonds ("2001 Bonds Escrow Agreement" and, together with the 1998 Bonds Escrow Agreement, the "Escrow Agreements"); in the respective forms on file with the City Clerk

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are hereby approved. The terms and provisions of the Escrow Agreements, as executed, are incorporated herein by this reference as if fully set forth herein. Each Authorized Officer is hereby authorized and directed to execute the Escrow Agreements on behalf of the City, with such changes as the Authorized Officer deems appropriate to carry out the issuance of the Bonds authorized in Section 2 hereof.

Section 6. Continuing Disclosure Certificate. The Council hereby approves the form of the City's Continuing Disclosure Certificate with respect to the Bonds in substantially the form thereof attached to the Official Statement (described below) on file with the City Clerk. Each Authorized Officer is hereby authorized and directed to complete and execute the Certificate on behalf of the City with such changes, additions, deletions as may be approved by the Authorized Officer in consultation with the City's bond counsel.

Section 7. Sale of Bonds. The Bonds shall be sold at a public sale, said public sale to be at the time and place and upon the terms provided in the Official Notice of Sale of the Bonds (the "Notice of Sale"), a form of which Notice is on file with the City Clerk, which form the Council hereby approves. Bids for the purchase of the Bonds shall be received, at the time and place selected by an Authorized Officer. Each Authorized Officer is hereby authorized to distribute or cause to be distributed copies of the Notice of Sale and to utilize the services of a firm providing an electronic bidding platform for receipt of the Bids. This Council hereby authorizes publication in The Bond Buyer of a Notice of Intention to Sell (the "Notice of Intention to Sell") in substantially the form on file with the City Clerk, said Notice of Intention to sell being required to be made in a financial publication generally circulated throughout the State at least five days prior to the award of the Notes at a competitive bid pursuant to Section 53692 of the Government Code. Each Authorized Officer is hereby authorized and directed to complete and execute the Official Notice of Sale on behalf of the City with such changes, additions, deletions as may be approved by the Authorized Officer in consultation with the City's bond counsel.

This Council hereby determines, pursuant to Section 53345.8 of the Act and prior to the award of the sale of the Bonds, that the value of the real property that would be subject to the special tax to pay debt service on the Bonds will be at least three times the principal amount of the Bonds and the principal amount of other bonds outstanding secured by a special tax or special assessment levied on property in the CFD based upon the full cash value as shown on the ad valorem assessment roll of the County of San Joaquin for lands in the CFD.

Section 8. Award of Bonds. Each Authorized Officer is hereby authorized to award the Bonds in an aggregate principal amount not exceeding the aforesaid sum to the bidder for the Bonds providing the lowest true interest cost as provided in the Notice of Sale, provided that the interest rate on the Bonds shall not exceed seven percent (7%) per annum. Upon award of the Bonds to the successful bidder, (i) each Authorized Officer is hereby authorized and directed to execute a certificate stating the principal amount of the Bonds, the maturity dates of the Bonds and the interest rates on the Bonds, and (ii) each Authorized Officer is authorized and directed to execute and deliver the Bonds to the successful bidder. In the event two or more bids setting forth identical net interest rates are received and aggregating in excess of the principal amount of the Bonds, an Authorized Officer shall determine by lot which bidder will be awarded the Bonds.

Section 9. Official Statement. The City Council hereby approves the official statement relating to the Bonds (the "Official Statement") in preliminary form, in substantially the form on file with the City Clerk. Each Authorized Officer is hereby authorized to execute a certificate stating that the Official Statement in preliminary form has been deemed nearly final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934. Distribution of the Official Statement in preliminary form in connection with the sale of the Bonds is hereby approved. An Authorized Officer is hereby authorized and directed to approve any changes in or additions to a final form of said Official Statement, provided that the

execution thereof by an Authorized Officer shall be conclusive evidence of the approval of any such changes and additions. The City Council hereby authorizes the distribution of the Official Statement by the purchaser of the Bonds. The Official Statement shall be executed in the name and on behalf of the City by an Authorized Officer.

Section 10. Delivery of the Bonds. Upon completion of the sale thereof, the Bonds shall be prepared, executed and delivered to the Fiscal Agent for authentication, all in accordance with the terms of the Fiscal Agent Agreement, the Second Supplemental Agreement and the Notice of Sale. The Fiscal Agent, the Authorized Officers and other responsible officers of the City are hereby authorized and directed to take such actions as are required under the Fiscal Agent Agreement and the Second Supplemental Agreement to cause the delivery of the Bonds upon receipt of the purchase price thereof from the successful bidder for the Bonds.

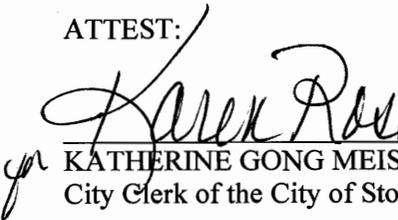
Section 11. Appointment of Consultants. Lofton & Jennings, San Francisco, California is appointed as bond counsel, Orrick, Herrington & Sutcliffe LLP is appointed as disclosure counsel and Del Rio Advisors, LLC, Modesto, California is appointed as financial advisor to the City and MuniFinancial, Temecula, California is appointed as special tax consultant to the City, all with respect to the issuance, sale and delivery of the Bonds. The compensation of bond counsel and disclosure counsel shall be as set forth in appropriate agreements therefor as determined by the City Attorney. The compensation of the financial advisor and special tax consultant shall be as set forth in appropriate agreements therefor as determined by the City's Director of Administrative Services.

Section 12. Actions Authorized. All actions heretofore taken by the officers and agents of the City with respect to the establishment of the CFD, the conduct of the proceedings therefor and the sale and issuance of the Bonds are hereby approved, confirmed and ratified, and the Authorized Officers (and deputies, assistants and designees thereof) are hereby authorized and directed to do any and all things and take any and all actions and execute any and all certificates, agreements and other documents, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Bonds in accordance with this resolution, and any certificate, agreement, and other document described in the documents herein approved. All actions to be taken by a particular Authorized Officer as specified herein, may be taken by any other Authorized Officer or any designee.

Section 13. Effectiveness. This resolution shall take effect from and after its adoption. Any previous resolutions in any way inconsistent with the provisions hereof in and for the issuance of the Bonds as herein described are hereby repealed.

PASSED, APPROVED and ADOPTED JUL 11 2006


EDWARD J. CHAVEZ, Mayor
of the City of Stockton

ATTEST:

KATHERINE GONG MEIS
City Clerk of the City of Stockton


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I KATHERINE GONG MEISSNER, do hereby certify as follows:

I am the duly appointed, qualified City Clerk of the City of Stockton, a California municipal corporation; as such City Clerk, I am the custodian of the official records of the City Council of said City. The attached Resolution is a full, true, and correct copy of Resolution No. _____ of said City Council, which was adopted by the City Council on July 11, 2006, on file in the City Clerk's office.

IN WITNESS WHEREOF, I have hereto affixed my hand and the seal of the City of Stockton on July __, 2006

**KATHERINE GONG MEISSNER, CITY CLERK
CITY OF STOCKTON**

By _____
Christa R. Bodin, Deputy

(Seal)

STOCKTON CITY COUNCIL

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF STOCKTON, ACTING AS THE LEGISLATIVE BODY OF CITY OF STOCKTON COMMUNITY FACILITIES DISTRICT NO. 2006-3 (NORTHBROOK), AUTHORIZING THE ISSUANCE OF ITS WOODSIDE IMPROVEMENT AREA 1 2007 SPECIAL TAX BONDS IN A PRINCIPAL AMOUNT NOT TO EXCEED \$6,500,000 AND APPROVING CERTAIN DOCUMENTS AND TAKING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

WHEREAS, the City Council of the City of Stockton (hereinafter sometimes referred to as the "legislative body of the District") has heretofore undertaken proceedings and declared the necessity to issue bonds on behalf of City of Stockton Community Facilities District No. 2006-3 (Northbrook) (the "District") pursuant to the terms and provisions of the Mello Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California (the "Act"); and

WHEREAS, pursuant to a resolution adopted by the legislative body of the District on June 19, 2007, a bond proposition was submitted to the qualified electors within the Improvement Area 1 of the District ("Improvement Area 1") and was approved by more than two-thirds of the votes cast at the election held within the District on June 19, 2007; and

WHEREAS, the District desires to accomplish the financing of certain public facilities for Improvement Area 1, which the District is authorized to finance, through the issuance of bonds in an aggregate principal amount not to exceed \$6,500,000 (which is less than the amount authorized by the aforesaid resolution and election) designated as the "City of Stockton Community Facilities District No. 2006-3 (Northbrook) Woodside Improvement Area 1 Special Tax Bonds, Series 2007" (the "Bonds"); and

WHEREAS, in order to effect the issuance of the Bonds, the legislative body of the District desires to approve the form of a Preliminary Official Statement for the Bonds and to approve the forms of and authorize the execution and delivery of a Trust Indenture, an Agreement to Construct and Acquire Public Facilities for City of Stockton Community Facilities District No. 2006-3 (Northbrook) Woodside Improvement Area 1 (the "Agreement to Construct and Acquire Public Facilities"), a Continuing Disclosure Agreement and an Official Notice of Sale for the Bonds; and

WHEREAS, the legislative body of the District determines that it is prudent in the management of its fiscal affairs to issue the Bonds and that the Bonds shall be sold at public sale; and

WHEREAS, Seevers Jordan Ziegenmeyer, a state certified real estate appraiser, as defined in Section 11340 of the California Business and Professions Code (the "Appraiser"), has delivered to the City of Stockton an appraisal report, dated September 26, 2007 (the "Appraisal"), which was made in a manner consistent with City of Stockton's policies for community facilities district financings; and

WHEREAS, the Appraisal states the value of the real property in Improvement Area 1 that is subject to the special tax to pay debt service on the Bonds is \$20,760,000, which is more than three times the sum of (a) the maximum principal amount of the Bonds (\$6,500,000), plus (b) the principal amount of all other bonds outstanding that are secured by a special tax levied pursuant to the Act on property within Improvement Area 1 or by a special assessment levied on property within Improvement Area 1 as reported by California Municipal Statistics Inc. (\$4,750); now, therefore,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF STOCKTON, AS FOLLOWS:

SECTION 1. Each of the above recitals is true and correct.

SECTION 2. The issuance of the Bonds in a principal amount not to exceed \$6,500,000 is hereby authorized; and the exact principal amount to be issued shall be determined by the City's Director of Administrative Services/Chief Financial Officer (the "Chief Financial Officer") and shall be specified by him in the Official Notice of Sale approved in accordance with Section 5 below. The Bonds shall mature in the amounts and on the dates and pay interest at the rates set forth in the bid for the purchase of the Bonds determined by the Chief Financial Officer to be the best responsible bid for the Bonds in accordance with Section 5 (the "Winning Bid"), subject to adjustment in such principal amounts as provided for in Official Notice of Sale. The Bonds shall be governed by the terms and conditions of the Trust Indenture by and between the District and Wells Fargo Bank, N.A., which is hereby appointed to act as Trustee for the Bonds, presented at this meeting (the "Trust Indenture"). The Trust Indenture shall be executed by the Mayor of the City (or any person then authorized to perform the duties of the Mayor, in either case hereinafter referred to as the "Mayor") and attested to by the City Clerk (or any person then authorized to perform the duties of the City Clerk, in either case hereinafter referred to as the "City Clerk") substantially in the form presented at this meeting, with such additions thereto and changes therein as the officer executing the same deem necessary (a) to cure any ambiguity or defect therein if such addition or change does not materially alter the substance or content thereof or (b) to insert the interest rate(s), principal amount per maturity, redemption dates and such other related terms and other provisions necessary to conform any provisions therein to the Official Notice of Bid, the Winning Bid or the Official Statement delivered to the purchasers of the Bonds. Approval of such changes shall be conclusively evidenced by the execution

and delivery of the Trust Indenture by an authorized officer. Capitalized terms used in this Resolution which are not defined herein have the meanings ascribed to them in the Trust Indenture.

SECTION 3. The Bonds shall be executed on behalf of the District by the manual or facsimile signature of the Mayor on behalf of the District and attested with the manual or facsimile signature of the City Clerk on behalf of the legislative body of the District.

SECTION 4. The covenants set forth in the Trust Indenture to be executed in accordance with Section 2 above are hereby approved, shall be deemed to be covenants of the City Council in its capacity as the legislative body of the District and shall be complied with by the District, the City and their respective officers.

SECTION 5. KNN Public Finance, a Division of Zions First National Bank (the "Financial Advisor") is hereby authorized and directed to cause the sale of the Bonds to be made under the terms contained in the Official Notice of Sale, substantially in the form as presented at this meeting, together with any changes therein or additions thereto deemed advisable by the Chief Financial Officer, which form is hereby approved. The Financial Advisor is hereby authorized and directed to cause the Bonds to be sold to the best responsible bidder according to the provisions of the Official Notice of Sale, on the date and at the hour specified in and according to the terms as described in and subject to the terms and conditions of the Official Notice of Sale. Provisions shall be made for cancellation, postponement or rescheduling of the sale in the Official Notice of Sale. The City Clerk is hereby authorized and directed to give notice of sale of the Bonds by publication of a notice thereof in The Bond Buyer, a financial newspaper of statewide circulation, one time, which publication shall occur at least no later than the time required by Section 53360 of the Government Code. Not later than 5:00 o'clock p.m. (California Time) on the day of actual receipt of bids, the Chief Financial Officer, with the advice of the Financial Advisor, is hereby authorized and directed to accept, on behalf of the District, the best responsive bid for the Bonds, provided that such bid complies with the conditions contained in the Official Notice of Sale, or to reject all bids. If such terms are acceptable, the Chief Financial Officer is hereby authorized and directed to complete, execute and deliver a notice of award to the successful bidder, with copies thereof to be provided to the Financial Advisor, Bond Counsel and Disclosure Counsel.

SECTION 6. The form of the City Continuing Disclosure Agreement presented at this meeting is hereby approved; and the Chief Financial Officer is hereby authorized and directed to execute and deliver to the other party thereto the City Continuing Disclosure Agreement in the form hereby approved, with such additions therein and changes thereto as he deems necessary to cure any defect or ambiguity therein if such change does not materially alter the substance or content thereof, with such approval to be conclusively evidenced by the execution and delivery of such City Continuing Disclosure Agreement.

SECTION 7. The form of the Agreement to Construct and Acquire Public Facilities presented at this meeting is hereby approved; and the Chief Financial Officer

is hereby authorized and directed to execute and deliver the Agreement to Construct and Acquire Public Facilities in the form hereby approved, with such additions therein and changes thereto as he deems necessary to cure any defect or ambiguity therein if such change does not materially alter the substance or content thereof, with such approval to be conclusively evidenced by the execution and delivery of such Agreement.

SECTION 8. The form of the Preliminary Official Statement presented at this meeting is hereby approved, and the Financial Advisor is hereby authorized to distribute the Preliminary Official Statement to prospective bidders for purchasers of the Bonds in the form hereby approved, together with such additions thereto and changes therein as are determined necessary by the Chief Financial Officer to make such Preliminary Official Statement final as of its date for purposes of Rule 15c2-12 of the Securities and Exchange Commission, including, but not limited to, such additions and changes as are necessary to make all information set forth therein accurate and not misleading. The Chief Financial Officer is hereby authorized to execute a final Official Statement in the form of the Preliminary Official Statement, together with such changes as he determines necessary to make such Official Statement complete and accurate as of its date. The entity submitting the Winning Bid is further authorized to distribute the final Official Statement for the Bonds and any supplement thereto to the purchasers thereof upon its execution on behalf of the District as described above.

SECTION 9. The Chief Financial Officer is authorized to provide for all services necessary to effect the issuance of the Bonds. Such services shall include, but not be limited to, obtaining legal services, fiscal agent services and any other services deemed appropriate by the Chief Financial Officer. The Chief Financial Officer is authorized to pay for the cost of such services, together with other costs of issuance for the Bonds from the proceeds of the Bonds.

SECTION 10. The Mayor, the City Clerk, the City Manager, the Chief Financial Officer and the other officers and staff of the City and the District responsible for the fiscal affairs of the District are hereby each authorized and directed to take any actions and execute and deliver any and all documents as are necessary to accomplish the issuance, sale and delivery of the Bonds in accordance with the provisions of this Resolution and the fulfillment of the purposes of the Bonds as described in the Trust Indenture, including, but not limited to, providing certificates as to the accuracy of any information relating to the District which is included in the Official Statement and executing any and all agreements related to the delivery of any security instruments as provided in the Trust Indenture. In the event that the Mayor is unavailable to sign any document authorized for execution herein, any other member of the legislative body of the District may sign such document. Any document authorized herein to be signed by the City Clerk may be signed by a duly appointed Assistant City Clerk or Deputy City Clerk. Any document authorized herein to be signed, and any action authorized herein to be taken, by the Chief Financial Officer may be signed or taken, as the case may be by any person authorized to do so by the Chief Financial Officer or the City Manager.

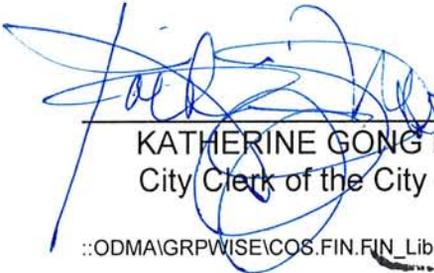
SECTION 11. This Resolution shall be effective upon its adoption.

PASSED, APPROVED and ADOPTED OCT 30 2007.



EDWARD J. CHAVEZ,
Mayor of the City of Stockton

ATTEST:



KATHERINE GONG MEISSNER
City Clerk of the City of Stockton



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STOCKTON CITY COUNCIL

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF STOCKTON FOR AND ON BEHALF OF COMMUNITY FACILITIES DISTRICT NO. 96-01 OF THE CITY OF STOCKTON AUTHORIZING THE ISSUANCE OF ITS SPECIAL TAX BONDS, SERIES A AND APPROVING CERTAIN DOCUMENTS AND TAKING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

**DEVELOPMENT FEE FINANCING
COMMUNITY FACILITIES DISTRICT NO. 96-01**

WHEREAS, the City Council of the City of Stockton (hereinafter, the "Council"), has heretofore undertaken proceedings and declared the necessity to issue Series A Bonds on behalf of Community Facilities District No. 96-01 of the City of Stockton (hereinafter, the "District") pursuant to the terms and provisions of the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2, Title 5, of the Government Code of the State of California (hereinafter, the "Act"); and

WHEREAS, on the 6th day of May, 1996, the Council, in a regular meeting, adopted its Resolution No. 96-0224, Resolution of the City Council of the City of Stockton Calling Special Election Within Community Facilities District No. 96-01 of the City of Stockton; and

WHEREAS, at said meeting the Council approved the ballot proposition known as Measure A and called a special election to be held on May 6, 1996, by mail ballot; and

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WHEREAS, pursuant to said Resolution No. 96-0224 the City Clerk of the City of Stockton was designated the election official for the conduct of the election (the "Election Official") and charged with the responsibility of mailing to or personally serving upon the qualified voters the ballots, collecting the returns, closing the election, counting the votes, and certifying the results to the Council; and

WHEREAS, the Election Official did personally serve or mail, or caused to be served or mailed, with first-class postage, to all those entitled to vote within the District the authorized ballot; and

WHEREAS, said election was duly and legally held pursuant to law and the order of this Council; and

WHEREAS, the Election Official, pursuant to said Resolution No. 96-0224, has tallied the votes of said elections and has submitted her certificates thereof, from which it appeared that the proposition known as Measure A were duly approved by the qualified voters; and

WHEREAS, on May 6, 1996, the Council, at a regular meeting, adopted Resolution No. 96-0225 declaring the results of the special, mailed-ballot election within the District; and

WHEREAS, based upon Resolution No. 96-0225 and the election, the Council on behalf of the District is now authorized to issue Bonds, pursuant to the Act, in an amount not to exceed \$5,720,000; and

WHEREAS, the Council hereby desires to proceed to issue Series A Bonds in the principal amount of not to exceed \$1,960,000 designated as the "Community Facilities District No. 96-01 of the City of Stockton, 1996 Special Tax Bonds, Series A" (hereinafter, the "Series A Bonds"); and

WHEREAS, the Council has determined in accordance with Government Code Section 53360.4 that a negotiated sale of the Series A Bonds to an underwriter will result in a lower overall cost than a public sale

NOW, THEREFORE, BE IT RESOLVED THAT THE CITY COUNCIL OF THE CITY OF STOCKTON DOES HEREBY FIND, ORDER AND DETERMINE:

1. Each of the above recitals is true and correct.
2. The issuance of the Series A Bonds in the principal amount set forth in the Supplement attached hereto (as described below), but in no event exceeding the principal amount of \$1,960,000, is hereby authorized, pursuant to the Act. The Series A Bonds shall mature on the dates and pay interest at the rates set forth in a Bond Purchase Contract to be executed on behalf of the District. All other provisions of the Series A Bonds shall be governed by the terms and conditions set forth in the Supplement to this Resolution to be executed by the Mayor and City Clerk of the City of Stockton (hereinafter, the "Mayor" and "City Clerk", respectively), which Supplement to this Resolution shall be substantially in the form attached hereto as Exhibit A, with such additions thereto and changes therein as are recommended or approved by Bond Counsel and the officers executing the same, with

such approval to be conclusively evidenced by the execution and delivery of the Supplement to this Resolution. Capitalized terms used in this Resolution which are not defined herein have the meaning ascribed to them in the form of the Supplement to this Resolution attached hereto as Exhibit A.

3. The Series A Bonds shall be signed on behalf of the District by the Mayor of the City of Stockton and countersigned by the City Clerk of the City of Stockton. All signatures on the Series A Bonds may be printed, lithographed or engraved. If any officer whose signature appears on the Series A Bonds ceases to be that officer before the delivery of the Series A Bonds, his or her signature is as effective as if he or she had remained in office.

4. The proceeds of the Series A Bonds and the special taxes collected within the District may be invested in an investment agreement satisfying the criteria described in the Supplement to this Resolution.

5. The covenants set forth in the Supplement to this Resolution to be executed in accordance with Section 2 above are hereby approved, shall be deemed to be covenants of the Council in its capacity as the legislative body of the District and shall be complied with by the District, the City of Stockton and its officers. The Supplement to this Resolution shall constitute a contract between the District and the owners of the Series A Bonds.

6. First Trust of California, National Association, is hereby appointed to act as Fiscal Agent for the Series A Bonds and the City Manager or Assistant City Manager is authorized to execute

an appropriate agreement with an approval as to form from the City Attorney.

7. Westhoff, Cone & Holmstedt has heretofore been appointed as the underwriter (hereinafter, the "Underwriter"). The Underwriter shall prepare, or cause to be prepared, a Bond Purchase Contract, substantially in the form on file in the office of the City Clerk and incorporated herein by this reference.

8. Lofton, DeLancie & Nelson is hereby appointed as Disclosure Counsel and shall prepare a Preliminary Official Statement, substantially in the form on file in the office of the City Clerk and incorporated herein by this reference.

9. The form of the Preliminary Official Statement presented at this meeting and on file in the office of the City Clerk is hereby approved and the Mayor, City Manager, Assistant City Manager or Finance Director is hereby authorized and directed to execute a final Official Statement in substantially the form hereby approved, with such additions thereto and changes therein as are recommended or approved by Bond Counsel and the officer executing the same, with such approval to be conclusively evidenced by the execution and delivery of such documents. The Underwriter is hereby authorized to distribute the Preliminary Official Statement to prospective purchasers of the Series A Bonds and the final Official Statement to actual purchasers of the Series A Bonds.

10. The form of the Bond Purchase Contract presented at this meeting and on file with the City Clerk is hereby approved and the Mayor, City Manager, Assistant City Manager or Finance Director is

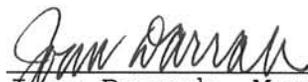
hereby authorized and directed to execute it in substantially the form hereby approved, with such additions thereto and changes therein as are recommended or approved by Bond Counsel and the officer executing the same, with such approval to be conclusively evidenced by the execution and delivery of such document. The Mayor, City Manager, Assistant City Manager or Finance Director is hereby authorized to execute a certificate in compliance with Securities and Exchange Commission Rule 15c2-12.

11. Each and every officer of the City of Stockton is authorized to perform his or her services on behalf of the District. The Finance Director, or his written designee, is authorized to incur such costs and to contract for such services necessary to effect the issuance of the Series A Bonds. Such services shall include, but not be limited to, printing the Series A Bonds, printing the Preliminary Official Statement, and obtaining legal services, fiscal agent services and any other services deemed appropriate for the issuance of the Series A Bonds. The Finance Director, or his written designee, is authorized to pay for such costs with Bond proceeds deposited in the Project Fund established pursuant to the Supplement to this Resolution.

12. All actions heretofore taken by officers and agents of the District and the City with respect to the sale and issuance of the Series A Bonds are hereby approved, confirmed and ratified, and the Mayor and City Clerk and the other officers of the City of Stockton responsible for the fiscal affairs of the District are hereby authorized and directed to take any actions and execute and

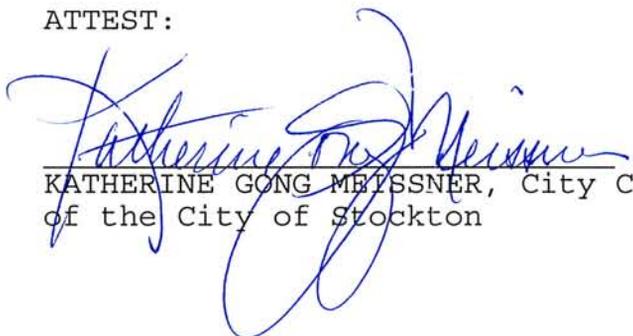
deliver any and all documents as are necessary to accomplish the issuance, sale, and delivery of the Series A Bonds in accordance with the provisions of the Resolution and the fulfillment of the purposes of the Series A Bonds as described in the Supplement to this Resolution. In the event that the Mayor is unavailable to sign any document authorized for execution herein, the City Manager, Assistant City Manager or Finance Director shall sign such document. Any document authorized herein to be signed by the City Clerk may be signed by a duly appointed deputy clerk.

PASSED, APPROVED AND ADOPTED MAY 28 1996 .



Joan Darrah, Mayor
of the City of Stockton

ATTEST:



KATHERINE GONG MEISSNER, City Clerk
of the City of Stockton

RESOLUTION NO. **99-0252**

STOCKTON CITY COUNCIL

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
STOCKTON FOR AND ON BEHALF OF COMMUNITY FACILITIES
DISTRICT NO. 96-01 OF THE CITY OF STOCKTON
AUTHORIZING THE ISSUANCE OF ITS SPECIAL TAX BONDS,
SERIES B AND APPROVING CERTAIN DOCUMENTS AND
TAKING CERTAIN OTHER ACTIONS IN CONNECTION
THEREWITH**

**DEVELOPMENT FEE FINANCING
COMMUNITY FACILITIES DISTRICT NO. 96-01
1999 SPECIAL TAX BONDS, SERIES B**

WHEREAS, the City Council of the City of Stockton (hereinafter, the "Council"), has heretofore undertaken proceedings and declared the necessity to issue Bonds on behalf of Annexation No. 1 (the "Annexed Area") to Community Facilities District No. 96-01 of the City of Stockton (hereinafter, the "District") pursuant to the terms and provisions of the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2, Title 5, of the Government Code of the State of California (hereinafter, the "Act"); and

WHEREAS, on the 18th day of May, 1999, the Council, in a regular meeting, adopted its Resolution No. 99-0251, Resolution of the City Council of the City of Stockton Calling Special Election Within Annexation No. 1 to Community Facilities District No. 96-01 of the City of Stockton; and

WHEREAS, at said meeting the Council approved the ballot proposition known as Measure A and called a special election to be held on May 18, 1999, by mail ballot; and

WHEREAS, pursuant to said Resolution No. 99-0251 the City Clerk of the City of Stockton was designated the election official for the conduct of the election (the "Election

99-0252

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Official") and charged with the responsibility of mailing to or personally serving upon the qualified voters the ballots, collecting the returns, closing the election, counting the votes, and certifying the results to the Council; and

WHEREAS, the Election Official did personally serve or mail, or caused to be served or mailed, with first-class postage, to all those entitled to vote within the Annexed Area to the District the authorized ballot; and

WHEREAS, said election was duly and legally held pursuant to law and the order of this Council; and

WHEREAS, the Election Official, pursuant to said Resolution No. 99-0251, has tallied the votes of said elections and has submitted her certificates thereof, from which it appeared that the proposition known as Measure A were duly approved by the qualified voters; and

WHEREAS, on May 18, 1999, the Council, at a regular meeting, adopted Resolution No. 99-0252 declaring the results of the special, mailed-ballot election within the Annexed Area to the District; and

WHEREAS, based upon Resolution No. 99-0252 and the election, the Council on behalf of the Annexed Area to the District is now authorized to issue Bonds, pursuant to the Act, in an amount not to exceed \$7,800,000; and

WHEREAS, on May 6, 1996, the qualified voters within the District approved the authorization of \$5,720,000 of Bonds secured by property within the Series A Project Area; and

WHEREAS, pursuant to said authorization and on May 6, 1996, the City Council approved the issuance of \$1,960,000 of bonds designated as "Community Facilities District No. 96-01 of the City of Stockton, 1996 Special Tax Bonds, Series A (the "Series A Bonds"); and

WHEREAS, on May 18, 1999, the qualified voters within the Annexed Area approved the authorization of \$7,800,000 of Bonds secured by property within the Series B Project Area; and

WHEREAS, the Council hereby desires to issue Series B Bonds in the principal amount of not to exceed \$3,190,000 designated as the "Community Facilities District No. 96-01 of the City of Stockton, 1999 Special Tax Bonds, Series B" (hereinafter, the "Series B Bonds"); and

WHEREAS, the Series B Bonds shall consist of \$1,075,000 of Bonds from the May 6, 1996 authorization and \$2,115,000 of Bonds from the May 18, 1999 authorization; and

WHEREAS, the Council has determined in accordance with Government Code Section 53360.4 that a negotiated sale of the Series B Bonds to an underwriter will result in a lower overall cost than a public sale.

NOW, THEREFORE, BE IT RESOLVED THAT THE CITY COUNCIL OF THE CITY OF STOCKTON DOES HEREBY FIND, ORDER AND DETERMINE:

Section 1. Each of the above recitals is true and correct.

Section 2. The issuance of the Series B Bonds in the principal amount set forth in the Supplement attached hereto (as described below), but in no event exceeding the principal amount of \$3,190,000, is hereby authorized, pursuant to the Act. The Series B Bonds shall mature on the dates and pay interest at the rates set forth in a Bond Purchase Contract to be executed on behalf of the District. All other provisions of the Series B Bonds shall be governed by the terms and conditions set forth in the Supplement to this Resolution to be executed by the Mayor and City Clerk of the City of Stockton (hereinafter, the "Mayor" and "City Clerk", respectively), which Supplement to this Resolution shall be substantially in the form attached hereto as Exhibit A, with such additions thereto and changes therein as are recommended or approved by Bond Counsel and the officers executing the same, with such approval to be conclusively evidenced by the execution and delivery of the Supplement to this Resolution. Capitalized terms used in this Resolution which are not defined herein have the meaning ascribed to them in the form of the Supplement to this Resolution attached hereto as Exhibit A.

Section 3. The Series B Bonds shall be signed on behalf of the District by the Mayor of the City of Stockton and countersigned by the City Clerk of the City of Stockton. All signatures on the Series B Bonds may be printed, lithographed or engraved. If any officer whose signature appears on the Series B Bonds ceases to be that officer before the delivery of the Series B Bonds, his or her signature is as effective as if he or she had remained in office.

Section 4. The proceeds of the Series B Bonds and the special taxes collected within the District may be invested in an investment agreement satisfying the criteria described in the Supplement to this Resolution.

Section 5. The covenants set forth in the Supplement to this Resolution to be executed in accordance with Section 2 above are hereby approved, shall be deemed to be covenants of the

Council in its capacity as the legislative body of the District and shall be complied with by the District, the City of Stockton and its officers. The Supplement to this Resolution shall constitute a contract between the District and the owners of the Series B Bonds.

Section 6. U.S. Bank Trust, National Association, is hereby appointed to act as Fiscal Agent for the Series B Bonds and the City Manager or Assistant City Manager is authorized to execute an appropriate agreement with an approval as to form from the City Attorney.

Section 7. Westhoff, Cone & Holmstedt has heretofore been appointed as the underwriter (hereinafter, the "Underwriter"). The Underwriter shall prepare, or cause to be prepared, a Bond Purchase Contract, substantially in the form on file in the office of the City Clerk and incorporated herein by this reference.

Section 8. Lofton, DeLancie & Nelson is hereby appointed as Disclosure Counsel and shall prepare a Preliminary Official Statement, substantially in the form on file in the office of the City Clerk and incorporated herein by this reference.

Section 9. The form of the Preliminary Official Statement presented at this meeting and on file in the office of the City Clerk is hereby approved and the Mayor, City Manager, Assistant City Manager or Finance Director is hereby authorized and directed to execute a final Official Statement in substantially the form hereby approved, with such additions thereto and changes therein as are recommended or approved by Bond Counsel and the officer executing the same, with such approval to be conclusively evidenced by the execution and delivery of such documents. The Underwriter is hereby authorized to distribute the Preliminary Official Statement to prospective purchasers of the Series B Bonds and the final Official Statement to actual purchasers of the Series B Bonds.

Section 10. The form of the Bond Purchase Contract presented at this meeting and on file with the City Clerk is hereby approved and the Mayor, City Manager, Assistant City Manager or Finance Director is hereby authorized and directed to execute it in substantially the form hereby approved, with such additions thereto and changes therein as are recommended or approved by Bond Counsel and the officer executing the same, with such approval to be conclusively evidenced by the execution and delivery of such document. The Mayor, City Manager, Assistant City Manager or Finance Director is hereby authorized to execute a certificate in compliance with Securities and Exchange Commission Rule 15c2-12.

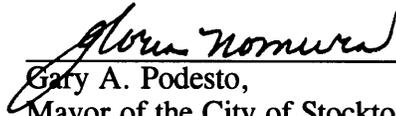
Section 11. Each and every officer of the City of Stockton is authorized to perform his or her services on behalf of the District. The Finance Director, or his written designee, is authorized

to incur such costs and to contract for such services necessary to effect the issuance of the Series B Bonds. Such services shall include, but not be limited to, printing the Series B Bonds, printing the Preliminary Official Statement, and obtaining legal services, fiscal agent services and any other services deemed appropriate for the issuance of the Series B Bonds. The Finance Director, or his written designee, is authorized to pay for such costs with Bond proceeds deposited in the Project Fund established pursuant to the Supplement to this Resolution.

Section 12. All actions heretofore taken by officers and agents of the District and the City with respect to the sale and issuance of the Series B Bonds are hereby approved, confirmed and ratified, and the Mayor and City Clerk and the other officers of the City of Stockton responsible for the fiscal affairs of the District are hereby authorized and directed to take any actions and execute and deliver any and all documents as are necessary to accomplish the issuance, sale, and delivery of the Series B Bonds in accordance with the provisions of the Resolution and the fulfillment of the purposes of the Series B Bonds as described in the Supplement to this Resolution. In the event that the Mayor is unavailable to sign any document authorized for execution herein, the City Manager, Assistant City Manager or Finance Director shall sign such document. Any document authorized herein to be signed by the City Clerk may be signed by a duly appointed deputy clerk.

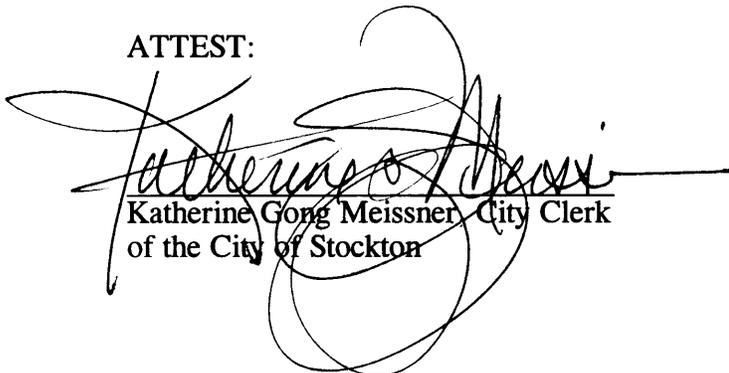
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PASSED, APPROVED and ADOPTED _____.



Gary A. Podesto,
Mayor of the City of Stockton

ATTEST:



Katherine Gong Meissner, City Clerk
of the City of Stockton

G:\CA\PRIV\STAFF\AGD\BOND COUNSEL\ISSUE\ANNEXRES.DOC

99-0252

EXHIBIT A *

CITY OF STOCKTON
DEVELOPMENT FEE FINANCING
COMMUNITY FACILITIES DISTRICT 96-01
1999 SPECIAL TAX BONDS, SERIES B

SUPPLEMENT TO RESOLUTION NO. 99-0252

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DATE MAY 12 1999

99-0252

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99-0252

SUPPLEMENT TO RESOLUTION

RECITALS:

WHEREAS, Community Facilities District No. 96-01 of the City of Stockton (the "District") has determined to issue its Community Facilities District No. 96-01 of the City of Stockton, 1999 Special Tax Bonds, Series B (the "Series B Bonds") in the aggregate principal amount of not to exceed \$3,190,000 pursuant to Resolution No. 99-0252, duly adopted on May 18, 1999, and the terms of this Supplement to Resolution executed pursuant thereto (collectively, the "Resolution") for the purpose of financing development fees which constitute the Series B Project (as defined herein).

NOW, THEREFORE, in accordance with the authorization provided in Resolution No. 99-0252, the District agrees to issue the Series B Bonds in accordance with the provisions of the Resolution.

ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions.

Unless the context otherwise requires, the following terms shall have the following meanings:

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

"Administrative Expenses" means the administrative costs with respect to the calculation and collection of the Special Taxes, or costs otherwise incurred by the City or County staff on behalf of the District in order to carry out the purposes of the District as set forth in the Resolution of Formation and the fees and expenses of the Paying Agent.

"Annexation No. 1" means annexation of that certain territory to the District as approved by the qualified voters on May 18, 1999, and approved by the City Council by the adoption of the Resolution of Annexation.

"Annual Debt Service" means the principal amount of any Outstanding Series B Bonds payable in a Bond Year at maturity and any interest payable on any Outstanding Series B Bonds in such Bond Year, if the Series B Bonds are retired as scheduled.

"Authorized Investments" means, subject to applicable law, (1) United States Treasury notes, bonds, bills or certificates of indebtedness (including United States Treasury Obligations - State and Local Government Series ("SLGS") or other direct obligations issued by the United States Treasury for which the faith and credit of the United States are pledged for the payment of principal and interest); (2) obligations issued by banks for cooperatives, federal and land banks, federal intermediate credit banks, federal home loan banks, the Federal Home Loan Bank Board, the Tennessee Valley Authority, or other federal agencies or United States government-sponsored enterprises; (3) an Investment Agreement; (4) taxable government money market portfolios restricted to obligations with maturities of one year or less, insured or fully guaranteed as to the principal and interest thereon by the full faith and credit of the United States of America or by repurchase agreements collateralized by such obligations and otherwise satisfying the requirements of Government Code Section 53635(i); (5) "tax-exempt bonds" within the meaning of Section 1.148-8T(e)(3) of the Regulations, rated in one of the two highest rating categories by either Standard & Poor's Corporation or Moody's Investors Service; and (6) any other investment in which funds of the District may be legally invested pursuant to Government Code Section 53635.

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

"Bond Register" means the books which the Paying Agent shall keep or cause to be kept on which the registration and transfer of the Series B Bonds shall be recorded.

"Bondowner" or "Owner" means the person or persons in whose name or names any Series B Bond is registered.

"Bond Year" means the twelve (12) month period commencing on August 1 of each year and ending on the last day of July of the following year; however, the first Bond Year commences on June 9, 1999 and ends on July 31, 2000.

"Business Day" means a day on which the Paying Agent is open for business.

"Certificate of the City Manager" means a written certificate executed by the City Manager, or his written designee, with any amendments thereto.

"City" means the City of Stockton, County of San Joaquin, California.

"Series B Costs of Issuance" means the costs and expenses incurred in connection with proceedings for Annexation No. 1 to the District and the issuance and sale of the Series B Bonds, including the acceptance and initial annual fees and expenses of the Paying Agent, legal fees and expenses, costs of printing the Series B Bonds and the preliminary and final Official

Statements, fees of financial consultants and verification agents, fees for credit enhancement relating to the Series B Bonds and other fees and expenses set forth in a Certificate of the City Manager.

"County" means the County of San Joaquin, California.

"Delivery Date" means, with respect to each issue of Series B Bonds, the date on which such bonds were issued and delivered to the underwriter of such Series B Bonds.

"District" means the Community Facilities District No. 96-01 of the City of Stockton including Annexation No. 1 to the District established pursuant to the Act, the Resolution of Formation, and the Resolution Approving Annexation.

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

"Gross Proceeds" means any proceeds of the Series B Bonds and any funds (other than proceeds of the Series B Bonds) that are part of a reserve or replacement fund for the Series B Bonds within the meaning of Section 1.148-8T(d) of the Regulations.

"Gross Taxes" means the amount of all Special Tax proceeds collected in any given year plus any amounts collected from the sale of property pursuant to the foreclosure provisions of this Resolution for the delinquency of such Special Taxes.

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

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

"Investment Agreement" means (1) one or more agreements to be entered into between the District and an entity or entities whose long-term debt or claims paying ability is rated as of the date of such agreement in either of the two highest categories (without regard to gradations of plus and minus within such categories) by Standard & Poor's Corporation or Moody's Investors Service, or (2) one or more agreements between the District and an entity which is rated as of the date of such agreement in either of the two highest categories (without regard to gradations of plus and minus within such categories) by Standard & Poor's Corporation or Moody's Investors Service, or (3) one or more agreements which are collateralized with

obligations of the type described in subparagraph (1) of the definition of Authorized Investments which is at least equal to 102% of the principal amount invested under such agreement.

"Maximum Annual Debt Service" means the maximum sum obtained for any Bond Year prior to the final maturity on the Series B Bonds by adding the following for each Bond Year:

- 1) the principal amount of all Outstanding Series B Bonds payable in such Bond Year at maturity; and
- 2) the interest payable on the aggregate principal amount of the Series B Bonds Outstanding in such Bond Year if the Series B Bonds are retired as scheduled.

"Net Taxes" means Gross Taxes minus amounts set aside to pay Administrative Expenses.

"Nonpurpose Investment" means any "investment property" within the meaning of Section 1.148-8T(e) of the Regulations in which Gross Proceeds are invested and which is not acquired to carry out the governmental purpose of the Series B Bonds.

"Ordinance" means Ordinance No. 011-99, adopted by the legislative body of the District on May 18, 1999, providing for the levying of the Special Tax.

"Outstanding" or "Outstanding Series B Bonds" means all Series B Bonds theretofore issued by the District, except:

- 1) Series B Bonds theretofore cancelled or surrendered for cancellation in accordance with Section 10.01 hereof;
- 2) Series B Bonds for payment or redemption of which monies shall have been theretofore deposited in trust (whether upon or prior to the maturity or the redemption date of such Series B Bonds), provided that, if such Series B Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in this Resolution; and
- 3) Series B Bonds which have been surrendered to the Paying Agent for transfer or exchange pursuant to Section 2.09 or for which a replacement has been issued pursuant to Section 2.09.

"Parity Bonds" means all bonds, notes or other similar evidences of indebtedness hereafter issued, payable out of the Net Taxes and which, as provided in this Resolution or any Supplemental Resolution, rank on a parity with the Bonds.

"Paying Agent" means U.S. Bank Trust, National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States, or any other

association or corporation which may at any time be substituted in its place as provided in Article VII. For so long as U.S. Bank Trust, National Association, is the Paying Agent, the term "corporate trust office" means the corporate trust office of the Trustee at One California Street, 4th Floor, San Francisco, California 94111, provided, however, for the transfer, registration, exchange, payment, and surrender of Bonds, "corporate trust office" means care of the corporate trust office of U.S. Bank Trust National Association in St. Paul, Minnesota or such other office designated by the Paying Agent from time to time.

"Purchase Price", for the purpose of computation of the Yield of the Series B Bonds has the same meaning as the term "issue price" in Sections 1273(b) and 1274 of the Code, and, in general, means the initial offering price to the public (not including bond houses and brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of the Series B Bonds are sold or, if the Series B Bonds are privately placed, the price paid by the original purchaser or the acquisition cost of the original purchaser. The term "Purchase Price", for the purpose of computation of the Yield of Nonpurpose Investments, means the fair market value of the Nonpurpose Investments on the date of use of Gross Proceeds for acquisition thereof, or, if later, on the date that Investment Property constituting a Nonpurpose Investment becomes a Nonpurpose Investment of the Series B Bonds, as the case may be.

"Qualified Reserve Fund Credit Instrument" means an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company which at the time of execution thereof has ratings, with respect to their unsecured obligations, or claims paying ability, as applicable, of "A" or higher by Moody's Investors Service and Standard and Poor's Rating Group.

"Record Date" means the fifteenth day of the month preceding any Series B Interest Payment Date, regardless of whether such day is a Business Day.

"Regulations" means regulations adopted or proposed by the Department of Treasury from time to time with respect to obligations issued pursuant to Sections 103 and 141 to 148, inclusive, of the Code.

"Resolution" means this Supplement to Resolution, together with Resolution No. 99-0252 of the District, approving the Supplement to Resolution, and any Supplemental Resolution approved pursuant to Article VI hereof.

"Resolution of Annexation" means Resolution No. 99-0249, adopted by the City Council of the City of Stockton on May 18, 1999, pursuant to which the City approved Annexation No. 1 to the District.

"Resolution of Formation" means Resolution No. 96-0222, adopted by the City Council of the City of Stockton on May 6, 1996, pursuant to which the City formed the District.

"Series B Bonds" means the Community Facilities District No. 96-01 of the City of Stockton, 1999 Special Tax Bonds, Series B.

"Series B Interest Payment Date" means each February 1 and August 1, commencing February 1, 2000; provided, however, that, if any such day is not a Business Day, interest up to the Series B Interest Payment Date will be paid on the Business Day next succeeding such date.

"Series B Project" means the financing of those public facilities fees described in the Resolution of Annexation and Resolution of Formation which are to be acquired or constructed within and outside of the District, including all engineering, planning and design services and other incidental expenses related to such facilities and other facilities, if any, authorized by the qualified electors within the District from time to time.

"Series B Project Costs" means the amounts necessary to finance the Series B Project, to create and replenish any necessary reserve funds, to pay the initial and annual costs associated with the Series B Bonds, including, but not limited to, remarketing, credit enhancement, Paying Agent and other fees and expenses relating to the issuance of the Series B Bonds and Annexation No. 1 to the District, and to pay any other "incidental expenses" of the District, as such term is defined in the Act.

"Series B Rebate Installment Date" means, with respect to an issue of Series B Bonds, the last day of the fifth Bond Year following the Delivery Date of such issue and each succeeding fifth Bond Year and the date that the last Series B Bond of such issue is discharged.

"Series B Reserve Fund" means either cash or Qualified Reserve Fund Credit Instrument equal to the Series B Reserve Requirement.

"Series B Reserve Requirement" means, as of any date of calculation, ten percent (10%) of the aggregate amount of the Series B Bonds but under no circumstances shall such an amount exceed an amount equal to the lowest of (1) ten percent (10%) of the original proceeds of the Series B Bonds, or (2) Maximum Annual Debt Service, or (3) one hundred twenty-five percent (125%) of the average Annual Debt Service of the Outstanding Series B Bonds.

"Special Taxes" means the taxes authorized to be levied by the District in accordance with the Ordinance, the Resolution of Formation, the Resolution of Annexation, the Act and the voter approval obtained at the May 6, 1996 election in the District and at the May 18, 1999, election within Annexation No. 1.

"Supplemental Resolution" means any resolution authorizing the issuance of any Parity Bonds.

"Tax Collector" means the Treasurer or Tax Collector of the County.

"Treasurer" means the Finance Director of the City acting on behalf of the District.

"Underwriter" means Westhoff, Cone and Holmstead of Walnut Creek, California.

"Yield" means that yield which, when used in computing the present worth of all payments of principal and interest (or other payments in the case of Nonpurpose Investments which require payments in a form not characterized as principal and interest) on a Nonpurpose Investment or on the Series B Bonds produces an amount equal to the Purchase Price of such Nonpurpose Investment, the Series B Bonds, as the case may be, all computed as prescribed in the applicable Regulations.

ARTICLE II

GENERAL AUTHORIZATION AND SERIES B BOND TERMS

SECTION 2.01. Amount, Issuance, Purpose and Nature of Series B Bonds.

Under and pursuant to the Act, the Series B Bonds, together with any Parity Bonds authorized by the legislative body in accordance with Section 9.02 hereof, shall be issued for the purposes of paying Series B Project Costs, provided that the aggregate principal amount of the Series B Bonds shall not exceed the total indebtedness presently approved or subsequently approved by the qualified electors of the District in accordance with the Act. The Series B Bonds issued hereunder are issued for the purpose of financing the Series B Project and for funding the capitalized interest for a portion of the Series B Bonds and to pay costs of issuing the Series B Bonds (collectively, "Purposes").

The Series B Bonds shall be and are limited obligations of the District and shall be payable as to the principal thereof and interest thereon and any premiums upon the redemption thereof solely from the Net Taxes and the amounts in the funds created hereunder, other than amounts in the Series B Administrative Expense Account of the Series B Special Tax Fund, the Series B Project Fund and the Series B Excess Investment Earnings Fund.

SECTION 2.02. Type and Nature of Series B Bonds.

Neither the faith and credit nor the taxing power of the City, the State of California or any political subdivision thereof other than the District is pledged to the payment of the Series B Bonds. Except for the Special Taxes, no other taxes are pledged to the payment of the Series B Bonds. The Series B Bonds are not general or special obligations of the City nor general obligations of the District, but are limited obligations of the District payable solely from certain amounts deposited by the District in the Series B Special Tax Fund, as more fully described herein. No Owner of the Series B Bonds may compel the exercise of the taxing power by the District (except as pertains to the Special Taxes) or the City or the forfeiture of any of their property. The principal of and interest on the Series B Bonds are not a debt of the City, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory limitation or restriction. The Series B Bonds are not a legal or equitable pledge, charge, lien, or encumbrance upon any of the District's property, or upon any of its income, receipts, or revenues, except the Net Taxes and other amounts in the Series B Special Tax Fund (exclusive of the Series B Administrative Expense Account) which are, under the terms of this

Resolution and the Act, set aside for the payment of the Series B Bonds and interest thereon and neither the members of the legislative body of the District or the City Council of the City nor any persons executing the Series B Bonds are liable personally on the Series B Bonds by reason of their issuance.

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

SECTION 2.03. Equality of Series B Bonds and Parity Bonds, Pledge of Net Taxes.

Pursuant to the Act and this Resolution, the Series B Bonds and any Parity Bonds shall be equally payable from the Net Taxes without priority for number, date of the Series B Bonds, date of sale, date of execution, or date of delivery, and the payment of the interest on and principal of the Series B Bonds and any Parity Bonds and any premiums upon the redemption thereof, shall be exclusively paid from the Net Taxes and other amounts in the Series B Special Tax Fund (exclusive of the Series B Administrative Expense Account), which are hereby set aside for the payment of the Series B Bonds. The Net Taxes and any interest earned on the Net Taxes on deposit in the Series B Special Tax Fund shall constitute a trust fund held for the benefit of the Owners to be applied to the payment of the interest on and principal of the Series B Bonds and any Parity Bonds; and so long as any of the Series B Bonds and any Parity Bonds or interest thereon remain Outstanding shall not be used for any other purpose, except as permitted by this Resolution or any Supplemental Resolution. Notwithstanding any provision contained in this Resolution to the contrary, Net Taxes deposited in the Series B Excess Investment Earnings Fund or the Series B Administrative Expense Account of the Series B Special Tax Fund shall no longer be considered to be pledged to the Series B Bonds or any Parity Bonds, and none of the Series B Excess Investment Earnings Fund or the Series B Administrative Expense Account shall be construed as a trust fund held for the benefit of the Owners.

Notwithstanding any provision contained in this Resolution to the contrary, proceeds of the Series B Bonds deposited in the Series B Project Fund shall not be considered to be pledged to the Series B Bonds or any Parity Bonds, and none of the Series B Project Fund shall be construed as a trust fund held for the benefit of the Owners.

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

SECTION 2.04. Description of Series B Bonds; Interest Rates.

The Series B Bonds shall be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof within a single maturity and shall be numbered as desired by the Paying Agent. The Series B Bonds shall be designated "Community Facilities District No. 96-01 of the City of Stockton, 1999 Special Tax Bonds, Series B". The Series B Bonds shall be dated June 9, 1999, and shall mature and be payable on August 1 in the years and in the aggregate principal amounts and shall be subject to and shall bear interest at the rates set forth in the table below:

DUE (August 1)	PRINCIPAL AMOUNT	INTEREST RATE
2005		
2006		
2007		
2008		
2009		
2010		
2011		
2012		
2013		
2014		

\$ _____ - _____ % Term Bond due August 1, _____ - Price \$ _____

The Term Bond shall be executed and delivered as a Term Bond in fully registered form without coupons in Authorized Denominations and shall be subject to mandatory redemption from annual sinking fund payments as set forth in Article II herein. The Term Bond shall mature on August 1, _____ in the amount and shall bear interest (calculated on the basis of a 360-day year of twelve 30-day months) at the rate per annum, as follows:

MATURITY DATE (August 1)	PRINCIPAL AMOUNT	INTEREST RATE

Interest shall be payable with respect to each Series B Bonds on each Series B Interest Payment Date until the principal sum of that Series B Bonds has been paid; provided, however, that if at the maturity date of any Series B Bonds (or if the same is redeemable and shall be duly called for redemption, then at the date fixed for redemption) funds are available for the payment or redemption thereof in full, in accordance with the terms of this Resolution, such Series B Bonds shall then cease to bear interest. Interest due on the Series B Bonds shall be calculated on the basis of a 360-day year comprised of twelve 30-day months.

SECTION 2.05. Place and Form of Payment.

The Series B Bonds shall be payable both as to principal and interest, and as to any premiums upon the redemption thereof, in lawful money of the United States of America. The principal of the Series B Bonds and any premiums due upon the redemption thereof shall be payable upon presentation thereof at the corporate trust office of the Paying Agent in San Francisco, California. Interest on any Series B Bonds shall be payable from the Series B Interest Payment Date next preceding the date of authentication of that Series B Bonds, unless (i) such date of authentication is an Series B Interest Payment Date in which event interest shall be payable from such date of authentication, (ii) the date of authentication is after a Record Date but prior to the immediately succeeding Series B Interest Payment Date, in which event interest shall be payable from the Series B Interest Payment Date immediately succeeding the date of authentication or (iii) the date of authentication is prior to the close of business on the first Record Date in which event interest shall be payable from the dated date of such Series B Bonds, as applicable; provided, however, that if at the time of authentication of such Series B Bonds, interest is in default, interest on that Series B Bonds shall be payable from the last Series B Interest Payment Date to which the interest has been paid or made available for payment or, if no interest has been paid or made available for payment on that Series B Bond, interest on that Series B Bond,, as applicable, shall be payable from its dated date. Interest on any Series B Bond shall be paid to the person whose name shall appear in the Bond Register as the Owner of such Series B Bond as of the close of business on the Record Date. Such interest shall be paid by check of the Paying Agent mailed on the Series B Interest Payment Date by first class mail, postage prepaid, to such Bondowner at his or her address as it appears on the Bond Register or, upon request in writing received by the Paying Agent on or before the applicable Record Date from a Bondowner of \$1,000,000 or more in principal amount of an issue of Series B Bonds, payment shall be made on the Series B Interest Payment Date by wire transfer in immediately available funds to an account designated by such Bondowner. Notwithstanding the foregoing, upon initial issuance, the ownership of the Series B Bonds shall be registered in the nominee of DTC, as defined and set forth more fully in Section 2.11 herein.

SECTION 2.06. Form of Series B Bonds; Temporary Series B Bonds.

The definitive Series B Bonds shall be printed from steel engraved or lithographic plates. The Series B Bonds and the certificate of authentication shall be substantially in the form attached hereto as Attachment 1, which form is hereby approved and adopted as the form of the Series B Bonds and of the certificate of authentication.

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

SECTION 2.07. Execution and Authentication.

The Series B Bonds shall be signed on behalf of the District by the manual or facsimile signature of the Mayor of the City and by the manual or facsimile signature of the City Clerk of the City, or any duly appointed deputy clerk, in their capacity as officers of the District, and the seal of the City (or a facsimile thereof) shall be impressed, imprinted, engraved or otherwise reproduced thereon. In case any one or more of the officers who shall have signed or sealed any of the Series B Bonds shall cease to be such officer before the Series B Bonds so signed and sealed have been authenticated and delivered by the Paying Agent (including new Series B Bonds delivered pursuant to the provisions hereof with reference to the transfer and exchange of Series B Bonds or to lost, stolen, destroyed or mutilated Series B Bonds), such Series B Bonds shall nevertheless be valid and may be authenticated and delivered as herein provided, and may be issued as if the person who signed or sealed such Series B Bonds had not ceased to hold such office.

Only such Series B Bonds as shall bear thereon such certificate of authentication in the form set forth in Attachment 1 hereto shall be entitled to any right or benefit under this Resolution, and no Series B Bond shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by the Paying Agent.

SECTION 2.08. Bond Register.

The Paying Agent will keep or cause to be kept sufficient books for the registration and transfer of the Series B Bonds which shall be open to inspection by the District during all regular business hours, and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be transferred on said Bond Register, Series B Bonds as herein provided.

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

and all purposes. It shall be the duty of the Bondowner to give written notice to the Paying Agent of any change in the Bondowner's address so that the Bond Register may be revised accordingly.

SECTION 2.09. Registration of Exchange or Transfer.

The registration of any Series B Bond may, in accordance with its terms, be transferred upon the Bond Register by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Series B Bond for cancellation at the corporate trust office of the Paying Agent, accompanied by delivery of written instrument of transfer in a form approved by the Paying Agent and duly executed by the Bondowner or his or her duly authorized attorney.

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

SECTION 2.10. Mutilated, Lost, Destroyed or Stolen Series B Bonds.

If any Series B Bond shall become mutilated, the District, at the expense of the Bondowner, shall execute, and the Paying Agent shall authenticate and deliver, a new Series B Bond of the same issue of Series B Bonds and like tenor, date and maturity in exchange and substitution for the Series B Bond so mutilated, but only upon surrender to the Paying Agent of the Series B Bond so mutilated. Every mutilated Series B Bond so surrendered to the Paying Agent shall be cancelled by the Paying Agent pursuant to Section 10.01.

If any Series B Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Paying Agent and, if such evidence is satisfactory to the Paying Agent and, if any indemnity satisfactory to the District and the Paying Agent shall be given, the District, at the expense of the Bondowner, shall execute and the Paying Agent shall authenticate and deliver, a new Series B Bond of like tenor and maturity, numbered and dated as such Paying Agent shall determine in lieu of and in substitution for the Series B Bond so lost, destroyed or stolen. Any Series B Bond issued in lieu of any Series B Bond alleged to be mutilated, lost, destroyed or stolen, shall be equally and proportionately entitled to the benefits hereof with all other Series B Bonds issued hereunder. The Paying Agent shall not treat both the original Series B Bond and any replacement Series B Bond as being Outstanding for the purpose of determining the principal amount of Series B Bonds which may be executed, authenticated and delivered hereunder or for the purpose of determining any percentage

of Series B Bonds Outstanding hereunder, but both the original and replacement Series B Bond shall be treated as one and the same.

Notwithstanding any other provision of this Section, in lieu of delivering a new Series B Bond for one which has been mutilated, lost, destroyed or stolen, and which has matured, the Paying Agent may make payment with respect to such Series B Bonds.

SECTION 2.11. Book-Entry System.

The Series B Bonds shall be initially issued in the form of a single, fully registered Series B Bond for each maturity (which may be typewritten). Upon initial issuance, the ownership of such Series B Bond shall be registered in the name of the Nominee identified below as nominee of the Depository Trust Company, New York, and its successors and assigns (the "Depository" or "DTC"). Except as hereinafter provided, all of the Outstanding Series B Bonds shall be registered in the name of the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to this Section (the "Nominee").

With respect to the Series B Bonds registered in the name of the Nominee, neither the District nor the Paying Agent shall have any responsibility or obligation to any broker-dealers, banks and other financial institutions from time to time for which the Depository holds Series B Bonds as securities depository (the "Participant") or to any person on behalf of which such a Participant holds an interest in the Series B Bonds. Without limiting the immediately preceding sentence, neither the District nor the Paying Agent shall have any responsibility or obligation (unless the District is at such time the Depository) with respect to (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in the Series B Bonds, (ii) the delivery to any Participant or any other person, other than an Owner of a Series B Bond as shown in the Bond Register, of any notice with respect to the Series B Bonds, including any notice of redemption, (iii) the selection by the Depository and its Participants of the beneficial interests in the Series B Bonds to be redeemed in the event the District redeems the Series B Bonds in part, or (iv) the payment to any Participant or any other person, other than an Owner of a Series B Bond as shown in the Bond Register, of any amount with respect to principal of or interest on the Series B Bonds. The District and the Paying Agent may treat and consider the person in whose name each Series B Bond is registered as the holder and absolute Owner of such Series B Bond for the purpose of payment of principal and interest with respect to such Series B Bond, for the purpose of giving notices of prepayment if applicable, and other matters with respect to such Series B Bond, for the purpose of registering transfers with respect to such Series B Bond, and for all other purposes whatsoever. The District shall pay all principal of and interest on the Series B Bonds only to or upon the order of the respective Owner of a Series B Bond, as shown in the Bond Register, or its respective attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the District's obligations with respect to payment of principal of and interest on the Series B Bonds to the extent of the sum or sums so paid. No person other than an Owner of a Series B Bond, as shown in the register, shall receive a Series B Bond evidencing the obligation of the District to make payments of principal and interest pursuant to this Resolution. Upon delivery by the Depository to the

Owners of the Series B Bonds, and the District of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to Record Dates, the word Nominee in this Resolution shall refer to such nominee of the Depository.

In order to qualify the Series B Bonds for the Depository's book-entry system, the District has executed and delivered to the Depository a Letter of Representations. The execution and delivery of the Letter of Representations shall not in any other way limit the provisions of this Section or in any other way impose upon the District any obligation whatsoever with respect to persons having interests in the Series B Bonds other than the Owners of the Series B Bonds, as shown on the Bond Register. In addition to the execution and delivery of the Letter of Representations, the District shall take such other actions, not inconsistent with this Resolution, as are reasonably necessary to qualify the Series B Bonds for the Depository's book-entry program.

In the event (i) the Depository determines not to continue to act as securities depository for the Series B Bonds, or (ii) the Depository shall no longer so act and gives notice to the District of such determination, then the District will discontinue the book-entry system with the Depository. If the District determines to replace the depository with another qualified securities depository, the District shall prepare or direct the preparation of a new, single, separate, fully registered Series B Bond, per maturity, registered in the name of such successor or substitute qualified securities depository or its nominee. If the District fails to identify another qualified securities depository to replace the Depository, then the Series B Bonds shall no longer be restricted to being registered in the Bond Register in the name of the Nominee, but shall be registered in whatever name or names owners of the Series B Bonds transferring or exchanging Series B Bonds shall designate, in accordance with the provisions of Section 2.09, and the District shall prepare and deliver Series B Bonds to the Owners thereof for such purpose.

In the event of a reduction in aggregate principal amount of Series B Bonds Outstanding or an advance refunding of part of the Series B Bonds Outstanding, DTC, in its discretion, (a) may request the District to prepare and issue a new Series B Bond or (b) may make an appropriate notation on the Series B Bond indicating the date and amounts of such reduction in principal, but in such event the District records maintained by the Paying Agent shall be conclusive as to what amounts are Outstanding on the Series B Bond, except in the case of final maturity, in which case the Series B Bond must be presented to the Paying Agent prior to payment.

Notwithstanding any other provision of this Resolution to the contrary, so long as any Series B Bond is registered in the name of the Nominee, all payments of principal and interest with respect to such Series B Bond and all notices with respect to such Series B Bonds shall be made and given, respectively, as provided in the Letter of Representations or as otherwise instructed by the Depository and acceptable to the District.

The initial Nominee shall be Cede & Co., as Nominee of DTC.

SECTION 2.12. Validity of Series B Bonds and Parity Bonds.

The validity of the authorization and issuance of the Series B Bonds and any Parity Bonds shall not be affected in any way by any defect in any proceedings taken by the District for the financing of the Series B Project, or by the invalidity, in whole or in part, of any contracts made by the District in connection therewith, and shall not be dependent upon the completion of the financing of the Series B Project or upon the performance by any person of his obligation with respect to the Series B Project, and the recital contained in the Series B Bonds or any Parity Bonds that the same are issued pursuant to the Act and other applicable laws of the State shall be conclusive evidence of their validity and of the regularity of their issuance.

ARTICLE III

CREATION OF FUNDS AND APPLICATION OF PROCEEDS AND NET TAXES

SECTION 3.01. Creation of Funds.

There is hereby created and established and shall be maintained by the Treasurer of the District the following funds and accounts:

- 1) The Community Facilities District No. 96-01, Series B Special Tax Fund (the "Series B Special Tax Fund") in which there shall be established and created a Series B Interest Account, a Series B Principal Account, a Series B Redemption Account, and a Series B Administrative Expense Account.
- 2) The Community Facilities District No. 96-01 Series B Excess Investment Earnings Fund (the "Series B Excess Investment Earnings Fund").
- 3) The Community Facilities District No. 96-01 Series B Special Fund (the "Series B Special Fund").
- 4) The Community Facilities District No. 96-01 Series B Project Fund (the "Series B Project Fund") in which there is established a Series B Cost of Issuance Account and a Series B Capitalized Interest Account.

The amounts on deposit in the foregoing funds shall be held by the Treasurer and the Treasurer, upon written instructions by the Treasurer, shall invest and disburse the amounts in such funds in accordance with the provisions of this Article III and shall disburse investment earnings thereon in accordance with the provisions of Section 3.11 hereof. The Treasurer may appoint a fiscal agent, trustee or other agent to act as a custodian of the funds to the extent permitted by applicable law. Any such designation shall identify the funds or accounts that the custodian shall hold and such designation shall operate as a delegation to the custodian to do all things required or allowed by the Resolution of that fund or account.

In connection with the issuance of any Parity Bonds, the Treasurer may create additional funds, or accounts within any of the foregoing funds for the purpose of accounting for the proceeds of the Series B Bonds or any Parity Bonds.

SECTION 3.02. Disposition of Series B Bond Proceeds.

The proceeds of the sale of the Series B Bonds received by the Treasurer on behalf of the District and the amounts remaining on deposit in the funds and accounts established with respect to the Series B Bonds under the Resolution shall be deposited as follows:

- 1) \$ _____ of Series B Bond proceeds shall be deposited in the Series B Administrative Expense Account of the Series B Special Tax Fund;
- 2) \$ _____ of Series B Bond proceeds shall be deposited in the Series B Project Fund, \$ _____ shall be deposited to the Series B Cost of Issuance Account of the Series B Project Fund, and \$ _____ shall be deposited in the Series B Capitalized Interest Account of the Series B Project Fund to be applied to the payment of interest on the Series B Bonds on February 1, 2000 and August 1, 2000;

SECTION 3.03. Deposits to and Disbursements from Series B Special Tax Fund.

The Treasurer shall, on each date on which the Special Taxes are apportioned to the District, deposit the Special Taxes in the Series B Special Tax Fund, to be held in trust and will then transfer the Special Taxes on the dates and in the amounts set forth in the following Sections, in the following order of priority, to:

- 1) The Series B Administrative Expense Account of the Series B Special Tax Fund;
- 2) The Series B Interest Account of the Series B Special Tax Fund;
- 3) The Series B Principal Account of the Series B Special Tax Fund;
- 4) The Series B Redemption Account of the Series B Special Tax Fund; and

After making the foregoing deposits, any amounts remaining in the Series B Special Tax Fund shall be deposited in the following funds in the following order of priority:

- 1) The Series B Excess Investment Earnings Fund; and
- 2) The Series B Special Tax Fund.

Notwithstanding anything herein to the contrary, monies transferred to the Series B Redemption Account of the Series B Special Tax Fund from the Series B Project Fund in accordance with Section 3.06 hereof shall, unless in the opinion of Bond Counsel another use of such funds will not impair the exclusion from gross income for federal income tax purposes of interest on the Series B Bonds, be invested and applied only in accordance with the provisions of this paragraph. Monies held in the

Series B Redemption Account shall be invested by the Treasurer, in Authorized Investments the interest on which is excludable from gross income under Section 103 of the Code (other than bonds the interest on which is a tax preference item for purposes of computing the alternative minimum tax of individuals and corporations under the Code) or in Authorized Investments at a Yield not in excess of the lowest Yield on the Series B Bonds and shall be applied only (i) to the purchase of Series B Bonds, if the moneys in the Series B Redemption Account are proceeds thereof, by the District, in the open market, at a price not to exceed the principal amount thereof plus accrued interest, which Series B Bonds shall thereupon be cancelled, (ii) to make principal payments on the Series B Bonds if the moneys in the Series B Redemption Account are proceeds thereof, or (iii) to redeem Series B Bonds if the moneys in the Series B Redemption Account are proceeds thereof at the earliest redemption date permitted by this Resolution. Notwithstanding the foregoing, amounts on deposit in the Series B Redemption Account may be invested at a Yield higher than that permitted by the preceding sentence upon receipt of an opinion of Bond Counsel that investment of such amounts at such higher Yield will not adversely affect the exclusion from gross income of interest on the Series B Bonds.

At the date of the redemption, defeasance or maturity of the last Series B Bonds, and after all principal and interest then due on the Series B Bonds then Outstanding has been paid or provided for, moneys in the Series B Special Tax Fund and any accounts therein may be used by the District for any lawful purpose.

All investments discussed above shall be made by the Treasurer or other custodian upon written direction of the Treasurer.

SECTION 3.04. Series B Administrative Expense Account of the Series B Special Tax Fund.

The Treasurer shall withdraw from the Series B Special Tax Fund and place in the Series B Administrative Expense Account of the Series B Special Tax Fund from time to time, as needed to make timely payment of Series B Administrative Expenses, an amount necessary to pay Series B Administrative Expenses. Moneys in the Series B Administrative Expense Account of the Series B Special Tax Fund may be invested in any Authorized Investments, provided that the maturity or maturities thereof shall not exceed 30 days from the date of purchase.

SECTION 3.05. Series B Interest Account and Series B Principal Account of the Series B Special Tax Fund.

The principal and interest due on the Series B Bonds until maturity, otherwise than by redemption, shall be paid by the Paying Agent from amounts transferred to it by the Treasurer from the Series B Interest Account and the Series B Principal Account of the Series B Special Tax Fund. The Treasurer shall transfer funds from the Series B Capitalized Interest Account of the Series B Project Fund (pursuant to Section 3.05(b) hereof) to pay interest due on the Series B Bonds on February 1, 2000 and August 1, 2000. For the purpose of assuring that the payment of principal of and interest on the Series B Bonds will be made when due, after making the transfer required by Section 3.04, at least one Business Day prior to each Series B Interest Payment Date, the Treasurer shall make the following transfers first to the Series B Interest Account and then to the Series B Principal Account

and shall wire transfer such amounts to the Paying Agent at least one Business Day prior to each Series B Interest Payment Date; provided, however, that to the extent that deposits have been made in the Series B Interest Account or the Series B Principal Account from the proceeds of the sale of the Series B Bonds, or otherwise, or to the extent that a transfer will be made from the Series B Capitalized Interest Account of the Series B Project Fund pursuant to Section 3.05(b), the transfer from the Series B Special Tax Fund need not be made:

- (a) To the Series B Interest Account, an amount such that the balance in the Series B Interest Account one (1) Business Day prior to each Series B Interest Payment Date shall be equal to the installment of interest due on the Series B Bonds on said Series B Interest Payment Date. Moneys in the Series B Interest Account shall be used for the payment of interest on the Series B Bonds as the same become due.
- (b) To the Series B Principal Account, an amount such that the balance in the Series B Principal Account one (1) Business Day prior to August 1 of each year commencing August 1, 2005 shall equal the principal payment due on the Series B Bonds maturing on such August 1. Moneys in the Series B Principal Account shall be used for the payment of the principal of such Series B Bonds as the same become due at maturity.

The Treasurer shall first expend amounts transferred from the Series B Capitalized Interest Account of the Series B Project Fund to pay interest on the Series B Bonds before expending other amounts for such purpose. In the event that the Net Taxes are inadequate to make all required deposits, the available Net Taxes shall be allocated to the payment of each issue of Series B Bonds on a pro rata basis such that an equal percentage of the Annual Debt Service on each issue is being paid.

SECTION 3.06. Series B Redemption Account of the Series B Special Tax Fund.

- (a) Commencing one (1) Business Day prior to August 1, 2006 and one (1) Business Day prior to each August 1 thereafter after making the deposits to the Series B Administrative Expense Account of the Series B Special Tax Fund and the Series B Interest Account and the Series B Principal Account of the Series B Special Tax Fund pursuant to Sections 3.04 and 3.05 above and in accordance with the District's election to call Series B Bonds for optional redemption as set forth in Section 4.01(b) hereof, the Treasurer shall transfer from the Series B Special Tax Fund and deposit in the Series B Redemption Account moneys available for the purpose and sufficient to pay the principal and the premiums payable as provided in Section 4.01(b) hereof on the Series B Bonds called for optional redemption and shall wire transfer such amounts to the Paying Agent one (1) Business Day prior to the redemption date
- (b) Moneys set aside in the Series B Redemption Account shall be used solely for the purpose of redeeming Series B Bonds and shall be applied on or after the redemption date to the payment of principal of and premium on the Series B Bonds to be redeemed upon presentation and surrender of such Series B Bonds; provided, however, in lieu or partially in lieu of such call and redemption, moneys deposited in the Series B Redemption Account as set forth above may be used to purchase Outstanding Series B Bonds of the same issue that such moneys are to redeem in

the manner hereinafter provided. Purchases of Outstanding Series B Bonds may be made by the District at public or private sale as and when and at such prices as the District may in its discretion determine but only at prices (including brokerage or other expenses) not more than par plus accrued interest, or, in the case of purchases to be made from funds to be applied to a redemption pursuant to Section 4.01 par plus accrued interest, plus, in the case of moneys set aside for an optional redemption, the premium applicable at the next following call date according to the premium schedule established pursuant to Section 4.01(b) hereof. Any accrued interest payable upon the purchase of Series B Bonds may be paid from the amount reserved in the Series B Interest Account of the Series B Special Tax Fund for the payment of interest on the next following Series B Interest Payment Date.

SECTION 3.07. Series B Reserve Fund.

The Series B Reserve Fund is hereby established as a separate fund to be held by the Treasurer to the credit of which an initial deposit shall be made equal initially to the Series B Reserve Requirement allocable to the Series B Bonds. Proceeds from redemption or sale of properties with respect to which payment of delinquent Special Taxes and interest thereon was made from the Series B Reserve Fund, shall be credited to the Series B Reserve Fund. Moneys or assets in the Series B Reserve fund shall be held in trust for the benefit of the District and the Owners as a reserve for the payment of principal of and interest and any premium on, the Series B Bonds.

The initial deposit shall consist of cash or a Qualified Reserve Fund Credit Instrument satisfactory to the District. Prior to the expiration of any Qualified Reserve Fund Credit Instrument, the provider thereof shall be obligated either to (i) deposit or cause to be deposited in the Series B Reserve Fund an amount of money equal to the Series B Reserve Requirement, or (ii) replace such Qualified Reserve Fund Credit Instrument with a new Qualified Reserve Fund Credit Instrument in the amount of the Series B Reserve Requirement; provided, however, that if such expiring Qualified Reserve Fund Credit Instrument is not timely replaced, the Treasurer shall draw on such Qualified Reserve Fund Credit Instrument before such expiration to the extent necessary to fund the Series B Reserve Requirement.

Moneys in the Series B Reserve Fund shall be used solely for the purpose of paying the principal of, and interest on the Series B Bonds when due in the event that the moneys in the Series B Interest Account and the Series B Principal Account of the Series B Special Tax Fund are insufficient therefor and for the purpose of making any required transfer to the Series B Excess Investment Earnings Fund pursuant to Section 3.08 upon written direction from the District; provided, however, if, and only if, the Series B Reserve Fund is cash funded, proportionate amounts in the Series B Reserve Fund may be applied to pay the principal and interest due on any Series B Bonds in the final Bond Year in which any Series B Bonds are Outstanding. If the amounts in the Series B Interest Account, the Series B Principal Account or the Series B Redemption Account of the Series B Special Tax Fund are insufficient to pay the principal of, or interest on the Series B Bonds when due, or amounts in the Series B Special Tax Fund are insufficient to make transfers, to the Series B Excess Investment Earnings Fund when required, the Treasurer shall withdraw from the Series B Reserve Fund for

deposit in the Series B Interest Account, the Series B Principal Account or the Series B Redemption Account of the Series B Special Tax Fund or the Series B Excess Investment Earnings Fund, as applicable, moneys necessary for such purposes. Following any transfer to the Series B Interest Account, the Series B Principal Account or the Series B Redemption Account of the Series B Special Tax Fund or to the Series B Excess Investment Earnings Fund as described above, the District shall then take the steps necessary to cause to be deposited to the Series B Reserve Fund the amount needed to replenish the Series B Reserve Fund to the Series B Reserve Requirement by transferring such amount from any legally available funds of the District, including the Series B Special Fund or, if the District so elects, by including such amount in the next annual Special Tax levy to the extent of the permitted maximum Special Tax rates. The Treasurer is directed to draw on any Qualified Reserve Fund Credit Instrument to the extent necessary to make debt service payment on the Series B Bonds.

Notwithstanding anything herein to the contrary, whenever moneys are withdrawn from the Series B Reserve Fund, after making the required transfers to Sections 3.04, 3.05 and 3.06 above, the Treasurer shall transfer to the Series B Reserve Fund from available moneys in the Series B Special Tax Fund the amount needed to restore the amount of such account to the Series B Reserve Requirement. Moneys in the Series B Special Tax Fund shall be deemed available for transfer to the Series B Reserve Fund only if the Treasurer determines that such amounts will not be needed to make the deposits required to be made to the Series B Administrative Expense Account, the Series B Interest Account, the Series B Principal Account or the Series B Redemption Account of the Series B Special Tax Fund.

Notwithstanding any provision herein to the contrary, whenever the balance in the Series B Reserve Fund consists entirely of cash, moneys in the Series B Reserve Fund in excess of the Series B Reserve Requirement shall be withdrawn from the Series B Reserve Fund one (1) Business Day before each August 1 and February 1 and transferred at the option of the District to the Series B Redemption Account to be applied to the redemption of Series B Bonds on the next August 1 or to the Series B Principal Account of the Series B Special Tax Fund to the extent required to make any principal payment on the next succeeding August 1, with any excess being transferred to the Series B Redemption Account of the Series B Special Tax Fund.

Whenever, after the issuance of the Series B Bonds, Special Taxes are prepaid, in whole or in part, as provided in this Supplement to Resolution No. 99-0252, the Series B Reserve Fund may be reduced in an amount equal to the product of the ratio of the original amount of the Special Taxes so paid to the original amount of all Special Taxes, times the initial Series B Reserve Requirement. If, and only if, the Series B Reserve Fund is cash funded, the prepayer shall be entitled to a credit in a like amount in determining the amount of such prepayment, and in that event the amount of such credit shall be transferred from the Series B Reserve Fund to the Series B Redemption Account.

SECTION 3.08. Series B Excess Investment Earnings Fund.

- (a) The District shall calculate Excess Investment Earnings separately for each issue of Series B Bonds in accordance with this Section 3.08 and shall pay Excess Investment Earnings to the

United States government in accordance with paragraph (c). The District shall maintain a separate subaccount in the Series B Excess Investment Earnings Fund for the Series B Bonds. The term "Excess Investment Earnings" means, for each issue of Series B Bonds, an amount equal to the sum of:

(i) the excess of:

(A) the aggregate amount earned from the Delivery Date on all Nonpurpose Investments in which Gross Proceeds of such issue of Series B Bonds are invested or allocated {other than investments attributable to an excess described in this subparagraph (i)}, over

(B) the amount that would have been earned if the Yield on such Nonpurpose Investments {other than investments attributable to an excess described in this subparagraph (i)} had been equal to the Yield on such issue of Series B Bonds,

plus

(ii) any income attributable to the excess described in paragraph (i).

(iii) In determining the amount described in this subsection (a) there shall be excluded any amount earned on any fund or account which is used primarily to achieve a proper matching of revenues and Annual Debt Service of such issue of Series B Bonds during each Bond Year and which is depleted at least once a year except for a reasonable carryover amount not in excess of the greater of one year's earnings on such fund or account or one-twelfth (1/12) of annual debt service on such issue of Series B Bonds, as well as amounts earned on said earnings if said earnings are less than \$100,000 during such Bond Year. The District intends that the Series B Interest Account, the Series B Principal Account and the Series B Redemption Account of the Series B Special Tax Fund will be the type of accounts described in the preceding sentence; provided, however, that amounts earned on funds deposited to the interest account Series B Capitalized Interest Account of the Series B Project Fund shall be included in such calculation.

(b) At or prior to thirty (30) days following the last day of the first Bond Year of each issue of Series B Bonds, the District shall calculate the Series B Excess Investment Earnings referenced in subparagraph (i) of paragraph (a) for such issue and shall deposit an amount equal to the Series B Excess Investment Earnings on each issue into the account of the Series B Excess Investment Earnings Fund designated for such issue to the extent funds are available from any legally available funds, including the Series B Reserve Fund; provided, however, that the Treasurer need not make such deposit if it has received a Certificate of the City Manager that such amount will be available from Special Tax proceeds or other funds of the District on or prior to the next Rebate

Installment Date for such issue. Thereafter, within thirty (30) days following the last day of each Bond Year and not later than forty-five (45) days prior to any optional redemption and on the date of the retirement of an issue of Series B Bonds, the District shall calculate the amount of Series B Excess Investment Earnings referenced in subparagraphs (i) and (ii) of paragraph (a) for such issue and the Treasurer shall make corresponding transfers from the sources specified in the preceding sentence into the account of the Series B Excess Investment Earnings Fund corresponding to such issue. The calculations shall be made in accordance with the Regulations.

- (c) The Treasurer shall pay Series B Excess Investment Earnings to the United States government in installments with the first payment to be made not later than sixty (60) days after the first Rebate Installment Date for each issue of Series B Bonds and every Rebate Installment Date thereafter. The District shall assure that each installment is in an amount equal to at least ninety percent (90%) of the Series B Excess Investment Earnings with respect to such issue of Series B Bonds as of each Rebate Installment Date for such issue prior to the discharge of the last Series B Bond of such issue. Not later than sixty (60) days after the final Rebate Installment Date for an issue, the Treasurer shall pay from the account of the Series B Excess Investment Earnings Fund for such issue, or the District shall pay directly from funds legally available for such purpose, one hundred percent (100%) of the theretofore unpaid Series B Excess Investment Earnings of such issue of Series B Bonds plus earnings on such Series B Excess Investment Earnings received or accrued after the final Rebate Installment Date as required by the Regulations. The District shall remit such payments to the United States government at the address and in the manner prescribed by the Regulations as the same may be in time to time in effect, together with such reports and statements prepared by District as may be prescribed by such Regulations.
- (d) The District shall keep and retain for a period of six (6) years following the retirement of an issue of Series B Bonds records of the determinations made pursuant to this Section. The Treasurer shall keep a record of all investments made with moneys on deposit in any Fund or Account established hereunder. Such records shall contain a reference to the date of purchase, the date of sale, the purchase price, the sales price, the principal amount and coupon rate of each obligation purchased or sold.
- (e) Payments pursuant to this Section shall be made to the maximum extent possible from moneys on deposit in the Series B Excess Investment Earnings Fund and, to the extent of any deficiency therein for such purpose, shall be made first from Special Taxes in the Series B Special Tax Fund and then, if necessary, from amounts in the Series B Reserve Fund. In the event of any remaining deficiency in available moneys for the purposes of such transfer, such deficiency shall be paid by the District from any legally available funds.
- (f) The District may make a joint computation for the Series B Bonds and any Parity Bonds with an opinion of Bond Counsel to the effect that a joint computation will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series B Bonds or any Parity Bonds then Outstanding.

- (g) Notwithstanding the foregoing, the foregoing method of computing Series B Excess Investment Earnings may be modified, in whole or in part, without the consent of the Owners of the Series B Bonds, upon receipt by the District of an opinion of Bond Counsel to the effect that such modification will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series B Bonds theretofore issued.

SECTION 3.09. Special Fund.

After making the transfers required by Sections 3.04, 3.05, 3.06, 3.07 and 3.08, on the first Business Day after each August 1, the Treasurer shall transfer all remaining amounts in the Series B Special Tax Fund to the Special Fund. Moneys deposited in the Special Fund may be transferred by the Treasurer (i) to the Series B Interest Account, the Series B Principal Account or the Series B Redemption Account of the Series B Special Tax Fund to pay the principal of, and interest on the Series B Bonds when due in the event that moneys in the Series B Special Tax Fund and the Series B Reserve Fund are insufficient therefor, (ii) to the Series B Reserve Fund in order to replenish the Series B Reserve Fund to the Series B Reserve Requirement, (iii) to the Series B Administrative Expense Account of the Series B Special Tax Fund to pay Administrative Expenses to the extent that the amounts on deposit in the Series B Administrative Expense Account of the Series B Special Tax Fund are insufficient to pay Administrative Expenses, (iv) to the Series B Project Fund to pay Series B Project Costs, or (v) for any other lawful purpose of the District.

The amounts in the Special Fund are not pledged to the repayment of the Series B Bonds and may be used by the District for any lawful purpose. In the event that the District reasonably expects to use any portion of the moneys in the Special Fund to pay debt service on any Outstanding Series B Bonds, the Treasurer will segregate such amount into a separate subaccount and the moneys on deposit in such subaccount of the Special Fund shall be invested in Authorized Investments the interest on which is excludable from gross income under Section 103 of the Code (other than bonds the interest on which is a tax preference item for purposes of computing the alternative minimum tax of individuals and corporations under the Code) or in Authorized Investments at a Yield not in excess of the Yield on the Series B Bonds or, if lower, the Yield on any Parity Bonds, unless, in the opinion of Bond Counsel, investment at a higher Yield will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series B Bonds then Outstanding.

SECTION 3.10. Community Facilities District No. 96-01 Series B Project Fund.

- (a) The moneys in the Community Facilities District No. 96-01 Series B Project Fund (the "Series B Project Fund") shall be applied exclusively to pay Series B Project Costs and Series B Costs of Issuance for the Series B Bonds, and for transfer to the Series B Interest Account from the Series B Capitalized Interest Account. Amounts for Series B Costs of Issuance shall be disbursed by the Treasurer from the Series B Costs of Issuance Account only upon satisfaction of the conditions contained in Section 3.10(a) hereof and upon receipt of a Certificate of the City Manager, or his designee, stating the amount due, the nature of the services rendered and the name of the payee. On the date which is six months following the Delivery Date for an issue of Series B Bonds, any amounts remaining in the Series B Costs of Issuance Account from such issue of Series B Bonds

shall be transferred to the Series B Administrative Expense Account of the Series B Special Tax Fund.

Series B Project Costs, including Developer reimbursement for all previously paid Development Fees that qualify under this Supplemental Resolution, shall be disbursed by the Treasurer only upon satisfaction of the conditions contained in this Section and upon receipt of a sequentially numbered written requisition, substantially in the form attached hereto as Attachment 2, from the City Manager, or his designee, or such other person as is designated in writing to the Treasurer by the legislative body of the District, stating (1) that the conditions to the release of such funds have been satisfied, (2) the name of the person to whom payment is due, (3) the amount to be paid, (4) the purpose for which the obligation to be paid was incurred, and (5) that there has not been filed with or served upon the District notice of any lien, right to lien or attachment upon, stop notice or claim affecting the right to receive payment of, any of the moneys payable to any of the persons named in such certificate or written requisition, which has not been released or will not be released simultaneously with the payment of such obligation, other than materialmen's or mechanic's liens accruing by mere operation of law.

Commencing one (1) Business Day prior to February 1, 2000 and August 1, 2000, the Treasurer shall transfer into the Series B Interest Account of the Series B Special Tax Fund from the Series B Capitalized Interest Account of the Series B Project Fund the amount needed to make the balance in the Series B Interest Account equal to the interest due on any Outstanding Series B Bonds on such February 1, 2000 and August 1, 2000 and such amounts shall be wire transferred to the Paying Agent one (1) Business Day prior to such February 1, 2000 and August 1, 2000.

- (b) Upon receipt of a Certificate of the City Manager or Assistant City Manager that all or a specified portion of the amount remaining in the Series B Project Fund is no longer needed to pay Series B Project Costs or Series B Costs of Issuance, or are set aside in the interest account Series B Capitalized Interest Account for transfer to the Series B Interest Account pursuant to this Section 3.10, the Treasurer shall transfer all or such specified portion of the moneys remaining on deposit in the Series B Project Fund to the Series B Redemption Account of the Series B Special Tax Fund.

SECTION 3.11. Investments.

Moneys held in any of the Funds and Accounts under this Resolution shall be invested at the direction of the Treasurer in accordance with the limitations set forth below only in Authorized Investments which shall be deemed at all times to be a part of such funds and accounts. Any loss or interest earnings resulting from such Authorized Investments shall be credited or charged to the fund, account or subaccount from which such investment was made; provided, however, that interest earnings on amounts in the Series B Capitalized Interest Account of the Series B Project Fund, and the Series B Reserve Fund (if in cash) shall be deposited to the Series B Interest Account of the Series B Special Tax Fund. Moneys in the funds and accounts held under this Resolution may be invested by the Treasurer, from time to time, in Authorized Investments, subject to the following restrictions:

- (a) Moneys in the Series B Project Fund shall be invested in Authorized Investments which will by their terms mature, or in the case of an Investment Agreement are available without penalty, as close as practicable to the date the District estimates the moneys represented by the particular investment will be needed for withdrawal from the respective funds. Notwithstanding anything herein to the contrary, the proceeds of any Series B Bonds on deposit in the Series B Project Fund shall be invested by the District only in Authorized Investments the interest on which is excluded from gross income under Section 103 of the Code (other than bonds the interest on which is a tax preference item for purposes of computing the alternative minimum tax of individuals and corporations under the Code) or in Authorized Investments at a Yield not in excess of the lesser of the Yield on the Series B Bonds, unless in the opinion of Bond Counsel such restriction is not necessary to prevent interest on the Series B Bonds from being included in gross income for federal income tax purposes.
- (b) Moneys in the Series B Interest Account, the Series B Principal Account and the Series B Redemption Account of the Series B Special Tax Fund shall be invested only in Authorized Investments which will by their terms mature, or in the case of an Investment Agreement are available for withdrawal without penalty, on such dates so as to ensure the payment of principal of, premium, if any, and interest on the Series B Bonds as the same become due.
- (c) Moneys on deposit in the Series B Reserve Fund (if in cash) shall be invested by the District only in Authorized Investments the interest on which is excluded from gross income under Section 103 of the Code (other than bonds the interest on which is a tax preference item for purposes of computing the alternative minimum tax of individuals and corporations under the Code) or in Authorized Investments at a Yield not in excess of the lesser of the Yield on the Series B Bonds, unless in the opinion of Bond Counsel such restriction is not necessary to prevent interest on the Series B Bonds from being included in gross income for federal income tax purposes; provided that such amounts may be invested in an Investment Agreement to the later of the final maturity of the Series B Bonds so long as such amounts may be withdrawn at any time, without penalty, for application in accordance with Section 3.07 hereof; and provided that no such Authorized Investment shall mature later than the final maturity of the Series B Bonds. Amounts in the Series B Reserve Fund may be invested in an Investment Agreement only if such Investment Agreement, by its terms, permits the District to withdraw all principal at par and without penalty, together with accrued interest to the withdrawal date, in the event that the rating of the provider of the Investment Agreement or the rating on the Investment Agreement is suspended or downgraded below "A" by Moody's Investors Service or Standard & Poor's Corporation.
- (d) Moneys in the Series B Excess Investment Earnings Fund shall be invested only in Authorized Investments of the type described in clause (1) of the definition thereof which by their terms will mature, as nearly as practicable, on the dates such amounts are needed to be paid to the United States Government pursuant to Section 3.08 hereof.

- (e) The Treasurer shall sell at the best price obtainable, or present for redemption, any obligations so purchased whenever it may be necessary to do so in order to provide moneys to meet any payment or transfer to such funds and accounts or from such funds and accounts. For the purpose of determining at any given time the balance in any such funds, any such investments constituting a part of such funds and accounts shall be valued at their cost. Notwithstanding anything herein to the contrary, the Treasurer and the Paying Agent shall not be responsible for any loss from investments, sales or transfers undertaken in accordance with the provisions of this Resolution.

Notwithstanding anything herein to the contrary, all investments of any amounts on deposit in any fund or account created hereunder and held by a custodian shall be made only upon the written direction of the Treasurer and a custodian may conclusively rely on the direction without exercising any independent judgment as to said investment, including, but without limitation, (i) the efficacy of the investment, (ii) the quality of the investment, (iii) the legality of the investment or (iv) whether or not the investment will cause interest on the Series B Bonds to be includable in gross income of the recipients under Section 103 of the Code.

ARTICLE IV

REDEMPTION OF SERIES B BONDS

SECTION 4.01. Redemption of Series B Bonds.

- (a) Extraordinary Mandatory Redemption. The Series B Bonds shall be subject to mandatory redemption, in part, on August 1, 2002 and shall be redeemed by the Paying Agent, from moneys transferred to the Series B Redemption Account from amounts still on deposit on June 9, 2002 in the Series B Project Fund, at a redemption price equal to the principal amount thereof, without premium.
- (b) Mandatory Redemption. The Bonds shall be called before maturity and prepaid, from the Sinking Fund Payments that have been deposited into the Redemption Account of the Special Tax Fund, on August 1, _____, and on each August 1 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The Bonds so called for prepayment shall be selected by the Fiscal Agent by lot and shall be redeemed at a prepayment price for each prepaid Bonds equal to the principal amount thereof, plus accrued interest to the prepayment date, without premium, as follows:

Prepayment Date (August 1)	Principal Amount	Interest Rate

- (c) Optional Redemption. The Series B Bonds maturing on August 1, 2007 may be redeemed, at the option of the District on August 1, 2006, or on any Series B Interest Payment Date thereafter, prior to maturity in whole or in part, by lot, at the following redemption prices, expressed as a

percentage of the principal amount to be redeemed, together with accrued interest to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
August 1, 2006 and February 1, 2007	102%
August 1, 2007 and February 1, 2008	101%
August 1, 2008 and thereafter	100%

In the event the District shall elect to redeem Series B Bonds as provided in this Section 4.01(b) the District shall give written notice to the Paying Agent of its election so to redeem, the redemption date and the principal amount of the Series B Bonds to be redeemed. The notice to the Paying Agent shall be given at least sixty (60) days but no more than ninety (90) days prior to the redemption date or such shorter period as shall be acceptable to the Paying Agent.

SECTION 4.02. Selection of Series B Bonds for Redemption.

If less than all of the Series B Bonds Outstanding are to be redeemed, the portion of any Series B Bond of a denomination of more than \$5,000 to be redeemed shall be in the principal amount of \$5,000 or an integral multiple thereof, and, in selecting portions of such Series B Bonds for redemption, the Paying Agent shall treat each such Series B Bond as representing that number of Series B Bonds of \$5,000 denominations which is obtained by dividing the principal amount of such Series B Bond to be redeemed in part by \$5,000. The Paying Agent shall promptly notify the District in writing of the Series B Bonds, or portions thereof, selected for redemption.

SECTION 4.03. Notice of Redemption.

When Series B Bonds are due for redemption under Section 4.01 above, the Paying Agent shall give notice, in the name of the District, of the redemption of such Series B Bonds. Such notice of redemption shall (a) specify the CUSIP numbers (if any), the serial numbers and the maturity date or dates of the Series B Bonds selected for redemption, except that where all the Series B Bonds are subject to redemption, or all the Series B Bonds of one maturity, are to be redeemed, the serial numbers thereof need not be specified; (b) state the date fixed for redemption and surrender of the Series B Bonds to be redeemed; (c) state the redemption price; (d) state the place or places where the Series B Bonds are to be redeemed; (e) in the case of Series B Bonds to be redeemed only in part, state the portion of such Series B Bond which is to be redeemed; (f) state the date of issue of the Series B Bonds as originally issued; (g) state the rate of interest borne by each Series B Bond being redeemed; and (h) state any other descriptive information needed to identify accurately the Series B Bonds being redeemed as shall be specified by the Treasurer and the Paying Agent. Such notice shall further state that on the date fixed for redemption, there shall become due and payable on each Series B Bond, or portion thereof called for redemption, the principal thereof, together with any premium, and interest accrued to the redemption date, and that from and after such date, interest thereon shall cease to accrue and be payable. At least 30 days but no more than 60 days prior to the redemption date, the Paying Agent shall mail a copy of such notice, by first class mail, postage prepaid, to the

respective Owners thereof at their addresses appearing on the Bond Register. The actual receipt by the Owner of any Series B Bond of notice of such redemption shall not be a condition precedent thereto, and neither the failure to receive nor any defect in such notice shall affect the validity of the proceedings for the redemption of such Series B Bonds, or the cessation of interest on the redemption date. A certificate by the Paying Agent that notice of such redemption has been given as herein provided shall be conclusive as against all parties and the Owner shall not be entitled to show that he or she failed to receive notice of such redemption.

In addition to the foregoing notice, further notice shall be given by the Paying Agent as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed.

Each further notice of redemption shall be sent at least two (2) days before notice of redemption is mailed to the Bondowners pursuant to the first paragraph of this Section by registered or certified mail or overnight delivery service to the three registered securities depositories listed below and to any other registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the Series B Bonds as shall be specified by the Treasurer to the Paying Agent and to the national information services listed below that disseminate notice of redemption of obligations such as the Series B Bonds :

Bloomberg Municipal Repository

PO box 840
Princeton, New Jersey 08542-0840
Internet address: MUNIS@bloomberg.com
(609) 279-3200 or
(609) 279-3204 to order documents
Internet address: <http://www.municipal.com>
(609) 279-5963
Fax: (609) 279-3235
Contact: Lena Panich

Thompson NRMSIR

Secondary Market Disclosure
395 Hudson Street, 3rd Floor
New York, New York 10014
Internet address: Disclosure@muller.com
(212) 807-5001
Fax: (212)989-2078
Contact: Carolyn Chin

DPC Data, Inc.

One Executive Drive
Fort Lee, New Jersey 07024
(201) 346-0701
Fax: (201) 947-0107
Internet address: nrmsir@dpcdata.com
Contact: NRMSIR

JJ Kenny Information Services

The Repository
65 Broadway, 16th Floor
New York, New York 10006
(212) 770-4568
Fax: (212) 797-7994
Internet address: joan_horai@mcgrawhill.com
Contact: Joan Horai, Repository

Upon the payment of the redemption price of any Series B Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number, if any, identifying, by

issue and maturity, the Series B Bonds being redeemed with the proceeds of such check or other transfer.

SECTION 4.04. Partial Redemption of Series B Bonds.

Upon surrender of any Series B Bond to be redeemed in part only, the District shall execute and the Paying Agent shall authenticate and deliver to the Bondowner, at the expense of the District, a new Series B Bond or Series B Bonds of the same issue and in authorized denominations equal in aggregate principal amount to and bearing the same interest rate and the same maturity as the unredeemed portion of the Series B Bonds so surrendered.

SECTION 4.05. Effect of Notice and Availability of Redemption Money.

Notice of redemption having been duly given, as provided in Section 4.03, and the amount necessary for the redemption having been made available for that purpose and being available therefor on the date fixed for such redemption:

- (a) The Series B Bonds, or portions thereof, designated for redemption shall, on the date fixed for redemption, become due and payable at the redemption price thereof as provided in this Resolution, anything in this Resolution or in the Series B Bonds to the contrary notwithstanding;
- (b) Upon presentation and surrender thereof at the corporate trust office of the Paying Agent, the redemption price of such Series B Bonds shall be paid to the Owners thereof;
- (c) As of the redemption date the Series B Bonds, or portions thereof so designated for redemption shall be deemed to be no longer Outstanding and such Series B Bonds, or portions thereof, shall cease to bear further interest; and
- (d) As of the date fixed for redemption, no Owner of any of the Series B Bonds, or portions thereof so designated for redemption shall be entitled to any of the benefits of this Resolution or any Supplemental Resolution, or to any other rights, except with respect to payment of the redemption price and interest accrued to the redemption date from the amounts so made available.

ARTICLE V

COVENANTS AND WARRANTY

SECTION 5.01. Warranty.

The District shall preserve and protect the security pledged hereunder to the Series B Bonds against all claims and demands of all persons.

SECTION 5.02. Covenants.

So long as any of the Series B Bonds issued hereunder are Outstanding and unpaid, the District makes the following covenants with the Bondowners under the provisions of the Act and this Resolution (to be performed by the District or its proper officers, agents or employees), which covenants are

necessary and desirable to secure the Series B Bonds and tend to make them more marketable; provided, however, that said covenants do not require the District to expend any funds or moneys other than the Special Taxes:

- (a) Punctual Payment; Against Encumbrances. The District covenants that it will receive all Special Taxes in trust and will immediately deposit the Special Taxes with the Treasurer, and the District shall have no beneficial right or interest in the amounts so deposited except as provided by this Resolution. All such Special Taxes shall be disbursed, allocated and applied solely to the uses and purposes set forth herein, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the District.

The District covenants that it will duly and punctually pay or cause to be paid the principal of and interest on every Series B Bond issued hereunder, together with the premium, if any, thereon on the date, at the place and in the manner set forth in the Series B Bonds and in accordance with this Resolution to the extent Net Taxes are available therefor, and that the payments into the funds and accounts created hereunder will be made, all in strict conformity with the terms of the Series B Bonds, and this Resolution, and that it will faithfully observe and perform all of the conditions, covenants and requirements of this Resolution and all Supplemental Resolutions and of the Series B Bonds issued hereunder.

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

- (b) Levy of Special Tax. The legislative body of the District shall cause the Tax Collector to levy the Special Tax in an amount sufficient to pay the principal of and interest on the Series B Bonds when due and the Administrative Expenses and any amounts required to maintain the Series B Reserve Fund at the Series B Reserve Requirement so long as any Series B Bonds issued under this Resolution are Outstanding.
- (c) Commence Foreclosure Proceedings. The District covenants for the benefit of the Owners of the Series B Bonds that it will commence judicial foreclosure proceedings against parcels with delinquent Special Taxes in excess of \$25,000 by the October 1 following the close of each Fiscal Year in which such Special Taxes were due and will commence judicial foreclosure proceedings against all parcels with delinquent Special Taxes by the October 1 following the close of each Fiscal Year in which it receives Special Taxes in an amount which is less than 95% of the total Special Tax levied, and diligently pursue to completion such foreclosures. Notwithstanding the foregoing, the District, in its sole discretion, may elect to defer foreclosure proceedings on any parcel so long as the amount in the Series B Reserve Fund is at least equal to the Series B Reserve Requirement. The District may, but shall not be obligated to, advance funds from any source of

legally available funds in order to maintain the Series B Reserve Fund at the Series B Reserve Requirement.

- (d) Payment of Claims. The District will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon any portion of the Series B Project acquired or constructed by the District, or upon the Net Taxes or any part thereof, or upon any funds in the hands of the Paying Agent, or which might impair the security of the Series B Bonds then Outstanding; provided that nothing herein contained shall require the District to make any such payments so long as the District in good faith shall contest the validity of any such claims.

- (e) Books and Accounts. The District will keep proper books of records and accounts, separate from all other records and accounts of the District, in which complete and correct entries shall be made of all transactions relating to the Series B Project, the levy of the Special Tax and the deposits to the Series B Special Tax Fund. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Paying Agent or of the Owners of not less than ten percent (10%) of the principal amount of the Series B Bonds or the Owners of not less than ten percent (10%) of any issue of Parity Bonds then Outstanding or their representatives authorized in writing.

- (f) Tax Covenants. In order to preserve the exclusion from gross income of interest on the Series B Bonds for federal income tax purposes, the District covenants to comply with all applicable requirements of the Code, together with any Regulations, necessary to preserve such exclusion from gross income and specifically covenants, without limiting the generality of the foregoing, that:
 - (1) it will make no use of the proceeds of the Series B Bonds at any time which will cause the Series B Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code and applicable Regulations and, in furtherance of this covenant, will comply with all the provisions of its Non-Arbitrage Certificate dated the Delivery Date;
 - (2) it will not use in excess of 5% of the proceeds of any issue of Series B Bonds to make or finance loans to any person other than a governmental unit (other than loans which are Nonpurpose Investments or are for the purpose of enabling the borrower to finance any governmental tax or assessment of general application for a specific essential governmental function, all as set forth in Section 141(c) of the Code);
 - (3) it will neither use nor permit the use of more than 10% of the proceeds of any issue of Series B Bonds for any private business use, or enter into an arrangement such that more than 10% of the proceeds of any issue of Series B Bonds is, directly or indirectly, secured by any interest in (i) property used or to be used for a private business use or (ii) payments in respect of such property or to be derived from payments in respect of property, or borrowed money, used or to be used for a private business use, all as set

forth in Section 141(b) of the Code, or take any other action which would cause an issue of Series B Bonds to be "private activity bonds" within the meaning of Section 141(a) of the Code;

- (4) it will ensure that the payment of principal of and interest on an issue of Series B Bonds shall not be directly or indirectly guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof) and no portion of the moneys contained in any of the Funds or Accounts created herein shall be (i) used in making loans guaranteed by the United States (or any agency or instrumentality thereof); (ii) invested directly or indirectly in deposits or accounts insured by the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, National Credit Union Administration or any other similar federally chartered corporation; (iii) otherwise invested directly or indirectly in obligations guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof); except (1) during the initial period following issuance of the Series B Bonds and ending on the earlier of final expenditure of the Series B Bond proceeds or 3 years from the date of issue of the issue of Series B Bonds to which such moneys relate; (2) for amounts held in the Series B Reserve Fund, or other reserve funds satisfying Section 148(d) of the Code; (3) for amounts held in the Series B Interest Account, the Series B Principal Account and the Series B Redemption Account of the Series B Special Tax Fund and other bona fide debt service funds; (4) for investments in obligations issued by the United States Treasury; (5) for investments in obligations guaranteed by the Federal National Mortgage Association, Government National Mortgage Association or Federal Home Loan Mortgage Corporation, or (6) for investments permitted under Regulations issued pursuant to Section 149(b)(3)(B) of the Code; and

- (5) (i) it shall keep a detailed accounting of all transactions contemplated under this Resolution or any Supplemental Resolution or in any way relating to the receipt or disbursement of any of the Gross Proceeds of the Series B Bonds for a period of six years after the later of the date of payment of all Excess Investment Earnings to the United States or the date the District disburses the last of the Gross Proceeds of the Series B Bonds and will calculate Excess Investment Earnings in accordance with the Regulations; (ii) except for the investment of moneys in tax-exempt Series B Bonds or Gross Proceeds invested during an applicable temporary period permitted under the Regulations or Gross Proceeds held as a reasonably required reserve fund, it will not allow Gross Proceeds of an issue of Series B Bonds to be invested at any time in Nonpurpose Investments with a Yield in excess of the Yield on such issue of Series B Bonds without an opinion of Bond Counsel to the effect that investment at a higher Yield will not adversely affect the exclusion from gross income of interest on such issue of Series B Bonds for federal income tax purposes; (iii) it will neither invest Gross Proceeds nor cause Gross Proceeds to be invested in Nonpurpose Investments if the Yield on such Nonpurpose Investments would be less than the Yield that would have resulted in an arm's-length transaction; and

(iv) it will not sell or otherwise dispose of or cause to be sold or otherwise disposed of Nonpurpose Investments, if such sale or disposition would result in a smaller profit or larger loss than would have resulted from a sale at fair market value arrived at in an arm's-length transaction.

- (g) Completion of Series B Project. The District will diligently carry out and continue to completion with all practical dispatch the acquisition or construction of the Series B Project in accordance with the Act and the proceedings for the formation of the District and in a sound and economical manner; provided, however, that the District shall not be obligated to expend any funds other than the proceeds of the Series B Bonds for such purpose. The Series B Project to be acquired or constructed may be amended as provided in the Act, but no amendment may be made which would substantially impair the security of the Series B Bonds or the rights of the Owners. Once acquired or constructed, the District will maintain the Series B Project, or cause it to be maintained by another public entity, in accordance with the customary and reasonable maintenance and repair practices for such facilities.
- (h) Continuing Disclosure. The City covenants that it will comply with and enforce the provisions of the Continuing Disclosure Certificate.

ARTICLE VI

AMENDMENTS TO RESOLUTION

SECTION 6.01. Supplemental Resolutions or Orders Not Requiring Bondowner Consent.

The District may from time to time, and at any time, without notice to or consent of any of the Bondowners, adopt resolutions or orders supplemental hereto for any of the following purposes:

- (a) to cure any ambiguity, to correct or supplement any provisions herein which may be inconsistent with any other provision herein, or to make any other provision with respect to matters or questions arising under this Resolution or in any additional resolution or order, provided that such action is not materially adverse to the interest of the Bondowners;
- (b) to add to the covenants and agreements of and the limitations and the restrictions upon the District contained in this Resolution, other covenants, agreements, limitations and restrictions to be observed by the District which are not contrary to or inconsistent with this Resolution as theretofore in effect or which further secure the Series B Bonds;
- (c) to provide for the issuance of any Parity Bonds, and to provide the terms and conditions under which such Parity Bonds may be issued, subject to and in accordance with the provisions of this Resolution;
- (d) to modify, amend or supplement this Resolution in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter

in effect, or to comply with the Code or regulations issued thereunder, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially adversely affect the interests of the Owners of the Series B Bonds then Outstanding;

- (e) to modify, alter or amend the rate and method of apportionment of the Special Taxes in any manner so long as such changes do not reduce the maximum Special Taxes that may be levied in each year on property within the District to an amount which is less than 110% of the principal and interest due in each corresponding future Bond Year on the Series B Bonds Outstanding as of the date of such amendment; or
- (f) to modify, alter, amend or supplement this Resolution in any other respect which is not materially adverse to the Bondowners.

SECTION 6.02. Supplemental Resolutions or Orders Requiring Bondowner Consent.

Exclusive of the resolutions or orders supplemental hereto set forth in Section 6.01, the Owners of not less than 60% in aggregate principal amount of the Series B Bonds Outstanding shall have the right to consent to and approve the adoption by the District of such resolutions or orders supplemental hereto as shall be deemed necessary or desirable by the District for the purpose of waiving, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Resolution; provided, however, that nothing herein shall permit, or be construed as permitting, (a) an extension of the maturity date of the principal, or the payment date of interest on, any Series B Bond, (b) a reduction in the principal amount of, or redemption premium on, any Series B Bond or the rate of interest thereon, (c) a preference or priority of any Series B Bond over any other Series B Bond, or (d) a reduction in the aggregate principal amount of the Series B Bonds the Owners of which are required to consent to such resolution or order, without the consent of the Owners of all Series B Bonds then Outstanding.

If at any time the District shall desire to adopt a resolution or order supplemental hereto, which pursuant to the terms of this Section shall require the consent of the Bondowners, the District shall so notify the Paying Agent and shall deliver to the Paying Agent a copy of the proposed resolution or order. The Paying Agent shall, at the expense of the District, cause notice of the proposed resolution or order to be mailed, by first class mail, postage prepaid, to all Bondowners at their addresses as they appear in the Bond Register. Such notice shall briefly set forth the nature of the proposed resolution or order and shall state that a copy thereof is on file at the office of the Treasurer for inspection by all Bondowners. The failure of any Bondowners to receive such notice shall not affect the validity of such resolution or order when consented to and approved by the Owners of not less than 60% in aggregate principal amount of the Series B Bonds Outstanding as required by this Section. Whenever at any time within one year after the date of the first mailing of such notice, the Paying Agent shall receive an instrument or instruments purporting to be executed by the Owners of not less than 60% in aggregate principal amount of the Series B Bonds Outstanding, which instrument or instruments shall refer to the proposed resolution or order described in such notice, and shall specifically consent to and approve

the adoption thereof by the District substantially in the form of the copy referred to in such notice as on file with the Treasurer, such proposed resolution or order, when duly adopted by the District, shall thereafter become a part of the proceedings for the issuance of the Series B Bonds. In determining whether the Owners of 60% of the aggregate principal amount of the Series B Bonds have consented to the adoption of any supplemental resolution or order, Series B Bonds which are owned by the District or by any person directly or indirectly controlling or controlled by or under the direct or indirect common control with the District, shall be disregarded and shall be treated as though they were not Outstanding for the purpose of any such determination.

Upon the adoption of any resolution or order supplemental hereto and the receipt of consent to any such resolution or order from the Owners of not less than 60% in aggregate principal amount of the Outstanding Series B Bonds in instances where such consent is required pursuant to the provisions of this section, this Resolution shall be, and shall be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under this Resolution of the District and all Owners of Outstanding Series B Bonds shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such modifications and amendments.

SECTION 6.03. Notation of Series B Bonds; Delivery of Amended Series B Bonds.

After the effective date of any action taken as hereinabove provided, the District may determine that the Series B Bonds may bear a notation, by endorsement in form approved by the District, as to such action, and in that case upon demand of the Owner of any Outstanding Series B Bond at such effective date and presentation of his Series B Bond for the purpose at the corporate trust office of the Paying Agent, or at such additional offices as the Treasurer may select and designate for that purpose, a suitable notation as to such action shall be made on such Series B Bonds. If the District shall so determine, new Series B Bonds so modified as, in the opinion of the District, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Owner of any Outstanding Series B Bond at such effective date such new Series B Bonds shall be exchanged at the corporate trust office of the Paying Agent, or at such additional offices as the Paying Agent may select and designate for that purpose, without cost to each Owner of Outstanding Series B Bonds, upon surrender of such Outstanding Series B Bonds.

ARTICLE VII

PAYING AGENT

SECTION 7.01. Paying Agent.

U.S. Bank Trust, National Association, is hereby appointed Paying Agent for the District for the purpose of receiving all money which the District is required to deposit with the Paying Agent hereunder and to allocate, use and apply the same as provided in this Resolution. In the event that the District fails to deposit with the Paying Agent any amount due hereunder when due, the Paying Agent shall provide immediate telephonic notice to the Treasurer's office and shall confirm the amount of such shortfall in writing.

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

The Paying Agent is hereby authorized to redeem the Series B Bonds when duly presented for payment at maturity, or on redemption prior to maturity, The Paying Agent shall cancel all Series B Bonds upon payment thereof in accordance with the provisions of Section 10.01 hereof.

The District shall from time to time, subject to any agreement between the District and the Paying Agent then in force, pay to the Paying Agent compensation for its services, reimburse the Paying Agent for all its advances and expenditures, including, but not limited to, advances to and fees and expenses of independent accountants or counsel employed by it in the exercise and performance of its powers and duties hereunder, and indemnify and save the Paying Agent harmless against expenses and liabilities not arising from its own gross negligence or willful misconduct which it may incur in the exercise and performance of its powers and duties hereunder.

SECTION 7.02. Removal of Paying Agent.

The District may at any time at its sole discretion remove the Paying Agent initially appointed, and any successor thereto, by delivering to the Paying Agent a written notice of its decision to remove the Paying Agent and may appoint a successor or successors thereto; provided that any, such successor, other than the Treasurer, shall be a bank or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least fifty million dollars (\$50,000,000), and subject to supervision or examination by federal or state authority. Any removal shall become effective only upon acceptance of appointment by the successor Paying Agent or the Treasurer. If any bank or trust company appointed as a successor publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

SECTION 7.03. Resignation of Paying Agent.

The Paying Agent may at any time resign by giving written notice to the District and by giving to the Owners notice of such resignation, which notice shall be mailed to the Owners at their addresses appearing in the registration books in the office of the Paying Agent. Upon receiving such notice of resignation, the District shall promptly appoint a successor Paying Agent by an instrument in writing. Any resignation or removal of the Paying Agent and appointment of a successor Paying Agent shall become effective only upon acceptance of appointment by the successor Paying Agent. Should the

District fail to appoint a successor Paying Agent within thirty (30) days of receipt of notice of resignation, the Paying Agent may petition a court of competent jurisdiction to appoint a successor Paying Agent.

SECTION 7.04. Liability of Paying Agent.

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

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

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

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

ARTICLE VIII

EVENTS OF DEFAULT; REMEDIES

SECTION 8.01. Events of Default.

Any one or more of the following events shall constitute an "event of default":

- (a) Default in the due and punctual payment of the principal of or redemption premium, if any, on any Series B Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;
- (b) Default in the due and punctual payment of the interest on any Series B Bond when and as the same shall become due and payable; or
- (c) Except as described in (a) or (b), default shall be made by the District in the observance of any of the agreements, conditions or covenants on its part contained in this Resolution, the Series B Bonds, and such default shall have continued for a period of thirty (30) days after the District shall have been given notice in writing of such default by the Paying Agent or the Owners of twenty-five percent (25%) in aggregate principal amount of the Outstanding Series B Bonds.

SECTION 8.02. Remedies of Owners.

Following the occurrence of an event of default, any Owner shall have the right for the equal benefit and protection of all Owners similarly situated:

- (a) By mandamus or other suit or proceeding at law or in equity to enforce his rights against the District and any of the members, officers and employees of the District, and to compel the District or any such members, officers or employees to perform and carry out their duties under the Act and their agreements with the Owners as provided in this Resolution;
- (b) By suit in equity to enjoin any actions or things which are unlawful or violate the rights of the Owners; or
- (c) By a suit in equity to require the District and its members, officers and employees to account as the trustee of an express trust.

Nothing in this Article or in any other provision of this Resolution, the Series B Bonds shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the interest on and principal of the Series B Bonds to the respective Owners thereof at the respective dates of maturity, as herein provided, out of the Net Taxes pledged for such payment, or affect or impair the right of action, which is also absolute and unconditional, of such Owners to institute suit to enforce such payment by virtue of the contract embodied in the Series B Bonds and in this Resolution.

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

If any suit, action or proceeding to enforce any right or exercise any remedy is abandoned or determined adversely to the Owners, the District and the Owners shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

No remedy herein conferred upon or reserved to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

In case the moneys held by the Paying Agent after an event of default pursuant to Section 8.01(a) or (b) shall be insufficient to pay in full the whole amount so owing and unpaid upon the Series B Bonds, then all available amounts shall be applied to the payment of such principal and interest without preference or priority of principal over interest, or interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest.

ARTICLE IX DEFEASANCE

SECTION 9.01. Defeasance.

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

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

- (a) by paying or causing to be paid the principal of, premium, if any, and interest on such Series B Bonds, as and when the same shall become due and payable;
- (b) by depositing with the Treasurer, in trust, at or before maturity, money which, together with the amounts then on deposit in the Series B Special Tax Fund (exclusive of the Series B

Administrative Expense Account), is fully sufficient to pay the principal of, premium, if any, and interest on such Series B Bond, as and when the same shall become due and payable; or

- (c) by depositing with the Paying Agent, or another escrow bank appointed by the Treasurer, in trust, direct, noncallable Authorized Investments, of the type defined in clause (1) of the definition thereof set forth in Section 1.01 hereof, in which the District may lawfully invest its money, in such amount as an Independent Financial Consultant shall determine will be sufficient, together with the interest to accrue thereon and moneys then on deposit in the Series B Special Tax Fund (exclusive of the Series B Administrative Expense Account), together with the interest to accrue thereon, to pay and discharge the principal of, premium, if any, and interest on such Series B Bond, as and when the same shall become due and payable; then, at the election of the District, and notwithstanding that any Outstanding Series B Bonds shall not have been surrendered for payment, all obligations of the District under this Resolution and any Supplemental Resolution with respect to such Series B Bond shall cease and terminate, except for the obligation of the Paying Agent to pay or cause to be paid to the Owners of any such Series B Bond not so surrendered and paid, all sums due thereon and except for the covenants of the District contained in Section 5.02(f) or any covenants in a Supplemental Resolution relating to compliance with the Code. Notice of such election shall be filed with the Paying Agent not less than ten (10) days prior to the proposed defeasance date, or such shorter period of time as is acceptable to the Paying Agent. In connection with a defeasance under (b) or (c) above, there shall be provided to the Treasurer on or prior to the defeasance date a certificate of a certified public accountant stating its opinion as to the sufficiency of the moneys or securities deposited with the Paying Agent or the escrow bank to pay and discharge the principal of and interest on all Outstanding Series B Bonds to be defeased in accordance with this Section, as and when the same shall become due and payable, and an opinion of Bond Counsel (which may rely upon the opinion of the certified public accountant) to the effect that the Series B Bonds being defeased have been legally defeased in accordance with this Resolution and any applicable Supplemental Resolution. Upon a defeasance, the Paying Agent and/or the Treasurer, upon request of the District, shall release the rights of the Owners of such Series B Bonds which have been defeased under this Resolution and any Supplemental Resolution and execute and deliver to the District all such instruments as may be desirable to evidence such release, discharge and satisfaction. In the case of a defeasance hereunder of all Outstanding Series B Bonds, the Paying Agent shall pay over or deliver to the District any funds held by the Paying Agent at the time of a defeasance, which are not required for the purpose of paying and discharging the principal of or interest on the Series B Bonds when due. The Paying Agent shall, at the written direction of the District, mail, first class, postage prepaid, a notice to the Bondowners whose Series B Bonds have been defeased, in the form directed by the District, stating that the defeasance has occurred.

SECTION 9.02. Conditions for the Issuance of Parity Bonds and Other Additional Indebtedness.

The District may at any time after the issuance and delivery of the Series B Bonds hereunder issue Parity Bonds payable from the Net Taxes and secured by a lien and charge upon the Net Taxes equal

to the lien and charge securing the Outstanding Series B Bonds and any other Parity Bonds theretofore issued hereunder or under any Supplemental Resolution, but only subject to the following specific conditions, which are hereby made conditions precedent to the issuance of any such Parity Bonds:

- A. The District shall be in compliance with all covenants set forth in this Resolution and any Supplemental Resolution and a certificate of the District to that effect shall have been filed with the Treasurer; provided, however, that Parity Bonds may be issued notwithstanding that the District is not in compliance with all such covenants so long as immediately following the issuance of such Parity Bonds the District will be in compliance with all such covenants.
- B. The issuance of such Parity Bonds shall have been duly authorized pursuant to the Act or any other applicable laws, and the issuance of such Parity Bonds shall have been provided for by a Supplemental Resolution duly adopted by the legislative body of the District which shall specify the following:
 - 1. The purpose for which such Parity Bonds are to be issued and the fund or funds into which the proceeds thereof are to be deposited, including a provision requiring the proceeds of such Parity Bonds to be applied solely for (i) the purpose of aiding in financing the Series B Project, including payment of all costs incidental to or connected with such financing, and/or (ii) the purpose of refunding any Outstanding Series B Bonds, including payment of all costs incidental to or connected with such refunding;
 - 2. The authorized principal amount of such Parity Bonds;
 - 3. The date and the maturity date or dates of such Parity Bonds; provided that (i) each maturity date shall fall on an Series B Interest Payment Date, (ii) all such Parity Bonds of like maturity shall be identical in all respects, except as to number, and (iii) fixed serial maturities or Sinking Fund Payments, shall be established to provide for the retirement of all such Parity Bonds on or before their respective maturity dates;
 - 4. The description of the Parity Bonds, the place of payment thereof and the procedure for execution and authentication;
 - 5. The denomination and method of numbering of such Parity Bonds;
 - 6. The redemption premiums, if any, and the redemption terms, if any, for such Parity Bonds;
 - 7. The amount and due date of each mandatory Sinking Fund Payment, if any, for such Parity Bonds;
 - 8. The amount, if any, to be deposited from the proceeds of such Parity Bonds in the Reserve Fund to increase the amount therein to the Reserve Requirement;
 - 9. The form of such Parity Bonds; and

10. Such other provisions as are necessary or appropriate and not inconsistent with this Resolution.

C. The District shall have received the following documents or money or securities, all of such documents dated or certified, as the case may be, as of the date of delivery of such Parity Bonds by the Paying Agent (unless the Paying Agent shall accept any of such documents bearing a prior date):

1. A certified copy of the Supplemental Resolution authorizing the issuance of such Parity Bonds;

2. A written request of the District and the fee simple owner of the effected real property within Community Facilities District No. 96-01, as to the delivery of such Parity Bonds; and

3. An opinion of Bond Counsel and/or City Attorney to the effect that (a) the District has the right and power under the Act to adopt this Resolution and the Supplemental Resolutions relating to such Parity Bonds, and this Resolution and all such Supplemental Resolutions have been duly and lawfully adopted by the District, are in full force and effect and are valid and binding upon the District and enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights); (b) this Resolution creates the valid pledge which it purports to create of the Net Taxes as provided in this Resolution, subject to the application thereof to the purposes and on the conditions permitted by this Resolution; and (c) such Parity Bonds are valid and binding limited obligations of the District, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights) and the terms of this Resolution and all Supplemental Resolutions relating thereto and entitled to the benefits of this Resolution and all such Supplemental Resolutions, and such Parity Bonds have been duly and validly authorized and issued in accordance with the Act (or other applicable laws) and this Resolution and all such Supplemental Resolutions; and a further opinion of Bond Counsel to the effect that, assuming compliance by the District with certain tax covenants, the issuance of the Parity Bonds will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Series B Bonds and Parity Bonds theretofore issued or the exemption from State of California personal income taxation of interest on any Series B Bonds and Parity Bonds theretofore issued;

4. A certificate of the District containing such statements as may be reasonably necessary to show compliance with the requirements of this Resolution;

5. A certificate from one or more Independent Financial Consultants which, when taken together, certify that (i) on the basis of the parcels of land and improvements existing in the District as of the July 1 preceding the proposed issuance of the Additional Series B Bonds, the amount of the maximum Special Taxes that may be levied in the District pursuant to the Act

and the applicable resolutions and ordinances of the District in each subsequent Fiscal Year is at least 1.15 times the corresponding Annual Debt Service for each remaining Bond Year on all Outstanding Series B Bonds and Parity Bonds theretofore issued, and (ii) the fair market value of the land and then existing improvements in the District (less the value of existing residences and commercial or industrial structures constructed on the land), as determined by an appraisal performed on a basis consistent with the appraisal provided to the District in connection with the issuance of the Series B Bonds, is at least 3.00 times the sum of (A) the aggregate principal amount of all Series B Bonds and Parity Bonds then Outstanding plus (B) the aggregate principal amount of the additional Parity Bonds proposed to be issued plus (C) the aggregate principal amount of all assessment Series B Bonds then outstanding and payable from assessments to be levied on parcels of land within the District, plus (D) a portion of the aggregate principal amount of other community facilities Series B Bonds then outstanding and payable at least partially from special taxes to be levied on parcels of land within the District (the "Other CFD Series B Bonds") equal to the aggregate principal amount of the Other CFD Series B Bonds multiplied by a fraction, the numerator of which is the amount of special taxes levied for the Other CFD Series B Bonds on parcels within the District, and the denominator of which is the total amount of special taxes levied for the Other CFD Series B Bonds on all parcels of land, based upon information from the most recent available Fiscal Year. For purposes of making the certifications required by this paragraph (c), the Independent Financial Consultants may rely on reports or certificates of such other persons as may be acceptable to the District, the City, Bond Counsel and the underwriter of the proposed Parity Bonds; and

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

ARTICLE X

MISCELLANEOUS

SECTION 10.01. Cancellation of Series B Bonds.

All Series B Bonds surrendered to the Paying Agent for payment upon maturity or for redemption shall upon payment therefor and any Series B Bond purchased by the District as authorized herein shall be cancelled forthwith and shall not be reissued. The Paying Agent shall destroy such Series B Bonds, as provided by law, and furnish to the District a certificate of such destruction.

SECTION 10.02. Execution of Documents and Proof of Ownership.

Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by this Resolution to be signed or executed by Bondowners may be in any number of concurrent instruments of similar tenor may be signed or executed by such Owners in person or by their attorneys appointed by an instrument in writing for that purpose, or by the bank, trust company or other depository for such Series B Bonds. Proof of the execution of any such instrument, or of any instrument appointing any such attorney, and of the ownership of Series B Bonds shall be sufficient

for the purposes of this Resolution (except as otherwise herein provided), if made in the following manner:

- (a) The fact and date of the execution by any Owner or his or her attorney of any such instrument and of any instrument appointing any such attorney, may be proved by a signature guarantee of any bank or trust company located within the United States of America. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such signature guarantee shall also constitute sufficient proof of his authority.
- (b) As to any Series B Bond, the person in whose name the same shall be registered in the Bond Register shall be deemed and regarded as the absolute Owner thereof for all purposes, and payment of or on account of the principal of any such Series B Bond, and the interest thereon, shall be made only to or upon the order of the registered Owner thereof or his or her legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Series B Bond and the interest thereon to the extent of the sum or sums to be paid. Neither the Treasurer nor the Paying Agent shall be affected by any notice to the contrary.

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

SECTION 10.03. Unclaimed Moneys.

Anything in this Resolution to the contrary notwithstanding, any money held by the Paying Agent or the Treasurer in trust for the payment and discharge of any of the Outstanding Series B Bonds which remain unclaimed for five (5) years after the date when such Outstanding Series B Bonds have become due and payable, if such money was held by the Paying Agent or the Treasurer at such date, or for five (5) years after the date of deposit of such money if deposited with the Paying Agent or the Treasurer after the said date when such Outstanding Series B Bonds become due and payable, shall, at the written request of the District, be repaid by the Paying Agent or the Treasurer to the City, as its absolute property and free from trust, and the Paying Agent or the Treasurer shall thereupon be released and discharged with respect thereto and the Owners shall look only to the District for the payment of such Outstanding Series B Bonds; provided, however, that, before being required to make any such payment to the District, the Paying Agent or the Treasurer shall, at the expense of the District, cause to be mailed to the registered Owners of such Outstanding Series B Bonds at their addresses as they appear on the registration books of the Paying Agent a notice that said money remains unclaimed and that, after a date named in said notice, which date shall not be less than thirty (30) days after the date of the mailing of such notice, the balance of such money then unclaimed will be returned to the City.

SECTION 10.04. Provisions Constitute Contract.

The provisions of this Resolution shall constitute a contract between the District and the Bondowners and the provisions hereof shall be construed in accordance with the laws of the State of California.

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

After the issuance and delivery of the Series B Bonds this Resolution shall be irrevocable, but shall be subject to modifications to the extent and in the manner provided in this Resolution, but to no greater extent and in no other manner.

SECTION 10.05. Future Contracts.

Nothing herein contained shall be deemed to restrict or prohibit the District from making contracts or creating bonded or other indebtedness payable from a pledge of the Net Taxes which are subordinate to the pledge hereunder, the general fund of the District or from taxes or any source other than the Net Taxes as defined herein.

SECTION 10.06. Further Assurances.

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

SECTION 10.07. Severability.

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

SECTION 10.08. Notices.

Any notices required to be given to the District with respect to the Series B Bonds or this Resolution shall be mailed, first class, or personally delivered to the City Manager of the City of Stockton, 425 N. El Dorado, Stockton, California 95202, and all notices to the Paying Agent shall be mailed, first class, or personally delivered to the Paying Agent at One California Street, 4th Floor, San Francisco, California 94111, Attention: Corporate Trust.

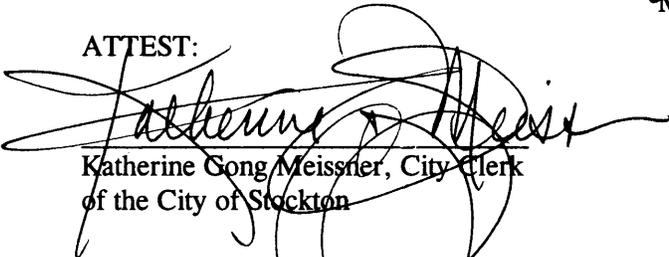
SIGNED AND APPROVED this 18th day of May, 1999 by the Mayor of the City of Stockton acting in its capacity as the legislative body of Community Facilities District No. 96-01 of the City of Stockton.

CITY OF STOCKTON



Gary A. Podesto,
Mayor of the City of Stockton

ATTEST:


Katherine Song Meissner, City Clerk
of the City of Stockton

ATTACHMENT "1"

BOOK ENTRY FORM ONLY

No. RB-

\$

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COMMUNITY FACILITIES DISTRICT NO. 96-01
OF THE CITY OF STOCKTON
1999 Special Tax Bonds
SERIES B

INTEREST RATE MATURITY DATE DATED DATE CUSIP NUMBER

REGISTERED OWNER : CEDE & CO.

PRINCIPAL AMOUNT:

COMMUNITY FACILITIES DISTRICT NO. 96-01 OF THE CITY OF STOCKTON (the "District") situated in the County of San Joaquin, State of California (the "City"), FOR VALUE RECEIVED, hereby promises to pay, solely from certain amounts held under the Resolution (as hereinafter defined), to the Registered Owner named above, or registered assigns, on the Maturity Date set forth above, unless redeemed prior thereto as hereinafter provided, the Principal Amount set forth above, and to pay interest on such Principal Amount from the Series B Interest Payment Date (as hereinafter defined) next preceding the date of authentication hereof, unless (i) the date of authentication is an Series B Interest Payment Date in which event interest shall be payable from such date of authentication, (ii) the date of authentication is after a Record Date (as hereinafter defined) but prior to the immediately succeeding Series B Interest Payment Date, in which event interest shall be payable from the Series B Interest Payment Date immediately succeeding the date of authentication or (iii) the date of authentication is prior to the close of business on the first Record Date in which event interest shall be payable from June 9, 1999. Notwithstanding the foregoing, if at the time of authentication of this Series B Bond, interest is in default, interest on this Series B Bond shall be

99-0252

payable from the last Series B Interest Payment Date to which the interest has been paid or made available for payment or, if no interest has been paid or made available for payment, interest on this Series B Bond shall be payable from June 9, 1999. Interest will be paid semiannually on February 1 and August 1 (each an "Series B Interest Payment Date"), commencing February 1, 2000, at the Interest Rate set forth above, until the Principal Amount hereof is paid or made available for payment.

The principal of and premium, if any, on this Series B Bond are payable to the Registered Owner hereof in lawful money of the United States of America upon presentation and surrender of this Series B Bond at the corporate trust office of U.S. Bank Trust, National Association, (the "Paying Agent"). Interest on this Series B Bond shall be paid by check of the Paying Agent mailed on the Series B Interest Payment Date, by first class mail, postage prepaid, to the Registered Owner hereof as of the close of business on the fifteenth day of the month preceding each Series B Interest Payment Date (the "Record Date") at such Registered Owner's address as it appears on the registration books maintained by the Paying Agent.

This Series B Bond is one of a duly authorized issue of "Community Facilities District No. 96-01 of the City of Stockton, 1999 Special Tax Bonds, Series B" (the "Series B Bonds") issued in the aggregate principal amount of \$3,190,000 pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, being Sections 53311, et seq., of the California Government Code (the "Act"), for the purpose of paying the cost of financing development fees which constitute the Series B Project, fund capitalized interest on the Series B Bonds and paying certain costs related to the issuance of the Series B Bonds. The initial deposit into the Series B Reserve Fund shall consist of cash or a Qualified Reserve Fund Credit Instrument (as defined in the Supplement to Resolution No. 99-0252). The issuance of the Series B Bonds and the terms and conditions thereof are provided for by a resolution adopted by the City Council of the City of Stockton acting in its capacity as the legislative body of the District (the "Legislative Body") on May 18, 1999 and a Supplement to Resolution executed in connection therewith (collectively, the "Resolution"), and this reference incorporates the Resolution herein, and by acceptance hereof the Registered Owner of this Series B Bond assents to said terms and conditions. The Resolution is adopted under and this Series B Bond is issued under, and both are to be construed in accordance with, the laws of the State of California.

Pursuant to the Act and the Resolution, the principal of, premium, if any, and interest on this Series B Bond are payable solely from the portion of the annual special taxes authorized under the Act to be levied and collected within the District and pledged to the repayment of the Series B Bonds (the "Special Taxes"). Any amounts for the payment hereof shall be limited to the Special Taxes pledged and collected or foreclosure proceeds received following a default in payment of the Special Taxes, except to the extent that other provision for payment has been made by the Legislative Body, as may be permitted by law. The District has covenanted for the benefit of the owners of the Series B Bonds that under certain circumstances it will commence and diligently pursue to completion appropriate foreclosure proceedings in the event of delinquencies of Special Tax installments levied for payment of principal and interest on the Series B Bonds. The District is currently authorized to issue up to \$8,370,000 in additional Bonds payable from the Special Taxes which will rank equally as to security

with the Series B Bonds, but only upon satisfaction of certain terms and conditions set forth in the Resolution.

The Series B Bonds maturing on or after August 1, 2007 may be redeemed, at the option of the District, from any source of funds, on August 1, 2006, or on any Series B Interest Payment Date thereafter prior to maturity, in whole or in part, by lot, at the following redemption prices, expressed as a percentage of the principal amount thereof, together with accrued interest to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
August 1, 2006 and February 1, 2007	102%
August 1, 2007 and February 1, 2008	101%
August 1, 2008 and thereafter	100%

The Series B Bonds are subject to mandatory redemption, in part, on August 1, 2002, and will be redeemed by the Paying Agent, from moneys transferred to the Series B Redemption Account from amounts still on deposit on June 9, 2002 in the Community Facilities District No. 96-01 Series B Project Fund (as defined in the Resolution) at a redemption price equal to the principal amount thereof, without premium.

The Bonds shall be called before maturity and prepaid, from the Sinking Fund Payments that have been deposited into the Redemption Account of the Special Tax Fund, on August 1, _____, and on each August 1 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The Bonds so called for prepayment shall be selected by the Fiscal Agent by lot and shall be redeemed at a prepayment price for each prepaid Bonds equal to the principal amount thereof, plus accrued interest to the prepayment date, without premium, as follows:

Prepayment Date (August 1)	Principal Amount	Interest Rate

Notice of redemption with respect to the Series B Bonds to be redeemed shall be mailed to the registered owners thereof not less than thirty (30) nor more than sixty (60) days prior to the redemption date by first class mail, postage prepaid, to the addresses set forth in the registration books. Neither a failure of the Registered Owner hereof to receive such notice nor any defect therein will affect the validity of the proceedings for redemption. All Series B Bonds or portions thereof so called for redemption will cease to accrue interest on the specified redemption date, provided that funds for the redemption are on deposit with the Paying Agent on the redemption date. Thereafter, the registered owners of such Series B Bonds shall have no rights except to receive payment of the redemption price upon the surrender of the Series B Bonds.

This Series B Bond shall be registered in the name of the Registered Owner hereof, as to both principal and interest, and the District and the Paying Agent may treat the Registered Owner hereof as the absolute owner for all purposes and shall not be affected by any notice to the contrary.

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

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

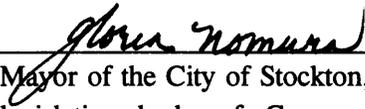
The rights and obligations of the District and of the registered owners of the Series B Bonds may be amended at any time, and in certain cases without notice to or the consent of the registered owners, to the extent and upon the terms provided in the Resolution.

THE SERIES B BONDS DO NOT CONSTITUTE OBLIGATIONS OF THE CITY OF STOCKTON OR OF COMMUNITY FACILITIES DISTRICT NO. 96-01 OF THE CITY OF STOCKTON FOR WHICH THE CITY OF STOCKTON OR THE DISTRICT IS OBLIGATED TO LEVY OR PLEDGE, OR HAS LEVIED OR PLEDGED, GENERAL OR SPECIAL TAXES, OTHER THAN THE SPECIAL TAXES REFERENCED HEREIN. THE SERIES B BONDS ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE FROM THE PORTION OF THE SPECIAL TAXES PLEDGED UNDER THE RESOLUTION BUT ARE NOT A DEBT OF THE CITY OF STOCKTON, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OR RESTRICTION.

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

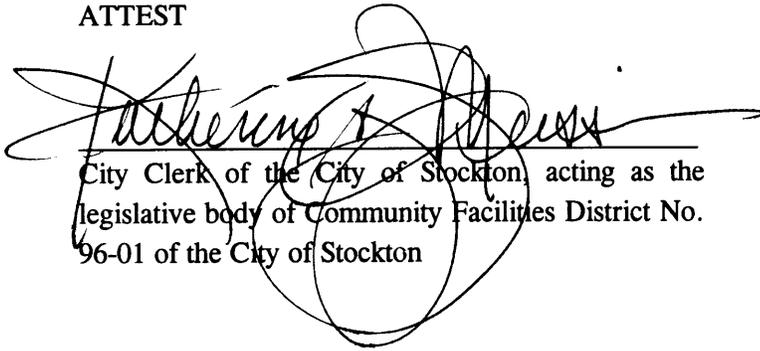
IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by law to exist, happen and be performed precedent to and in the issuance of this Series B Bond do exist, have happened and have been performed in due time, form and manner as required by law, and that the amount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

IN WITNESS WHEREOF, Community Facilities District No. 96-01 of the City of Stockton has caused this Series B Bond to be dated as of June 9, 1999 to be signed on behalf of the District by the Mayor of the City of Stockton by his or her manual or facsimile signature and attested by the manual or facsimile signature of the City Clerk of the City of Stockton and has caused its seal to be reproduced hereon.



Mayor of the City of Stockton, acting as the
legislative body of Community Facilities
District No. 96-01 of the City of Stockton

ATTEST



City Clerk of the City of Stockton, acting as the
legislative body of Community Facilities District No.
96-01 of the City of Stockton

99-0252

LEGAL OPINION

**ROBERT M. HAIGHT
Attorney at Law
5435 SCOTTS VALLEY DRIVE, SUITE D
SCOTTS VALLEY, CALIFORNIA 95066
(831) 438 - 6610**

June 9, 1999

The City Council of the
City of Stockton
425 North El Dorado Avenue
Stockton, California 95202

**RE: COMMUNITY FACILITIES DISTRICT NO. 96-01
OF THE CITY OF STOCKTON
1999 SPECIAL TAX BONDS, SERIES B**

Ladies and Gentlemen:

We have examined the Constitution and the laws of the State of California, a certified record of the proceedings of the City of Stockton taken in connection with the formation of Community Facilities District No. 96-01 of the City of Stockton (the "District") and the authorization and issuance of the Community Facilities District No. 96-01 of the City of Stockton, 1999 Special Tax Bonds, Series B, in the aggregate principal amount of \$3,190,000 (the "Bonds") and such other information and documents as we consider necessary to render this opinion. In rendering this opinion, we have relied upon certain representations of fact and certifications made by the District, the initial purchasers of the Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The Bonds have been issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (comprising Chapter 2.5 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California) and Resolution No. 99-0252 and Supplement to Resolution No. 99-0252, adopted by the City Council of the City of Stockton, acting in its capacity as the legislative body of the District (the "Council") on May 18, 1999 (collectively, the "Resolution").

The Bonds are dated their date of delivery and mature on the dates and in the amounts set forth in the Resolution. The Bonds bear interest payable semiannually on February 1 and August 1,

commencing on February 1, 2000 at the rates per annum set forth in the Resolution. The Bonds are registered bonds in the form set forth in the Resolution, redeemable in the amounts, at the times and in the manner provided for in the Resolution.

Based upon our examination of the foregoing, and in reliance thereon and on all matters of fact as we deem relevant under the circumstances, and upon consideration of applicable laws, we are of the opinion that:

(1) The Bonds have been duly and validly authorized by the District and are legal, valid and binding limited obligations of the District, payable solely from Special Taxes (as defined in the Resolution) collected by the District and from other sources, as and to the extent provided for in the Resolution. The Bonds are enforceable in accordance with their terms and the terms of the Resolution, except to the extent that enforceability may be limited by moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting creditors' rights generally or by the exercise of judicial discretion in accordance with general principles of equity. The Bonds are not a debt of the District, the City of Stockton, the State of California or any other political subdivisions thereof within the meaning of any constitutional or statutory limitation, and neither the faith and credit nor the taxing power of the City of Stockton, the State of California, or any of its political subdivisions (other than the District) is pledged for the payment thereof.

(2) The Resolution has been duly adopted and constitutes a valid and binding action of the Council on behalf of the District.

(3) The interest on the Bonds is excluded 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, it should be noted that, with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted net book income and adjusted current earnings for the purposes of computing the alternative minimum tax imposed on such corporations. The foregoing opinion is subject to the condition that the District complies with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the execution and delivery of the Bonds to assure that interest on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Bonds to be included in gross income retroactive to the date of execution and delivery of the Bonds. The District has covenanted to comply with all such requirements. We express no opinion regarding other federal tax consequences arising with respect to ownership or disposition of the Bonds or the accrual or receipt of interest thereon.

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

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities.

We call attention to the fact that the foregoing opinions and the exclusion of interest on the Bonds from gross income for federal income tax purposes may be affected by actions taken or events occurring after the date hereof, and such actions or events could result in the inclusion of such interest in federal gross income retroactive to the date of issuance of the Bonds. We have not undertaken to determine, or to inform any person, whether such actions or events are taken or occur.

Respectfully submitted,

ROBERT M. HAIGHT

**FORM OF PAYING AGENT'S CERTIFICATE OF AUTHENTICATION AND
REGISTRATION**

This is one of the Series B Bonds described in the within defined Resolution.

Dated: June 9, 1999

U.S. BANK TRUST,
NATIONAL ASSOCIATION

By: _____
Authorized Signatory,
as Paying Agent

FORM OF ASSIGNMENT

FOR VALUE RECEIVED, the undersigned do(es) hereby sell, assign and transfer unto _____ the within-mentioned registered Series B Bond and hereby irrevocably constitute(s) and appoint(s) _____ attorney, to transfer the same on the books of the Paying Agent with full power of substitution in the premises.

Dated:

Signature Guaranteed

Note: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

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

ATTACHMENT "2"

REQUISITION FOR DISBURSEMENT OF SERIES B PROJECT COSTS

The undersigned, a duly authorized representative of Community Facilities District No. 96-01 of the City of Stockton, hereby certifies to the Treasurer for purposes of disbursing funds from the Community Facilities District No. 96-01 Series B Project Fund to pay Series B Project Costs that:

(1) The Treasurer is to pay to the payees set forth on Exhibit A hereto the amount set forth next to each payee's name for the item described on Exhibit A hereto;

(2) There has not been filed with or served upon the District notice of any lien, right to lien or attachment upon, stop notice or claim affecting the right to receive payment of, any of the moneys payable to any of the payees named on Exhibit A hereto which has not been released or will not be released simultaneously with the payment of such amounts, other than materialmen's or mechanic's liens accruing by mere operation of law.

Dated:

**COMMUNITY FACILITIES DISTRICT NO. 96-01
OF THE CITY OF STOCKTON**

By: _____
Authorized Officer

EXHIBIT A

Purpose of: _____

Payee: _____

Amount Due: _____

Expenditure Category: _____

**CERTIFICATE OF THE ELECTION OFFICIAL
DECLARING THE RESULTS OF THE MAILED BALLOT SPECIAL ELECTION
WITHIN ANNEXATION NO. 1 TO COMMUNITY FACILITIES DISTRICT
NO. 96-01 OF THE CITY OF STOCKTON**

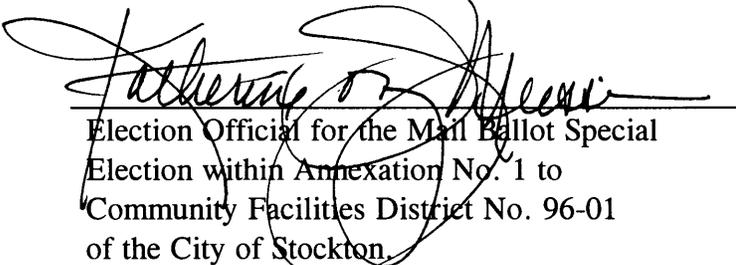
1999 SPECIAL TAX BONDS, SERIES B

I, Katherine Gong Meissner, designated as the Election Official for the mail ballot special election within Annexation No. 1 to Community Facilities District No. 96-01 of the City of Stockton pursuant to Resolution No. 99-0251 adopted by the City Council of the City of Stockton on May 18, 1999, do hereby certify as follows:

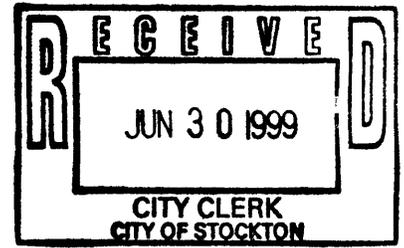
1. That said election was closed at the hour of 5:45 pm o'clock p.m. on May 18, 1999.
2. That the total number of votes eligible to be cast on Measure A was 151, which is equal to one vote per acre or portion of an acre within Annexation No. 1 to Community Facilities District No. 96-01 of the City of Stockton. The total number of votes actually cast was 151.
3. That the results are as follows:

151 votes in favor of Measure A
0 votes in opposition to Measure A
4. That the percentages are as follows:

100% in favor of Measure A
0% in opposition to Measure A
5. That two-thirds (2/3) of the total number of votes cast are needed to approve Measure A, to wit at least 101 votes or 66.67% of the total votes cast.
6. That the number of votes cast in favor of Measure A, based on the results outlined in Section 3 hereof and the percentages outlined in Section 4 hereof, are at least equal to two thirds (2/3) of the total number of votes cast, and, thus, Measure A was duly approved.



Election Official for the Mail Ballot Special
Election within Annexation No. 1 to
Community Facilities District No. 96-01
of the City of Stockton.



**CITY OF STOCKTON
DEVELOPMENT FEE FINANCING
COMMUNITY FACILITIES DISTRICT 96-01
1999 SPECIAL TAX BONDS, SERIES B**

**SUPPLEMENT TO
RESOLUTION NO. 99-0252**

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SUPPLEMENT TO RESOLUTION

RECITALS:

WHEREAS, Community Facilities District No. 96-01 of the City of Stockton (the "District") has determined to issue its Community Facilities District No. 96-01 of the City of Stockton, 1999 Special Tax Bonds, Series B (the "Series B Bonds") in the aggregate principal amount of not to exceed \$3,100,000 pursuant to Resolution No. 99-0252, duly adopted on May 18, 1999, and the terms of this Supplement to Resolution executed pursuant thereto (collectively, the "Resolution") for the purpose of financing development fees which constitute the Series B Project (as defined herein).

NOW, THEREFORE, in accordance with the authorization provided in Resolution No. 99-0252, the District agrees to issue the Series B Bonds in accordance with the provisions of the Resolution.

ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions.

Unless the context otherwise requires, the following terms shall have the following meanings:

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

"Administrative Expenses" means the administrative costs with respect to the calculation and collection of the Special Taxes, or costs otherwise incurred by the City or County staff on behalf of the District in order to carry out the purposes of the District as set forth in the Resolution of Formation and the fees and expenses of the Paying Agent.

"Annexation No. 1" means annexation of that certain territory to the District as approved by the qualified voters on May 18, 1999, and approved by the City Council by the adoption of the Resolution of Annexation.

"Annual Debt Service" means the principal amount of any Outstanding Series B Bonds payable in a Bond Year at maturity and any interest payable on any Outstanding Series B Bonds in such Bond Year, if the Series B Bonds are retired as scheduled.

"Authorized Investments" means, subject to applicable law, (1) United States Treasury notes, bonds, bills or certificates of indebtedness (including United States Treasury Obligations - State and Local Government Series ("SLGS") or other direct obligations issued by the United States Treasury for which the faith and credit of the United States are pledged for the payment of principal and interest); (2) obligations issued by banks for cooperatives, federal and land banks, federal intermediate credit banks, federal home loan banks, the Federal Home Loan Bank Board, the Tennessee Valley Authority, or other federal agencies or United States government-sponsored enterprises; (3) an Investment Agreement; (4) taxable government money market portfolios restricted to obligations with maturities of one year or less, insured or fully guaranteed as to the principal and interest thereon by the full faith and credit of the United States of America or by repurchase agreements collateralized by such obligations and otherwise satisfying the requirements of Government Code Section 53635(i); (5) "tax-exempt bonds" within the meaning of Section 1.148-8T(e)(3) of the Regulations, rated in one of the two highest rating categories by either Standard & Poor's Corporation or Moody's Investors Service; and (6) any other investment in which funds of the District may be legally invested pursuant to Government Code Section 53635.

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

"Bond Register" means the books which the Paying Agent shall keep or cause to be kept on which the registration and transfer of the Series B Bonds shall be recorded.

"Bondowner" or "Owner" means the person or persons in whose name or names any Series B Bond is registered.

"Bond Year" means the twelve (12) month period commencing on August 1 of each year and ending on the last day of July of the following year; however, the first Bond Year commences on June 9, 1999 and ends on July 31, 2000.

"Business Day" means a day on which the Paying Agent is open for business.

"Certificate of the City Manager" means a written certificate executed by the City Manager, or his written designee, with any amendments thereto.

"City" means the City of Stockton, County of San Joaquin, California.

"Series B Costs of Issuance" means the costs and expenses incurred in connection with proceedings for Annexation No. 1 to the District and the issuance and sale of the Series B Bonds, including the acceptance and initial annual fees and expenses of the Paying Agent, legal fees and expenses, costs of printing the Series B Bonds and the preliminary and final Official

Statements, fees of financial consultants and verification agents, fees for credit enhancement relating to the Series B Bonds and other fees and expenses set forth in a Certificate of the City Manager.

"County" means the County of San Joaquin, California.

"Delivery Date" means, with respect to each issue of Series B Bonds, the date on which such bonds were issued and delivered to the underwriter of such Series B Bonds.

"District" means the Community Facilities District No. 96-01 of the City of Stockton including Annexation No. 1 to the District established pursuant to the Act, the Resolution of Formation, and the Resolution Approving Annexation.

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

"Gross Proceeds" means any proceeds of the Series B Bonds and any funds (other than proceeds of the Series B Bonds) that are part of a reserve or replacement fund for the Series B Bonds within the meaning of Section 1.148-8T(d) of the Regulations.

"Gross Taxes" means the amount of all Special Tax proceeds collected in any given year plus any amounts collected from the sale of property pursuant to the foreclosure provisions of this Resolution for the delinquency of such Special Taxes.

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

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

"Investment Agreement" means (1) one or more agreements to be entered into between the District and an entity or entities whose long-term debt or claims paying ability is rated as of the date of such agreement in either of the two highest categories (without regard to gradations of plus and minus within such categories) by Standard & Poor's Corporation or Moody's Investors Service, or (2) one or more agreements between the District and an entity which is rated as of the date of such agreement in either of the two highest categories (without regard to gradations of plus and minus within such categories) by Standard & Poor's Corporation or Moody's Investors Service, or (3) one or more agreements which are collateralized with

obligations of the type described in subparagraph (1) of the definition of Authorized Investments which is at least equal to 102% of the principal amount invested under such agreement.

"Maximum Annual Debt Service" means the maximum sum obtained for any Bond Year prior to the final maturity on the Series B Bonds by adding the following for each Bond Year:

- 1) the principal amount of all Outstanding Series B Bonds payable in such Bond Year at maturity; and
- 2) the interest payable on the aggregate principal amount of the Series B Bonds Outstanding in such Bond Year if the Series B Bonds are retired as scheduled.

"Net Taxes" means Gross Taxes minus amounts set aside to pay Administrative Expenses.

"Nonpurpose Investment" means any "investment property" within the meaning of Section 1.148-8T(e) of the Regulations in which Gross Proceeds are invested and which is not acquired to carry out the governmental purpose of the Series B Bonds.

"Ordinance" means Ordinance No. 011-99, adopted by the legislative body of the District on May 18, 1999, providing for the levying of the Special Tax.

"Outstanding" or "Outstanding Series B Bonds" means all Series B Bonds theretofore issued by the District, except:

- 1) Series B Bonds theretofore cancelled or surrendered for cancellation in accordance with Section 10.01 hereof;
- 2) Series B Bonds for payment or redemption of which monies shall have been theretofore deposited in trust (whether upon or prior to the maturity or the redemption date of such Series B Bonds), provided that, if such Series B Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in this Resolution; and
- 3) Series B Bonds which have been surrendered to the Paying Agent for transfer or exchange pursuant to Section 2.09 or for which a replacement has been issued pursuant to Section 2.09.

"Parity Bonds" means all bonds, notes or other similar evidences of indebtedness hereafter issued, payable out of the Net Taxes and which, as provided in this Resolution or any Supplemental Resolution, rank on a parity with the Bonds.

"Paying Agent" means U.S. Bank Trust, National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States, or any other

association or corporation which may at any time be substituted in its place as provided in Article VII. For so long as U.S. Bank Trust, National Association, is the Paying Agent, the term "corporate trust office" means the corporate trust office of the Trustee at One California Street, 4th Floor, San Francisco, California 94111, provided, however, for the transfer, registration, exchange, payment, and surrender of Bonds, "corporate trust office" means care of the corporate trust office of U.S. Bank Trust National Association in St. Paul, Minnesota or such other office designated by the Paying Agent from time to time.

"Purchase Price", for the purpose of computation of the Yield of the Series B Bonds has the same meaning as the term "issue price" in Sections 1273(b) and 1274 of the Code, and, in general, means the initial offering price to the public (not including bond houses and brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of the Series B Bonds are sold or, if the Series B Bonds are privately placed, the price paid by the original purchaser or the acquisition cost of the original purchaser. The term "Purchase Price", for the purpose of computation of the Yield of Nonpurpose Investments, means the fair market value of the Nonpurpose Investments on the date of use of Gross Proceeds for acquisition thereof, or, if later, on the date that Investment Property constituting a Nonpurpose Investment becomes a Nonpurpose Investment of the Series B Bonds, as the case may be.

"Qualified Reserve Fund Credit Instrument" means an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company which at the time of execution thereof has ratings, with respect to their unsecured obligations, or claims paying ability, as applicable, of "A" or higher by Moody's Investors Service and Standard and Poor's Rating Group.

"Record Date" means the fifteenth day of the month preceding any Series B Interest Payment Date, regardless of whether such day is a Business Day.

"Regulations" means regulations adopted or proposed by the Department of Treasury from time to time with respect to obligations issued pursuant to Sections 103 and 141 to 148, inclusive, of the Code.

"Resolution" means this Supplement to Resolution, together with Resolution No. 99-0252 of the District, approving the Supplement to Resolution, and any Supplemental Resolution approved pursuant to Article VI hereof.

"Resolution of Annexation" means Resolution No. 99-0249, adopted by the City Council of the City of Stockton on May 18, 1999, pursuant to which the City approved Annexation No. 1 to the District.

"Resolution of Formation" means Resolution No. 96-0222, adopted by the City Council of the City of Stockton on May 6, 1996, pursuant to which the City formed the District.

"Series B Bonds" means the Community Facilities District No. 96-01 of the City of Stockton, 1999 Special Tax Bonds, Series B.

"Series B Interest Payment Date" means each February 1 and August 1, commencing February 1, 2000; provided, however, that, if any such day is not a Business Day, interest up to the Series B Interest Payment Date will be paid on the Business Day next succeeding such date.

"Series B Project" means the financing of those public facilities fees described in the Resolution of Annexation and Resolution of Formation which are to be acquired or constructed within and outside of the District, including all engineering, planning and design services and other incidental expenses related to such facilities and other facilities, if any, authorized by the qualified electors within the District from time to time.

"Series B Project Costs" means the amounts necessary to finance the Series B Project, to create and replenish any necessary reserve funds, to pay the initial and annual costs associated with the Series B Bonds, including, but not limited to, remarketing, credit enhancement, Paying Agent and other fees and expenses relating to the issuance of the Series B Bonds and Annexation No. 1 to the District, and to pay any other "incidental expenses" of the District, as such term is defined in the Act.

"Series B Rebate Installment Date" means, with respect to an issue of Series B Bonds, the last day of the fifth Bond Year following the Delivery Date of such issue and each succeeding fifth Bond Year and the date that the last Series B Bond of such issue is discharged.

"Series B Reserve Fund" means either cash or Qualified Reserve Fund Credit Instrument equal to the Series B Reserve Requirement.

"Series B Reserve Requirement" means, as of any date of calculation, ten percent (10%) of the aggregate amount of the Series B Bonds but under no circumstances shall such an amount exceed an amount equal to the lowest of (1) ten percent (10%) of the original proceeds of the Series B Bonds, or (2) Maximum Annual Debt Service, or (3) one hundred twenty-five percent (125%) of the average Annual Debt Service of the Outstanding Series B Bonds.

"Special Taxes" means the taxes authorized to be levied by the District in accordance with the Ordinance, the Resolution of Formation, the Resolution of Annexation, the Act and the voter approval obtained at the May 6, 1996 election in the District and at the May 18, 1999, election within Annexation No. 1.

"Supplemental Resolution" means any resolution authorizing the issuance of any Parity Bonds.

"Tax Collector" means the Treasurer or Tax Collector of the County.

"Treasurer" means the Finance Director of the City acting on behalf of the District.

"Underwriter" means Westhoff, Cone and Holmstead of Walnut Creek, California.

"Yield" means that yield which, when used in computing the present worth of all payments of principal and interest (or other payments in the case of Nonpurpose Investments which require payments in a form not characterized as principal and interest) on a Nonpurpose Investment or on the Series B Bonds produces an amount equal to the Purchase Price of such Nonpurpose Investment, the Series B Bonds, as the case may be, all computed as prescribed in the applicable Regulations.

ARTICLE II

GENERAL AUTHORIZATION AND SERIES B BOND TERMS

SECTION 2.01. Amount, Issuance, Purpose and Nature of Series B Bonds.

Under and pursuant to the Act, the Series B Bonds, together with any Parity Bonds authorized by the legislative body in accordance with Section 9.02 hereof, shall be issued for the purposes of paying Series B Project Costs, provided that the aggregate principal amount of the Series B Bonds shall not exceed the total indebtedness presently approved or subsequently approved by the qualified electors of the District in accordance with the Act. The Series B Bonds issued hereunder are issued for the purpose of financing the Series B Project and for funding the capitalized interest for a portion of the Series B Bonds and to pay costs of issuing the Series B Bonds (collectively, "Purposes").

The Series B Bonds shall be and are limited obligations of the District and shall be payable as to the principal thereof and interest thereon and any premiums upon the redemption thereof solely from the Net Taxes and the amounts in the funds created hereunder, other than amounts in the Series B Administrative Expense Account of the Series B Special Tax Fund, the Series B Project Fund and the Series B Excess Investment Earnings Fund.

SECTION 2.02. Type and Nature of Series B Bonds.

Neither the faith and credit nor the taxing power of the City, the State of California or any political subdivision thereof other than the District is pledged to the payment of the Series B Bonds. Except for the Special Taxes, no other taxes are pledged to the payment of the Series B Bonds. The Series B Bonds are not general or special obligations of the City nor general obligations of the District, but are limited obligations of the District payable solely from certain amounts deposited by the District in the Series B Special Tax Fund, as more fully described herein. No Owner of the Series B Bonds may compel the exercise of the taxing power by the District (except as pertains to the Special Taxes) or the City or the forfeiture of any of their property. The principal of and interest on the Series B Bonds are not a debt of the City, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory limitation or restriction. The Series B Bonds are not a legal or equitable pledge, charge, lien, or encumbrance upon any of the District's property, or upon any of its income, receipts, or revenues, except the Net Taxes and other amounts in the Series B Special Tax Fund (exclusive of the Series B Administrative Expense Account) which are, under the terms of this

Resolution and the Act, set aside for the payment of the Series B Bonds and interest thereon and neither the members of the legislative body of the District or the City Council of the City nor any persons executing the Series B Bonds are liable personally on the Series B Bonds by reason of their issuance.

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

SECTION 2.03. Equality of Series B Bonds and Parity Bonds, Pledge of Net Taxes.

Pursuant to the Act and this Resolution, the Series B Bonds and any Parity Bonds shall be equally payable from the Net Taxes without priority for number, date of the Series B Bonds, date of sale, date of execution, or date of delivery, and the payment of the interest on and principal of the Series B Bonds and any Parity Bonds and any premiums upon the redemption thereof, shall be exclusively paid from the Net Taxes and other amounts in the Series B Special Tax Fund (exclusive of the Series B Administrative Expense Account), which are hereby set aside for the payment of the Series B Bonds. The Net Taxes and any interest earned on the Net Taxes on deposit in the Series B Special Tax Fund shall constitute a trust fund held for the benefit of the Owners to be applied to the payment of the interest on and principal of the Series B Bonds and any Parity Bonds; and so long as any of the Series B Bonds and any Parity Bonds or interest thereon remain Outstanding shall not be used for any other purpose, except as permitted by this Resolution or any Supplemental Resolution. Notwithstanding any provision contained in this Resolution to the contrary, Net Taxes deposited in the Series B Excess Investment Earnings Fund or the Series B Administrative Expense Account of the Series B Special Tax Fund shall no longer be considered to be pledged to the Series B Bonds or any Parity Bonds, and none of the Series B Excess Investment Earnings Fund or the Series B Administrative Expense Account shall be construed as a trust fund held for the benefit of the Owners.

Notwithstanding any provision contained in this Resolution to the contrary, proceeds of the Series B Bonds deposited in the Series B Project Fund shall not be considered to be pledged to the Series B Bonds or any Parity Bonds, and none of the Series B Project Fund shall be construed as a trust fund held for the benefit of the Owners.

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

SECTION 2.04. Description of Series B Bonds; Interest Rates.

The Series B Bonds shall be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof within a single maturity and shall be numbered as desired by the Paying Agent. The Series B Bonds shall be designated "Community Facilities District No. 96-01 of the City of Stockton, 1999 Special Tax Bonds, Series B". The Series B Bonds shall be dated June 9, 1999, and shall mature and be payable on August 1 in the years and in the aggregate principal amounts and shall be subject to and shall bear interest at the rates set forth in the table below:

<u>Due</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2005	\$245,000	4.875%
2006	255,000	5.000%
2007	270,000	5.100%
2008	280,000	5.200%
2009	295,000	5.300%
2010	315,000	5.400%

\$1,440,000 – 5.550 % Term Bond due August 1, 2014 - Price 99%

The Term Bond shall be executed and delivered as a Term Bond in fully registered form without coupons in Authorized Denominations and shall be subject to mandatory redemption from annual sinking fund payments as set forth in Article II herein. The Term Bond shall mature on August 1, 2014 in the amount and shall bear interest (calculated on the basis of a 360-day year of twelve 30-ay months) at the rate per annum, as follows:

<u>Due</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2011	\$330,000	5.550%
2012	350,000	5.550%
2013	370,000	5.550%
2014	390,000	5.550%

Interest shall be payable with respect to each Series B Bonds on each Series B Interest Payment Date until the principal sum of that Series B Bonds has been paid; provided, however, that if at the maturity date of any Series B Bonds (or if the same is redeemable and shall be duly called for redemption, then at the date fixed for redemption) funds are available for the payment or redemption thereof in full, in accordance with the terms of this Resolution, such Series B Bonds shall then cease to bear interest. Interest due on the Series B Bonds shall be calculated on the basis of a 360-day year comprised of twelve 30-day months.

SECTION 2.05. Place and Form of Payment.

The Series B Bonds shall be payable both as to principal and interest, and as to any premiums upon the redemption thereof, in lawful money of the United States of America. The principal of the Series B Bonds and any premiums due upon the redemption thereof shall be payable upon presentation thereof at the corporate trust office of the Paying Agent in San Francisco, California. Interest on any Series B Bonds shall be payable from the Series B Interest Payment Date next preceding the date of authentication of that Series B Bonds, unless (i) such date of authentication is an Series B Interest Payment Date in which event interest shall be payable from such date of authentication, (ii) the date of authentication is after a Record Date but prior to the immediately succeeding Series B Interest Payment Date, in which event interest shall be payable from the Series B Interest Payment Date immediately succeeding the date of authentication or (iii) the date of authentication is prior to the close of business on the first Record Date in which event interest shall be payable from the dated date of such Series B Bonds, as applicable; provided, however, that if at the time of authentication of such Series B Bonds, interest is in default, interest on that Series B Bonds shall be payable from the last Series B Interest Payment Date to which the interest has been paid or made available for payment or, if no interest has been paid or made available for payment on that Series B Bond, interest on that Series B Bond,, as applicable, shall be payable from its dated date. Interest on any Series B Bond shall be paid to the person whose name shall appear in the Bond Register as the Owner of such Series B Bond as of the close of business on the Record Date. Such interest shall be paid by check of the Paying Agent mailed on the Series B Interest Payment Date by first class mail, postage prepaid, to such Bondowner at his or her address as it appears on the Bond Register or, upon request in writing received by the Paying Agent on or before the applicable Record Date from a Bondowner of \$1,000,000 or more in principal amount of an issue of Series B Bonds, payment shall be made on the Series B Interest Payment Date by wire transfer in immediately available funds to an account designated by such Bondowner. Notwithstanding the foregoing, upon initial issuance, the ownership of the Series B Bonds shall be registered in the nominee of DTC, as defined and set forth more fully in Section 2.11 herein.

SECTION 2.06. Form of Series B Bonds; Temporary Series B Bonds.

The definitive Series B Bonds shall be printed from steel engraved or lithographic plates. The Series B Bonds and the certificate of authentication shall be substantially in the form attached hereto as Attachment 1, which form is hereby approved and adopted as the form of the Series B Bonds and of the certificate of authentication.

Until definitive Series B Bonds shall be prepared, the District may cause to be executed and delivered in lieu of such definitive Series B Bonds temporary bonds in typed, printed, lithographed or engraved form and in fully registered form, subject to the same provisions, limitations and conditions as are applicable in the case of definitive Series B Bonds, except that they may be in any denominations authorized by the District. Until exchanged for definitive Series B Bonds of the applicable issue, any temporary bond shall be entitled and, subject to the same benefits and provisions of this Resolution as definitive Series B Bonds. If the District issues temporary Series B Bonds, it shall execute and furnish definitive Series B Bonds without unnecessary delay and thereupon any temporary Series B Bond may

be surrendered to the Paying Agent at its office, without expense to the Owner, in exchange for a definitive Series B Bond of the same issue, maturity, interest rate and principal amount in any authorized denomination. All temporary Series B Bonds so surrendered shall be cancelled by the Paying Agent and shall not be reissued.

SECTION 2.07. Execution and Authentication.

The Series B Bonds shall be signed on behalf of the District by the manual or facsimile signature of the Mayor of the City and by the manual or facsimile signature of the City Clerk of the City, or any duly appointed deputy clerk, in their capacity as officers of the District, and the seal of the City (or a facsimile thereof) shall be impressed, imprinted, engraved or otherwise reproduced thereon. In case any one or more of the officers who shall have signed or sealed any of the Series B Bonds shall cease to be such officer before the Series B Bonds so signed and sealed have been authenticated and delivered by the Paying Agent (including new Series B Bonds delivered pursuant to the provisions hereof with reference to the transfer and exchange of Series B Bonds or to lost, stolen, destroyed or mutilated Series B Bonds), such Series B Bonds shall nevertheless be valid and may be authenticated and delivered as herein provided, and may be issued as if the person who signed or sealed such Series B Bonds had not ceased to hold such office.

Only such Series B Bonds as shall bear thereon such certificate of authentication in the form set forth in Attachment 1 hereto shall be entitled to any right or benefit under this Resolution, and no Series B Bond shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by the Paying Agent.

SECTION 2.08. Bond Register.

The Paying Agent will keep or cause to be kept sufficient books for the registration and transfer of the Series B Bonds which shall be open to inspection by the District during all regular business hours, and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be transferred on said Bond Register, Series B Bonds as herein provided.

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

SECTION 2.09. Registration of Exchange or Transfer.

The registration of any Series B Bond may, in accordance with its terms, be transferred upon the Bond Register by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Series B Bond for cancellation at the corporate trust office of the

Paying Agent, accompanied by delivery of written instrument of transfer in a form approved by the Paying Agent and duly executed by the Bondowner or his or her duly authorized attorney.

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

SECTION 2.10. Mutilated, Lost, Destroyed or Stolen Series B Bonds.

If any Series B Bond shall become mutilated, the District, at the expense of the Bondowner, shall execute, and the Paying Agent shall authenticate and deliver, a new Series B Bond of the same issue of Series B Bonds and like tenor, date and maturity in exchange and substitution for the Series B Bond so mutilated, but only upon surrender to the Paying Agent of the Series B Bond so mutilated. Every mutilated Series B Bond so surrendered to the Paying Agent shall be cancelled by the Paying Agent pursuant to Section 10.01.

If any Series B Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Paying Agent and, if such evidence is satisfactory to the Paying Agent and, if any indemnity satisfactory to the District and the Paying Agent shall be given, the District, at the expense of the Bondowner, shall execute and the Paying Agent shall authenticate and deliver, a new Series B Bond of like tenor and maturity, numbered and dated as such Paying Agent shall determine in lieu of and in substitution for the Series B Bond so lost, destroyed or stolen. Any Series B Bond issued in lieu of any Series B Bond alleged to be mutilated, lost, destroyed or stolen, shall be equally and proportionately entitled to the benefits hereof with all other Series B Bonds issued hereunder. The Paying Agent shall not treat both the original Series B Bond and any replacement Series B Bond as being Outstanding for the purpose of determining the principal amount of Series B Bonds which may be executed, authenticated and delivered hereunder or for the purpose of determining any percentage of Series B Bonds Outstanding hereunder, but both the original and replacement Series B Bond shall be treated as one and the same.

Notwithstanding any other provision of this Section, in lieu of delivering a new Series B Bond for one which has been mutilated, lost, destroyed or stolen, and which has matured, the Paying Agent may make payment with respect to such Series B Bonds.

SECTION 2.11. Book-Entry System.

The Series B Bonds shall be initially issued in the form of a single, fully registered Series B Bond for each maturity (which may be typewritten). Upon initial issuance, the ownership of such Series B Bond shall be registered in the name of the Nominee identified below as nominee of the Depository Trust Company, New York, and its successors and assigns (the "Depository" or "DTC"). Except as hereinafter provided, all of the Outstanding Series B Bonds shall be registered in the name of the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to this Section (the "Nominee").

With respect to the Series B Bonds registered in the name of the Nominee, neither the District nor the Paying Agent shall have any responsibility or obligation to any broker-dealers, banks and other financial institutions from time to time for which the Depository holds Series B Bonds as securities depository (the "Participant") or to any person on behalf of which such a Participant holds an interest in the Series B Bonds. Without limiting the immediately preceding sentence, neither the District nor the Paying Agent shall have any responsibility or obligation (unless the District is at such time the Depository) with respect to (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in the Series B Bonds, (ii) the delivery to any Participant or any other person, other than an Owner of a Series B Bond as shown in the Bond Register, of any notice with respect to the Series B Bonds, including any notice of redemption, (iii) the selection by the Depository and its Participants of the beneficial interests in the Series B Bonds to be redeemed in the event the District redeems the Series B Bonds in part, or (iv) the payment to any Participant or any other person, other than an Owner of a Series B Bond as shown in the Bond Register, of any amount with respect to principal of or interest on the Series B Bonds. The District and the Paying Agent may treat and consider the person in whose name each Series B Bond is registered as the holder and absolute Owner of such Series B Bond for the purpose of payment of principal and interest with respect to such Series B Bond, for the purpose of giving notices of prepayment if applicable, and other matters with respect to such Series B Bond, for the purpose of registering transfers with respect to such Series B Bond, and for all other purposes whatsoever. The District shall pay all principal of and interest on the Series B Bonds only to or upon the order of the respective Owner of a Series B Bond, as shown in the Bond Register, or its respective attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the District's obligations with respect to payment of principal of and interest on the Series B Bonds to the extent of the sum or sums so paid. No person other than an Owner of a Series B Bond, as shown in the register, shall receive a Series B Bond evidencing the obligation of the District to make payments of principal and interest pursuant to this Resolution. Upon delivery by the Depository to the Owners of the Series B Bonds, and the District of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to Record Dates, the word Nominee in this Resolution shall refer to such nominee of the Depository.

In order to qualify the Series B Bonds for the Depository's book-entry system, the District has executed and delivered to the Depository a Letter of Representations. The execution and delivery of

the Letter of Representations shall not in any other way limit the provisions of this Section or in any other way impose upon the District any obligation whatsoever with respect to persons having interests in the Series B Bonds other than the Owners of the Series B Bonds, as shown on the Bond Register. In addition to the execution and delivery of the Letter of Representations, the District shall take such other actions, not inconsistent with this Resolution, as are reasonably necessary to qualify the Series B Bonds for the Depository's book-entry program.

In the event (i) the Depository determines not to continue to act as securities depository for the Series B Bonds, or (ii) the Depository shall no longer so act and gives notice to the District of such determination, then the District will discontinue the book-entry system with the Depository. If the District determines to replace the depository with another qualified securities depository, the District shall prepare or direct the preparation of a new, single, separate, fully registered Series B Bond, per maturity, registered in the name of such successor or substitute qualified securities depository or its nominee. If the District fails to identify another qualified securities depository to replace the Depository, then the Series B Bonds shall no longer be restricted to being registered in the Bond Register in the name of the Nominee, but shall be registered in whatever name or names owners of the Series B Bonds transferring or exchanging Series B Bonds shall designate, in accordance with the provisions of Section 2.09, and the District shall prepare and deliver Series B Bonds to the Owners thereof for such purpose.

In the event of a reduction in aggregate principal amount of Series B Bonds Outstanding or an advance refunding of part of the Series B Bonds Outstanding, DTC, in its discretion, (a) may request the District to prepare and issue a new Series B Bond or (b) may make an appropriate notation on the Series B Bond indicating the date and amounts of such reduction in principal, but in such event the District records maintained by the Paying Agent shall be conclusive as to what amounts are Outstanding on the Series B Bond, except in the case of final maturity, in which case the Series B Bond must be presented to the Paying Agent prior to payment.

Notwithstanding any other provision of this Resolution to the contrary, so long as any Series B Bond is registered in the name of the Nominee, all payments of principal and interest with respect to such Series B Bond and all notices with respect to such Series B Bonds shall be made and given, respectively, as provided in the Letter of Representations or as otherwise instructed by the Depository and acceptable to the District.

The initial Nominee shall be Cede & Co., as Nominee of DTC.

SECTION 2.12. Validity of Series B Bonds and Parity Bonds.

The validity of the authorization and issuance of the Series B Bonds and any Parity Bonds shall not be affected in any way by any defect in any proceedings taken by the District for the financing of the Series B Project, or by the invalidity, in whole or in part, of any contracts made by the District in connection therewith, and shall not be dependent upon the completion of the financing of the Series B Project or upon the performance by any person of his obligation with respect to the Series B Project, and the recital contained in the Series B Bonds or any Parity Bonds that the same are issued pursuant

to the Act and other applicable laws of the State shall be conclusive evidence of their validity and of the regularity of their issuance.

ARTICLE III

CREATION OF FUNDS AND APPLICATION OF PROCEEDS AND NET TAXES

SECTION 3.01. Creation of Funds.

There is hereby created and established and shall be maintained by the Treasurer of the District the following funds and accounts:

- 1) The Community Facilities District No. 96-01, Series B Special Tax Fund (the "Series B Special Tax Fund") in which there shall be established and created a Series B Interest Account, a Series B Principal Account, a Series B Redemption Account, and a Series B Administrative Expense Account.
- 2) The Community Facilities District No. 96-01 Series B Excess Investment Earnings Fund (the "Series B Excess Investment Earnings Fund").
- 3) The Community Facilities District No. 96-01 Series B Special Fund (the "Series B Special Fund").
- 4) The Community Facilities District No. 96-01 Series B Project Fund (the "Series B Project Fund") in which there is established a Series B Cost of Issuance Account and a Series B Capitalized Interest Account.

The amounts on deposit in the foregoing funds shall be held by the Treasurer and the Treasurer, upon written instructions by the Treasurer, shall invest and disburse the amounts in such funds in accordance with the provisions of this Article III and shall disburse investment earnings thereon in accordance with the provisions of Section 3.11 hereof. The Treasurer may appoint a fiscal agent, trustee or other agent to act as a custodian of the funds to the extent permitted by applicable law. Any such designation shall identify the funds or accounts that the custodian shall hold and such designation shall operate as a delegation to the custodian to do all things required or allowed by the Resolution of that fund or account.

In connection with the issuance of any Parity Bonds, the Treasurer may create additional funds, or accounts within any of the foregoing funds for the purpose of accounting for the proceeds of the Series B Bonds or any Parity Bonds.

SECTION 3.02. Disposition of Series B Bond Proceeds.

The proceeds of the sale of the Series B Bonds received by the Treasurer on behalf of the District and the amounts remaining on deposit in the funds and accounts established with respect to the Series B Bonds under the Resolution shall be deposited as follows:

- 1) \$5,000 of Series B Bond proceeds shall be deposited in the Series B Administrative Expense Account of the Series B Special Tax Fund;
- 2) \$2,762,430 of Series B Bond proceeds shall be deposited in the Series B Project Fund, \$74,275.96 shall be deposited to the Series B Cost of Issuance Account of the Series B Project Fund, and \$185,496.44 shall be deposited in the Series B Capitalized Interest Account of the Series B Project Fund to be applied to the payment of interest on the Series B Bonds on February 1, 2000 and August 1, 2000;

SECTION 3.03. Deposits to and Disbursements from Series B Special Tax Fund.

The Treasurer shall, on each date on which the Special Taxes are apportioned to the District, deposit the Special Taxes in the Series B Special Tax Fund, to be held in trust and will then transfer the Special Taxes on the dates and in the amounts set forth in the following Sections, in the following order of priority, to:

- 1) The Series B Administrative Expense Account of the Series B Special Tax Fund;
- 2) The Series B Interest Account of the Series B Special Tax Fund;
- 3) The Series B Principal Account of the Series B Special Tax Fund;
- 4) The Series B Redemption Account of the Series B Special Tax Fund; and

After making the foregoing deposits, any amounts remaining in the Series B Special Tax Fund shall be deposited in the following funds in the following order of priority:

- 1) The Series B Excess Investment Earnings Fund; and
- 2) The Series B Special Tax Fund.

Notwithstanding anything herein to the contrary, monies transferred to the Series B Redemption Account of the Series B Special Tax Fund from the Series B Project Fund in accordance with Section 3.06 hereof shall, unless in the opinion of Bond Counsel another use of such funds will not impair the exclusion from gross income for federal income tax purposes of interest on the Series B Bonds, be invested and applied only in accordance with the provisions of this paragraph. Monies held in the Series B Redemption Account shall be invested by the Treasurer, in Authorized Investments the interest on which is excludable from gross income under Section 103 of the Code (other than bonds the interest on which is a tax preference item for purposes of computing the alternative minimum tax of individuals and corporations under the Code) or in Authorized Investments at a Yield not in excess of the lowest Yield on the Series B Bonds and shall be applied only (i) to the purchase of Series B Bonds, if the moneys in the Series B Redemption Account are proceeds thereof, by the District, in the open market, at a price not to exceed the principal amount thereof plus accrued interest, which Series B Bonds shall thereupon be cancelled, (ii) to make principal payments on the Series B Bonds if the moneys in the Series B Redemption Account are proceeds thereof, or (iii) to redeem Series B Bonds if

the moneys in the Series B Redemption Account are proceeds thereof at the earliest redemption date permitted by this Resolution. Notwithstanding the foregoing, amounts on deposit in the Series B Redemption Account may be invested at a Yield higher than that permitted by the preceding sentence upon receipt of an opinion of Bond Counsel that investment of such amounts at such higher Yield will not adversely affect the exclusion from gross income of interest on the Series B Bonds.

At the date of the redemption, defeasance or maturity of the last Series B Bonds, and after all principal and interest then due on the Series B Bonds then Outstanding has been paid or provided for, moneys in the Series B Special Tax Fund and any accounts therein may be used by the District for any lawful purpose.

All investments discussed above shall be made by the Treasurer or other custodian upon written direction of the Treasurer.

SECTION 3.04. Series B Administrative Expense Account of the Series B Special Tax Fund.

The Treasurer shall withdraw from the Series B Special Tax Fund and place in the Series B Administrative Expense Account of the Series B Special Tax Fund from time to time, as needed to make timely payment of Series B Administrative Expenses, an amount necessary to pay Series B Administrative Expenses. Moneys in the Series B Administrative Expense Account of the Series B Special Tax Fund may be invested in any Authorized Investments, provided that the maturity or maturities thereof shall not exceed 30 days from the date of purchase.

SECTION 3.05. Series B Interest Account and Series B Principal Account of the Series B Special Tax Fund.

The principal and interest due on the Series B Bonds until maturity, otherwise than by redemption, shall be paid by the Paying Agent from amounts transferred to it by the Treasurer from the Series B Interest Account and the Series B Principal Account of the Series B Special Tax Fund. The Treasurer shall transfer funds from the Series B Capitalized Interest Account of the Series B Project Fund (pursuant to Section 3.05(b) hereof) to pay interest due on the Series B Bonds on February 1, 2000 and August 1, 2000. For the purpose of assuring that the payment of principal of and interest on the Series B Bonds will be made when due, after making the transfer required by Section 3.04, at least one Business Day prior to each Series B Interest Payment Date, the Treasurer shall make the following transfers first to the Series B Interest Account and then to the Series B Principal Account and shall wire transfer such amounts to the Paying Agent at least one Business Day prior to each Series B Interest Payment Date; provided, however, that to the extent that deposits have been made in the Series B Interest Account or the Series B Principal Account from the proceeds of the sale of the Series B Bonds, or otherwise, or to the extent that a transfer will be made from the Series B Capitalized Interest Account of the Series B Project Fund pursuant to Section 3.05(b), the transfer from the Series B Special Tax Fund need not be made:

- (a) To the Series B Interest Account, an amount such that the balance in the Series B Interest Account one (1) Business Day prior to each Series B Interest Payment Date shall be equal to the installment

of interest due on the Series B Bonds on said Series B Interest Payment Date. Moneys in the Series B Interest Account shall be used for the payment of interest on the Series B Bonds as the same become due.

- (b) To the Series B Principal Account, an amount such that the balance in the Series B Principal Account one (1) Business Day prior to August 1 of each year commencing August 1, 2005 shall equal the principal payment due on the Series B Bonds maturing on such August 1. Moneys in the Series B Principal Account shall be used for the payment of the principal of such Series B Bonds as the same become due at maturity.

The Treasurer shall first expend amounts transferred from the Series B Capitalized Interest Account of the Series B Project Fund to pay interest on the Series B Bonds before expending other amounts for such purpose. In the event that the Net Taxes are inadequate to make all required deposits, the available Net Taxes shall be allocated to the payment of each issue of Series B Bonds on a pro rata basis such that an equal percentage of the Annual Debt Service on each issue is being paid.

SECTION 3.06. Series B Redemption Account of the Series B Special Tax Fund.

- (a) Commencing one (1) Business Day prior to August 1, 2006 and one (1) Business Day prior to each August 1 thereafter after making the deposits to the Series B Administrative Expense Account of the Series B Special Tax Fund and the Series B Interest Account and the Series B Principal Account of the Series B Special Tax Fund pursuant to Sections 3.04 and 3.05 above and in accordance with the District's election to call Series B Bonds for optional redemption as set forth in Section 4.01(b) hereof, the Treasurer shall transfer from the Series B Special Tax Fund and deposit in the Series B Redemption Account moneys available for the purpose and sufficient to pay the principal and the premiums payable as provided in Section 4.01(b) hereof on the Series B Bonds called for optional redemption and shall wire transfer such amounts to the Paying Agent one (1) Business Day prior to the redemption date
- (b) Moneys set aside in the Series B Redemption Account shall be used solely for the purpose of redeeming Series B Bonds and shall be applied on or after the redemption date to the payment of principal of and premium on the Series B Bonds to be redeemed upon presentation and surrender of such Series B Bonds; provided, however, in lieu or partially in lieu of such call and redemption, moneys deposited in the Series B Redemption Account as set forth above may be used to purchase Outstanding Series B Bonds of the same issue that such moneys are to redeem in the manner hereinafter provided. Purchases of Outstanding Series B Bonds may be made by the District at public or private sale as and when and at such prices as the District may in its discretion determine but only at prices (including brokerage or other expenses) not more than par plus accrued interest, or, in the case of purchases to be made from funds to be applied to a redemption pursuant to Section 4.01 par plus accrued interest, plus, in the case of moneys set aside for an optional redemption, the premium applicable at the next following call date according to the premium schedule established pursuant to Section 4.01(b) hereof. Any accrued interest payable upon the purchase of Series B Bonds may be paid from the amount reserved in the Series B

Interest Account of the Series B Special Tax Fund for the payment of interest on the next following Series B Interest Payment Date.

SECTION 3.07. Series B Reserve Fund.

The Series B Reserve Fund is hereby established as a separate fund to be held by the Treasurer to the credit of which an initial deposit shall be made equal initially to the Series B Reserve Requirement allocable to the Series B Bonds. Proceeds from redemption or sale of properties with respect to which payment of delinquent Special Taxes and interest thereon was made from the Series B Reserve Fund, shall be credited to the Series B Reserve Fund. Moneys or assets in the Series B Reserve fund shall be held in trust for the benefit of the District and the Owners as a reserve for the payment of principal of and interest and any premium on, the Series B Bonds.

The initial deposit shall consist of cash or a Qualified Reserve Fund Credit Instrument satisfactory to the District. Prior to the expiration of any Qualified Reserve Fund Credit Instrument, the provider thereof shall be obligated either to (i) deposit or cause to be deposited in the Series B Reserve Fund an amount of money equal to the Series B Reserve Requirement, or (ii) replace such Qualified Reserve Fund Credit Instrument with a new Qualified Reserve Fund Credit Instrument in the amount of the Series B Reserve Requirement; provided, however, that if such expiring Qualified Reserve Fund Credit Instrument is not timely replaced, the Treasurer shall draw on such Qualified Reserve Fund Credit Instrument before such expiration to the extent necessary to fund the Series B Reserve Requirement.

Moneys in the Series B Reserve Fund shall be used solely for the purpose of paying the principal of, and interest on the Series B Bonds when due in the event that the moneys in the Series B Interest Account and the Series B Principal Account of the Series B Special Tax Fund are insufficient therefor and for the purpose of making any required transfer to the Series B Excess Investment Earnings Fund pursuant to Section 3.08 upon written direction from the District; provided, however, if, and only if, the Series B Reserve Fund is cash funded, proportionate amounts in the Series B Reserve Fund may be applied to pay the principal and interest due on any Series B Bonds in the final Bond Year in which any Series B Bonds are Outstanding. If the amounts in the Series B Interest Account, the Series B Principal Account or the Series B Redemption Account of the Series B Special Tax Fund are insufficient to pay the principal of, or interest on the Series B Bonds when due, or amounts in the Series B Special Tax Fund are insufficient to make transfers, to the Series B Excess Investment Earnings Fund when required, the Treasurer shall withdraw from the Series B Reserve Fund for deposit in the Series B Interest Account, the Series B Principal Account or the Series B Redemption Account of the Series B Special Tax Fund or the Series B Excess Investment Earnings Fund, as applicable, moneys necessary for such purposes. Following any transfer to the Series B Interest Account, the Series B Principal Account or the Series B Redemption Account of the Series B Special Tax Fund or to the Series B Excess Investment Earnings Fund as described above, the District shall then take the steps necessary to cause to be deposited to the Series B Reserve Fund the amount needed to replenish the Series B Reserve Fund to the Series B Reserve Requirement by transferring such amount from any legally available funds of the District, including the Series B Special Fund or, if the

District so elects, by including such amount in the next annual Special Tax levy to the extent of the permitted maximum Special Tax rates. The Treasurer is directed to draw on any Qualified Reserve Fund Credit Instrument to the extent necessary to make debt service payment on the Series B Bonds.

Notwithstanding anything herein to the contrary, whenever moneys are withdrawn from the Series B Reserve Fund, after making the required transfers to Sections 3.04, 3.05 and 3.06 above, the Treasurer shall transfer to the Series B Reserve Fund from available moneys in the Series B Special Tax Fund the amount needed to restore the amount of such account to the Series B Reserve Requirement. Moneys in the Series B Special Tax Fund shall be deemed available for transfer to the Series B Reserve Fund only if the Treasurer determines that such amounts will not be needed to make the deposits required to be made to the Series B Administrative Expense Account, the Series B Interest Account, the Series B Principal Account or the Series B Redemption Account of the Series B Special Tax Fund.

Notwithstanding any provision herein to the contrary, whenever the balance in the Series B Reserve Fund consists entirely of cash, moneys in the Series B Reserve Fund in excess of the Series B Reserve Requirement shall be withdrawn from the Series B Reserve Fund one (1) Business Day before each August 1 and February 1 and transferred at the option of the District to the Series B Redemption Account to be applied to the redemption of Series B Bonds on the next August 1 or to the Series B Principal Account of the Series B Special Tax Fund to the extent required to make any principal payment on the next succeeding August 1, with any excess being transferred to the Series B Redemption Account of the Series B Special Tax Fund.

Whenever, after the issuance of the Series B Bonds, Special Taxes are prepaid, in whole or in part, as provided in this Supplement to Resolution No. 99-0252, the Series B Reserve Fund may be reduced in an amount equal to the product of the ratio of the original amount of the Special Taxes so paid to the original amount of all Special Taxes, times the initial Series B Reserve Requirement. If, and only if, the Series B Reserve Fund is cash funded, the prepayer shall be entitled to a credit in a like amount in determining the amount of such prepayment, and in that event the amount of such credit shall be transferred from the Series B Reserve Fund to the Series B Redemption Account.

SECTION 3.08. Series B Excess Investment Earnings Fund.

(a) The District shall calculate Excess Investment Earnings separately for each issue of Series B Bonds in accordance with this Section 3.08 and shall pay Excess Investment Earnings to the United States government in accordance with paragraph (c). The District shall maintain a separate subaccount in the Series B Excess Investment Earnings Fund for the Series B Bonds. The term "Excess Investment Earnings" means, for each issue of Series B Bonds, an amount equal to the sum of:

(i) the excess of:

(A) the aggregate amount earned from the Delivery Date on all Nonpurpose Investments in which Gross Proceeds of such issue of Series B Bonds are

invested or allocated {other than investments attributable to an excess described in this subparagraph (i)}, over

(B) the amount that would have been earned if the Yield on such Nonpurpose Investments {other than investments attributable to an excess described in this subparagraph (i)} had been equal to the Yield on such issue of Series B Bonds,

plus

(ii) any income attributable to the excess described in paragraph (i).

(iii) In determining the amount described in this subsection (a) there shall be excluded any amount earned on any fund or account which is used primarily to achieve a proper matching of revenues and Annual Debt Service of such issue of Series B Bonds during each Bond Year and which is depleted at least once a year except for a reasonable carryover amount not in excess of the greater of one year's earnings on such fund or account or one-twelfth (1/12) of annual debt service on such issue of Series B Bonds, as well as amounts earned on said earnings if said earnings are less than \$100,000 during such Bond Year. The District intends that the Series B Interest Account, the Series B Principal Account and the Series B Redemption Account of the Series B Special Tax Fund will be the type of accounts described in the preceding sentence; provided, however, that amounts earned on funds deposited to the interest account Series B Capitalized Interest Account of the Series B Project Fund shall be included in such calculation.

(b) At or prior to thirty (30) days following the last day of the first Bond Year of each issue of Series B Bonds, the District shall calculate the Series B Excess Investment Earnings referenced in subparagraph (i) of paragraph (a) for such issue and shall deposit an amount equal to the Series B Excess Investment Earnings on each issue into the account of the Series B Excess Investment Earnings Fund designated for such issue to the extent funds are available from any legally available funds, including the Series B Reserve Fund; provided, however, that the Treasurer need not make such deposit if it has received a Certificate of the City Manager that such amount will be available from Special Tax proceeds or other funds of the District on or prior to the next Rebate Installment Date for such issue. Thereafter, within thirty (30) days following the last day of each Bond Year and not later than forty-five (45) days prior to any optional redemption and on the date of the retirement of an issue of Series B Bonds, the District shall calculate the amount of Series B Excess Investment Earnings referenced in subparagraphs (i) and (ii) of paragraph (a) for such issue and the Treasurer shall make corresponding transfers from the sources specified in the preceding sentence into the account of the Series B Excess Investment Earnings Fund corresponding to such issue. The calculations shall be made in accordance with the Regulations.

- (c) The Treasurer shall pay Series B Excess Investment Earnings to the United States government in installments with the first payment to be made not later than sixty (60) days after the first Rebate Installment Date for each issue of Series B Bonds and every Rebate Installment Date thereafter. The District shall assure that each installment is in an amount equal to at least ninety percent (90%) of the Series B Excess Investment Earnings with respect to such issue of Series B Bonds as of each Rebate Installment Date for such issue prior to the discharge of the last Series B Bond of such issue. Not later than sixty (60) days after the final Rebate Installment Date for an issue, the Treasurer shall pay from the account of the Series B Excess Investment Earnings Fund for such issue, or the District shall pay directly from funds legally available for such purpose, one hundred percent (100%) of the theretofore unpaid Series B Excess Investment Earnings of such issue of Series B Bonds plus earnings on such Series B Excess Investment Earnings received or accrued after the final Rebate Installment Date as required by the Regulations. The District shall remit such payments to the United States government at the address and in the manner prescribed by the Regulations as the same may be in time to time in effect, together with such reports and statements prepared by District as may be prescribed by such Regulations.
- (d) The District shall keep and retain for a period of six (6) years following the retirement of an issue of Series B Bonds records of the determinations made pursuant to this Section. The Treasurer shall keep a record of all investments made with moneys on deposit in any Fund or Account established hereunder. Such records shall contain a reference to the date of purchase, the date of sale, the purchase price, the sales price, the principal amount and coupon rate of each obligation purchased or sold.
- (e) Payments pursuant to this Section shall be made to the maximum extent possible from moneys on deposit in the Series B Excess Investment Earnings Fund and, to the extent of any deficiency therein for such purpose, shall be made first from Special Taxes in the Series B Special Tax Fund and then, if necessary, from amounts in the Series B Reserve Fund. In the event of any remaining deficiency in available moneys for the purposes of such transfer, such deficiency shall be paid by the District from any legally available funds.
- (f) The District may make a joint computation for the Series B Bonds and any Parity Bonds with an opinion of Bond Counsel to the effect that a joint computation will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series B Bonds or any Parity Bonds then Outstanding.
- (g) Notwithstanding the foregoing, the foregoing method of computing Series B Excess Investment Earnings may be modified, in whole or in part, without the consent of the Owners of the Series B Bonds, upon receipt by the District of an opinion of Bond Counsel to the effect that such modification will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series B Bonds theretofore issued.

SECTION 3.09. Special Fund.

After making the transfers required by Sections 3.04, 3.05, 3.06, 3.07 and 3.08, on the first Business Day after each August 1, the Treasurer shall transfer all remaining amounts in the Series B Special Tax Fund to the Special Fund. Moneys deposited in the Special Fund may be transferred by the Treasurer (i) to the Series B Interest Account, the Series B Principal Account or the Series B Redemption Account of the Series B Special Tax Fund to pay the principal of, and interest on the Series B Bonds when due in the event that moneys in the Series B Special Tax Fund and the Series B Reserve Fund are insufficient therefor, (ii) to the Series B Reserve Fund in order to replenish the Series B Reserve Fund to the Series B Reserve Requirement, (iii) to the Series B Administrative Expense Account of the Series B Special Tax Fund to pay Administrative Expenses to the extent that the amounts on deposit in the Series B Administrative Expense Account of the Series B Special Tax Fund are insufficient to pay Administrative Expenses, (iv) to the Series B Project Fund to pay Series B Project Costs, or (v) for any other lawful purpose of the District.

The amounts in the Special Fund are not pledged to the repayment of the Series B Bonds and may be used by the District for any lawful purpose. In the event that the District reasonably expects to use any portion of the moneys in the Special Fund to pay debt service on any Outstanding Series B Bonds, the Treasurer will segregate such amount into a separate subaccount and the moneys on deposit in such subaccount of the Special Fund shall be invested in Authorized Investments the interest on which is excludable from gross income under Section 103 of the Code (other than bonds the interest on which is a tax preference item for purposes of computing the alternative minimum tax of individuals and corporations under the Code) or in Authorized Investments at a Yield not in excess of the Yield on the Series B Bonds or, if lower, the Yield on any Parity Bonds, unless, in the opinion of Bond Counsel, investment at a higher Yield will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series B Bonds then Outstanding.

SECTION 3.10. Community Facilities District No. 96-01 Series B Project Fund.

- (a) The moneys in the Community Facilities District No. 96-01 Series B Project Fund (the "Series B Project Fund") shall be applied exclusively to pay Series B Project Costs and Series B Costs of Issuance for the Series B Bonds, and for transfer to the Series B Interest Account from the Series B Capitalized Interest Account. Amounts for Series B Costs of Issuance shall be disbursed by the Treasurer from the Series B Costs of Issuance Account only upon satisfaction of the conditions contained in Section 3.10(a) hereof and upon receipt of a Certificate of the City Manager, or his designee, stating the amount due, the nature of the services rendered and the name of the payee. On the date which is six months following the Delivery Date for an issue of Series B Bonds, any amounts remaining in the Series B Costs of Issuance Account from such issue of Series B Bonds shall be transferred to the Series B Administrative Expense Account of the Series B Special Tax Fund.

Series B Project Costs, including Developer reimbursement for all previously paid Development Fees that qualify under this Supplemental Resolution, shall be disbursed by the Treasurer only upon satisfaction of the conditions contained in this Section and upon receipt of a sequentially

numbered written requisition, substantially in the form attached hereto as Attachment 2, from the City Manager, or his designee, or such other person as is designated in writing to the Treasurer by the legislative body of the District, stating (1) that the conditions to the release of such funds have been satisfied, (2) the name of the person to whom payment is due, (3) the amount to be paid, (4) the purpose for which the obligation to be paid was incurred, and (5) that there has not been filed with or served upon the District notice of any lien, right to lien or attachment upon, stop notice or claim affecting the right to receive payment of, any of the moneys payable to any of the persons named in such certificate or written requisition, which has not been released or will not be released simultaneously with the payment of such obligation, other than materialmen's or mechanic's liens accruing by mere operation of law.

Commencing one (1) Business Day prior to February 1, 2000 and August 1, 2000, the Treasurer shall transfer into the Series B Interest Account of the Series B Special Tax Fund from the Series B Capitalized Interest Account of the Series B Project Fund the amount needed to make the balance in the Series B Interest Account equal to the interest due on any Outstanding Series B Bonds on such February 1, 2000 and August 1, 2000 and such amounts shall be wire transferred to the Paying Agent one (1) Business Day prior to such February 1, 2000 and August 1, 2000.

- (b) Upon receipt of a Certificate of the City Manager or Assistant City Manager that all or a specified portion of the amount remaining in the Series B Project Fund is no longer needed to pay Series B Project Costs or Series B Costs of Issuance, or are set aside in the interest account Series B Capitalized Interest Account for transfer to the Series B Interest Account pursuant to this Section 3.10, the Treasurer shall transfer all or such specified portion of the moneys remaining on deposit in the Series B Project Fund to the Series B Redemption Account of the Series B Special Tax Fund.

SECTION 3.11. Investments.

Moneys held in any of the Funds and Accounts under this Resolution shall be invested at the direction of the Treasurer in accordance with the limitations set forth below only in Authorized Investments which shall be deemed at all times to be a part of such funds and accounts. Any loss or interest earnings resulting from such Authorized Investments shall be credited or charged to the fund, account or subaccount from which such investment was made; provided, however, that interest earnings on amounts in the Series B Capitalized Interest Account of the Series B Project Fund, and the Series B Reserve Fund (if in cash) shall be deposited to the Series B Interest Account of the Series B Special Tax Fund. Moneys in the funds and accounts held under this Resolution may be invested by the Treasurer, from time to time, in Authorized Investments, subject to the following restrictions:

- (a) Moneys in the Series B Project Fund shall be invested in Authorized Investments which will by their terms mature, or in the case of an Investment Agreement are available without penalty, as close as practicable to the date the District estimates the moneys represented by the particular investment will be needed for withdrawal from the respective funds. Notwithstanding anything herein to the contrary, the proceeds of any Series B Bonds on deposit in the Series B Project Fund

shall be invested by the District only in Authorized Investments the interest on which is excluded from gross income under Section 103 of the Code (other than bonds the interest on which is a tax preference item for purposes of computing the alternative minimum tax of individuals and corporations under the Code) or in Authorized Investments at a Yield not in excess of the lesser of the Yield on the Series B Bonds, unless in the opinion of Bond Counsel such restriction is not necessary to prevent interest on the Series B Bonds from being included in gross income for federal income tax purposes.

- (b) Moneys in the Series B Interest Account, the Series B Principal Account and the Series B Redemption Account of the Series B Special Tax Fund shall be invested only in Authorized Investments which will by their terms mature, or in the case of an Investment Agreement are available for withdrawal without penalty, on such dates so as to ensure the payment of principal of, premium, if any, and interest on the Series B Bonds as the same become due.
- (c) Moneys on deposit in the Series B Reserve Fund (if in cash) shall be invested by the District only in Authorized Investments the interest on which is excluded from gross income under Section 103 of the Code (other than bonds the interest on which is a tax preference item for purposes of computing the alternative minimum tax of individuals and corporations under the Code) or in Authorized Investments at a Yield not in excess of the lesser of the Yield on the Series B Bonds, unless in the opinion of Bond Counsel such restriction is not necessary to prevent interest on the Series B Bonds from being included in gross income for federal income tax purposes; provided that such amounts may be invested in an Investment Agreement to the later of the final maturity of the Series B Bonds so long as such amounts may be withdrawn at any time, without penalty, for application in accordance with Section 3.07 hereof; and provided that no such Authorized Investment shall mature later than the final maturity of the Series B Bonds. Amounts in the Series B Reserve Fund may be invested in an Investment Agreement only if such Investment Agreement, by its terms, permits the District to withdraw all principal at par and without penalty, together with accrued interest to the withdrawal date, in the event that the rating of the provider of the Investment Agreement or the rating on the Investment Agreement is suspended or downgraded below "A" by Moody's Investors Service or Standard & Poor's Corporation.
- (d) Moneys in the Series B Excess Investment Earnings Fund shall be invested only in Authorized Investments of the type described in clause (1) of the definition thereof which by their terms will mature, as nearly as practicable, on the dates such amounts are needed to be paid to the United States Government pursuant to Section 3.08 hereof.
- (e) The Treasurer shall sell at the best price obtainable, or present for redemption, any obligations so purchased whenever it may be necessary to do so in order to provide moneys to meet any payment or transfer to such funds and accounts or from such funds and accounts. For the purpose of determining at any given time the balance in any such funds, any such investments constituting a part of such funds and accounts shall be valued at their cost. Notwithstanding anything herein to the contrary, the Treasurer and the Paying Agent shall not be responsible for any loss from investments, sales or transfers undertaken in accordance with the provisions of this Resolution.

Notwithstanding anything herein to the contrary, all investments of any amounts on deposit in any fund or account created hereunder and held by a custodian shall be made only upon the written direction of the Treasurer and a custodian may conclusively rely on the direction without exercising any independent judgment as to said investment, including, but without limitation, (i) the efficacy of the investment, (ii) the quality of the investment, (iii) the legality of the investment or (iv) whether or not the investment will cause interest on the Series B Bonds to be includable in gross income of the recipients under Section 103 of the Code.

ARTICLE IV

REDEMPTION OF SERIES B BONDS

SECTION 4.01. Redemption of Series B Bonds.

- (a) Extraordinary Mandatory Redemption. The Series B Bonds shall be subject to mandatory redemption, in part, on August 1, 2002 and shall be redeemed by the Paying Agent, from moneys transferred to the Series B Redemption Account from amounts still on deposit on June 9, 2002 in the Series B Project Fund, at a redemption price equal to the principal amount thereof, without premium.
- (b) Mandatory Redemption. The Bonds maturing August 1, 2014, shall be called before maturity and prepaid, from the Sinking Fund Payments that have been deposited into the Redemption Account of the Special Tax Fund, on August 1, 2011, and on each August 1 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The Bonds so called for prepayment shall be selected by the Fiscal Agent by lot and shall be redeemed at a prepayment price for each prepaid Bonds equal to the principal amount thereof, plus accrued interest to the prepayment date, without premium, as follows:

Prepayment Date (August 1)	Principal Amount	Interest Rate
2011	\$330,000	5.550%
2012	350,000	5.550%
2013	370,000	5.550%
2014	390,000	5.550%

- (c) Optional Redemption. The Series B Bonds maturing on or after August 1, 2007 may be redeemed, at the option of the District on August 1, 2006, or on any Series B Interest Payment Date thereafter, prior to maturity in whole or in part, by lot, from any source of available funds other than from the collection of special taxes through prepayment, at the following redemption prices, expressed as a percentage of the principal amount to be redeemed, together with accrued interest to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
August 1, 2006 and February 1, 2007	102%

August 1, 2007 and February 1, 2008	101%
August 1, 2008 and thereafter	100%

(d) Optional Redemption from Prepayment of Special Tax. The Bonds are subject to optional redemption prior to their respective maturity dates, as a whole or in part on any Interest Payment Date beginning August 1, 2001, solely from money derived from prepayments of the Special Tax by any property owner in the District, at the following redemption prices (computed upon the principal amount of the Bonds or portions thereof called for redemption), together with accrued interest to the date fixed for redemption, as set forth below:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
August 1, 2001 through February 1, 2004	102%
August 1, 2004 and February 1, 2005	101%
August 1, 2005 and thereafter	100%

In the event the District shall elect to redeem Series B Bonds as provided in this Section 4.01(b), (c) or (d), the District shall give written notice to the Paying Agent of its election so to redeem, the redemption date and the principal amount of the Series B Bonds to be redeemed. The notice to the Paying Agent shall be given at least sixty (60) days but no more than ninety (90) days prior to the redemption date or such shorter period as shall be acceptable to the Paying Agent.

SECTION 4.02. Selection of Series B Bonds for Redemption.

If less than all of the Series B Bonds Outstanding are to be redeemed, the portion of any Series B Bond of a denomination of more than \$5,000 to be redeemed shall be in the principal amount of \$5,000 or an integral multiple thereof, and, in selecting portions of such Series B Bonds for redemption, the Paying Agent shall treat each such Series B Bond as representing that number of Series B Bonds of \$5,000 denominations which is obtained by dividing the principal amount of such Series B Bond to be redeemed in part by \$5,000. The Paying Agent shall promptly notify the District in writing of the Series B Bonds, or portions thereof, selected for redemption.

SECTION 4.03. Notice of Redemption.

When Series B Bonds are due for redemption under Section 4.01 above, the Paying Agent shall give notice, in the name of the District, of the redemption of such Series B Bonds. Such notice of redemption shall (a) specify the CUSIP numbers (if any), the serial numbers and the maturity date or dates of the Series B Bonds selected for redemption, except that where all the Series B Bonds are subject to redemption, or all the Series B Bonds of one maturity, are to be redeemed, the serial numbers thereof need not be specified; (b) state the date fixed for redemption and surrender of the Series B Bonds to be redeemed; (c) state the redemption price; (d) state the place or places where the Series B Bonds are to be redeemed; (e) in the case of Series B Bonds to be redeemed only in part, state the portion of such Series B Bond which is to be redeemed; (f) state the date of issue of the Series B Bonds as originally issued; (g) state the rate of interest borne by each Series B Bond being

redeemed; and (h) state any other descriptive information needed to identify accurately the Series B Bonds being redeemed as shall be specified by the Treasurer and the Paying Agent. Such notice shall further state that on the date fixed for redemption, there shall become due and payable on each Series B Bond, or portion thereof called for redemption, the principal thereof, together with any premium, and interest accrued to the redemption date, and that from and after such date, interest thereon shall cease to accrue and be payable. At least 30 days but no more than 60 days prior to the redemption date, the Paying Agent shall mail a copy of such notice, by first class mail, postage prepaid, to the respective Owners thereof at their addresses appearing on the Bond Register. The actual receipt by the Owner of any Series B Bond of notice of such redemption shall not be a condition precedent thereto, and neither the failure to receive nor any defect in such notice shall affect the validity of the proceedings for the redemption of such Series B Bonds, or the cessation of interest on the redemption date. A certificate by the Paying Agent that notice of such redemption has been given as herein provided shall be conclusive as against all parties and the Owner shall not be entitled to show that he or she failed to receive notice of such redemption.

In addition to the foregoing notice, further notice shall be given by the Paying Agent as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed.

Each further notice of redemption shall be sent at least two (2) days before notice of redemption is mailed to the Bondowners pursuant to the first paragraph of this Section by registered or certified mail or overnight delivery service to the three registered securities depositories listed below and to any other registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the Series B Bonds as shall be specified by the Treasurer to the Paying Agent and to the national information services listed below that disseminate notice of redemption of obligations such as the Series B Bonds :

Bloomberg Municipal Repository

PO box 840
Princeton, New Jersey 08542-0840
Internet address: MUNIS@bloomberg.com
(609) 279-3200 or
(609) 279-3204 to order documents
Internet address: <http://www.municipal.com>
(609) 279-5963
Fax: (609) 279-3235
Contact: Lena Panich

Thompson NRMSIR

Secondary Market Disclosure
395 Hudson Street, 3rd Floor
New York, New York 10014
Internet address: Disclosure@muller.com
(212) 807-5001
Fax: (212)989-2078
Contact: Carolyn Chin

DPC Data, Inc.

One Executive Drive
Fort Lee, New Jersey 07024
(201) 346-0701
Fax: (201) 947-0107
Internet address: nrmsir@dpccdata.com
Contact: NRMSIR

JJ Kenny Information Services

The Repository
65 Broadway, 16th Floor
New York, New York 10006
(212) 770-4568
Fax: (212) 797-7994
Internet address: joan_horai@mcgrawhill.com
Contact: Joan Horai, Repository

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

SECTION 4.04. Partial Redemption of Series B Bonds.

Upon surrender of any Series B Bond to be redeemed in part only, the District shall execute and the Paying Agent shall authenticate and deliver to the Bondowner, at the expense of the District, a new Series B Bond or Series B Bonds of the same issue and in authorized denominations equal in aggregate principal amount to and bearing the same interest rate and the same maturity as the unredeemed portion of the Series B Bonds so surrendered.

SECTION 4.05. Effect of Notice and Availability of Redemption Money.

Notice of redemption having been duly given, as provided in Section 4.03, and the amount necessary for the redemption having been made available for that purpose and being available therefor on the date fixed for such redemption:

- (a) The Series B Bonds, or portions thereof, designated for redemption shall, on the date fixed for redemption, become due and payable at the redemption price thereof as provided in this Resolution, anything in this Resolution or in the Series B Bonds to the contrary notwithstanding;
- (b) Upon presentation and surrender thereof at the corporate trust office of the Paying Agent, the redemption price of such Series B Bonds shall be paid to the Owners thereof;

- (c) As of the redemption date the Series B Bonds, or portions thereof so designated for redemption shall be deemed to be no longer Outstanding and such Series B Bonds, or portions thereof, shall cease to bear further interest; and
- (d) As of the date fixed for redemption, no Owner of any of the Series B Bonds, or portions thereof so designated for redemption shall be entitled to any of the benefits of this Resolution or any Supplemental Resolution, or to any other rights, except with respect to payment of the redemption price and interest accrued to the redemption date from the amounts so made available.

ARTICLE V

COVENANTS AND WARRANTY

SECTION 5.01. Warranty.

The District shall preserve and protect the security pledged hereunder to the Series B Bonds against all claims and demands of all persons.

SECTION 5.02. Covenants.

So long as any of the Series B Bonds issued hereunder are Outstanding and unpaid, the District makes the following covenants with the Bondowners under the provisions of the Act and this Resolution (to be performed by the District or its proper officers, agents or employees), which covenants are necessary and desirable to secure the Series B Bonds and tend to make them more marketable; provided, however, that said covenants do not require the District to expend any funds or moneys other than the Special Taxes:

- (a) Punctual Payment; Against Encumbrances. The District covenants that it will receive all Special Taxes in trust and will immediately deposit the Special Taxes with the Treasurer, and the District shall have no beneficial right or interest in the amounts so deposited except as provided by this Resolution. All such Special Taxes shall be disbursed, allocated and applied solely to the uses and purposes set forth herein, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the District.

The District covenants that it will duly and punctually pay or cause to be paid the principal of and interest on every Series B Bond issued hereunder, together with the premium, if any, thereon on the date, at the place and in the manner set forth in the Series B Bonds and in accordance with this Resolution to the extent Net Taxes are available therefor, and that the payments into the funds and accounts created hereunder will be made, all in strict conformity with the terms of the Series B Bonds, and this Resolution, and that it will faithfully observe and perform all of the conditions, covenants and requirements of this Resolution and all Supplemental Resolutions and of the Series B Bonds issued hereunder.

The District will not mortgage or otherwise encumber, pledge or place any charge upon any of the Net Taxes, except as provided in this Resolution, and will not issue any obligation or security

having a lien or charge upon the Net Taxes superior to or on a parity with the Series B Bonds, other than Parity Bonds. Nothing herein shall prevent the District from issuing or incurring indebtedness which is payable from a pledge of Net Taxes which is subordinate in all respects to the pledge of Net Taxes to repay the Series B Bonds and the Parity Bonds.

- (b) Levy of Special Tax. The legislative body of the District shall cause the Tax Collector to levy the Special Tax in an amount sufficient to pay the principal of and interest on the Series B Bonds when due and the Administrative Expenses and any amounts required to maintain the Series B Reserve Fund at the Series B Reserve Requirement so long as any Series B Bonds issued under this Resolution are Outstanding.
- (c) Commence Foreclosure Proceedings. The District covenants for the benefit of the Owners of the Series B Bonds that it will commence judicial foreclosure proceedings against parcels with delinquent Special Taxes in excess of \$25,000 by the October 1 following the close of each Fiscal Year in which such Special Taxes were due and will commence judicial foreclosure proceedings against all parcels with delinquent Special Taxes by the October 1 following the close of each Fiscal Year in which it receives Special Taxes in an amount which is less than 95% of the total Special Tax levied, and diligently pursue to completion such foreclosures. Notwithstanding the foregoing, the District, in its sole discretion, may elect to defer foreclosure proceedings on any parcel so long as the amount in the Series B Reserve Fund is at least equal to the Series B Reserve Requirement. The District may, but shall not be obligated to, advance funds from any source of legally available funds in order to maintain the Series B Reserve Fund at the Series B Reserve Requirement.
- (d) Payment of Claims. The District will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon any portion of the Series B Project acquired or constructed by the District, or upon the Net Taxes or any part thereof, or upon any funds in the hands of the Paying Agent, or which might impair the security of the Series B Bonds then Outstanding; provided that nothing herein contained shall require the District to make any such payments so long as the District in good faith shall contest the validity of any such claims.
- (e) Books and Accounts. The District will keep proper books of records and accounts, separate from all other records and accounts of the District, in which complete and correct entries shall be made of all transactions relating to the Series B Project, the levy of the Special Tax and the deposits to the Series B Special Tax Fund. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Paying Agent or of the Owners of not less than ten percent (10%) of the principal amount of the Series B Bonds or the Owners of not less than ten percent (10%) of any issue of Parity Bonds then Outstanding or their representatives authorized in writing.
- (f) Tax Covenants. In order to preserve the exclusion from gross income of interest on the Series B Bonds for federal income tax purposes, the District covenants to comply with all applicable

requirements of the Code, together with any Regulations, necessary to preserve such exclusion from gross income and specifically covenants, without limiting the generality of the foregoing, that:

- (1) it will make no use of the proceeds of the Series B Bonds at any time which will cause the Series B Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code and applicable Regulations and, in furtherance of this covenant, will comply with all the provisions of its Non-Arbitrage Certificate dated the Delivery Date;
- (2) it will not use in excess of 5% of the proceeds of any issue of Series B Bonds to make or finance loans to any person other than a governmental unit (other than loans which are Nonpurpose Investments or are for the purpose of enabling the borrower to finance any governmental tax or assessment of general application for a specific essential governmental function, all as set forth in Section 141(c) of the Code);
- (3) it will neither use nor permit the use of more than 10% of the proceeds of any issue of Series B Bonds for any private business use, or enter into an arrangement such that more than 10% of the proceeds of any issue of Series B Bonds is, directly or indirectly, secured by any interest in (i) property used or to be used for a private business use or (ii) payments in respect of such property or to be derived from payments in respect of property, or borrowed money, used or to be used for a private business use, all as set forth in Section 141(b) of the Code, or take any other action which would cause an issue of Series B Bonds to be "private activity bonds" within the meaning of Section 141(a) of the Code;
- (4) it will ensure that the payment of principal of and interest on an issue of Series B Bonds shall not be directly or indirectly guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof) and no portion of the moneys contained in any of the Funds or Accounts created herein shall be (i) used in making loans guaranteed by the United States (or any agency or instrumentality thereof); (ii) invested directly or indirectly in deposits or accounts insured by the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, National Credit Union Administration or any other similar federally chartered corporation; (iii) otherwise invested directly or indirectly in obligations guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof); except (1) during the initial period following issuance of the Series B Bonds and ending on the earlier of final expenditure of the Series B Bond proceeds or 3 years from the date of issue of the issue of Series B Bonds to which such moneys relate; (2) for amounts held in the Series B Reserve Fund, or other reserve funds satisfying Section 148(d) of the Code; (3) for amounts held in the Series B Interest Account, the Series B Principal Account and the Series B Redemption Account of the Series B Special Tax Fund and other bona fide debt service funds; (4) for investments in obligations issued by the United States Treasury; (5) for investments in obligations guaranteed by the Federal National Mortgage Association, Government National

Mortgage Association or Federal Home Loan Mortgage Corporation, or (6) for investments permitted under Regulations issued pursuant to Section 149(b)(3)(B) of the Code; and

- (5) (i) it shall keep a detailed accounting of all transactions contemplated under this Resolution or any Supplemental Resolution or in any way relating to the receipt or disbursement of any of the Gross Proceeds of the Series B Bonds for a period of six years after the later of the date of payment of all Excess Investment Earnings to the United States or the date the District disburses the last of the Gross Proceeds of the Series B Bonds and will calculate Excess Investment Earnings in accordance with the Regulations; (ii) except for the investment of moneys in tax-exempt Series B Bonds or Gross Proceeds invested during an applicable temporary period permitted under the Regulations or Gross Proceeds held as a reasonably required reserve fund, it will not allow Gross Proceeds of an issue of Series B Bonds to be invested at any time in Nonpurpose Investments with a Yield in excess of the Yield on such issue of Series B Bonds without an opinion of Bond Counsel to the effect that investment at a higher Yield will not adversely affect the exclusion from gross income of interest on such issue of Series B Bonds for federal income tax purposes; (iii) it will neither invest Gross Proceeds nor cause Gross Proceeds to be invested in Nonpurpose Investments if the Yield on such Nonpurpose Investments would be less than the Yield that would have resulted in an arm's-length transaction; and (iv) it will not sell or otherwise dispose of or cause to be sold or otherwise disposed of Nonpurpose Investments, if such sale or disposition would result in a smaller profit or larger loss than would have resulted from a sale at fair market value arrived at in an arm's-length transaction.
- (g) Completion of Series B Project. The District will diligently carry out and continue to completion with all practical dispatch the acquisition or construction of the Series B Project in accordance with the Act and the proceedings for the formation of the District and in a sound and economical manner; provided, however, that the District shall not be obligated to expend any funds other than the proceeds of the Series B Bonds for such purpose. The Series B Project to be acquired or constructed may be amended as provided in the Act, but no amendment may be made which would substantially impair the security of the Series B Bonds or the rights of the Owners. Once acquired or constructed, the District will maintain the Series B Project, or cause it to be maintained by another public entity, in accordance with the customary and reasonable maintenance and repair practices for such facilities.
- (h) Continuing Disclosure. The City covenants that it will comply with and enforce the provisions of the Continuing Disclosure Certificate.

ARTICLE VI

AMENDMENTS TO RESOLUTION

SECTION 6.01. Supplemental Resolutions or Orders Not Requiring Bondowner Consent.

The District may from time to time, and at any time, without notice to or consent of any of the Bondowners, adopt resolutions or orders supplemental hereto for any of the following purposes:

- (a) to cure any ambiguity, to correct or supplement any provisions herein which may be inconsistent with any other provision herein, or to make any other provision with respect to matters or questions arising under this Resolution or in any additional resolution or order, provided that such action is not materially adverse to the interest of the Bondowners;
- (b) to add to the covenants and agreements of and the limitations and the restrictions upon the District contained in this Resolution, other covenants, agreements, limitations and restrictions to be observed by the District which are not contrary to or inconsistent with this Resolution as theretofore in effect or which further secure the Series B Bonds;
- (c) to provide for the issuance of any Parity Bonds, and to provide the terms and conditions under which such Parity Bonds may be issued, subject to and in accordance with the provisions of this Resolution;
- (d) to modify, amend or supplement this Resolution in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, or to comply with the Code or regulations issued thereunder, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially adversely affect the interests of the Owners of the Series B Bonds then Outstanding;
- (e) to modify, alter or amend the rate and method of apportionment of the Special Taxes in any manner so long as such changes do not reduce the maximum Special Taxes that may be levied in each year on property within the District to an amount which is less than 110% of the principal and interest due in each corresponding future Bond Year on the Series B Bonds Outstanding as of the date of such amendment; or
- (f) to modify, alter, amend or supplement this Resolution in any other respect which is not materially adverse to the Bondowners.

SECTION 6.02. Supplemental Resolutions or Orders Requiring Bondowner Consent.

Exclusive of the resolutions or orders supplemental hereto set forth in Section 6.01, the Owners of not less than 60% in aggregate principal amount of the Series B Bonds Outstanding shall have the right to consent to and approve the adoption by the District of such resolutions or orders supplemental hereto as shall be deemed necessary or desirable by the District for the purpose of waiving, modifying,

altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Resolution; provided, however, that nothing herein shall permit, or be construed as permitting, (a) an extension of the maturity date of the principal, or the payment date of interest on, any Series B Bond, (b) a reduction in the principal amount of, or redemption premium on, any Series B Bond or the rate of interest thereon, (c) a preference or priority of any Series B Bond over any other Series B Bond, or (d) a reduction in the aggregate principal amount of the Series B Bonds the Owners of which are required to consent to such resolution or order, without the consent of the Owners of all Series B Bonds then Outstanding.

If at any time the District shall desire to adopt a resolution or order supplemental hereto, which pursuant to the terms of this Section shall require the consent of the Bondowners, the District shall so notify the Paying Agent and shall deliver to the Paying Agent a copy of the proposed resolution or order. The Paying Agent shall, at the expense of the District, cause notice of the proposed resolution or order to be mailed, by first class mail, postage prepaid, to all Bondowners at their addresses as they appear in the Bond Register. Such notice shall briefly set forth the nature of the proposed resolution or order and shall state that a copy thereof is on file at the office of the Treasurer for inspection by all Bondowners. The failure of any Bondowners to receive such notice shall not affect the validity of such resolution or order when consented to and approved by the Owners of not less than 60% in aggregate principal amount of the Series B Bonds Outstanding as required by this Section. Whenever at any time within one year after the date of the first mailing of such notice, the Paying Agent shall receive an instrument or instruments purporting to be executed by the Owners of not less than 60% in aggregate principal amount of the Series B Bonds Outstanding, which instrument or instruments shall refer to the proposed resolution or order described in such notice, and shall specifically consent to and approve the adoption thereof by the District substantially in the form of the copy referred to in such notice as on file with the Treasurer, such proposed resolution or order, when duly adopted by the District, shall thereafter become a part of the proceedings for the issuance of the Series B Bonds. In determining whether the Owners of 60% of the aggregate principal amount of the Series B Bonds have consented to the adoption of any supplemental resolution or order, Series B Bonds which are owned by the District or by any person directly or indirectly controlling or controlled by or under the direct or indirect common control with the District, shall be disregarded and shall be treated as though they were not Outstanding for the purpose of any such determination.

Upon the adoption of any resolution or order supplemental hereto and the receipt of consent to any such resolution or order from the Owners of not less than 60% in aggregate principal amount of the Outstanding Series B Bonds in instances where such consent is required pursuant to the provisions of this section, this Resolution shall be, and shall be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under this Resolution of the District and all Owners of Outstanding Series B Bonds shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such modifications and amendments.

SECTION 6.03. Notation of Series B Bonds; Delivery of Amended Series B Bonds.

After the effective date of any action taken as hereinabove provided, the District may determine that the Series B Bonds may bear a notation, by endorsement in form approved by the District, as to such action, and in that case upon demand of the Owner of any Outstanding Series B Bond at such effective date and presentation of his Series B Bond for the purpose at the corporate trust office of the Paying Agent, or at such additional offices as the Treasurer may select and designate for that purpose, a suitable notation as to such action shall be made on such Series B Bonds. If the District shall so determine, new Series B Bonds so modified as, in the opinion of the District, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Owner of any Outstanding Series B Bond at such effective date such new Series B Bonds shall be exchanged at the corporate trust office of the Paying Agent, or at such additional offices as the Paying Agent may select and designate for that purpose, without cost to each Owner of Outstanding Series B Bonds, upon surrender of such Outstanding Series B Bonds.

ARTICLE VII

PAYING AGENT

SECTION 7.01. Paying Agent.

U.S. Bank Trust, National Association, is hereby appointed Paying Agent for the District for the purpose of receiving all money which the District is required to deposit with the Paying Agent hereunder and to allocate, use and apply the same as provided in this Resolution. In the event that the District fails to deposit with the Paying Agent any amount due hereunder when due, the Paying Agent shall provide immediate telephonic notice to the Treasurer's office and shall confirm the amount of such shortfall in writing.

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

The Paying Agent is hereby authorized to redeem the Series B Bonds when duly presented for payment at maturity, or on redemption prior to maturity, The Paying Agent shall cancel all Series B Bonds upon payment thereof in accordance with the provisions of Section 10.01 hereof.

The District shall from time to time, subject to any agreement between the District and the Paying Agent then in force, pay to the Paying Agent compensation for its services, reimburse the Paying

Agent for all its advances and expenditures, including, but not limited to, advances to and fees and expenses of independent accountants or counsel employed by it in the exercise and performance of its powers and duties hereunder, and indemnify and save the Paying Agent harmless against expenses and liabilities not arising from its own gross negligence or willful misconduct which it may incur in the exercise and performance of its powers and duties hereunder.

SECTION 7.02. Removal of Paying Agent.

The District may at any time at its sole discretion remove the Paying Agent initially appointed, and any successor thereto, by delivering to the Paying Agent a written notice of its decision to remove the Paying Agent and may appoint a successor or successors thereto; provided that any, such successor, other than the Treasurer, shall be a bank or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least fifty million dollars (\$50,000,000), and subject to supervision or examination by federal or state authority. Any removal shall become effective only upon acceptance of appointment by the successor Paying Agent or the Treasurer. If any bank or trust company appointed as a successor publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

SECTION 7.03. Resignation of Paying Agent.

The Paying Agent may at any time resign by giving written notice to the District and by giving to the Owners notice of such resignation, which notice shall be mailed to the Owners at their addresses appearing in the registration books in the office of the Paying Agent. Upon receiving such notice of resignation, the District shall promptly appoint a successor Paying Agent by an instrument in writing. Any resignation or removal of the Paying Agent and appointment of a successor Paying Agent shall become effective only upon acceptance of appointment by the successor Paying Agent. Should the District fail to appoint a successor Paying Agent within thirty (30) days of receipt of notice of resignation, the Paying Agent may petition a court of competent jurisdiction to appoint a successor Paying Agent.

SECTION 7.04. Liability of Paying Agent.

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

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

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

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

ARTICLE VIII

EVENTS OF DEFAULT; REMEDIES

SECTION 8.01. Events of Default.

Any one or more of the following events shall constitute an "event of default":

- (a) Default in the due and punctual payment of the principal of or redemption premium, if any, on any Series B Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;
- (b) Default in the due and punctual payment of the interest on any Series B Bond when and as the same shall become due and payable; or
- (c) Except as described in (a) or (b), default shall be made by the District in the observance of any of the agreements, conditions or covenants on its part contained in this Resolution, the Series B Bonds, and such default shall have continued for a period of thirty (30) days after the District shall have been given notice in writing of such default by the Paying Agent or the Owners of twenty-five percent (25%) in aggregate principal amount of the Outstanding Series B Bonds.

SECTION 8.02. Remedies of Owners.

Following the occurrence of an event of default, any Owner shall have the right for the equal benefit and protection of all Owners similarly situated:

- (a) By mandamus or other suit or proceeding at law or in equity to enforce his rights against the District and any of the members, officers and employees of the District, and to compel the District or any such members, officers or employees to perform and carry out their duties under the Act and their agreements with the Owners as provided in this Resolution;
- (b) By suit in equity to enjoin any actions or things which are unlawful or violate the rights of the Owners; or
- (c) By a suit in equity to require the District and its members, officers and employees to account as the trustee of an express trust.

Nothing in this Article or in any other provision of this Resolution, the Series B Bonds shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the interest on and principal of the Series B Bonds to the respective Owners thereof at the respective dates of maturity, as herein provided, out of the Net Taxes pledged for such payment, or affect or impair the right of action, which is also absolute and unconditional, of such Owners to institute suit to enforce such payment by virtue of the contract embodied in the Series B Bonds and in this Resolution.

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

If any suit, action or proceeding to enforce any right or exercise any remedy is abandoned or determined adversely to the Owners, the District and the Owners shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

No remedy herein conferred upon or reserved to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

In case the moneys held by the Paying Agent after an event of default pursuant to Section 8.01(a) or (b) shall be insufficient to pay in full the whole amount so owing and unpaid upon the Series B Bonds, then all available amounts shall be applied to the payment of such principal and interest without preference or priority of principal over interest, or interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest.

ARTICLE IX
DEFEASANCE

SECTION 9.01. Defeasance.

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

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

- (a) by paying or causing to be paid the principal of, premium, if any, and interest on such Series B Bonds, as and when the same shall become due and payable;
- (b) by depositing with the Treasurer, in trust, at or before maturity, money which, together with the amounts then on deposit in the Series B Special Tax Fund (exclusive of the Series B Administrative Expense Account), is fully sufficient to pay the principal of, premium, if any, and interest on such Series B Bond, as and when the same shall become due and payable; or
- (c) by depositing with the Paying Agent, or another escrow bank appointed by the Treasurer, in trust, direct, noncallable Authorized Investments, of the type defined in clause (1) of the definition thereof set forth in Section 1.01 hereof, in which the District may lawfully invest its money, in such amount as an Independent Financial Consultant shall determine will be sufficient, together with the interest to accrue thereon and moneys then on deposit in the Series B Special Tax Fund (exclusive of the Series B Administrative Expense Account), together with the interest to accrue thereon, to pay and discharge the principal of, premium, if any, and interest on such Series B Bond, as and when the same shall become due and payable; then, at the election of the District, and notwithstanding that any Outstanding Series B Bonds shall not have been surrendered for payment, all obligations of the District under this Resolution and any Supplemental Resolution with respect to such Series B Bond shall cease and terminate, except for the obligation of the Paying Agent to pay or cause to be paid to the Owners of any such Series B Bond not so surrendered and paid, all sums due thereon and except for the covenants of the District contained in Section 5.02(f) or any covenants in a Supplemental Resolution relating to compliance with the

Code. Notice of such election shall be filed with the Paying Agent not less than ten (10) days prior to the proposed defeasance date, or such shorter period of time as is acceptable to the Paying Agent. In connection with a defeasance under (b) or (c) above, there shall be provided to the Treasurer on or prior to the defeasance date a certificate of a certified public accountant stating its opinion as to the sufficiency of the moneys or securities deposited with the Paying Agent or the escrow bank to pay and discharge the principal of and interest on all Outstanding Series B Bonds to be defeased in accordance with this Section, as and when the same shall become due and payable, and an opinion of Bond Counsel (which may rely upon the opinion of the certified public accountant) to the effect that the Series B Bonds being defeased have been legally defeased in accordance with this Resolution and any applicable Supplemental Resolution. Upon a defeasance, the Paying Agent and/or the Treasurer, upon request of the District, shall release the rights of the Owners of such Series B Bonds which have been defeased under this Resolution and any Supplemental Resolution and execute and deliver to the District all such instruments as may be desirable to evidence such release, discharge and satisfaction. In the case of a defeasance hereunder of all Outstanding Series B Bonds, the Paying Agent shall pay over or deliver to the District any funds held by the Paying Agent at the time of a defeasance, which are not required for the purpose of paying and discharging the principal of or interest on the Series B Bonds when due. The Paying Agent shall, at the written direction of the District, mail, first class, postage prepaid, a notice to the Bondowners whose Series B Bonds have been defeased, in the form directed by the District, stating that the defeasance has occurred.

SECTION 9.02. Conditions for the Issuance of Parity Bonds and Other Additional Indebtedness.

The District may at any time after the issuance and delivery of the Series B Bonds hereunder issue Parity Bonds payable from the Net Taxes and secured by a lien and charge upon the Net Taxes equal to the lien and charge securing the Outstanding Series B Bonds and any other Parity Bonds theretofore issued hereunder or under any Supplemental Resolution, but only subject to the following specific conditions, which are hereby made conditions precedent to the issuance of any such Parity Bonds:

- A. The District shall be in compliance with all covenants set forth in this Resolution and any Supplemental Resolution and a certificate of the District to that effect shall have been filed with the Treasurer; provided, however, that Parity Bonds may be issued notwithstanding that the District is not in compliance with all such covenants so long as immediately following the issuance of such Parity Bonds the District will be in compliance with all such covenants.
- B. The issuance of such Parity Bonds shall have been duly authorized pursuant to the Act or any other applicable laws, and the issuance of such Parity Bonds shall have been provided for by a Supplemental Resolution duly adopted by the legislative body of the District which shall specify the following:
 - 1. The purpose for which such Parity Bonds are to be issued and the fund or funds into which the proceeds thereof are to be deposited, including a provision requiring the proceeds of such

Parity Bonds to be applied solely for (i) the purpose of aiding in financing the Series B Project, including payment of all costs incidental to or connected with such financing, and/or (ii) the purpose of refunding any Outstanding Series B Bonds, including payment of all costs incidental to or connected with such refunding;

2. The authorized principal amount of such Parity Bonds;
 3. The date and the maturity date or dates of such Parity Bonds; provided that (i) each maturity date shall fall on an Series B Interest Payment Date, (ii) all such Parity Bonds of like maturity shall be identical in all respects, except as to number, and (iii) fixed serial maturities or Sinking Fund Payments, shall be established to provide for the retirement of all such Parity Bonds on or before their respective maturity dates;
 4. The description of the Parity Bonds, the place of payment thereof and the procedure for execution and authentication;
 5. The denomination and method of numbering of such Parity Bonds;
 6. The redemption premiums, if any, and the redemption terms, if any, for such Parity Bonds;
 7. The amount and due date of each mandatory Sinking Fund Payment, if any, for such Parity Bonds;
 8. The amount, if any, to be deposited from the proceeds of such Parity Bonds in the Reserve Fund to increase the amount therein to the Reserve Requirement;
 9. The form of such Parity Bonds; and
 10. Such other provisions as are necessary or appropriate and not inconsistent with this Resolution.
- C. The District shall have received the following documents or money or securities, all of such documents dated or certified, as the case may be, as of the date of delivery of such Parity Bonds by the Paying Agent (unless the Paying Agent shall accept any of such documents bearing a prior date):
1. A certified copy of the Supplemental Resolution authorizing the issuance of such Parity Bonds;
 2. A written request of the District and the fee simple owner of the effected real property within Community Facilities District No. 96-01, as to the delivery of such Parity Bonds; and
 3. An opinion of Bond Counsel and/or City Attorney to the effect that (a) the District has the right and power under the Act to adopt this Resolution and the Supplemental Resolutions

relating to such Parity Bonds, and this Resolution and all such Supplemental Resolutions have been duly and lawfully adopted by the District, are in full force and effect and are valid and binding upon the District and enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights); (b) this Resolution creates the valid pledge which it purports to create of the Net Taxes as provided in this Resolution, subject to the application thereof to the purposes and on the conditions permitted by this Resolution; and (c) such Parity Bonds are valid and binding limited obligations of the District, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights) and the terms of this Resolution and all Supplemental Resolutions relating thereto and entitled to the benefits of this Resolution and all such Supplemental Resolutions, and such Parity Bonds have been duly and validly authorized and issued in accordance with the Act (or other applicable laws) and this Resolution and all such Supplemental Resolutions; and a further opinion of Bond Counsel to the effect that, assuming compliance by the District with certain tax covenants, the issuance of the Parity Bonds will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Series B Bonds and Parity Bonds theretofore issued or the exemption from State of California personal income taxation of interest on any Series B Bonds and Parity Bonds theretofore issued;

4. A certificate of the District containing such statements as may be reasonably necessary to show compliance with the requirements of this Resolution;
5. A certificate from one or more Independent Financial Consultants which, when taken together, certify that (i) on the basis of the parcels of land and improvements existing in the District as of the July 1 preceding the proposed issuance of the Additional Series B Bonds, the amount of the maximum Special Taxes that may be levied in the District pursuant to the Act and the applicable resolutions and ordinances of the District in each subsequent Fiscal Year is at least 1.15 times the corresponding Annual Debt Service for each remaining Bond Year on all Outstanding Series B Bonds and Parity Bonds theretofore issued, and (ii) the fair market value of the land and then existing improvements in the District (less the value of existing residences and commercial or industrial structures constructed on the land), as determined by an appraisal performed on a basis consistent with the appraisal provided to the District in connection with the issuance of the Series B Bonds, is at least 3.00 times the sum of (A) the aggregate principal amount of all Series B Bonds and Parity Bonds then Outstanding plus (B) the aggregate principal amount of the additional Parity Bonds proposed to be issued plus (C) the aggregate principal amount of all assessment Series B Bonds then outstanding and payable from assessments to be levied on parcels of land within the District, plus (D) a portion of the aggregate principal amount of other community facilities Series B Bonds then outstanding and payable at least partially from special taxes to be levied on parcels of land within the District (the "Other CFD Series B Bonds") equal to the aggregate principal amount of the Other CFD Series B Bonds multiplied by a fraction, the numerator of which is the amount of special taxes

levied for the Other CFD Series B Bonds on parcels within the District, and the denominator of which is the total amount of special taxes levied for the Other CFD Series B Bonds on all parcels of land, based upon information from the most recent available Fiscal Year. For purposes of making the certifications required by this paragraph (c), the Independent Financial Consultants may rely on reports or certificates of such other persons as may be acceptable to the District, the City, Bond Counsel and the underwriter of the proposed Parity Bonds; and

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

ARTICLE X

MISCELLANEOUS

SECTION 10.01. Cancellation of Series B Bonds.

All Series B Bonds surrendered to the Paying Agent for payment upon maturity or for redemption shall upon payment therefor and any Series B Bond purchased by the District as authorized herein shall be cancelled forthwith and shall not be reissued. The Paying Agent shall destroy such Series B Bonds, as provided by law, and furnish to the District a certificate of such destruction.

SECTION 10.02. Execution of Documents and Proof of Ownership.

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

- (a) The fact and date of the execution by any Owner or his or her attorney of any such instrument and of any instrument appointing any such attorney, may be proved by a signature guarantee of any bank or trust company located within the United States of America. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such signature guarantee shall also constitute sufficient proof of his authority.
- (b) As to any Series B Bond, the person in whose name the same shall be registered in the Bond Register shall be deemed and regarded as the absolute Owner thereof for all purposes, and payment of or on account of the principal of any such Series B Bond, and the interest thereon, shall be made only to or upon the order of the registered Owner thereof or his or her legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability

upon such Series B Bond and the interest thereon to the extent of the sum or sums to be paid. Neither the Treasurer nor the Paying Agent shall be affected by any notice to the contrary.

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

SECTION 10.03. Unclaimed Moneys.

Anything in this Resolution to the contrary notwithstanding, any money held by the Paying Agent or the Treasurer in trust for the payment and discharge of any of the Outstanding Series B Bonds which remain unclaimed for two (2) years after the date when such Outstanding Series B Bonds have become due and payable, if such money was held by the Paying Agent or the Treasurer at such date, or for two (2) years after the date of deposit of such money if deposited with the Paying Agent or the Treasurer after the said date when such Outstanding Series B Bonds become due and payable, shall, at the written request of the District, be repaid by the Paying Agent or the Treasurer to the City, as its absolute property and free from trust, and the Paying Agent or the Treasurer shall thereupon be released and discharged with respect thereto and the Owners shall look only to the District for the payment of such Outstanding Series B Bonds; provided, however, that, before being required to make any such payment to the City, the Paying Agent or the Treasurer shall, at the expense of the District, cause to be mailed to the registered Owners of such Outstanding Series B Bonds at their addresses as they appear on the registration books of the Paying Agent a notice that said money remains unclaimed and that, after a date named in said notice, which date shall not be less than thirty (30) days after the date of the mailing of such notice, the balance of such money then unclaimed will be returned to the City.

SECTION 10.04. Provisions Constitute Contract.

The provisions of this Resolution shall constitute a contract between the District and the Bondowners and the provisions hereof shall be construed in accordance with the laws of the State of California.

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

After the issuance and delivery of the Series B Bonds this Resolution shall be irrevocable, but shall be subject to modifications to the extent and in the manner provided in this Resolution, but to no greater extent and in no other manner.

SECTION 10.05. Future Contracts.

Nothing herein contained shall be deemed to restrict or prohibit the District from making contracts or creating bonded or other indebtedness payable from a pledge of the Net Taxes which are subordinate to the pledge hereunder, the general fund of the District or from taxes or any source other than the Net Taxes as defined herein.

SECTION 10.06. Further Assurances.

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

SECTION 10.07. Severability.

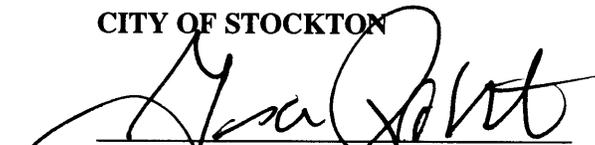
If any covenant, agreement or provision, or any portion thereof, contained in this Resolution, or the application thereof to any person or circumstance, is held to be unconstitutional, invalid or unenforceable, the remainder of this Resolution and the application of any such covenant, agreement or provision,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

SECTION 10.08. Notices.

Any notices required to be given to the District with respect to the Series B Bonds or this Resolution shall be mailed, first class, or personally delivered to the City Manager of the City of Stockton, 425 N. El Dorado, Stockton, California 95202, and all notices to the Paying Agent shall be mailed, first class, or personally delivered to the Paying Agent at One California Street, 4th Floor, San Francisco, California 94111, Attention: Corporate Trust.

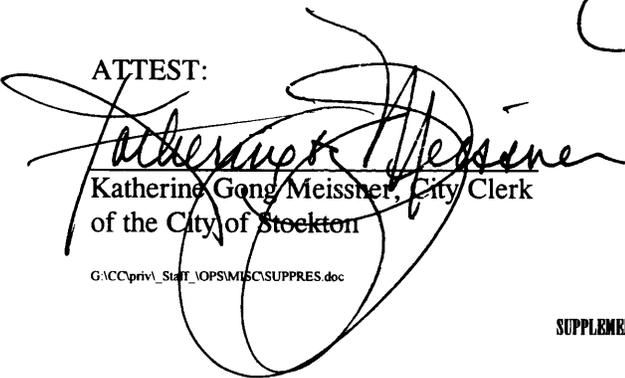
SIGNED AND APPROVED this 18th day of May, 1999 by the Mayor of the City of Stockton acting in its capacity as the legislative body of Community Facilities District No. 96-01 of the City of Stockton.

CITY OF STOCKTON



Gary A. Podesto,
Mayor of the City of Stockton

ATTEST:


Katherine Gong Meissner, City Clerk
of the City of Stockton

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ATTACHMENT "1"

BOOK ENTRY FORM ONLY

No. RB -

\$

**UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COMMUNITY FACILITIES DISTRICT NO. 96-01
OF THE CITY OF STOCKTON
1999 SPECIAL TAX BONDS
SERIES B**

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>DATED DATE</u>	<u>CUSIP NUMBER</u>
%	August 1, 20	June 9, 1999	861341

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT:

COMMUNITY FACILITIES DISTRICT NO. 96-01 OF THE CITY OF STOCKTON (the "District") situated in the County of San Joaquin, State of California (the "City"), FOR VALUE RECEIVED, hereby promises to pay, solely from certain amounts held under the Resolution (as hereinafter defined), to the Registered Owner named above, or registered assigns, on the Maturity Date set forth above, unless redeemed prior thereto as hereinafter provided, the Principal Amount set forth above, and to pay interest on such Principal Amount from the Series B Interest Payment Date (as hereinafter defined) next preceding the date of authentication hereof, unless (i) the date of authentication is an Series B Interest Payment Date in which event interest shall be payable from such date of authentication, (ii) the date of authentication is after a Record Date (as hereinafter defined) but prior to the immediately succeeding Series B Interest Payment Date, in which event interest shall be payable from the Series B Interest Payment Date immediately succeeding the date of authentication or (iii) the date of authentication is prior to the close of business on the first Record Date in which event interest shall be payable from June 9, 1999. Notwithstanding the foregoing, if at the time of

authentication of this Series B Bond, interest is in default, interest on this Series B Bond shall be payable from the last Series B Interest Payment Date to which the interest has been paid or made available for payment or, if no interest has been paid or made available for payment, interest on this Series B Bond shall be payable from June 9, 1999. Interest will be paid semiannually on February 1 and August 1 (each an "Series B Interest Payment Date"), commencing February 1, 2000, at the Interest Rate set forth above, until the Principal Amount hereof is paid or made available for payment.

The principal of and premium, if any, on this Series B Bond are payable to the Registered Owner hereof in lawful money of the United States of America upon presentation and surrender of this Series B Bond at the corporate trust office of U.S. Bank Trust, National Association, (the "Paying Agent"). Interest on this Series B Bond shall be paid by check of the Paying Agent mailed on the Series B Interest Payment Date, by first class mail, postage prepaid, to the Registered Owner hereof as of the close of business on the fifteenth day of the month preceding each Series B Interest Payment Date (the "Record Date") at such Registered Owner's address as it appears on the registration books maintained by the Paying Agent.

This Series B Bond is one of a duly authorized issue of "Community Facilities District No. 96-01 of the City of Stockton, 1999 Special Tax Bonds, Series B" (the "Series B Bonds") issued in the aggregate principal amount of \$3,100,000 pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, being Sections 53311, et seq., of the California Government Code (the "Act"), for the purpose of paying the cost of financing development fees which constitute the Series B Project, fund capitalized interest on the Series B Bonds and paying certain costs related to the issuance of the Series B Bonds. The initial deposit into the Series B Reserve Fund shall consist of cash or a Qualified Reserve Fund Credit Instrument (as defined in the Supplement to Resolution No. 99-0252). The issuance of the Series B Bonds and the terms and conditions thereof are provided for by a resolution adopted by the City Council of the City of Stockton acting in its capacity as the legislative body of the District (the "Legislative Body") on May 18, 1999 and a Supplement to Resolution executed in connection therewith (collectively, the "Resolution"), and this reference incorporates the Resolution herein, and by acceptance hereof the Registered Owner of this Series B Bond assents to said terms and conditions. The Resolution is adopted under and this Series B Bond is issued under, and both are to be construed in accordance with, the laws of the State of California.

Pursuant to the Act and the Resolution, the principal of, premium, if any, and interest on this Series B Bond are payable solely from the portion of the annual special taxes authorized under the Act to be levied and collected within the District and pledged to the repayment of the Series B Bonds (the "Special Taxes"). Any amounts for the payment hereof shall be limited to the Special Taxes pledged and collected or foreclosure proceeds received following a default in payment of the Special Taxes, except to the extent that other provision for payment has been made by the Legislative Body, as may be permitted by law. The District has covenanted for the benefit of the owners of the Series B Bonds that under certain circumstances it will commence and diligently pursue to completion appropriate foreclosure

proceedings in the event of delinquencies of Special Tax installments levied for payment of principal and interest on the Series B Bonds. The District is currently authorized to issue up to \$8,460,000 in additional Bonds payable from the Special Taxes which will rank equally as to security with the Series B Bonds, but only upon satisfaction of certain terms and conditions set forth in the Resolution.

The Series B Bonds shall be subject to mandatory redemption, in part, on August 1, 2002 and shall be redeemed by the Paying Agent, from moneys transferred to the Series B Redemption Account from amounts still on deposit on June 9, 2002 in the Series B Project fund, at a redemption price equal to the principal amount thereof, without premium.

The Series B Bonds maturing on or after August 1, 2007 may be redeemed, at the option of the District, from any source of funds, on August 1, 2006, or on any Series B Interest Payment Date thereafter prior to maturity, in whole or in part, by lot, at the following redemption prices, expressed as a percentage of the principal amount thereof, together with accrued interest to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
August 1, 2006 and February 1, 2007	102%
August 1, 2007 and February 1, 2008	101%
August 1, 2008 and thereafter	100%

The Bonds are subject to optional redemption prior to their respective maturity dates, as a whole or in part on any Interest Payment Date beginning August 1, 2001, solely from money derived from prepayments of the Special Tax by any property owner in the District, at the following redemption prices (computed upon the principal amount of the Bonds or portions thereof called for redemption), together with accrued interest to the date fixed for redemption, as set forth below:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
August 1, 2001 through February 1, 2004	102%
August 1, 2004 and February 1, 2005	101%
August 1, 2005 and thereafter	100%

The Bonds maturing August 1, 2014, shall be called before maturity and prepaid, from the Sinking Fund Payments that have been deposited into the Redemption Account of the Special Tax Fund, on August 1, 2011, and on each August 1 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The Bonds so called for redemption shall be selected by the Fiscal Agent by lot and shall be redeemed at a redemption price for each prepaid Bonds equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

Redemption Date <u>(August 1)</u>	Principal <u>Amount</u>
2011	\$330,000
2012	350,000
2013	370,000
2014	390,000

Notice of redemption with respect to the Series B Bonds to be redeemed shall be mailed to the registered owners thereof not less than thirty (30) nor more than sixty (60) days prior to the redemption date by first class mail, postage prepaid, to the addresses set forth in the registration books. Neither a failure of the Registered Owner hereof to receive such notice nor any defect therein will affect the validity of the proceedings for redemption. All Series B Bonds or portions thereof so called for redemption will cease to accrue interest on the specified redemption date, provided that funds for the redemption are on deposit with the Paying Agent on the redemption date. Thereafter, the registered owners of such Series B Bonds shall have no rights except to receive payment of the redemption price upon the surrender of the Series B Bonds.

This Series B Bond shall be registered in the name of the Registered Owner hereof, as to both principal and interest, and the District and the Paying Agent may treat the Registered Owner hereof as the absolute owner for all purposes and shall not be affected by any notice to the contrary.

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

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

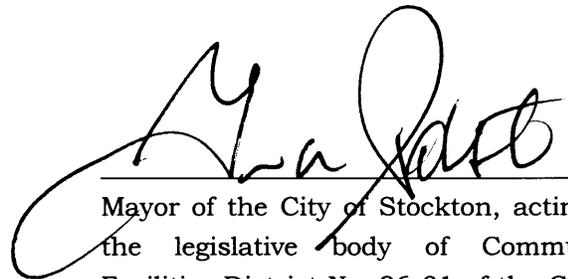
The rights and obligations of the District and of the registered owners of the Series B Bonds may be amended at any time, and in certain cases without notice to or the consent of the registered owners, to the extent and upon the terms provided in the Resolution.

THE SERIES B BONDS DO NOT CONSTITUTE OBLIGATIONS OF THE CITY OF STOCKTON OR OF COMMUNITY FACILITIES DISTRICT NO. 96-01 OF THE CITY OF STOCKTON FOR WHICH THE CITY OF STOCKTON OR THE DISTRICT IS OBLIGATED TO LEVY OR PLEDGE, OR HAS LEVIED OR PLEDGED, GENERAL OR SPECIAL TAXES, OTHER THAN THE SPECIAL TAXES REFERENCED HEREIN. THE SERIES B BONDS ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE FROM THE PORTION OF THE SPECIAL TAXES PLEDGED UNDER THE RESOLUTION BUT ARE NOT A DEBT OF THE CITY OF STOCKTON, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OR RESTRICTION.

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

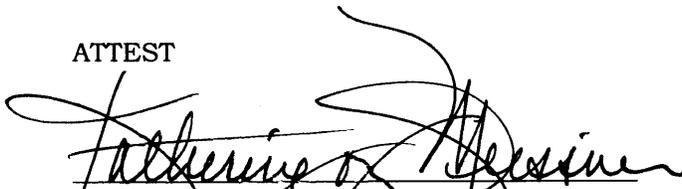
IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by law to exist, happen and be performed precedent to and in the issuance of this Series B Bond do exist, have happened and have been performed in due time, form and manner as required by law, and that the amount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

IN WITNESS WHEREOF, Community Facilities District No. 96-01 of the City of Stockton has caused this Series B Bond to be dated as of June 9, 1999 to be signed on behalf of the District by the Mayor of the City of Stockton by his or her manual or facsimile signature and attested by the manual or facsimile signature of the City Clerk of the City of Stockton and has caused its seal to be reproduced hereon.



Mayor of the City of Stockton, acting as the legislative body of Community Facilities District No. 96-01 of the City of Stockton

ATTEST



City Clerk of the City of Stockton, acting as the legislative body of Community Facilities District No. 96-01 of the City of Stockton

LEGAL OPINION

ROBERT M. HAIGHT
Attorney at Law
5435 SCOTTS VALLEY DRIVE, SUITE D
SCOTTS VALLEY, CALIFORNIA 95066
(831) 438 – 6610

June 9, 1999

The City Council of the
City of Stockton
425 North El Dorado Avenue
Stockton, California 95202

**RE: COMMUNITY FACILITIES DISTRICT NO. 96-01
OF THE CITY OF STOCKTON
1999 SPECIAL TAX BONDS, SERIES B**

Ladies and Gentlemen:

We have examined the Constitution and the laws of the State of California, a certified record of the proceedings of the City of Stockton taken in connection with the formation of Community Facilities District No. 96-01 of the City of Stockton (the "District") and the authorization and issuance of the Community Facilities District No. 96-01 of the City of Stockton, 1999 Special Tax Bonds, Series B, in the aggregate principal amount of \$3,100,000 (the "Bonds") and such other information and documents as we consider necessary to render this opinion. In rendering this opinion, we have relied upon certain representations of fact and certifications made by the District, the initial purchasers of the Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The Bonds have been issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (comprising Chapter 2.5 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California) and Resolution No. 99-0252 and Supplement to Resolution No. 99-0252, adopted by the City Council of the City of Stockton, acting in its capacity as the legislative body of the District (the "Council") on May 18, 1999 (collectively, the "Resolution").

The Bonds are dated their date of delivery and mature on the dates and in the amounts set forth in the Resolution. The Bonds bear interest payable semiannually on February 1 and August 1, commencing on February 1, 2000 at the rates per annum set forth in the Resolution. The Bonds are registered bonds in the form set forth in the Resolution, redeemable in the amounts, at the times and in the manner provided for in the Resolution.

Based upon our examination of the foregoing, and in reliance thereon and on all matters of fact as we deem relevant under the circumstances, and upon consideration of applicable laws, we are of the opinion that:

(1) The Bonds have been duly and validly authorized by the District and are legal, valid and binding limited obligations of the District, payable solely from Special Taxes (as defined in the Resolution) collected by the District and from other sources, as and to the extent provided for in the Resolution. The Bonds are enforceable in accordance with their terms and the terms of the Resolution, except to the extent that enforceability may be limited by moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting creditors' rights generally or by the exercise of judicial discretion in accordance with general principles of equity. The Bonds are not a debt of the District, the City of Stockton, the State of California or any other political subdivisions thereof within the meaning of any constitutional or statutory limitation, and neither the faith and credit nor the taxing power of the City of Stockton, the State of California, or any of its political subdivisions (other than the District) is pledged for the payment thereof.

(2) The Resolution has been duly adopted and constitutes a valid and binding action of the Council on behalf of the District.

(3) The interest on the Bonds is excluded 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, it should be noted that, with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted net book income and adjusted current earnings for the purposes of computing the alternative minimum tax imposed on such corporations. The foregoing opinion is subject to the condition that the District complies with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the execution and delivery of the Bonds to assure that interest on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Bonds to be included in gross income retroactive to the date of execution and delivery of the Bonds. The District has covenanted to comply with all such requirements. We express no opinion regarding other federal tax consequences

arising with respect to ownership or disposition of the Bonds or the accrual or receipt of interest thereon.

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

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities.

We call attention to the fact that the foregoing opinions and the exclusion of interest on the Bonds from gross income for federal income tax purposes may be affected by actions taken or events occurring after the date hereof, and such actions or events could result in the inclusion of such interest in federal gross income retroactive to the date of issuance of the Bonds. We have not undertaken to determine, or to inform any person, whether such actions or events are taken or occur.

Respectfully submitted,

ROBERT M. HAIGHT

FORM OF PAYING AGENT'S CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This is one of the Series B Bonds described in the within defined Resolution.

Dated: June 9, 1999

U.S. BANK TRUST,
NATIONAL ASSOCIATION

By: _____

Authorized Signatory,
as Paying Agent

FORM OF ASSIGNMENT

FOR VALUE RECEIVED, the undersigned do(es) hereby sell, assign and transfer _____ unto _____ the within-mentioned registered Series B Bond and hereby irrevocably constitute(s) and appoint(s) _____ attorney, to transfer the same on the books of the Paying Agent with full power of substitution in the premises.

Dated:

Signature Guaranteed

Note: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

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

ATTACHMENT "2"

REQUISITION FOR DISBURSEMENT OF SERIES B PROJECT COSTS

The undersigned, a duly authorized representative of Community Facilities District No. 96-01 of the City of Stockton, hereby certifies to the Treasurer for purposes of disbursing funds from the Community Facilities District No. 96-01 Series B Project Fund to pay Series B Project Costs that:

(1) The Treasurer is to pay to the payees set forth on Exhibit A hereto the amount set forth next to each payee's name for the item described on Exhibit A hereto;

(2) There has not been filed with or served upon the District notice of any lien, right to lien or attachment upon, stop notice or claim affecting the right to receive payment of, any of the moneys payable to any of the payees named on Exhibit A hereto which has not been released or will not be released simultaneously with the payment of such amounts, other than materialmen's or mechanic's liens accruing by mere operation of law.

Dated:

COMMUNITY FACILITIES DISTRICT NO. 96-01
OF THE CITY OF STOCKTON

By: _____
Authorized Officer

EXHIBIT A

Purpose of: _____

Payee: _____

Amount Due: _____

Expenditure Category: _____

S CITY OF STOCKTON
STOCKTON CITY COUNCIL
CITY HALL, STOCKTON, CALIFORNIA 95202
TELEPHONE (209) 937-8459



I, KATHERINE GONG MEISSNER, do hereby certify as follows:

I am the duly appointed, qualified City Clerk of the City of Stockton, a California municipal corporation; as such City Clerk, I am the custodian of the official records of the Public Finance Authority of said City. The attached Resolution is a full, true, and correct copy of Resolution No. PF 08-01 of said Finance Authority, which was adopted by the Stockton Public Finance Authority on January 8, 2008.

IN WITNESS WHEREOF, I have hereto affixed my hand and the seal of the Stockton Public Finance Authority on January 25, 2008.

**KATHERINE GONG MEISSNER, CITY CLERK
CITY OF STOCKTON**

By

Joan Southwick
Joan Southwick, Deputy



STOCKTON PUBLIC FINANCE AUTHORITY

RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF 2008 REFUNDING REVENUE BONDS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$14,000,000, APPROVING AN INDENTURE OF TRUST RELATED THERETO AND APPROVING RELATED AGREEMENTS AND ACTIONS

WHEREAS, the Stockton Public Financing Authority (the "Authority") is a joint powers authority duly organized and existing under and pursuant to that certain Joint Exercise of Powers Agreement (the "Agreement"), dated as of June 18, 1990, by and between the City of Stockton (the "City") and the Redevelopment Agency of the City of Stockton (the "Agency"), and under the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act"), and is authorized pursuant to Article 4 of the Act (the "Bond Law") and the Agreement to issue bonds for the purpose, among others, of acquiring bonds of the City of Stockton (the "City") and the Redevelopment Agency of the City of Stockton (the "Agency") to provide financing and refinancing for public capital improvements of the City and the Agency; and

WHEREAS, the Authority has heretofore issued its \$9,590,000 1997 Refunding Revenue Bonds, Series A and \$15,355,000 1997 Refunding Revenue Bonds, Subordinated Series B (the "Prior Bonds") for the purpose of acquiring (i) the \$7,055,000 original principal amount of the City of Stockton Limited Obligation Refunding Bonds, Reassessment District No. 91-1R and (ii) the \$17,890,000 original principal amount of the Authority's Community Facilities District No. 90-4 (Spanos Park) Special Tax Bonds (together, the "Local Obligations") and such Local Obligations were acquired in 1997; and

WHEREAS, the Authority has determined to refund the Prior Bonds in order to achieve interest savings on terms which are advantageous to the Authority and to the City; and

WHEREAS, for the purpose of providing a portion of the funds required to refund the Prior Bonds, the Authority desires to issue its not to exceed \$14,000,000 aggregate principal amount of 2008 Refunding Revenue Bonds (the "Bonds"); and

WHEREAS, Wells Fargo Bank, National Association, as the trustee for the Prior Bonds, will use the proceeds of the Bonds to refund and defease the Prior Bonds pursuant to certain irrevocable refunding instructions delivered by the Authority and the City to the Trustee (the "Refunding Instructions"); and

City Att

Review 

Date December 27, 2007

WHEREAS, the Prior Bonds are secured by a pledge of and lien on the revenues derived from the Local Obligations and, upon the refunding and defeasance of the Prior Bonds pursuant to the Refunding Instructions, such pledge and lien will be released and the revenues derived from the Local Obligations shall be used to secure the Bonds; and

WHEREAS, the Bonds are to be secured by a pledge of and first lien on the revenues to be derived from the Local Obligations which revenues are designed to be sufficient in time and amount to pay the principal of and interest on the Bonds as it becomes due and payable; and

WHEREAS, the Authority proposes to sell the Bonds to Stone & Youngberg LLC (the "Underwriter") pursuant to the terms of a Bond Purchase Agreement (the "Bond Purchase Agreement") by and between the Authority and the Underwriter, and the Underwriter proposes to offer the Bonds to the investing public by means of a Preliminary Official Statement (the "Preliminary Official Statement"); and

WHEREAS, the Board has duly considered the transactions described above and wishes at this time to approve such transactions in the public interests of the Authority; now, therefore,

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF STOCKTON AS FOLLOWS:

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

Section 2. Findings and Determinations. Pursuant to the Act, the Board hereby finds and determines that the issuance of the Bonds and the transactions related thereto will result in significant public benefits to its members within the contemplation of Section 6586 of the Act.

Section 3. The Bonds; the Indenture. The Bonds shall be issued in an aggregate principal amount not to exceed \$14,000,000 with the exact principal amount, the interest rates and the maturity to be determined by the sale of the Bonds described in Section 4 below. The Bonds shall be executed on behalf of the Authority by the manual or facsimile signature of the Treasurer or the Executive Director and attested with the manual or facsimile signature of the Secretary of the Authority.

The Bonds shall be issued under the terms of an Indenture of Trust (the "Indenture") by and between the Authority and Wells Fargo Bank, National Association (the "Trustee"), the form of which is on file with the Secretary of the Board of Directors. The Board of Directors hereby approves the Indenture in substantially the form on file with the Secretary, together with any changes therein or additions thereto approved by the Executive Director or Treasurer or a designee of either of them (each an "Authorized Officer"), and the execution thereof by an Authorized Officer shall be conclusive

evidence of such approval of any such changes or additions. The Board of Directors hereby authorizes and directs an Authorized Officer to execute, and the Secretary to attest to, the final form of the Indenture for and in the name of the Authority. The Board of Directors hereby authorizes the delivery and performance of the Indenture.

Section 4. Trustee. Wells Fargo Bank, National Association is hereby appointed to act as the trustee for the Bonds under the Indenture. If an Authorized Officer determines at any time while the Bonds are outstanding that another bank should be selected to act as trustee for the Bonds, in order to ensure the efficient administration of the Bonds, then such Authorized Officer, or a designee, is hereby authorized and directed to select and engage a bank or trust company meeting the requirements set forth in the Indenture to act as the trustee for the Bonds under the terms of the Indenture.

Section 5. Sale of the Bonds. The Authority hereby approves the Bond Purchase Agreement between the Authority and the Underwriter in the form on file with the Secretary at this meeting. The Authorized Officers are each hereby authorized and directed to accept the offer of the Underwriter to purchase the Bonds contained in the Bond Purchase Agreement and to execute the Bond Purchase Agreement, for and in the name and on behalf of the Authority, in such form, together with any additions thereto or changes therein deemed necessary or advisable by the Authorized Officer executing such document upon consultation with Bond Counsel, provided that no additions or changes shall authorize an aggregate principal amount of Bonds in excess of \$14,000,000 or result in an underwriter's discount in excess of \$5.00 per \$1,000 principal amount of bonds (.5%), or an average true interest rate on the Bonds in excess of four and one-half percent (4.5%) per annum. The Board hereby authorizes the delivery and performance by the Authority of the Bond Purchase Agreement and hereby finds and determines that the sale of the Bonds at negotiated sale as contemplated by the Bond Purchase Agreement will result in a lower overall cost.

Section 6. Municipal Bond Insurance. The Authorized Officers are hereby authorized to (i) solicit bids for a municipal bond insurance policy for the Bonds, (ii) to negotiate the terms of such policy, (iii) to finalize the form of such policy with a municipal bond insurer, and (iv) if it is determined that the policy will result in interest rate savings on the Bonds which exceed the cost of the premium for the policy or policies, to pay the insurance premium of for policy or policies from the proceeds of the Bonds. In the event that a municipal bond issuance commitment is received that will necessitate multiple series of the Bonds, then the Authorized Officers are directed to cause all documents relating to the Bonds to be revised to reflect such multiple series.

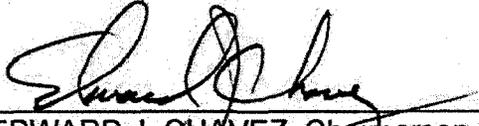
Section 7. Refunding Instructions. The form of the Refunding Instructions, presented at this meeting is hereby approved and each of the Authorized Officers is authorized to execute the Refunding Instructions in the form hereby approved, with such additions thereto and changes therein as the Authorized Officer executing the same deems necessary in order to accomplish the refunding of the Prior Bonds.

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

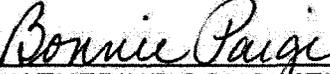
Section 9. Official Actions. The Executive Director, the Treasurer, the Secretary and any and all other officers of the Authority are hereby authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions, including execution and delivery of any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, which they, or any of them, may deem necessary or advisable in order to consummate the issuance and sale of the Bonds and any of the other transactions contemplated by the documents approved pursuant to this Resolution. Whenever in this Resolution any officer of the Authority is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer shall be absent or unavailable.

Section 10. Effective Date. This Resolution shall take effect from and after the date of its passage and adoption.

PASSED, APPROVED and ADOPTED JAN 8 2008


EDWARD J. CHAVEZ, Chairperson of
the Stockton Public Finance Authority

ATTEST:

for  **ASSISTANT**
KATHERINE GONG MEISSNER, Secretary of
the Stockton Public Finance Authority

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S CITY OF STOCKTON
STOCKTON CITY COUNCIL
CITY HALL, STOCKTON, CALIFORNIA 95202
TELEPHONE (209) 937-8459



I, KATHERINE GONG MEISSNER, do hereby certify as follows:

I am the duly appointed, qualified City Clerk of the City of Stockton, a California municipal corporation; as such City Clerk, I am the custodian of the official records of the City Council of said City. The attached Resolution is a full, true, and correct copy of Resolution No. 07-0352 of said City Council, which was adopted by the City Council on August 14, 2007 on file in the City Clerk's office.

IN WITNESS WHEREOF, I have hereto affixed my hand and the seal of the City of Stockton on August 16, 2006.

**KATHERINE GONG MEISSNER, CITY CLERK
CITY OF STOCKTON**

By


Raeann Cycenas, Deputy Clerk



Resolution No. **07-0352**

STOCKTON CITY COUNCIL

RESOLUTION AUTHORIZING THE ISSUANCE OF ARCH ROAD EAST COMMUNITY FACILITIES DISTRICT NO. 99-02 2007 SPECIAL TAX REFUNDING BONDS, AND APPROVING RELATED DOCUMENTS AND ACTIONS

WHEREAS, the City Council (the "Council") of the City of Stockton (the "City") has conducted proceedings under and pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (the "Act"), to form the Arch Road East Community Facilities District No. 99-02, City of Stockton, San Joaquin County, California (the "District"), to authorize the levy of special taxes upon the land within the District, and to issue bonds secured by said special taxes to finance public improvements authorized to be funded by the District (the "Improvements"); and

WHEREAS, on December 2, 1999, the City issued \$2,085,000 principal amount of special tax bonds (the "1999 Bonds") to finance the Improvements, with the 1999 Bonds having been issued pursuant to the provisions of the Act and an Indenture, dated as of December 1, 1999 (the "Original Indenture"), between the City and U.S. Trust Company, National Association, as trustee (the "Original Trustee"); and

WHEREAS, on February 21, 2002, the City issued \$6,200,000 principal amount of special tax bonds (the "2002 Bonds") to provide additional financing for the Improvements, with the 2002 Bonds having been issued pursuant to the provisions of the Act and the Original Indenture, as supplemented by a First Supplemental Indenture, dated as of February 1, 2002 (the Original Indenture, as so supplemented, being referred to below as the "Indenture"), between the City and BNY Western Trust Company, as successor to the Original Trustee; and

WHEREAS, the Council has determined that, due to favorable interest rates, it is in the best interests of the City and the District that the 1999 Bonds and the 2002 Bonds (collectively, the "Prior Bonds") be refunded, and that funds be raised to finance additional infrastructure improvements authorized to be funded by the District; and

WHEREAS, there has been submitted to the Council a fiscal agent agreement (the "Fiscal Agent Agreement") providing for the issuance of special tax refunding bonds of the City (the "Bonds") for the District pursuant to the Act, and the Council, with the aid of City staff, has reviewed the Fiscal Agent Agreement and found it to be in proper order, and now desires to approve the Fiscal Agent Agreement and to authorize the issuance of the Bonds; and

WHEREAS, there has been presented to the Council an escrow agreement providing for the creation of an escrow fund which will be used to defease and refund

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the Prior Bonds and the Council now desires to approve the escrow agreement in connection with the refunding of the Prior Bonds; and

WHEREAS, the City proposes to sell the Bonds to Westhoff, Cone & Holmstedt (the "Underwriter"), pursuant to the terms of a bond purchase agreement (the "Bond Purchase Agreement") by and between the City and the Underwriter, and the Underwriter proposes to offer the Bonds to the investing public by means of a preliminary official statement (the "Preliminary Official Statement"); and

WHEREAS, it appears that each of said documents and instruments which are now before the Council at this meeting is in appropriate form and is an appropriate document or instrument to be executed and delivered for the purpose intended; and

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

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF STOCKTON, AS FOLLOWS:

Section 1. Issuance of Bonds; Approval of Fiscal Agent Agreement and Escrow Agreement. Pursuant to the Act, this Resolution and the Fiscal Agent Agreement, special tax bonds of the City for the District designated as "City of Stockton Arch Road East Community Facilities District No. 99-02 2007 Special Tax Bonds" in an aggregate principal amount not to exceed \$20,000,000 are hereby authorized to be issued. The Bonds shall be executed in the form set forth in and otherwise as provided in the Fiscal Agent Agreement.

In furtherance of the issuance of the Bonds, the Council hereby makes the following findings and determinations: (i) it is prudent in the management of the fiscal affairs of the City, the Council and the District to issue the Bonds for the purpose, among others, of refunding the Prior Bonds, (ii) the Bonds satisfy the requirements of Section 53345.8(a) of the Act in that the appraised value of the land in the District, based upon an appraisal by Seevers Jordan Ziegenmeyer, MAI appraisers, is more than three times the principal amount of the Bonds, and (iii) the Bonds are in compliance with any local goals and policies concerning community facilities districts heretofore adopted by this City Council pursuant to Section 53312.7 of the Act, or, to the extent inconsistent therewith, any such inconsistency is hereby approved.

The Council hereby approves the Fiscal Agent Agreement in the form on file with the City Clerk. The City Manager is hereby authorized and directed to execute the Fiscal Agent Agreement, for and in the name and on behalf of the City and the District, in such form, together with any additions thereto or changes therein deemed necessary or advisable by the City Manager upon consultation with Bond Counsel and the City Attorney. The proceeds of the Bonds shall be applied by the City for the purposes and in the amounts as set forth in the Fiscal Agent Agreement. The Council hereby

authorizes the delivery and performance by the City of the Fiscal Agent Agreement. For purposes of Section 53363.2 of the Act, (i) it is expected that the purchase of the Bonds will occur on or after August 20, 2007, (ii) the date, denomination, maturity dates, places of payment and form of the Bonds shall be as set forth in the Fiscal Agent Agreement, (iii) the minimum rate of interest to be paid on the Bonds shall be one percent (1%) with the actual rate or rates to be set forth in the Fiscal Agent Agreement as executed, (iv) the place of payment for the Prior Bonds shall be as set forth in the Indenture; and (v) the designated costs of issuing the Bonds shall be as described in Section 53363.8(a) of the Act, and as otherwise described in the Fiscal Agent Agreement and the Escrow Agreement hereafter approved, in the Official Statement for the Bonds and the closing certificates for the Bonds, including Bond Counsel and Disclosure Counsel fees and expenses, Underwriter's discount, printing costs for the Official Statement, escrow verification costs, initial fiscal agent fees, and costs of City staff incurred in connection with the sale and issuance of the Bonds.

The Council hereby approves the refunding of the Prior Bonds with the proceeds of the Bonds and other funds of the District available for such purpose, in accordance with the provisions of the Indenture and the Escrow Agreement between the City and The Bank of New York Trust Company, N.A., as escrow bank. The Council hereby approves the Escrow Agreement in the form on file with the City Clerk. The Council hereby authorizes and directs the City Manager to execute and deliver the Escrow Agreement for and in the name and on behalf of the City, in such form, together with any changes therein or additions thereto deemed advisable by the City Manager upon consultation with Bond Counsel and the City Attorney. The Council hereby authorizes the delivery and performance by the City of the Escrow Agreement.

Section 2. Delivery of the Bonds. The Bonds, when executed, shall be delivered to the Fiscal Agent, as designated in the Fiscal Agent Agreement, for authentication. The Fiscal Agent is hereby requested and directed to authenticate the Bonds by executing the Fiscal Agent's certificate of authentication and registration appearing thereon, and to deliver the Bonds, when duly executed and authenticated, to the Underwriter or its order in accordance with written instructions executed on behalf of the City by the City Manager, which instructions such officer is hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver to the Fiscal Agent. Such instructions shall provide for the deliver of the Bonds to the Underwriter or its order in accordance with the Bond Purchase Agreement, upon payment of the purchase price therefor.

Section 3. Sale of the Bonds. The Council hereby approves the sale of the Bonds to the Underwriter. The Bond Purchase Agreement, in the form on file with the City Clerk, be and the same is hereby approved and the City Manager (or, in his absence, the Director of Administrative Services) is hereby authorized and directed to execute the Bond Purchase Agreement in said form, with such changes, insertions and omissions as may be approved by such official, provided that the principal amounts of the Bonds does not exceed the amount set forth in Section 1, the net interest cost of the Bonds is not in excess of 6.00%, and the Underwriters' discount (without regard to any original issue discount) is not in excess of 1.50% of the initial principal amount of the Bonds.

The Council hereby finds and determines that the sale of the Bonds by negotiated sale to the Underwriter as contemplated by the Bond Purchase Agreement will result in a lower overall cost.

Section 4. Official Statement. The Council hereby approves the preliminary official statement for the Bonds (the "Preliminary Official Statement") in the form on file with the City Clerk, together with any changes therein or additions thereto deemed advisable by the City Manager. The Council authorizes and directs the City Manager, on behalf of the City and the District, to deem "final" pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule") the Preliminary Official Statement prior to its distribution by the Underwriter to prospective purchasers of the Bonds.

The Underwriter, on behalf of the City and the District, is authorized and directed to cause the Preliminary Official Statement to be distributed to such municipal bond broker-dealers, to such banking institutions and to such other persons as may be interested in purchasing the Bonds.

The City Manager and the Director of Administrative Services are hereby authorized and directed to assist the Disclosure Counsel in causing the Preliminary Official Statement to be brought into the form of final official statement (the "Final Official Statement"), and the City Manager is hereby authorized to execute the Final Official Statement and a statement that the facts contained in the Final Official Statement, and any supplement or amendment thereto (which shall be deemed an original part thereof for the purpose of such statement) were, at the time of sale of the Bonds, true and correct in all material respects and that the Final Official Statement did not, on the date of sale of the Bonds, and do not, as of the date of delivery of the Bonds contain any untrue statement of material fact with respect to the City or the District or omit to state material facts with respect to the City or the District required to be stated where necessary to make any statement made therein not misleading in the light of the circumstances under which it was made. The execution and delivery by the City of the Final Official Statement, which shall include such changes and additions thereto deemed advisable by the City Manager and such information permitted to be excluded from the Preliminary Official Statement pursuant to the Rule, shall be conclusive evidence of the approval of the Final Official Statement by the City.

The Final Official Statement, when prepared, is approved for distribution in connection with the offering and sale of the Bonds.

Section 5. Continuing Disclosure Certificate. The Continuing Disclosure Certificate, in the form on file with the City Clerk, is hereby approved. The City Manager is hereby authorized and directed to execute and deliver the Continuing Disclosure Certificate in said form, with such additions thereto or changes therein as are deemed necessary or advisable by the City Manager upon consultation with Disclosure Counsel and the City Attorney, the approval of such changes to be conclusively evidenced by the execution and delivery by the City Manager of the Continuing Disclosure Certificate.

Section 6. Foreclosure Covenant. The City hereby covenants, for the benefit of the Bondowners, to commence and diligently pursue to completion any foreclosure action regarding delinquent installments of any amount levied as a special tax for the payment of interest or principal of the Bonds, said foreclosure action to be commenced and pursued as more completely set forth in the Fiscal Agent Agreement.

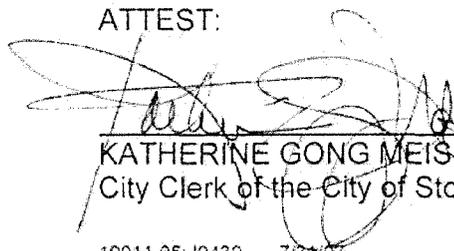
Section 7. Agreement to Construct and Acquire Facilities. It is hereby acknowledged that the City, the District and Buzz Oates Construction are currently parties to an Agreement to Construct and Acquire Public Facilities for Arch Road East Community Facilities District No. 99-02 Special Tax Bonds Series 2002, dated as of November 1, 2001 (the "Acquisition Agreement"). The City Manager is hereby authorized and directed to enter into an agreement, in form and substance similar to the Acquisition Agreement and otherwise acceptable to the City Manager following consultation with the City Attorney and Bond Counsel, with the current owner of the property in the District or its designee, with respect to the use of proceeds of the Bonds and unspent proceeds of the Prior Bonds to be used to finance facilities authorized to be funded by the District, as such funds are identified in the Fiscal Agent Agreement.

Section 8. Official Actions. All actions heretofore taken by the officers and agents of the City with respect to the sale and issuance of the Bonds are hereby approved, confirmed and ratified, and the proper officers of the City are hereby authorized and directed to do any and all things and take any and all actions and execute any and all certificates, agreements and other documents, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Bonds and the refunding of the Prior Bonds in accordance with this Resolution, and any certificate, agreement, and other document described in the documents herein approved. Whenever in this Resolution any officer of the City is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer shall be absent or unavailable.

Section 9. Effective Date. This Resolution shall take effect immediately upon its adoption.

PASSED, APPROVED and ADOPTED August 14, 2007

ATTEST:


KATHERINE GONG MEISSNER
City Clerk of the City of Stockton




EDWARD J. CHAVEZ
Mayor of the City of Stockton

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