

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED AS OF NOVEMBER 26, 2014

NEW ISSUE – BOOK ENTRY ONLY

NOT RATED

In the opinion of Quint & Thimmig LLP, Larkspur, California, Bond Counsel, subject however, to certain qualifications described in this Official Statement, under existing law, interest on the 2014 Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. In the further opinion of Bond Counsel, interest on the 2014 Bonds is exempt from personal income taxation imposed by the State of California. See "TAX MATTERS" herein.

\$2,685,000*
COUNTY OF YUBA
COMMUNITY FACILITIES DISTRICT NO. 2005-1
(IMPROVEMENT AREA C – COUNTRYSIDE AT MONTROSE),
2014 SPECIAL TAX BONDS

Dated: Date of Delivery

Due: September 1, as shown on inside cover

The County of Yuba Community Facilities District No. 2005-1 (Improvement Area C – Countryside at Montrose) 2014 Special Tax Bonds (the "2014 Bonds") are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (constituting Section 53311 et seq. of the California Government Code) (the "Act") and a Fiscal Agent Agreement (the "Fiscal Agent Agreement"), dated as of December 1, 2014, by and between the County of Yuba, California, on behalf of the County of Yuba Community Facilities District No. 2005-1 (Orchard/Montrose Public Improvements) (the "District"), and U.S. Bank National Association, San Francisco, California, as fiscal agent. The 2014 Bonds are payable from certain Special Tax Revenues derived from the levy of the Special Taxes (as such capitalized terms are defined in the Fiscal Agent Agreement) on real property located within the boundaries of Improvement Area C of the District, and are secured by a pledge of the Special Tax Revenues, after a deduction for District administrative expenses, and moneys deposited in certain funds established under the Fiscal Agent Agreement. See "SECURITY FOR THE 2014 BONDS" herein.

The 2014 Bonds when issued will be registered in the name of Cede & Co., as 2014 Bondowner and nominee for the Depository Trust Company ("DTC"), New York, New York. Purchases of beneficial interests in the 2014 Bonds will be made in book-entry only form. The 2014 Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. See Appendix F—DTC and the Book-Entry Only System. Interest on the 2014 Bonds is payable March 1 and September 1 of each year, commencing March 1, 2015.

The 2014 Bonds are subject to optional redemption, mandatory redemption from prepayments of special taxes and mandatory sinking fund redemption, all as more fully described herein. See "THE 2014 BONDS—Redemption" herein. \$320,000* of the 2014 Bond proceeds will be initially deposited to an Escrow Fund established under the Fiscal Agent Agreement which, if not released in accordance with the terms of the Fiscal Agent Agreement, will result in a redemption at par of the Escrow Term Bonds (as defined herein) on December 1, 2016, from amounts on deposit in the Escrow Fund, or on such later date as is permitted under the Fiscal Agent Agreement. In addition to the deposit to the Escrow Fund, 2014 Bond proceeds will be deposited to an Escrow Interest Account in an amount equal to the scheduled interest on the Escrow Term Bonds to December 1, 2016. See "THE 2014 BONDS—Redemption" and "SECURITY FOR THE 2014 BONDS—Escrow Fund" herein.

NEITHER THE FAITH AND CREDIT NOR ANY TAXING POWER OF THE COUNTY OF YUBA, OR THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE 2014 BONDS. EXCEPT FOR THE SPECIAL TAX REVENUES, NO OTHER TAXES ARE PLEDGED TO THE PAYMENT OF THE 2014 BONDS. THE 2014 BONDS ARE NOT GENERAL OBLIGATIONS OF THE COUNTY, BUT ARE LIMITED OBLIGATIONS OF THE COUNTY FOR THE DISTRICT, PAYABLE SOLELY FROM THE SPECIAL TAX REVENUES AND AMOUNTS IN CERTAIN FUNDS ESTABLISHED UNDER THE FISCAL AGENT AGREEMENT, AS MORE FULLY DESCRIBED HEREIN.

This cover page contains certain information for quick reference only. It is not a complete summary of the terms of this bond issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision with respect to the 2014 Bonds. See the section of this Official Statement entitled "SPECIAL RISK FACTORS" for a discussion of certain risk factors that should be considered, in addition to the other matters discussed herein, in considering the investment quality of the 2014 Bonds.

MATURITY SCHEDULE
(see inside cover)

The 2014 Bonds are offered when, as and if issued by the County for the District, subject to approval as to their legality by Quint & Thimmig LLP, Larkspur, California, Bond Counsel, and certain other conditions. Certain legal matters with respect to the 2014 Bonds will be passed upon for the County and the District by the County Counsel, and by Quint & Thimmig LLP, Larkspur, California, in its capacity as Disclosure Counsel. Certain legal matters related to the 2014 Bonds will be passed upon for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, acting as Underwriter's Counsel, and for the Developer by the Law Offices of Craig Sandberg, Folsom, California, acting as counsel to the Developer. Delivery of the 2014 Bonds is expected to occur through the facilities of DTC on or about December 17, 2014.

STIFEL

The date of this Official Statement is December __, 2014.

* Preliminary, subject to change.

\$2,685,000*
COUNTY OF YUBA
COMMUNITY FACILITIES DISTRICT NO. 2005-1
(IMPROVEMENT AREA C – COUNTRYSIDE AT MONTROSE),
2014 SPECIAL TAX BONDS

Maturity Schedule

\$_____ Serial Bonds; CUSIP Prefix: 988296†

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>Suffix†</u>	<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>Suffix†</u>
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\$ _____ % Term Bonds due September 1, _____ Price _____ % to Yield _____ % CUSIP 988296 _____ †
\$ _____ % Escrow Term Bonds due September 1, _____ Price _____ % to Yield _____ % CUSIP 988296 _____ †

* Preliminary, subject to change.

† Copyright © 2014 CUSIP Global Services. All rights reserved. CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Global Services. CUSIP numbers have been assigned by an independent company not affiliated with the District and are included solely for the convenience of the owners of the 2014 Bonds. Neither the District nor the Underwriter is responsible for the selection or use of these CUSIP numbers, and no representation is made as to their correctness on the 2014 Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2014 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2014 Bonds.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

The information contained in this Official Statement has been obtained from sources that are believed to be reliable. No representation, warranty or guarantee, however, is made by the Underwriter as to the accuracy or completeness of any information in this Official Statement, including, without limitation, the information contained in the Appendices, and nothing contained in this Official Statement should be relied upon as a promise or representation by the Underwriter.

Neither the County nor the Underwriter has authorized any dealer, broker, salesperson or other person to give any information or make any representations with respect to the offer or sale of 2014 Bonds other than as contained in this Official Statement. If given or made, any such information or representations must not be relied upon as having been authorized by the County or the Underwriter. The information and expressions of opinion in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the 2014 Bonds shall under any circumstances create any implication that there has been no change in the affairs of any party described in this Official Statement, or in the status of any property described in this Official Statement, subsequent to the date as of which such information is presented.

This Official Statement and the information contained in this Official Statement are subject to amendment without notice. The 2014 Bonds may not be sold, and no offer to buy the 2014 Bonds may be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, the 2014 Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

When used in this Official Statement and in any continuing disclosure by the County, in any press release and in any oral statement made with the approval of an authorized officer of the County or any other entity described or referenced in this Official Statement, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

All summaries of the documents referred to in this Official Statement are qualified by the provisions of the respective documents summarized and do not purport to be complete statements of any or all of such provisions.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or the completeness of such information.

In connection with the offering of the 2014 Bonds, the Underwriter may overallocate or effect transactions that stabilize or maintain the market prices of the 2014 Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The 2014 Bonds have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), in reliance upon an exemption from the registration requirements contained in the Securities Act. The 2014 Bonds have not been registered or qualified under the securities laws of any state.

The County maintains an Internet website, but the information on the website is not incorporated in this Official Statement.

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COUNTY OF YUBA

Board of Supervisors

John Nicoletti, *Chairman*
Mary Jane Griego, *Vice Chair*
Andy Vasquez Jr., *Boardmember*
Roger Abe, *Boardmember*
Hal Stocker, *Boardmember*

County Officials

Robert Bendorf, *County Administrator*
Dan M. Mierzwa, *Treasurer & Tax Collector*
Michael Lee, *Public Works Director*
C. Richard Eberle, *Auditor/ Controller*
Angil Morris-Jones, *County Counsel*
Donna Stottlemeyer, *Clerk of the Board of Supervisors*

PROFESSIONAL SERVICES

Financial Advisor

Fieldman, Rolapp & Associates
Irvine, CA

Fiscal Agent

U.S. Bank National Association
Los Angeles, California

Special Tax Consultant

Goodwin Consulting Group, Inc.
Sacramento, California

Bond Counsel and Disclosure Counsel

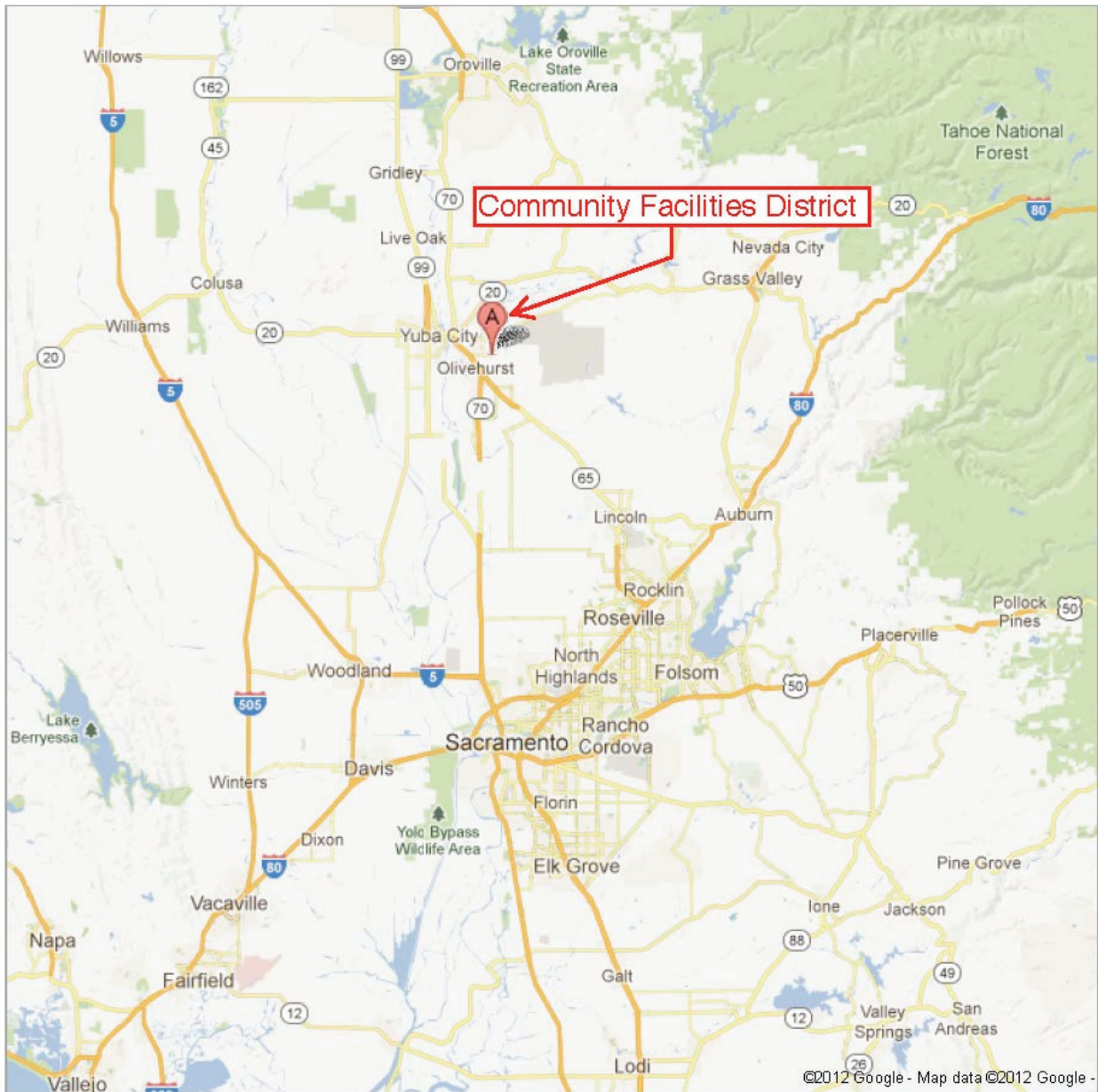
Quint & Thimmig LLP
Larkspur, California

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REGIONAL LOCATION MAP



OFFICIAL STATEMENT

\$2,685,000*

COUNTY OF YUBA COMMUNITY FACILITIES DISTRICT NO. 2005-1 (IMPROVEMENT AREA C – COUNTRYSIDE AT MONTROSE), 2014 SPECIAL TAX BONDS

This Official Statement, including the cover page and appendices hereto, sets forth certain information concerning the issuance by the County of Yuba, California (the “**County**”), for and on behalf of the County of Yuba Community Facilities District No. 2005-1 (Orchard/Montrose Public Improvements) (the “**District**”), of its County of Yuba Community Facilities District No. 2005-1 (Improvement Area C – Countryside at Montrose), 2014 Special Tax Bonds (the “**2014 Bonds**”).

INTRODUCTION

General

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in this entire Official Statement, including the cover page and appendices hereto, and the documents summarized or otherwise described herein. A full review should be made of this entire Official Statement and such documents prior to making an investment in the 2014 Bonds. The sale and delivery of the 2014 Bonds to potential investors is made only by means of the entire Official Statement.

The 2014 Bonds are being issued under the provisions of the Mello-Roos Community Facilities Act of 1982, as amended (constituting Section 53300 et seq. of the California Government Code) (the “**Act**”), and a Fiscal Agent Agreement, dated as of December 1, 2014 (the “**Fiscal Agent Agreement**”), between the County, for and on behalf of the District, and U.S. Bank National Association, as fiscal agent (the “**Fiscal Agent**”). Capitalized terms used in this Official Statement and not otherwise defined herein have the meanings given to them in the Indenture. See Appendix C – Summary of the Fiscal Agent Agreement.

Authority for Issuance

General. The District was formed under the authority of the Act, which was enacted by the California Legislature to provide an alternative method of financing certain public capital facilities and services, especially in developing areas of the State. The Act authorizes local governmental entities to establish community facilities districts as legally constituted governmental entities within defined boundaries, with the legislative body of the local applicable governmental entity acting on behalf of the community facilities district. Subject to approval by at least a two-thirds vote of the votes cast by the qualified electors within a community facilities district and compliance with the provisions of the Act, the legislative body may issue bonds for the community facilities district established by it and may levy and collect a special tax within such community facilities district to repay such bonds.

The Act has provisions that allow for the legislative body of a duly-formed community facilities district to designate portions of the community facilities district as improvement areas. After the designation of an improvement area, all proceedings for purposes of levying special

* Preliminary, subject to change.

taxes for payment of bonds issued for the improvement area apply only to the designated improvement area.

Bond Authority. The 2014 Bonds are authorized to be issued pursuant to the Act, Resolution No. 2014-89, adopted on September 23, 2014 by the Board of Supervisors of the County (the “**Board of Supervisors**”) acting as the legislative body of the District, and the Fiscal Agent Agreement. For more detailed information about the formation of the District, the designation of Improvement Area C of the District (the “**Improvement Area**”), and the authority for issuance of the 2014 Bonds, see “THE 2014 BONDS – Authority for Issuance” and “THE IMPROVEMENT AREA – History of the Improvement Area.”

The 2014 Bonds

General. The 2014 Bonds will be issued only as fully registered bonds, in denominations of \$5,000 or any integral multiple thereof, and will bear interest at the rates per annum and will mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. The 2014 Bonds will be dated the date of their issuance and interest on the 2014 Bonds will be payable on March 1 and September 1 of each year, commencing March 1, 2015 (each an “**Interest Payment Date**”). The 2014 Bonds will be issued in book-entry form only and, when delivered, will be registered in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York (“**DTC**”), which will act as securities depository for the 2014 Bonds. See “THE 2014 BONDS – General Provisions.”

Redemption Prior to Maturity. The 2014 Bonds are subject to optional redemption, mandatory redemption from Special Tax prepayments and mandatory sinking payment redemption prior to maturity. The Escrow Term Bonds are also subject to mandatory redemption in certain circumstances. See “THE 2014 Bonds – Redemption.”

Application of 2014 Bond Proceeds

Proceeds of the 2014 Bonds will be used to make a deposit to the Improvement Fund, to make deposits to the Escrow Fund and the Escrow Interest Account therein, to fund a reserve fund for the 2014 Bonds, to pay interest on the 2014 Bonds (other than the Escrow Term Bonds, the interest on which is to be paid from the Escrow Interest Account) through September 1, 2015, and to pay the costs of issuance of the 2014 Bonds and costs of administration incurred in connection with the District. See “PLAN OF FINANCING – Sources and Uses of Funds.” The proceeds of the 2014 Bonds deposited to the Improvement Fund, along with amounts (if any) released from the Escrow Fund to the Improvement Fund under the provisions of the Fiscal Agent Agreement, will be used to pay the costs of certain public infrastructure improvements (the “**Improvements**”) authorized to be funded for the Improvement Area. See “PLAN OF FINANCING – Overview.”

Security for the 2014 Bonds

Pledge Under the Fiscal Agent Agreement. Pursuant to the Fiscal Agent Agreement, the 2014 Bonds are secured by a first pledge of all of the Special Tax Revenues (other than the first \$25,000 of Special Tax Revenues received by the County in each Fiscal Year, which are to be used to pay Administrative Expenses or for other authorized purposes), and all moneys deposited in the Bond Fund, the Reserve Fund and, until disbursed in accordance with the Fiscal Agent Agreement, in the Special Tax Fund. In addition to the foregoing, the “**Deemed Escrow Term Bonds**” (being the Escrow Term Bonds in a principal amount equal to the amount then on deposit in the Escrow Fund, without regard to investment earnings or amounts in the Escrow Interest Account) are initially secured by a first pledge of all monies on the Escrow

Fund and the Escrow Interest Account. See “SECURITY FOR THE 2014 BONDS – General” and “– Escrow Fund.”

The Fiscal Agent Agreement defines “**Special Tax Revenues**” as the proceeds of the Special Taxes levied on the taxable property in the Improvement Area and received by the County, including any scheduled payments and any prepayments thereof, interest and penalties thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Tax to the amount of said lien, but does not include interest and penalties, if any, collected with the Special Tax that are in excess of the rate of interest payable on the Bonds. The Special Tax Revenues (other than the first \$25,000 of Special Tax Revenues received by the County in each Fiscal Year, which are to be used to pay Administrative Expenses or for other authorized purposes) and all moneys deposited into the funds described in the preceding paragraph are dedicated to the payment of the principal of, and interest and any premium on, the 2014 Bonds in accordance with the Fiscal Agent Agreement until all of the 2014 Bonds have been paid or defeased. See “SECURITY FOR THE 2014 Bonds – Special Taxes” and Appendix B – Rate and Method.

Escrow Fund. In order to enhance the security for the repayment of the 2014 Bonds, the Fiscal Agent Agreement establishes the Escrow Fund and the Escrow Interest Account therein. Amounts in the Escrow Fund and the Escrow Interest Account therein, until released from such fund and account in accordance with the Fiscal Agent Agreement, are pledged solely for the payment of debt service on the Deemed Escrow Bonds. Amounts may be released from the Escrow Fund to the Improvement Fund to pay costs of the Improvements as building permits are issued by the County for the 24 parcels of Unimproved Property (as defined in the Fiscal Agent Agreement) in the Improvement Area. Amounts that have not been so released from the Escrow Fund by October 1, 2016 will be used to redeem the Deemed Escrow Bonds on December 1, 2016 (as such dates may be extended in accordance with the Fiscal Agent Agreement). See “SECURITY FOR THE 2014 BONDS – Escrow Fund.”

Special Taxes; Rate and Method. The Special Taxes to be used to pay debt service on the 2014 Bonds will be levied in accordance with the Amended and Restated Rate and Method of Apportionment of Special Tax (referred to in this Official Statement as the “**Rate and Method**,” and as described under the heading “THE 2014 BONDS – Authority for Issuance”). “**Special Taxes**” as defined in the Fiscal Agent Agreement, means the Special Taxes levied on the taxable property within the Improvement Area pursuant to the Act, the Rate and Method and the Fiscal Agent Agreement. See “SECURITY FOR THE 2014 BONDS – Special Taxes” and “– Summary of Rate and Method.”

Limitations. The first \$25,000 of Special Tax Revenues received by the County in each Fiscal Year, as well as amounts in the Administrative Expense Fund, the Improvement Fund and the Costs of Issuance Fund, each of which is established under the Fiscal Agent Agreement, are not pledged to the repayment of the 2014 Bonds. The Improvements funded with proceeds of the 2014 Bonds are not pledged to pay the debt service on the 2014 Bonds. The proceeds of condemnation or destruction of any of the Improvements are not pledged to pay the debt service on the 2014 Bonds. In the event that the Special Taxes are not paid when due, the only sources of funds available to repay the 2014 Bonds (other than the Deemed Escrow Term Bonds, the interest on which is payable from amounts in the Escrow Interest Account and which are subject to redemption from amounts in the Escrow Fund) are amounts held by the Fiscal Agent in the Bond Fund, the Special Tax Fund and the Reserve Fund established under the Fiscal Agent Agreement, and the proceeds, if any, from foreclosure sales of parcels within the Improvement Area in respect of delinquent Special Taxes.

Reserve Fund

The Fiscal Agent Agreement establishes a Reserve Fund (the “**Reserve Fund**”) as a reserve for the payment of principal of and interest on the 2014 Bonds. The Reserve Fund is required to be funded in an amount equal to the least of (i) the then Maximum Annual Debt Service, (ii) one hundred twenty-five percent (125%) of the then average Annual Debt Service, or (iii) ten percent (10%) of the initial principal amount of the Bonds (the “**Reserve Requirement**”). The Reserve Fund will be available to pay the debt service on the 2014 Bonds and any Parity Bonds in the event of a shortfall in the amount in the Bond Fund for such purpose, which Parity Bonds may be issued only for refunding purposes. The Reserve Requirement as of the date of issuance of the 2014 Bonds will be \$_____. See “SECURITY FOR THE 2014 Bonds – Reserve Fund.”

The District and the Improvement Area

The District was formed by the Board of Supervisors pursuant to proceedings conducted under the Act on December 6, 2005, and an election held on that date whereby the then three owners of the land in the District voted in favor of the formation of the District, the levy of a special tax on property in the District and the issuance of bonds for the District. Pursuant to further proceedings conducted under the Act, on August 8, 2007, the Board of Supervisors designated three improvement areas with the District, including the Improvement Area. On January 15, 2008, the then owners of land in the Improvement Area approved the Rate and Method which specifies the manner in which the Special Taxes will be levied on property in the District. See “THE IMPROVEMENT AREA – History of Improvement Area.” The Improvement Area includes 231 separate assessor’s parcels, all located in the unincorporated area of the County in a subdivision known as Countryside at Montrose (the “**Development**”).

The land in the Improvement Area is being developed by Woodside 05N, LP, a California limited partnership (the “**Developer**”). The Developer is the successor by merger to Woodside Montrose Inc. (“**Woodside**”), which acquired the property in the Improvement Area in June of 2004 and was the initial developer of the property. See “THE IMPROVEMENT AREA – History of the Improvement Area.” As of October 31, 2014, 178 of the parcels in the Improvement Area have been improved with single family detached homes and have been sold to homeowners, 6 of the parcels have been improved with single family detached homes that are owned by the Developer (3 of which are the model homes for the development), construction of homes is underway on 5 of the parcels owned by the Developer, 18 of the parcels are in a finished lot condition and are owned by the Developer, and 24 of the parcels are in an unimproved condition (referred to in the Fiscal Agent Agreement as the “Unimproved Property”) and are owned by the Developer. See “THE IMPROVEMENT AREA – Location and Description of the Improvement Area.” The land and improvements comprising the property subject to the levy of Special Taxes in the Improvement Area were valued by the Yuba County Assessor for ad valorem property tax purposes on the 2014-15 secured property tax roll at an aggregate of \$37,664,154. Based on the County’s Fiscal Year 2014-15 property valuation, 181 of the 231 parcels of Taxable Property in the Improvement Area have assessed value to estimated share of 2014 Bond principal ratios in excess of 10:1. See “THE IMPROVEMENT AREA – Value-to-Burden Ratio.”

The value of individual parcels vary significantly. In addition, County assessed values may not reflect current market values. No recent independent appraisal of the property subject to the levy of Special Taxes has been conducted in connection with the 2014 Bonds, and no assurance can be given that should Special Taxes levied on one or more of the parcels become delinquent, and should the delinquent parcels be offered for sale at a judicial foreclosure sale, that any bid would be received for the property or, if a bid is received, that such bid would be

sufficient to pay such parcel's delinquent Special Taxes. See "SPECIAL RISK FACTORS – Property Value" and "SPECIAL RISK FACTORS – Insufficiency of Special Taxes."

Limited Obligation

Although the unpaid Special Taxes constitute liens on parcels within the Improvement Area on which they are levied, they do not constitute a personal indebtedness of the property owners. There is no assurance that the Developer or any homeowners will be financially able to pay the Special Taxes levied on their property in the Improvement Area, or that they will pay the Special Taxes even though financially able to do so.

NEITHER THE FAITH AND CREDIT NOR ANY TAXING POWER OF THE COUNTY OF YUBA, OR THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE 2014 BONDS. THE 2014 BONDS ARE NOT GENERAL OBLIGATIONS OF THE COUNTY, BUT ARE LIMITED OBLIGATIONS OF THE COUNTY FOR THE DISTRICT PAYABLE SOLELY FROM THE SPECIAL TAX REVENUES DERIVED FROM SPECIAL TAXES LEVIED ON PROPERTY IN THE IMPROVEMENT AREA, AND FROM AMOUNTS IN CERTAIN FUNDS ESTABLISHED UNDER THE FISCAL AGENT AGREEMENT, AS MORE FULLY DESCRIBED HEREIN.

Issuance of Additional Bonds

The County may issue additional bonded indebtedness for the District that is secured by a pledge of and lien on the Special Tax Revenues and on the funds pledged under the Fiscal Agent Agreement for the payment of the 2014 Bonds on a parity with the 2014 Bonds ("**Parity Bonds**"), but only for the purpose of refunding the 2014 Bonds or any outstanding Parity Bonds. See "SECURITY FOR THE 2014 Bonds – Issuance of Additional Bonds." When used in this Official Statement, the term "**Bonds**" means the 2014 Bonds and any Parity Bonds that may be issued in the future under the Fiscal Agent Agreement.

Bondowners' Risks

Certain events could affect the ability of the County to pay the principal of and interest on the 2014 Bonds when due. Except for the Special Tax, no other taxes are pledged to the payment of the 2014 Bonds. See "SPECIAL RISK FACTORS" for a discussion of certain factors that should be considered in evaluating an investment in the 2014 Bonds. The purchase of the 2014 Bonds involves significant risks, and the 2014 Bonds are not appropriate investments for all types of investors.

Continuing Disclosure

The County and the Developer each have agreed to provide, or cause to be provided, to the Electronic Municipal Market Access ("EMMA") maintained by the Municipal Securities Rulemaking Board certain annual financial and other information. The County and the Developer each have further agreed to provide notice of certain enumerated events, and the Developer has agreed to provide mid-year reports with certain limited information. The Developer's annual, mid-year and enumerated event reporting obligations will terminate if and when the Developer owns parcels in the Improvement Area that are subject to less than twenty percent (20%) of the annual Special Tax levy and the conditions for release of all amounts on deposit in the Escrow Fund have been satisfied. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934, as amended (the "**Rule**"). See "CONTINUING DISCLOSURE" and Appendix E for a description of the specific nature of the annual reports and notices of

significant events, as well as the terms of the Continuing Disclosure Agreements pursuant to which such reports and notices are to be made.

Other Information

This Official Statement speaks only as of its date, and the information contained in this Official Statement is subject to change without notice. Except where otherwise indicated, all information contained in this Official Statement has been provided by the County on behalf of the District.

Copies of the Fiscal Agent Agreement and certain other documents referenced in this Official Statement are available for inspection at the office of, and (upon written request and payment to the County of a charge for copying, mailing and handling) are available for delivery from, the Clerk of the Board of Supervisors, County of Yuba, 915 8th Street, Marysville, California 95901.

PLAN OF FINANCING

Overview

The County, for and on behalf of the District, entered into an Acquisition Agreement in April, 2008 (as amended, the “**Acquisition Agreement**”), with Woodside pursuant to which the County agreed to use proceeds of bonds issued for the District and payable from Special Taxes levied on property in the Improvement Area to pay the costs of specified public infrastructure improvements (referred to in this Official Statement as the “Improvements”) the construction of which was necessitated by development occurring in the District. The financing plan anticipates that a single series of “new money” Bonds (being the 2014 Bonds) will be issued to finance costs of some of the Improvements as contemplated by the Acquisition Agreement. The costs of Improvements not funded with proceeds of the 2014 Bonds have been paid for by Woodside, and neither the County nor the District has any obligation to reimburse any of such costs. All of the Improvements have been completed; however additional infrastructure improvements are needed to develop the 24 lots subject to the final tract map. See “THE IMPROVEMENT AREA – Location and Description of the Improvement Area.”

In accordance with the Acquisition Agreement, proceeds of the 2014 Bonds deposited to the Improvement Fund and amounts, if any released from the Escrow Fund to the Improvement Fund under the provisions of the Fiscal Agent Agreement will be used to make payments to Woodside Montrose Inc. for costs of the Improvements, all of which have been fully completed. See “PLAN OF FINANCING – Sources and Uses of Funds” and “SECURITY FOR THE 2014 BONDS – Escrow Fund.” While the Fiscal Agent Agreement does allow for the issuance of Parity Bonds secured on a parity with the 2014 Bonds, Parity Bonds may only be issued to refund previously issued Bonds. See “SECURITY FOR THE BONDS – Issuance of Additional Bonds.”

The Special Tax is to be imposed on the property within the Improvement Area pursuant to the Rate and Method at a maximum rate of \$1,000 per developed parcel per year, which is projected to be sufficient to pay the interest on, and principal of and mandatory sinking fund account payments for, the 2014 Bonds as they become due and payable, and to pay the \$25,000 of priority annual Administrative Expenses, all in accordance with the provisions in the Fiscal Agent Agreement. See “SECURITY FOR THE 2014 BONDS – Special Taxes,” and “– Summary of Rate and Method.” See also “THE IMPROVEMENT AREA – Projected Debt Service Coverage.”

Sources and Uses of Funds

The sources and uses of funds in connection with the 2014 Bonds are as follows:

Principal of 2014 Bonds	\$
Plus: Original Issue Premium	
Less: Underwriter's Discount	_____
Total Sources	\$
Deposit to Improvement Fund ⁽¹⁾	\$
Deposit to Escrow Fund ⁽²⁾	
Deposit to Reserve Fund ⁽³⁾	
Deposit to Capitalized Interest Account of the Bond Fund ⁽⁴⁾	
Deposit to Costs of Issuance Fund ⁽⁵⁾	
Deposit to Administrative Expense Fund ⁽⁶⁾	_____
Total Uses	\$

(1) See "PLAN OF FINANCING – Overview."

(2) Includes a deposit of \$26,600 (preliminary, subject to change) to the Escrow Interest Account of the Escrow Fund to be used to pay interest on the Escrow Term Bonds through December 1, 2016. See "SECURITY FOR THE 2014 BONDS – Escrow Fund."

(3) An amount equal to the initial Reserve Requirement. See "SECURITY FOR THE 2014 BONDS – Reserve Fund."

(4) To be used to pay interest on the 2014 Bonds, other than the Escrow Term Bonds, through September 1, 2015.

(5) To be used to pay Costs of Issuance, including fees and expenses of Bond and Disclosure Counsel, the Financial Advisor, the Special Tax Consultant, the Fiscal Agent and the County, printing expenses and other costs related to the issuance of the 2014 Bonds.

(6) To be used to pay Administrative Expenses of the County related to the Improvement Area incurred and payable prior to the receipt of the proceeds of the first Special Tax levy in the Improvement Area.

THE 2014 BONDS

Authority for Issuance

Pursuant to the Act, on November 8, 2005, the Board of Supervisors adopted Resolution No. 2005-271 establishing the District. On August 28, 2007, the Board of Supervisors adopted Resolution No. 2007-120 designating three improvement areas in the District, including the Improvement Area, and on January 15, 2008, the Board of Supervisors adopted Resolution No. 2008-08, after the conduct of an election by the then owners of the property in the Improvement Area, pursuant to which the County is authorized to incur up to \$4,000,000 of bonded indebtedness payable from the levy of Special Taxes on property in the Improvement Area, and approved the Amended and Restated Rate and Method of Apportionment of Special Tax for the Improvement Area (referred to in this Official Statement as the "Rate and Method"), a copy of which is attached to this Official Statement as Appendix B. See "THE IMPROVEMENT AREA – History of the Improvement Area."

The 2014 Bonds are authorized to be issued pursuant to the Act, Resolution No. 2014-89 adopted on September 23, 2014, by the Board of Supervisors, acting as the legislative body of the District, and the Fiscal Agent Agreement. The Special Tax to be used to pay debt service on the 2014 Bonds will be levied on taxable property in the Improvement Area in accordance with the Rate and Method.

General Provisions

The 2014 Bonds will be issued only as fully registered bonds, in the denomination of \$5,000 or any integral multiple thereof, and will bear interest at the rates per annum and will mature on the dates set forth on the inside cover page of this Official Statement. The 2014 Bonds will be dated the date of their issuance and interest on the 2014 Bonds will be payable on each Interest Payment Date, commencing March 1, 2015.

Each 2014 Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it will bear interest from such Interest Payment Date; or (b) it is authenticated on or before February 15, 2015, in which event it will bear interest from the date of issuance of the 2014 Bonds; provided, however, that if, as of the date of authentication of any 2014 Bond, interest thereon is in default, such 2014 Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. The term “**Record Date**” is defined in the Fiscal Agent Agreement as the fifteenth (15th) day of the month next preceding the month of the applicable Interest Payment Date, whether or not such fifteenth (15th) day is a Business Day.

The 2014 Bonds will be payable both as to principal and interest, and as to any applicable premium upon the redemption thereof, in lawful money of the United States of America. The principal of the 2014 Bonds and any premium due upon the redemption thereof will be payable by check of the Fiscal Agent upon presentation and surrender of the applicable 2014 Bonds at the Principal Office of the Fiscal Agent. Interest on the 2014 Bonds will be computed using a year of 360 days comprised of twelve 30-day months.

The 2014 Bonds will be issued in book-entry form only and, when delivered, will be registered in the name of Cede & Co., as nominee of DTC, which will act as securities depository for the 2014 Bonds. Individual purchases of the 2014 Bonds will be made in book-entry form only. Purchasers of the 2014 Bonds will not receive physical certificates representing their ownership interests in the 2014 Bonds purchased. Principal and interest payments represented by the 2014 Bonds are payable directly to DTC by the Fiscal Agent. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to the beneficial owners of the 2014 Bonds. See Appendix F – DTC and the Book-Entry Only System. **So long as the 2014 Bonds are registered in the name of Cede & Co., as nominee of DTC, references in this Official Statement to the owners shall mean Cede & Co., and shall not mean the purchasers or Beneficial Owners of the 2014 Bonds.**

Redemption

Optional Redemption. The 2014 Bonds maturing on and after September 1, ____ are subject to optional redemption prior to their stated maturity on any date occurring on or after September 1, ____, as a whole, or in part among maturities as determined by the Treasurer and by lot within a maturity, at a redemption price equal to the principal amount of the 2014 Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Sinking Payment Redemption. The 2014 Bonds maturing on September 1, ____, are subject to mandatory sinking payment redemption in part on September 1, ____, and on each September 1 thereafter to maturity, by lot, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, from sinking payments as follows:

Redemption Date
(September 1)

Sinking Payments

The Escrow Term Bonds are subject to mandatory sinking payment redemption in part on September 1, ____ and on each September 1 thereafter to maturity, by lot, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, from sinking payments as follows:

Redemption Date
(September 1)

Sinking Payments

The amounts in the foregoing tables shall be reduced as a result of any prior partial redemption of the 2014 Bonds maturing on September 1, ____ or the Escrow Term Bonds pursuant to the optional redemption or redemption from special tax prepayments provisions of the Fiscal Agent Agreement, in the manner provided in the Fiscal Agent Agreement and as specified in writing by the Treasurer to the Fiscal Agent. Amounts in the table for the Escrow Term Bonds shall be reduced, prorata, as a result of any prior partial redemption of the Escrow Term Bonds pursuant to the mandatory redemption of Escrow Term Bonds provisions of the Fiscal Agent Agreement, as specified in writing by the Treasurer to the Fiscal Agent.

Mandatory Redemption From Special Tax Prepayments. The 2014 Bonds are subject to mandatory redemption prior to their stated maturity on any Interest Payment Date, from the proceeds of Special Tax Prepayments and corresponding transfers of funds from the Reserve Fund (as described below under "SECURITY FOR THE 2014 Bonds – Reserve Fund"), as a whole or in part by lot and allocated among maturities of the 2014 Bonds so as to maintain substantially level debt service on the Bonds, at a redemption price (expressed as a percentage of the principal amount of the 2014 Bonds to be redeemed), as set forth below, together with accrued interest to the date fixed for redemption:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
any Interest Payment Date to and including March 1, ____	%
September 1, ____ and March 1, ____	
September 1, ____ and March 1, ____	
September 1, ____ and thereafter	

Mandatory Redemption of Escrow Term Bonds. The Escrow Term Bonds are subject to mandatory redemption on December 1, 2016 (or such later date as may be permitted under the Fiscal Agent Agreement), in part, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, from amounts transferred from the Escrow Fund to the Bond Fund pursuant to the Fiscal Agent Agreement. See "SECURITY FOR THE 2014 BONDS – Escrow Fund."

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

Selection of 2014 Bonds for Redemption. Whenever provision is made in the Fiscal Agent Agreement for the redemption of less than all of the 2014 Bonds or any given portion thereof pursuant to the optional redemption provisions of the Fiscal Agent Agreement, the Fiscal Agent shall select the 2014 Bonds to be redeemed, from all 2014 Bonds or such given portion thereof not previously called for redemption among maturities as directed in writing by the Treasurer, and within a maturity by lot in any manner which the Fiscal Agent in its sole discretion shall deem appropriate and fair. Whenever provision is made in the Fiscal Agent Agreement for the redemption of less than all of the 2014 Bonds pursuant to the Special Tax Prepayment provisions of the Fiscal Agent Agreement, the Fiscal Agent will select the 2014 Bonds to be redeemed, from among the maturities of the 2014 Bonds or such given portion thereof not previously redeemed, so as to maintain substantially level debt service on the Bonds, and within a maturity by lot in any manner which the Fiscal Agent in its sole discretion shall deem appropriate and fair. In each case, for purposes of selection of 2014 Bonds to be redeemed, all 2014 Bonds shall be deemed to be comprised of separate \$5,000 portions, and such portions shall be treated as separate 2014 Bonds that may be separately redeemed.

Notice of Redemption. The Fiscal Agent will cause notice of any redemption to be mailed by first class mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for redemption, to the Securities Depositories and to one or more Information Services, and to the respective registered Owners of any 2014 Bonds designated for redemption, at their addresses appearing on the Bond registration books in the Principal Office of the Fiscal Agent; but such mailing is not a condition precedent to redemption and failure to mail or to receive any such notice, or any defect therein, will not affect the validity of the proceedings for the redemption of such 2014 Bonds. The redemption notice will state the redemption date and the redemption price and, if less than all of the then Outstanding 2014 Bonds are to be called for redemption, will designate the CUSIP numbers and 2014 Bond numbers of the 2014 Bonds to be redeemed by giving the individual CUSIP number and 2014 Bond number of each 2014 Bond to be redeemed or will state that all 2014 Bonds between two stated 2014 Bond numbers, both inclusive, are to be redeemed or that all of the 2014 Bonds of one or more maturities have been called for redemption, will state as to any 2014 Bond called in part the principal amount thereof to be redeemed, and will require that such 2014 Bonds be then surrendered at the Principal Office of the Fiscal Agent for redemption at the said redemption price, and will state that further interest on such 2014 Bonds will not accrue after the redemption date.

Notwithstanding the foregoing, any notice of redemption in connection with an optional redemption or redemption from Special Tax Prepayments may state that the redemption is conditioned upon receipt by the Fiscal Agent of sufficient moneys to redeem the 2014 Bonds on the anticipated redemption date, and that the redemption will not occur if by no later than the scheduled redemption date sufficient moneys to redeem the 2014 Bonds have not been deposited with the Fiscal Agent. In the event that the Fiscal Agent does not receive sufficient funds by the scheduled redemption date to so redeem the 2014 Bonds to be redeemed, the Fiscal Agent will send written notice to the owners of the 2014 Bonds, to the Securities Depositories and to one or more of the Information Services to the effect that the redemption did not occur as anticipated, and the 2014 Bonds for which notice of redemption was given will remain Outstanding for all purposes of the Fiscal Agent Agreement.

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

Tender of 2014 Bonds in Payment of Special Taxes. The County has covenanted in the Fiscal Agent Agreement not to permit the tender of 2014 Bonds in payment of any Special Taxes except upon receipt of a certificate of an Independent Financial Consultant that to accept such tender will not result in the County having insufficient Special Tax Revenues to pay the principal or and interest on the 2014 Bonds that will remain Outstanding following such tender.

Transfer or Exchange of 2014 Bonds

So long as the 2014 Bonds are registered in the name of Cede & Co., as nominee of DTC, transfers and exchanges of 2014 Bonds shall be made in accordance with DTC procedures. See Appendix F – “DTC and the Book-Entry Only System.” If the book-entry only system for the 2014 Bonds is ever discontinued, any 2014 Bond may, in accordance with its terms, be transferred or exchanged by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such 2014 Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form approved by the Fiscal Agent. Whenever any 2014 Bond or 2014 Bonds are surrendered for transfer or exchange, the County will execute and the Fiscal Agent will authenticate and deliver a new 2014 Bond or 2014 Bonds, for a like aggregate principal amount of 2014 Bonds of authorized denominations and of the same maturity. The Fiscal Agent will collect from the Owner requesting such transfer any tax or other governmental charge required to be paid with respect to such transfer or exchange.

No transfers or exchanges of 2014 Bonds will be required to be made (i) within the 15 days prior to the date designated by the Fiscal Agent as the date for selecting 2014 Bonds for redemption, or (ii) with respect to any 2014 Bond after such 2014 Bond has been selected for redemption.

Discontinuance of DTC Services

DTC may determine to discontinue providing its services with respect to the 2014 Bonds at any time by giving written notice to the Fiscal Agent during any time that the 2014 Bonds are Outstanding, and discharging its responsibilities with respect to the 2014 Bonds under applicable law. The County may terminate the services of DTC with respect to the 2014 Bonds if it determines that DTC is unable to discharge its responsibilities with respect to the 2014 Bonds or that continuation of the system of book-entry transfers through DTC is not in the best interest of the Beneficial Owners. The County will mail any such notice of termination to the Fiscal Agent.

Upon the termination of the services of DTC as described in the previous paragraph, and if no substitute Depository willing to undertake the functions can be found which is willing and able to undertake such functions upon reasonable or customary terms, or if the County determines that it is in the best interest of the Beneficial Owners of the 2014 Bonds that they obtain certificated Bonds, the 2014 Bonds will no longer be restricted to being registered in the Registration Books of the Fiscal Agent in the name of Cede & Co., as nominee of DTC, but may be registered in whatever name or name the Owners designate at that time, in accordance with the Fiscal Agent Agreement.

To the extent that the Beneficial Owners are designated as the transferee by the Owners, the 2014 Bonds will be delivered to such Beneficial Owners as soon as practicable in accordance with the Fiscal Agent Agreement.

Scheduled Debt Service

The table below sets forth the scheduled annual debt service payments on the 2014 Bonds, assuming no optional redemption or mandatory redemption from prepayments of Special Taxes of the 2014 Bonds, or any mandatory redemption of the Escrow Term Bonds from amounts in the Escrow Fund.

<u>Year Ending September 1</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2015	\$	\$ (1)	\$
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
Totals			

- (1) Interest on the 2014 Bonds, other than the Escrow Term Bonds, due on March 1, 2015 and September 1, 2015 is to be paid from amounts in the Capitalized Interest Account of the Bond Fund. Interest on the Escrow Term Bonds due on and prior to December 1, 2016 is payable from the Escrow Interest Account. See "PLAN OF FINANCING – Sources and Uses of Funds" and "SECURITY FOR THE 2014 BONDS – Escrow Fund."
- (2) Indicates a scheduled mandatory sinking payment redemption. See "THE 2014 BONDS – Redemption – Mandatory Sinking Payment Redemption."

SECURITY FOR THE 2014 BONDS

General

Pursuant to the Fiscal Agent Agreement, the 2014 Bonds are secured by a first pledge of all of the Special Tax Revenues (other than the first \$25,000 of Special Tax Revenues received by

the County in each Fiscal Year, which are to be retained by the County to be used to pay Administrative Expenses or for other lawful purposes of the District under the Act), and all moneys deposited in the Bond Fund, the Reserve Fund and, until disbursed in accordance with the Fiscal Agent Agreement, the Special Tax Fund. Special Tax Revenues do not include interest and penalties on foreclosure of the lien of Special Taxes in excess of the rate of interest payable on the 2014 Bonds. The Special Tax Revenues and all moneys deposited into said funds (except as otherwise provided in the Fiscal Agent Agreement) are dedicated to the payment of the principal of, and interest and any premium on, the 2014 Bonds in accordance with the Fiscal Agent Agreement until all of the 2014 Bonds have been paid or defeased. In addition to the foregoing, the Deemed Escrow Term Bonds are secured by a first pledge of all monies in the Escrow Fund and the Escrow Interest Account.

Amounts in the Improvement Fund, the Administrative Expense Fund and the Costs of Issuance Fund, and the first \$25,000 of Special Tax Revenues received by the County in each Fiscal Year, are not pledged to the repayment of the 2014 Bonds. The Improvements are not pledged to pay the debt service on the 2014 Bonds. The proceeds of condemnation or destruction of any of the Improvements are not pledged to pay the Debt Service on the 2014 Bonds.

Limited Obligation

The 2014 Bonds are limited obligations of the County on behalf of the District and are payable solely from and secured solely by the Special Tax Revenues (other than the first \$25,000 of Special Tax Revenues received by the County in each Fiscal Year, which are to be used to pay Administrative Expenses or for other lawful purposes of the District under the Act), and the amounts in the Bond Fund, the Reserve Fund and the Special Tax Fund created pursuant to the Fiscal Agent Agreement.

In the event that the Special Taxes are not paid when due, the only sources of funds available to repay the 2014 Bonds are amounts held by the Fiscal Agent under the Fiscal Agent Agreement in the Bond Fund, the Special Tax Fund and the Reserve Fund, and the proceeds, if any, from foreclosure sales of parcels with delinquent Special Tax levies; provided that the Deemed Escrow Term Bonds are payable from amounts in the Escrow Fund and the Escrow Interest Account.

Special Taxes

The Rate and Method that was approved in accordance with the provisions of the Act in 2008 by the then owners of the land in the Improvement Area is set forth in its entirety in Appendix B. See "THE IMPROVEMENT AREA – History of the Improvement Area." The Rate and Method provides for the levy of a "**Special Tax**" in order to fund the annual "**Special Tax Requirement**," which includes the amounts needed to pay the debt service on the Bonds, to pay costs of administering the Bonds and the Improvement Area, and to replenish any draws on the Reserve Fund. See "SECURITY FOR THE 2014 BONDS – Summary of Rate and Method."

Under the Fiscal Agent Agreement, the County is obligated to fix and levy the amount of Special Taxes within the Improvement Area required for the timely payment of principal of and interest on the outstanding 2014 Bonds becoming due and payable, including any necessary replenishment of the Reserve Fund and an amount estimated to be sufficient to pay the Administrative Expenses, taking into account any prepayments of Special Taxes previously received by the County. The Special Tax will be levied on each parcel of Single Family Residential Property (as defined in the Rate and Method) at a rate of \$1,000 per parcel per year. See "SECURITY FOR THE 2014 BONDS – Summary of Rate and Method."

The Special Taxes are payable and are collected in the same manner, at the same time and in the same installment as the County ad valorem taxes on property levied on the secured tax roll are payable, and pursuant to the Act have the same priority, become delinquent at the same times and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the taxes levied on the tax roll; provided, however, that the Special Taxes may be collected at a different time or in a different manner if necessary to meet the Improvement Area's financial obligations.

Although the Special Taxes will constitute a lien on taxed parcels within the Improvement Area, they do not constitute a personal indebtedness of the owners of the property within the Improvement Area. Pursuant to Section 53356.1 of the Act, in the event of any delinquency in the payment of the Special Tax on a parcel of Taxable Property, the County may order the institution of a superior court action to foreclose the lien on the parcel of Taxable Property within specified time limits. In such an action, the real property subject to the unpaid amount of the Special Tax lien may be sold at judicial foreclosure sale. The Act provides that the Special Taxes are secured by a continuing lien which is subject to the same lien priority in the case of delinquency as *ad valorem* property taxes. See "SECURITY FOR THE 2014 BONDS – Summary of Rate and Method," and "– Covenant for Superior Court Foreclosure" and "SPECIAL RISK FACTORS – Parity Taxes and Special Assessments."

Other liens for taxes and assessments already exist on the property located within the Improvement Area and others could come into existence in the future. See "SPECIAL RISK FACTORS – Parity Taxes and Special Assessments." There is no assurance that any owner of a parcel subject to the Special Tax levy will be financially able to pay the annual Special Taxes or that it will pay such taxes even if financially able to do so. See "SPECIAL RISK FACTORS – Payment of the Special Tax is not a Personal Obligation."

Special Tax Fund

Deposit of Special Tax Revenues. The County is obligated by the Fiscal Agent Agreement to transfer, or cause to be transferred, to the Fiscal Agent, as soon as practicable following receipt, all Special Tax Revenues received by the County, which amounts shall be deposited by the Fiscal Agent in the Special Tax Fund established under the Fiscal Agent Agreement.

Notwithstanding the foregoing,

(i) with respect to the first \$25,000 of Special Tax Revenues collected by the County in any Fiscal Year, the County shall retain such amount, and not remit the same to the Fiscal Agent, and the County shall use such amount to pay Administrative Expenses or for any other lawful purpose under the Act consistent with the Rate and Method, as determined from time to time by the Treasurer;

(ii) any Special Tax Revenues constituting the collection of delinquencies in payment of Special Taxes will be separately identified by the County and will be disposed of by the Fiscal Agent first, in the Bond Fund to pay any past due debt service on the Bonds; second, in the Reserve Fund to the extent needed to increase the amount then on deposit in the Reserve Fund to the then Reserve Requirement; and third, to be held in the Special Tax Fund and used for its purposes; and

(iii) any proceeds of Special Tax Prepayments will be separately identified by the County and will be deposited by the Fiscal Agent in the Special Tax Prepayments Account and used to redeem Bonds.

Moneys in the Special Tax Fund will be held by the Fiscal Agent for the benefit of the County and the Owners of the Bonds, will be disbursed as provided below and, pending and disbursement, will be subject to a lien in favor of the Owners of the Bonds and the County.

Disbursements. From time to time as needed to pay the obligations of the Improvement Area, but no later than the Business Day before each Interest Payment Date, the Fiscal Agent will withdraw from the Special Tax Fund and transfer the following amounts in the following order of priority:

(i) to the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund and any expected transfers under the Fiscal Agent Agreement from the Reserve Fund, the Special Tax Fund and the Escrow Fund to the Bond Fund, such that the amount in the Bond Fund equals the principal (including any mandatory sinking payment, or principal due pursuant to optional or special tax prepayment redemptions), premium, if any, and interest due on the Bonds on the next Interest Payment Date, and

(ii) to the Reserve Fund an amount, taking into account amounts then on deposit in the Reserve Fund, such that the amount in the Reserve Fund is equal to the Reserve Requirement;

provided that no such transfers shall exceed the amount then available to be transferred from the Special Tax Fund.

In addition to the foregoing, if in any Fiscal Year there are sufficient funds in the Special Tax Fund to make the foregoing transfers to the Bond Fund and the Reserve Fund in respect of the Interest Payment Dates occurring in the Bond Year that commences in such Fiscal Year, the Treasurer may direct the Fiscal Agent to transfer to the Administrative Expense Fund, from time to time, any amount in the Special Tax Fund in excess of the amount needed to make such transfers to the Bond Fund and the Reserve Fund, if the Treasurer determines that monies are needed to pay Administrative Expenses in excess of the amount then on deposit in the Administrative Expense Fund.

Summary of Rate and Method

The Rate and Method is used to allocate the amount of the Special Tax that is needed to be collected each Fiscal Year to fund the Special Tax Requirement among the taxable parcels within the Improvement Area based upon the development status of the parcels. The Rate and Method is set forth in full in Appendix B and the following is a summary of the Rate and Method.

The Rate and Method classifies all Taxable Property, i.e., all assessor's parcels in the Improvement Area not exempt from the Special Tax pursuant to law or the Rate and Method, into three categories: Developed Property, Excess Public Property (none of which is expected in the Improvement Area), and Undeveloped Property. The Rate and Method then classifies Developed Property into Commercial Property (none of which is expected in the Improvement Area), Other Property (none of which is expected in the Improvement Area), and Single Family Residential Property which includes parcels for which a building permit for a home has been issued on or prior to June 30 of the Fiscal Year preceding the Fiscal Year of the levy. The Improvement Area, as of October 31, 2014, includes 189 parcels of Single Family Residential Property and approximately 10.2 acres of Undeveloped Property. It is anticipated that, upon completion of construction of all the planned homes for the Improvement Area (see "THE IMPROVEMENT AREA – Land Ownership and Expected Special Tax Levy"), there will be 231

parcels of Single Family Residential Property and no Undeveloped Property or other property subject to the Special Tax Levy.

On August 12, 2014, the Board of Supervisors adopted Resolution No. 2014-69 pursuant to which it irrevocably and forever directed the Maximum Special Tax that may be levied under the Rate and Method be reduced to \$1,000 per home per year, that the first year that the Special Tax be levied on property in the Improvement Area be fiscal year 2015-16 and that in no event shall a Special Tax be levied after Fiscal Year 2040-41. As a consequence of the foregoing, if all of the taxable property in the Improvement Area consists of 231 lots improved with single family homes as projected by the Developer, the then maximum Special Tax that may be levied in any Fiscal Year will be \$231,000. The Rate and Method also specifies that under no circumstances may the Special Tax on a parcel with a home be increased by more than ten percent (10%) as a consequence of delinquency or default in payment of the Special Tax levied on any other parcel or parcels in the Improvement Area. The Rate and Method sets forth a maximum Special Tax on Undeveloped Property of \$7,623 per acre. The Rate and Method also contains provisions for a Back-up Special Tax, but those provisions are not expected to apply to the Improvement Area due to the lot count in the Improvement Area being greater than what was anticipated when the Rate and Method was approved in 2008.

Each Fiscal Year, commencing with the Special Tax levy for Fiscal Year 2015-16, the person or firm designated by the County to administer the Special Tax will determine the Special Tax Requirement, which is defined in the Rate and Method as the amount necessary in any Fiscal Year for the Improvement Area to (i) pay principal and interest on the Bonds, (ii) create and/or replenish reserve funds for the Bonds; (iii) cure any delinquencies in the payment of principal or interest on Bonds which have occurred in the prior Fiscal Year or, based on existing delinquencies in the payment of Special Taxes within the Improvement Area, are expected to occur in the Fiscal Year in which the tax will be collected; (iv) pay Administrative Expenses, and (v) pay directly for facilities authorized to be funded by the Improvement Area. The amounts referred to in clauses (i) and (ii) of the preceding sentence may be reduced in any Fiscal Year by: (a) interest earnings on or surplus balances in funds and accounts for the Bonds to the extent that such earnings or balances are available to be applied against debt service pursuant to the Fiscal Agent Agreement; (b) proceeds received by the District from the collection of penalties associated with delinquent Special Taxes in the Improvement Area; and (c) any other revenues available to pay debt service on the Bonds as determined by the District Administrator. The County does not expect to include any amount in the annual Special Tax Requirement to pay directly for any facilities authorized to be funded by the Improvement Area.

The County will levy the Special Tax in four steps, in the following order, until the amount of the levy equals the amount needed to be collected to satisfy the Special Tax Requirement:

First: the Special Tax is levied proportionately on each assessor's parcel of Developed Property at up to 100% of the applicable Maximum Special Tax (being \$1,000 per year per home for Single Family Residential Property);

Second: if additional moneys are needed, the Special Tax is levied proportionately on each assessor's parcel of Undeveloped Property at up to 100% of the Maximum Special Tax for Undeveloped Property;

Third: if additional moneys are needed, the Special Tax is levied proportionately on each assessor's parcel of Commercial Property (none of which is expected in the Improvement Area) at up to 100% of the Maximum Special Tax for Undeveloped Property; and

Fourth: if additional moneys are needed, then the Special Tax is levied proportionately on each assessor's parcel of Excess Public Property (none of which is expected in the Improvement Area) at up to the Maximum Special Tax for Undeveloped Property.

The term "proportionately" as used in the above steps means, for Single Family Residential Property, that the ratio of the actual Special Tax levied in any Fiscal Year to the Maximum Special Tax authorized to be levied in that Fiscal Year is equal for all Assessor's Parcels of Single Family Residential Property within the Improvement Area. For Undeveloped Property, "proportionately" means that the ratio of the actual Special Tax to the Maximum Special Tax is equal for all Assessor's Parcels of Undeveloped Property within the Improvement Area.

As previously stated, as of October 31, 2014, there were 189 parcels of Single Family Residential Property in the District, and 10.2 acres of Undeveloped Property. The Undeveloped Property is expected to be classified into an additional 42 parcels of Single Family Residential Property as these lots are developed and building permits are issued by the County for such lots. See "THE IMPROVEMENT AREA – Land Ownership and Expected Special Tax Levy."

The Special Tax obligation applicable to a parcel within the Improvement Area may be prepaid and the obligation to pay any Special Tax for such parcel may be fully or partially satisfied as described in the Rate and Method. No prepayments of the Special Tax have occurred in the Improvement Area, however no assurance can be given that prepayments of the Special Tax will not occur in the future, as the first Special Tax levy will occur in Fiscal Year 2015-16. Prepayments of the Special Tax will result in a mandatory redemption of the 2014 Bonds. See "THE 2014 BONDS – Redemption – Mandatory Redemption From Special Tax Prepayments."

Reserve Fund

The Fiscal Agent Agreement establishes a debt service reserve fund (the "**Reserve Fund**") as a separate fund to be held in trust by the Fiscal Agent for the benefit of the Owners of the Bonds (which include the 2014 Bonds and any Parity Bonds), as a reserve for the payment of principal of, and interest and any premium on, the Bonds and moneys in the Reserve Fund are subject to a lien in favor of the Owners of the Bonds. The Reserve Fund is required by the Fiscal Agent Agreement to be funded in an amount equal to the Reserve Requirement which amount is, as of any date of calculation, an amount equal to the least of (i) the then Maximum Annual Debt Service on the Bonds, (ii) one hundred twenty-five percent (125%) of the then average Annual Debt Service on the Bonds, or (iii) ten percent (10%) of the initial principal amount of the Bonds. The Reserve Requirement as of the date of issuance of the 2014 Bonds will be \$_____.

Except as otherwise provided in the Fiscal Agent Agreement (with respect to the use of moneys in the Reserve Fund (i) in connection with the redemption of Bonds with proceeds of Special Tax Prepayments or other Bond redemptions, (ii) for the payment of any rebate liability due to the federal government, (iii) the use of excess moneys in the Reserve Fund to pay debt service on the Bonds, and (iv) a possible transfer of excess funds in the Reserve Fund to the Improvement Fund upon a mandatory redemption of Deemed Escrow Bonds), all amounts deposited in the Reserve Fund will be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of, and interest and any premium on, the Bonds. See Appendix C – Summary of Fiscal Agent Agreement.

Whenever the balance in the Reserve Fund exceeds the amount required to redeem or pay the Outstanding Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, the Fiscal Agent will transfer the amount in the Reserve Fund to the Bond Fund to be applied, on the next succeeding Interest Payment Date, to the payment and redemption of all of the Outstanding Bonds. In the event that the amount transferred from the Reserve Fund to the Bond Fund exceeds the amount required to pay and redeem the Outstanding Bonds, the balance in the Reserve Fund will be transferred to the County to be used for any lawful purpose under the Act. Notwithstanding the foregoing, no amounts will be transferred from the Reserve Fund until after (i) amounts in the Reserve Fund are withdrawn, at the written request of the Treasurer, for purposes of making payment to the federal government in accordance with the Fiscal Agent Agreement following payment of the Bonds, and (ii) payment of any fees and expenses due to the Fiscal Agent. See Appendix C – Summary of Fiscal Agent Agreement.

Escrow Fund

The Fiscal Agent Agreement provides that \$320,000* of the proceeds of the 2014 Bonds will be deposited to an Escrow Fund to be held by the Fiscal Agent, and an additional \$26,600.00* will be deposited to an Escrow Interest Account also to be held by the Fiscal Agent. The amount deposited to the Escrow Fund is equal to the initial principal amount of the Escrow Term Bonds, and the amount deposited to the Escrow Interest Account is equal to the interest accruing on the Escrow Term Bonds to December 1, 2016, without any reinvestment earnings. The Fiscal Agent Agreement includes the term “**Deemed Escrow Bonds**” being, as any date of determination, Escrow Term Bonds in a principal amount equal to the amount then on deposit in the Escrow Fund, not including amounts in the Escrow Interest Account or any investment earnings on amounts in the Escrow Fund or the Escrow Interest Account.

Amounts in the Escrow Interest Account will be transferred on the Business Day prior to each Interest Payment Date to the Bond Fund in an amount equal to the interest on the Deemed Escrow Bonds. Investment earnings on amounts in the Escrow Fund and the Escrow Interest Account will be transferred to the Improvement Fund on the Business Day prior to each Interest Payment Date. Amounts will be transferred periodically from the Escrow Fund to the Improvement Fund upon the satisfaction of certain “Release Tests” described below. Amounts in the Escrow Fund as of October 1, 2016 will be used to redeem Deemed Escrow Term Bonds on December 1, 2016 at a redemption price of par plus accrued interest (paid from the Escrow Interest Account); however such dates may be extended upon compliance with certain provisions of the Fiscal Agent Agreement (but not beyond a September 1, 2017 redemption date). See “THE 2014 BONDS – Redemption – Mandatory Redemption of Escrow Term Bonds,” and Appendix C – Summary of the Fiscal Agent Agreement.

For any proposed date of release of funds from the Escrow Fund to the Improvement Fund, the Treasurer must determine the number of the 24 parcels of Unimproved Property that, following the date of issuance of the 2014 Bonds, had a building permit for new construction of a single family residence issued by the County. The Treasurer shall then multiply the amount initially deposited to the Escrow Fund on the date of issuance of the 2014 Bonds by a fraction with the number of such parcels for which a building permit has been issued divided by 24 (the number of unimproved parcels as of the date of issuance of the 2014 Bonds), with the resulting amount being the aggregate amount that can be released from the Escrow Fund (the “Aggregate Release Amount”). The Treasurer shall then subtract from the Aggregate Release Amount any amounts previously released from the Escrow Fund to determine the amount that can be released from the Escrow Fund. In making the determinations described above, the Treasurer may conclusively rely on a certificate of a Tax Consultant. As an additional requirement for any

* Preliminary, subject to change.

such disbursement from the Escrow Fund, the Treasurer shall determine if any Special Tax theretofore levied on Undeveloped Property is then delinquent, and no disbursement shall be made to the Improvement Fund if any such delinquency exists at the time the disbursement would otherwise be made. See Appendix C – Summary of the Fiscal Agent Agreement.

Covenant for Superior Court Foreclosure

Foreclosure Under the Act. Pursuant to Section 53356.1 of the Act, in the event of any delinquency in the payment of the Special Tax on the taxed parcel, the County may order the institution of a superior court action to foreclose the lien on the taxed parcel within specified time limits. In such an action, the real property subject to the unpaid amount of the Special Tax lien may be sold at judicial foreclosure sale.

County Foreclosure Covenant. Judicial foreclosure proceedings in the event of delinquent Special Taxes are not mandatory. However, the County has covenanted in the Fiscal Agent Agreement for the benefit of the Bondowners that it will determine or cause to be determined, no later than August 15 of each year, whether or not any owners of property within the Improvement Area are delinquent in the payment of Special Taxes and, if such delinquencies exist, the County, on behalf of the District, will order and cause to be commenced no later than October 1, and thereafter diligently prosecute, an action in the superior court to foreclose the lien of any Special Taxes or installment thereof not paid when due; provided, however, that under the Fiscal Agent Agreement, the County is not required to order the commencement of foreclosure proceedings if (a) the total Special Tax delinquency in the Improvement Area for such Fiscal Year is less than 5% of the total Special Tax levied in such Fiscal Year, or (b) the amount then on deposit in the Reserve Fund is equal to the Reserve Requirement. If both of the preceding clauses are not satisfied as of August 15 of any Fiscal Year the County, on behalf of the District, will diligently institute, prosecute and pursue foreclosure proceedings against any property owner in the Improvement Area that is delinquent in excess of \$2,500 (including penalties and interest) in the payment of the Special Tax. No assurance can be given as to the time necessary to complete any foreclosure sale or that any foreclosure sale will be successful. The County is not required to be a bidder at any foreclosure sale.

In a foreclosure proceeding the County is entitled to recover penalties and interest on the delinquent Special Taxes through the date that an order of sale is entered. However, under the Fiscal Agent Agreement, the Special Taxes pledged to the payment of the 2014 Bonds does not include any such penalties and interest collected by the County that are in excess of the rate of interest payable on the 2014 Bonds. Also it should be noted that prompt commencement of foreclosure proceedings may not, in and of itself, result in a timely or complete payment of delinquent Special Taxes.

Sufficiency of Foreclosure Sale Proceeds; Foreclosure Limitations and Delays. No assurances can be given that the real property subject to a judicial foreclosure sale will be sold or, if sold, that the proceeds of sale will be sufficient to pay any delinquent Special Tax installment. Due to the \$1,000 maximum annual Special Tax rate for each Single Family Residential Property in the Improvement Area, the Rate and Method is designed to generate each Fiscal Year from all of the taxable property within the Improvement Area (expected to be 231 taxable parcels of Single Family Residential Property at build-out), not more than the \$25,000 of priority administrative expenses and up to 110% of the scheduled debt service on the 2014 Bonds. See “THE IMPROVEMENT AREA – Projected Debt Service Coverage.” However, if foreclosure proceedings are necessary, and the Reserve Fund has been depleted, there could be a delay in payments to owners of the 2014 Bonds pending prosecution of the foreclosure proceedings and receipt by the County of the proceeds of the foreclosure sale.

The ability of the County to foreclose the lien of delinquent unpaid Special Taxes may be limited in certain instances and may require prior consent of the obligee in the event the property is owned by or in receivership of a Federal agency. See "SPECIAL RISK FACTORS – Property Interests of Government Agencies; Federal Deposit Insurance Corporation."

No assurances can be given that a judicial foreclosure action, once commenced, will be completed or that it will be completed in a timely manner. If a judgment of foreclosure and order of sale is obtained, the judgment creditor (the County for the Improvement Area) must cause a Notice of Levy to be issued. Under current law, a judgment debtor (property owner) has 120 days from the date of service of the Notice of Levy in which to redeem the property to be sold, which period may be shortened to 20 days for parcels other than those on which a dwelling unit for not more than four persons is located. If a judgment debtor fails to redeem and the property is sold, his only remedy is an action to set aside the sale, which must be brought within 90 days of the date of sale. If, as a result of such an action, a foreclosure sale is set aside, the judgment is revived and the judgment creditor is entitled to interest on the revived judgment as if the sale had not been made (Section 701.680 of the California Code of Civil Procedure). The constitutionality of the aforementioned legislation, which repeals the former one-year redemption period, has not been tested; and there can be no assurance that, if tested, such legislation will be upheld.

Section 53356.6 of the Act requires that property sold pursuant to foreclosure under the Act be sold for not less than the amount of judgment in the foreclosure action, plus post-judgment interest and authorized costs, unless the consent of the owners of 75% of the outstanding Bonds is obtained. However, under Section 53356.6 of the Act, the County, as judgment creditor, is entitled to purchase any property sold at foreclosure using a "credit bid," where the County could submit a bid crediting all or part of the amount required to satisfy the judgment for the delinquent amount of the Special Tax. If the County becomes the purchaser under a credit bid, the County must pay the amount of its credit bid into the Bond Fund, but this payment may be made up to 24 months after the date of the foreclosure sale. Neither the Act nor the Fiscal Agent Agreement requires the County to purchase or otherwise acquire any lot or parcel of property foreclosed upon if there is no other purchaser at such sale, and the County has no intent to be such a purchaser.

The County will levy the Special Tax to pay the current year's debt service and related administrative expenses and to replenish the Reserve Fund to the Reserve Requirement, subject to the Maximum Special Tax rates under the Rate and Method. However, if superior court foreclosure proceedings are necessary to collect delinquent Special Taxes, and if the Reserve Fund is depleted, there could be a delay in payments of principal of and interest on the 2014 Bonds pending prosecution of the foreclosure proceedings and receipt by the County of the proceeds of the foreclosure sale. See "SPECIAL RISK FACTORS – Bankruptcy and Foreclosure Delays" and "– Insufficiency of Special Tax Revenues."

No Teeter Plan

Collection of the Special Taxes is not subject to the "Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds," as provided for in Section 4701 et seq. of the California Revenue and Taxation Code (known as the "Teeter Plan"). Accordingly, collections of Special Taxes will reflect actual delinquencies, if any.

Investment of Moneys

Except as otherwise provided in the Fiscal Agent Agreement, all moneys in any of the funds or accounts established pursuant to the Fiscal Agent Agreement will be invested by the Fiscal Agent solely in Permitted Investments, as directed by the County. See Appendix C –

Summary of the Fiscal Agent Agreement for a definition of “**Permitted Investments**” and for additional provisions regarding the investment of funds held under the Fiscal Agent Agreement.

Issuance of Additional Bonds

Parity Bonds. The Fiscal Agent Agreement does not authorize the County to issue any additional “new money” bonds for the Improvement Area on a parity with the 2014 Bonds, but it does authorize the County to issue one or more series of “**Refunding Bonds**.” The Fiscal Agent Agreement defines Refunding Bonds as bonds issued by the County for the District the net proceeds of which are used to refund all or a portion of the then Outstanding Bonds; provided that the debt service on the Refunding Bonds in any Bond Year is not in excess of the debt service on the Bonds being refunded, and the final maturity of the Refunding Bonds is not later than the final maturity of the Bonds being refunded.

Subject to meeting the additional conditions summarized below, Refunding Bonds will be “**Parity Bonds**” that will be secured by a lien on the Special Tax Revenues and funds pledged for the payment of the Bonds under the Fiscal Agent Agreement on a parity with all other Bonds Outstanding under the Fiscal Agreement; the Fiscal Agent Agreement defines “**Bonds**” as the 2014 Bonds and any Parity Bonds.

The County may issue the Parity Bonds subject to the following specific conditions precedent, among others set forth in the Fiscal Agent Agreement:

(A) **Current Compliance.** The County must be in compliance on the date of issuance of the Parity Bonds with all covenants set forth in the Fiscal Agent Agreement and all Supplemental Agreements.

(B) **Payment Dates.** The interest on the Parity Bonds must be payable on March 1 and September 1, and principal of the Parity Bonds must be payable on September 1 in any year in which principal is payable (provided that there is no requirement that any Parity Bonds pay interest on a current basis).

(C) **Reserve Fund Deposit.** There must be a deposit to the Reserve Fund (or to a separate account created for such purpose) in an amount necessary so that the amount on deposit in the Reserve Fund (together with the amount in any such separate account), following the issuance of such Parity Bonds, is equal to the Reserve Requirement.

(D) **Refunding Bonds.** The Parity Bonds must be Refunding Bonds.

(E) **Officer's Certificate.** The County must certify to the Fiscal Agent that the conditions for the issuance of Parity Bonds in the Fiscal Agent Agreement have been met.

Subordinate Bonds. Nothing in the provisions described above will prohibit the County from issuing bonds or otherwise incurring debt secured by a pledge of Special Tax Revenues subordinate to the pledge of such Special Tax Revenues under the Fiscal Agent Agreement.

THE IMPROVEMENT AREA

Location and Description of the Improvement Area

The Improvement Area, one of the three improvement areas designated within the District (see “THE IMPROVEMENT AREA – History of the Improvement Area” below), is located within the community of Linda, in an unincorporated area of the County, and is 1 mile East of State Highway 70, North of Erle Road, West of Griffith Avenue and South of Linda Avenue. See page -vii- of this Official Statement for a map indicating the general location of the District in which the Improvement Area is located. The Improvement Area includes approximately 78.5 acres that are intended to, at build-out, be improved with detached single family homes on 231 separate County assessor’s parcels, in a residential subdivision known as Countryside at Montrose (referred to in this Official Statement as the “Development”). One of the other two improvement areas, adjacent to the Improvement Area, is currently being developed as a residential subdivision intended to include a total of 301 single family homes (126 of which have been completed or are currently under construction) known as The Orchard. The owner of the property in the third improvement area, adjacent to the Improvement Area, became the subject of a bankruptcy proceeding in late 2007, and the land in that improvement area remains undeveloped.

The District, including the Improvement Area, is in an area designated as Zone X by the Federal Emergency Management Agency (“FEMA”). According to FEMA, Zone X indicates an area of minimal flood hazard, determined by FEMA to be outside the 500-year flood area and protected by levee from a 100-year flood. The area in which the District is located was not impacted by floods that occurred in the County in 1986 and 1997. For more information regarding potential flood risk, see FEMA’s website at msc.fema.gov or contact the County’s public works department.

As of October 31, 2014, 178 of the parcels in the Improvement Area have been improved with single family detached homes that have been sold to homeowners, 6 of the parcels have been improved with single family detached homes that are owned by the Developer (3 of which are the model homes for the Development), home construction is underway on 5 of the parcels owned by the Developer, 18 of the parcels are in a finished lot condition and are owned by the Developer, and 24 of the parcels are in an unimproved condition and are owned by the Developer. The Developer reports that the community offers four single-level floor plans, ranging in size from 1,550 square feet to 2,542 square feet, each with two or three car garages. The sale of homes in the Improvement Area is ongoing.

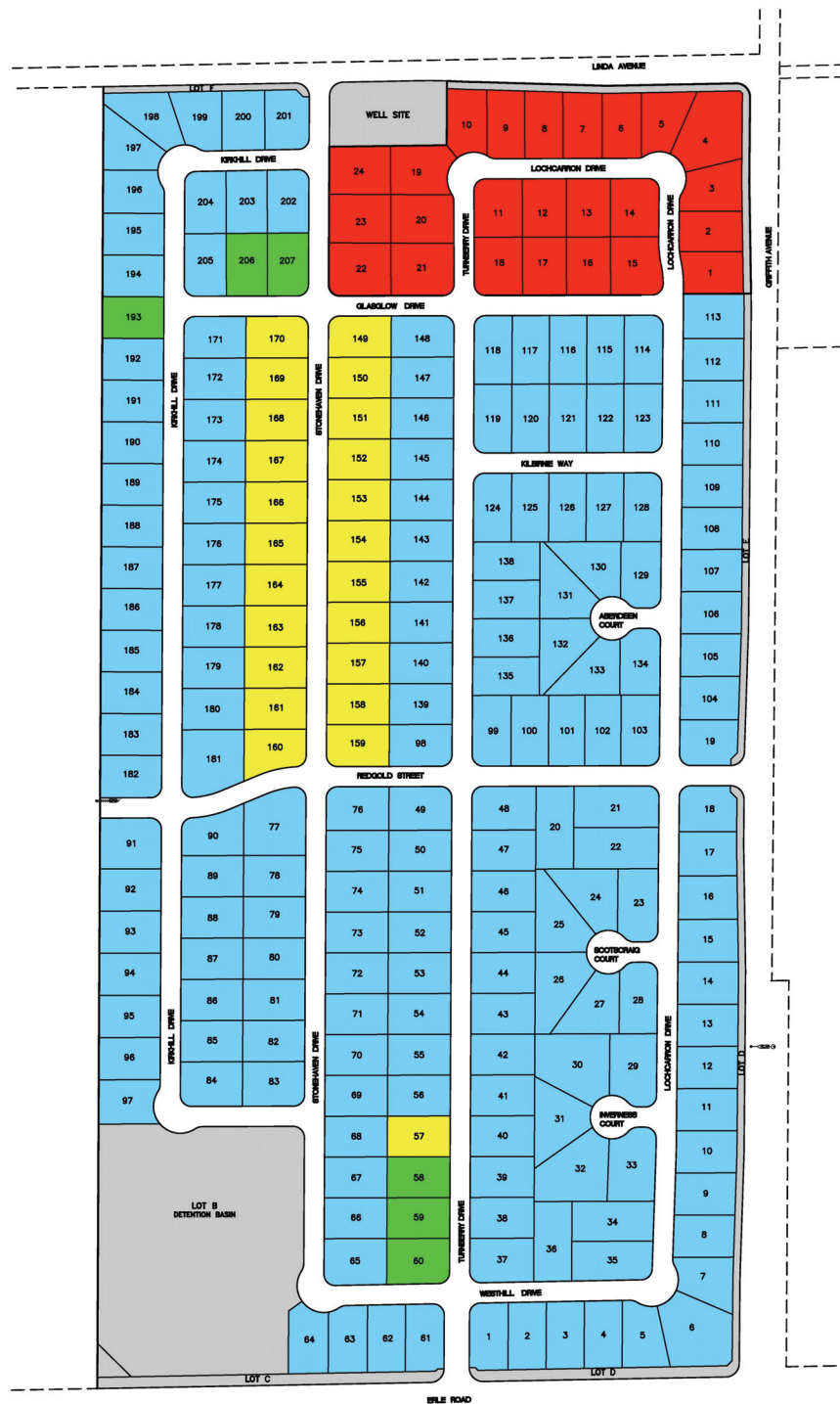
The Developer reports that Woodside (which was subsequently merged into the Developer, see “THE IMPROVEMENT AREA – The Developer”), purchased the property in the Improvement Area in June, 2004, for \$7,030,000, and that the Developer and its predecessor have expended over \$20,000,000 to date on infrastructure improvements, impact fees and other improvements for the Improvement Area and the District, as well as over \$34,000,000 on home construction costs. Of the current 42 undeveloped lots in the Improvement Area, 18 are in finished lot condition. The other 24 lots (referred to in the Fiscal Agent Agreement as the “Unimproved Property”) are in a raw land condition, with the Developer advising that it has a budget of \$1,104,528 for improvements needed to bring them into a finished lot stage, including fees, grading, water, sewer, storm drain, dry utilities, curb, gutter and sidewalk, street improvements and landscaping. The Developer advises that it currently expects to commence the construction of the infrastructure improvements for the 24 undeveloped lots in the Spring of 2015 and to complete them in the Summer of 2015. No assurance can be given that such construction will commence or be completed as expected. The Developer has reported that it intends to use cash reserves of its affiliate entities and proceeds from the sale of homes in the

Development to finance the costs to complete the infrastructure improvements and homes for the build-out of the Improvement Area.

As of October 31, 189 building permits have been issued for the construction of homes in the Improvement Area. The Developer currently expects that it will submit for the next phase of building permits for the 18 finished lots in the Improvement Area in December, 2014, and to complete construction and sales of the remaining 53 planned homes not already sold to homeowners by the end of 2016. The 2014 Bond proceeds deposited to the Escrow Fund may be released to the Improvement Fund to pay costs of the Improvements as building permits are issued for the remaining expected 24 lots of Unimproved Property in the Improvement Area, which will not occur until the infrastructure improvements need to bring those 24 lots into finished lot condition have been completed (expected by the Developer in September, 2015). If building permits for all of those 24 lots of Unimproved Property have not been issued by October 1, 2016, any then Deemed Escrow Term Bonds are subject to redemption at par on December 1, 2016 from undisbursed amounts in the Escrow Fund, unless such dates have been extended in accordance with the applicable requirements of the Fiscal Agent Agreement. See "SECURITY FOR THE 2014 BONDS – Escrow Fund" and "THE 2014 BONDS – Redemption-Mandatory Redemption of Escrow Term Bonds."

The next page sets forth the site plan for the lots in the Improvement Area, and indicates the status as of October 31, 2014, of the lots in the Improvement Area, as provided by the Developer.

SITE PLAN OF THE PROPERTY IN THE IMPROVEMENT AREA



- Lots indicated in blue have completed homes sold to homebuyers (total of 178 lots).
- Lots indicated in green have completed homes, but are owned by the Developer (total of 6 lots). Three of these homes are models.
- Lots indicated in yellow are owned by the Developer, 5 of which are under construction and 18 of which are in finished lot condition (total of 23 lots).
- Lots indicated in red are owned by the Developer and are in an unimproved condition (total of 24 lots).

Source: The Developer.

The Developer reports that the detention basin indicated in the lower left hand corner of the foregoing site plan has been completed and is in operation, serving the Development. The County took over its maintenance and operation upon acceptance of the detention basin about eight years ago. The well site indicated at the top of the foregoing site plan was dedicated by Woodside to the Linda County Water District as part of the entitlement process for the Development. A well was drilled on the site, but the Linda County Water District has indicated to the Developer that it will not install pumping and distribution equipment at the site until additional water capacity is needed in the area.

History of the Improvement Area

In September, 2005, Woodside, the then owner of the land in the Improvement Area, and the two then owners of land in the other two improvement areas of the District, petitioned the County to form the District in order to finance infrastructure improvements necessitated by their proposed development of the land in the District, including the Improvements. On October 10, 2005, the Board of Supervisors adopted resolutions of intention to form the District and to incur bond indebtedness of the County for the District, and on November 8, 2005, after the conduct of a public hearing, the Board of Supervisors adopted a resolution forming the District and a resolution determining the necessity to incur indebtedness for the District and calling for an election of the three then landowners regarding the District. The election was held on December 6, 2005 at which the landowners unanimously voted in favor of the District and subsequently the Board of Supervisors adopted an Ordinance levying special taxes on property in the District and the County recorded a Notice of Special Tax Lien against the property in the District.

On August 28, 2007, at the request of the three original owners of the land in the District, the Board of Supervisors adopted Resolution No. 2007-120, designating three improvement areas within the District, one of which is the Improvement Area. Following the conduct of an election of the then land owners in the Improvement Area, the Board of Supervisors on January 15, 2008, adopted Resolution No. 2008-08 approving the Amended and Restated Rate and Method of Apportionment of Special Tax for the Improvement Area (referred to in this Official Statement as the "Rate and Method"), and allowing for the County to issue up to \$4,000,000 in principal amount of bonds for the District to be repaid from the levy of Special Taxes on property in the Improvement Area. On January 25, 2008, the County recorded an Amended Notice of Special Tax Lien in the County Recorder's Office as Document Number 2008R-001166 against the property in the three improvement areas of the District, and on January 22, 2008, the Board of Supervisors adopted Ordinance No. 1437, amending the prior Ordinance levying special taxes in the District, to allow for separate levies of special taxes in each of the three improvement areas of the District, including the levy of the Special Tax in the Improvement Area.

In April of 2008, the County entered into the Acquisition Agreement with Woodside, and the County entered into similar acquisition agreements with the developers of the other two improvement areas. Woodside and the developer of the property in Improvement Area A of the District, John Mourier Construction, Inc. ("JMC"), continued to build the backbone infrastructure improvements needed for development to occur in the three improvement areas of the District and Woodside and JMC subsequently began the construction of homes in the Improvement Area and in Improvement Area A of the District. All of the Improvements to be funded by the Improvement Area and by Improvement Area A have been completed.

The Developer reports that in the original entitlement process for the Development, the County required that Woodside provide a site for a future school within the Improvement Area. The site so reserved is where the 24 undeveloped lots in the Improvement Area are located. The Developer advised that Woodside subsequently offered the site to the Plumas Lake Elementary

School District, but the School District declined to accept the site stating that it did not anticipate the need for another school facility in that vicinity. Woodside then was permitted by the County to repurpose the site for additional homes for the Development, and to map the parcel to include an additional 24 lots for single family homes. The final tract map for the 24 lots was recorded in the County Recorder's Office on November 3, 2014.

In the early Summer of 2014, the Developer (successor by merger with Woodside, see "THE IMPROVEMENT AREA – The Developer") requested that the County issue bonds for the District to pay costs of the Improvements pursuant to the Acquisition Agreement, and that the County begin to levy the Special Tax on property in the Improvement Area to repay the bonds. JMC also requested that the County issue bonds for the District to pay costs of improvements pursuant to an acquisition agreement between the County and JMC, and that the County begin to levy a special tax on property in Improvement Area A of the District to repay those bonds. Following the conduct of a public hearing on August 12, 2014, the Board of Supervisors adopted Resolution No. 2014-68 directing County Staff to proceed with the drafting of the documents needed for the issuance of the 2014 Bonds, and adopted Resolution No. 2014-69 limiting the maximum Special Tax for Single Family Residential Property in the Improvement Area to \$1,000 per parcel per year, and declaring that the first Special Tax levy would be for Fiscal Year 2015-16, and that the final Special Tax levy on property in the Improvement Area would be for Fiscal Year 2040-41.

On September 23, 2014, the Board of Supervisors adopted Resolution No. 2014-89 authorizing the issuance of the 2014 Bonds and approving the execution and delivery of the Fiscal Agent Agreement and the Continuing Disclosure Agreement that the County will execute in connection with the issuance of the 2014 Bonds. On November 18, 2014, the Board of Supervisors adopted a Resolution approving a Preliminary Official Statement and a Bond Purchase Agreement for the 2014 Bonds, and authorized the preparation of a final Official Statement for the 2014 Bonds.

The Developer

The Developer has advised that the owner of the land in the Improvement Area at the time of formation of the District, Woodside Montrose Inc. (referred to in this Official Statement as "**Woodside**") and its parent, Woodside Group, LLC ("**Woodside Group**"), became the subject of a federal bankruptcy proceeding in 2009. The bankruptcy cases for the reorganized Woodside Group entities were closed in August 2011. As of that date, pre-bankruptcy liability related to these entities had all been resolved, settled or discharged in the bankruptcy process. Upon emergence from bankruptcy on December 31, 2009, the parent of Woodside Group became PH Holding, LLC, a Delaware limited liability company, which later changed its name to Woodside Homes Company, LLC. Woodside was merged into the Developer in November, 2012, and no longer exists.

As of October 31, 2014, the Developer was the owner of 6 of the parcels in the Improvement Area with completed homes (3 of which are the model homes for the Development), 5 of the parcels in the Improvement Area on which homes are under construction, 18 of the parcels in the Improvement Area in finished lot condition, and the 24 parcels in the Improvement Area that are in an undeveloped condition.

The Developer, Woodside 05N, LP, is a California limited partnership wholly owned by Woodside Group, which is a Nevada limited liability company, directly or through its wholly owned subsidiaries. The Developer is owned 99% directly by Woodside Group, as a limited partner. The remaining 1% interest is owned By WDS GP, Inc., a California corporation, as its general partner, which is wholly owned by Woodside Homes of California, Inc., a California corporation, which in turn is wholly owned by Woodside Group. The parent of Woodside

Group is Woodside Homes Company, LLC, a Delaware limited liability company. Woodside Group is an entity whose subsidiaries have engaged in the design, construction and sale of single-family homes throughout Arizona, California, Florida, Maryland, Minnesota, Nevada, Texas, Utah and Virginia under the brand name of "Woodside Homes" since 1977. Woodside Group maintains a website at www.woodsidehomes.com, but the County and the Underwriter have not reviewed the information on that website, have no responsibility for such information and the information is not in any way incorporated into this Official Statement.

The Developer reports that Woodside Homes and its affiliates have built and sold over 40,000 new homes throughout the United States. The Developer has advised that Woodside Homes' business model is to purchase land, entitle and develop if necessary, then construct and sell new homes. In the case of the land in the Improvement Area, the Developer (or Woodside, its predecessor affiliate) has owned the land in the Improvement Area since June, 2004, has used internal funds to construct the Improvements and develop the land in the Improvement Area, and has used internal funds to build the homes in the Improvement Area.

Land Ownership and Expected Special Tax Levy

As of October 31, 2014, 178 of the parcels in the Improvement Area have been improved with completed detached single family homes that have been sold to homeowners, 6 of the parcels in the Improvement Area have been improved with completed detached single family homes that are owned by the Developer (3 of which are the model homes for the Development), homes are under construction on 5 parcels owned by the Developer, 18 of the parcels in the Improvement Area are in a finished lot condition ready for home construction and are owned by the Developer, and 24 parcels are in an unimproved condition and are owned by the Developer. See "THE IMPROVEMENT AREA – History of the Improvement Area." The maximum Special Tax that can be levied under the Rate and Method on Single Family Residential Property in the Improvement Area (parcels for which a building permit has been issued by June 30 of the Fiscal Year preceding the Fiscal Year of the levy) is \$1,000 per parcel per year, and the maximum Special Tax levy on the other parcels in the Improvement Area (classified as Undeveloped Property under the Rate and Method) is \$7,623 per acre per year. See "SECURITY FOR THE 2014 BONDS – Summary of Rate and Method."

Based on (a) the foregoing, (b) the priority annual administrative expense amount of \$25,000, plus (c) the scheduled debt service on the 2014 Bonds, other than the Escrow Term Bonds, for Fiscal Year 2015-16 of \$161,350*, if no further development occurs in the Improvement Area and assuming no delinquency in the payment of Special Taxes levied, the Special Tax levy for 2015-16 would be \$986* on each parcel of Single Family Residential Property, and other property in the Improvement Area would not be taxed.

Assessed Property Values

No Appraisal of Property in the Improvement Area. The County has not commissioned an appraisal of the taxable property in the Improvement Area in connection with the issuance of the 2014 Bonds. Therefore, the valuation of the taxable property in the Improvement Area will be estimated for the purposes of the Act, and set forth in this Official Statement, based on the most recently obtainable County Assessor's values.

Assessed Valuation. The valuation of real property in the County is established by the County Assessor. Assessed valuations are reported at 100% of the full cash value of the property, as defined in Article XIII A of the California Constitution. Article XIII A of the California Constitution defines "full cash value" as the appraised value as of February 1, 1975,

* Preliminary, subject to change.

plus adjustments not to exceed 2% per year to reflect inflation, and requires assessment of “full cash value” upon change of ownership or new construction. Accordingly, the gross assessed valuation of any particular parcel presented in this Official Statement may not necessarily be representative of the actual market value of that parcel.

The table below sets forth the assessed value of the property in the Improvement Area for the most recent five fiscal years, as reported by the Yuba County Assessor’s Office, and the annual percentage change in the assessed values.

Table 1
County of Yuba
Community Facilities District No. 2005-1
(Improvement Area C – Countryside at Montrose)

Historical Assessed Values

Fiscal Year	Total Assessed Value	Annual Percentage Change
2010-11	\$17,122,082	
2011-12	18,604,187	8.7%
2012-13	20,630,123	10.9
2013-14	26,351,037	27.7
2014-15	37,664,154	42.9

Source: Yuba County Assessor’s Office; as reported by Goodwin Consulting Group, Inc.

Value-to-Burden Ratio

General Information Regarding Value-to-Burden Ratios. The value-to-burden ratio on bonds secured by special taxes will generally vary over the life of those bonds as a result of changes in the value of the property that is security for the special taxes and the principal amount of the bonds.

In comparing the aggregate assessed value of the real property within the Improvement Area and the principal amount of the 2014 Bonds, it should be noted that an individual parcel may only be foreclosed upon to pay delinquent installments of the Special Taxes attributable to that parcel. The principal amount of the 2014 Bonds is not allocated equally among the parcels within the Improvement Area; rather, the principal amount of the 2014 Bonds has been allocated among the parcels within the Improvement Area based on their respective share of the total maximum Special Tax that could be levied in fiscal year 2015-16, and assuming all parcels in the Improvement Area are classified as Single Family Residential Property under the Rate and Method.

Economic and other factors beyond the property owners’ control, such as economic recession, deflation of land values, financial difficulty or bankruptcy by one or more property owners, or the complete or partial destruction of Taxable Property caused by, among other possibilities, earthquake, flood, fire or other natural disaster, could cause a reduction in the assessed value within the Improvement Area. See “SPECIAL RISK FACTORS – Property Value” and “– Bankruptcy Delays.”

Value-to-Burden Ratio Distribution. Table 2 below sets forth the estimated value-to-lien ratios for the taxable property in the Improvement Area based upon the land ownership status and the values of the property. Table 2 uses, for the values of the parcels, the County Assessor's 2014-15 secured assessment values for the property in the Improvement Area, as well as sales price data as reported by the Developer for parcels sold to homeowners that did not have an improved value as of January 1, 2014 (the County's lien date for its 2014-15 secured tax roll), and 2014-15 assessed values for all other parcels in the Improvement Area.

Table 2
County of Yuba
Community Facilities District No. 2005-1
(Improvement Area C – Countryside at Montrose)

Fiscal Year 2015-16 Estimated Maximum Special Tax and Parcel Value to Lien Ratios
Using County Assessed Values/Sales Prices
(Development Status as of October 31, 2014)

Special Tax Category	Number of Parcels	FY 2015-16 Maximum Special Tax ^a	Percent of Maximum Special Tax	FY 2014-15 Assessed Value	Incremental Sales Price ^b	FY 2014-15 Assessed Value/Sale Price	Estimated Allocation of 2014 Bond Debt ^c	Estimated Value-to-Lien
Developed Parcels								
Individually Owned Homes ^a	178	\$178,000	77.1%	\$36,354,153	\$5,579,157	\$41,933,310	\$2,068,961	20.27:1
Completed Homes	6	6,000	2.6	683,000	0	683,000	69,740	9.79:1
Homes Under Construction	5	5,000	2.2	125,000	0	125,000	58,117	2.15:1
Subtotal	189	\$189,000	81.8%	\$37,162,153	\$5,579,157	\$42,741,310	\$2,196,818	19.46:1
Undeveloped Parcels^a								
Finished Lots	18	\$18,000	7.8%	\$450,000	\$0	\$450,000	\$209,221	2.15:1
Final Mapped Lots ^a	24	24,000	10.4	52,001	0	52,001	278,961	0.19:1
Subtotal	42	\$42,000	18.2%	\$502,001	\$0	\$502,001	\$488,182	1.03:1
Total	231	\$231,000	100.0%	\$37,664,154	\$5,579,157	\$43,243,311	\$2,685,000	16.11:1

- (1) The maximum Special Tax for Developed Property that is Single Family Residential Property is \$1,000 per parcel per year. See "THE IMPROVEMENT AREA – History of the Improvement Area."
- (2) Reflects the incremental increase in value from the sale of 24 homes to third parties since January 1, 2014, based on the actual sales prices of the homes (which averaged \$257,000 per home), less the land value of the related parcel already included on the County Assessor's tax roll. These parcels do not have an improved value per the County Assessor's records as of January 1, 2014. There were 7 other homes sold since January 1, 2014 that did have improved values on the County Assessor's records, so County assessed values were used for those parcels.
- (3) The initial principal amount of the 2014 Bonds, including the Escrow Term Bonds, allocated based on percentage of maximum Special Tax as if all parcels were Developed Property that is Single Family Residential Property. Preliminary, subject to change.
- (4) All other parcels in the Improvement Area were owned by the Developer as of October 31, 2014.
- (5) Assigns the maximum Special Tax of \$1,000 per parcel per year for Single Family Residential Property to the remaining 42 undeveloped parcels. However, the maximum Special Tax for the 42 parcels would be \$77,602, based on their current status as Undeveloped Property. See "SECURITY FOR THE 2014 BONDS – Summary of Rate and Method."
- (6) Referred to as the "Unimproved Property." The scheduled annual debt service on the Escrow Term Bonds is approximately equal to the expected annual Special Tax Revenues that will be realized if all of these parcels become Developed Property that is Single Family Residential Property. The interest on the Escrow Terms Bonds has been capitalized to December 1, 2016. See "PLAN OF FINANCING – Sources and Uses of Funds" and "SECURITY FOR THE 2014 BONDS – Escrow Fund."

Sources: Yuba County Assessor's Office; the Developer; Stifel Nicolaus & Co. Inc; Goodwin Consulting Group, Inc.

The following table summarizes the projected 2014 Bond debt to value of the parcels in the Improvement Area. Table 3 uses, for the values of the parcels, sales price data as reported by the Developer for parcels sold to homeowners that did not have an improved value as of January 1, 2014 (the County's lien date for its 2014-15 secured tax roll) and 2014-15 assessed values for all other parcels in the Improvement Area.

Table 3
County of Yuba
Community Facilities District No. 2005-1
(Improvement Area C – Countryside at Montrose)

Summary of Value-to-Lien Ratios
Fiscal Year 2015-16 Maximum Special Tax
(Development Status as of October 31, 2014)

Value to Lien	Number of Parcels	FY 2014-15 Assessed Value/ Sales Price ⁽¹⁾	Estimated FY 2015-16 Maximum Special Tax ⁽²⁾	Total 2014 Bond Debt Lien ⁽³⁾	% of Total Lien
15:1 and above	177	\$41,858,227	\$177,000	\$2,057,338	76.6%
10:1 to 15:1	4	683,083	4,000	46,494	1.7
3:1 to 10:1	0	0	0	0	0.0
2:1 to 3:1	26	650,000	26,000	302,208	11.3
2:1 and below ⁽⁴⁾	24	52,002	24,000	278,961	10.4
Total	231	\$43,243,312	\$231,000	\$2,685,000	100.0%

- (1) Reflects sales price data for individual parcels sold to homeowners that do not have an improved value per the County Assessor's records as of January 1, 2014. Values for all other parcels are based on County Assessor's 2014-2015 assessed value.
- (2) The maximum Special Tax for Developed Property that is Single Family Residential Property is \$1,000 per parcel per year. See "THE IMPROVEMENT AREA – History of the Improvement Area." However, the maximum Special Tax for the 42 undeveloped parcels (24 parcels have a value to lien of 2:1 and below and 18 parcels have a value to lien of 2:1 to 3:1) would be \$77,602, based on their current status as Undeveloped Property. See "SECURITY FOR THE 2014 BONDS – Summary of Rate and Method."
- (3) The initial principal amount of the 2014 Bonds, including the Escrow Term Bonds, allocated based on percentage of maximum Special Tax as if all parcels were Developed Property that is Single Family Residential Property. Preliminary, subject to change.
- (4) These parcels are the Unimproved Property, and the scheduled annual debt service on the Escrow Term Bonds is approximately equal to the expected annual Special Tax Revenues that will be realized if all of these parcels become Developed Property that is Single Family Residential Property. The interest on the Escrow Terms Bonds has been capitalized to December 1, 2016. See "PLAN OF FINANCING – Sources and Uses of Funds" and "SECURITY FOR THE 2014 BONDS – Escrow Fund."

Sources: Yuba County Assessor's Office; the Developer; Stifel Nicolaus & Co. Inc; Goodwin Consulting Group, Inc.

Direct and Overlapping Governmental Obligations

General. Property within the Improvement Area is subject to general obligation and general fund overlapping debt, and assessments by other governmental agencies. However, the lien for the Special Taxes is co-equal to the lien of the assessments and the lien for general property taxes. Additional indebtedness could be authorized by other public agencies at any time.

To repay direct and overlapping debt the owners of the land within the Improvement Area must pay the annual Special Taxes, special assessments, and the general property tax levy. The ability of the County to collect the Special Taxes could be adversely affected if additional debt is issued with respect to the Taxable Property in the Improvement Area. The land, at any time, could become subject to additional parity debt either by the formation of additional community facilities districts or the imposition of other taxes and assessments by public agencies other than the County on behalf of the property owners within the Improvement Area.

The imposition of additional liens on a parity with the Special Taxes may reduce the ability or willingness of the landowners to pay the Special Taxes and may increase the possibility that foreclosure proceeds will not be adequate to pay delinquent Special Taxes.

The current and estimated direct and overlapping obligations affecting the property in the Improvement Area as of November 1, 2014, are shown in the following table. The table was prepared by California Municipal Statistics, Inc., and is included for general information purposes only. Neither the County nor the Underwriter has independently verified the information in the table and they make no representation as to its completeness or accuracy.

Table 4
County of Yuba
Community Facilities District No. 2005-1
(Improvement Area C - Countryside at Montrose)

Direct and Overlapping Indebtedness

2014-15 Local Secured Assessed Valuation: \$37,664,154

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 11/1/14</u>
Yuba Joint Community College District General Obligation Bonds	0.143%	\$178,476
Marysville Joint Unified School District General Obligation Bonds	0.143	707,465
The Improvement Area	100.000	<u>2,685,000</u> (1), (3)
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$3,570,941
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
Yuba County Certificates of Participation	0.797%	\$312,227
Yuba County Board of Education Certificates of Participation	0.797	24,701
Yuba Joint Community College District Certificates of Participation	0.143	25,764
Marysville Joint Unified School District Certificates of Participation	1.054	229,091
Linda Fire Protection District Certificates of Participation	2.478	<u>13,630</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$605,413
 COMBINED TOTAL DEBT		 \$4,176,354 (2), (3)
 <u>Ratios to 2014-15 Assessed Valuation⁽³⁾:</u>		
Direct Debt.....	7.13%	
Total Direct and Overlapping Tax and Assessment Debt.....	9.48%	
Combined Total Debt.....	11.09%	

(1) The initial principal amount of the 2014 Bonds, including the \$320,000⁽³⁾ principal amount of the Escrow Term Bonds.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

(3) Preliminary, subject to change.

Source: California Municipal Statistics.

Sample Tax Bill. Set forth below is Table 5, which provides, for an average parcel of Single Family Residential Property under the Rate and Method, the expected property tax bill that would be received by an owner of the property for fiscal year 2014-15, had the Special Tax been levied for that fiscal year. See “THE IMPROVEMENT AREA – History of the Improvement Area” for information regarding the first fiscal year of the Special Tax levy.

Table 5
County of Yuba
Community Facilities District No. 2005-1
(Improvement Area C – Countryside at Montrose)

Estimated Fiscal Year 2014-15 Illustrative Tax Bill

<u>Assumptions</u>		
Average Sales Price ⁽¹⁾		\$258,500
Homeowner's Exemption		(7,000)
Net Expected Assessed Value		<u>\$251,500</u>
<u>Ad Valorem Taxes Rate</u>		
County General	1.0000%	\$2,515
MJUSD General Obligation Bond 2006	0.0318	80
MJUSD General Obligation Bond 2008	0.0299	75
MJUSD General Obligation Bond 2009	0.0600	151
YCCD General Obligation Bond 2006 A	0.0060	15
YCCD General Obligation Bond 2006 B	0.0100	25
YCCD General Obligation Bond 2006 C	0.0091	23
Total Ad Valorem Taxes	<u>1.1468%</u>	<u>\$2,884</u>
<u>Direct Charges</u>		
CSA #70 Law Enforcement		\$ 160
TRLIA Levee & Flood Control Assessment		12
CSA #52 Zone C ⁽²⁾		417
Improvement Area C of CFD No. 2005-1		<u>1,000</u>
Total Direct Charge		<u>\$1,590</u>
Total Taxes and Direct Charges		\$4,474
Percentage of Net Assessed Value		1.78%

(1) Average sales price of new homes sold by the Developer in 2014, as reported by the Developer.

(2) Tax amount for CSA #52 Zone C. Other parcels may be subject to direct charges for other zones.

Sources: The Developer; Yuba County Tax Collector's Office; Goodwin Consulting Group, Inc.

Other Potential Debt. The County has no control over the amount of additional debt payable from taxes or assessments levied on all or a portion of the Taxable Property within the Improvement Area which may be incurred in the future by other governmental agencies having jurisdiction over all or a portion of the taxable property within the Improvement Area. Furthermore, nothing prevents the owners of taxable property within the Improvement Area from consenting to the issuance of additional debt by other governmental agencies which would be secured by taxes or assessments on a parity with the Special Taxes. To the extent such indebtedness is payable from assessments, other special taxes levied pursuant to the Act or taxes, such assessments, special taxes and taxes will be secured by liens on the taxable property within the Improvement Area on a parity with the lien of the Special Taxes.

Accordingly, the debt on the property within the Improvement Area could increase, without any corresponding increase in the value of the property therein, and thereby severely reduce the estimated value-to-lien ratio that exists at the time the 2014 Bonds are issued. The

imposition of such additional indebtedness could reduce the willingness and ability of the owners of the property within the Improvement Area to pay the Special Taxes when due. See "SPECIAL RISK FACTORS – Parity Taxes and Special Assessments."

Moreover, in the event of a delinquency in the payment of Special Taxes, no assurance can be given that the proceeds of any foreclosure sale of the property with delinquent Special Taxes would be sufficient to pay the delinquent Special Taxes. See "SPECIAL RISK FACTORS – Property Value."

Projected Debt Service Coverage

The Maximum Special Tax that can be levied on parcels classified as Single Family Residential Property in the Improvement Area in any fiscal year is \$1,000 per parcel per year. See "SECURITY FOR THE 2014 BONDS – Special Tax" and "– Summary of Rate and Method." However, pursuant to Section 53321(d) of the California Government Code, the Special Tax levied against any parcel for which an occupancy permit for private residential use has been issued may not in any event be increased as a consequence of delinquency of default by the owner of any other parcel within the Improvement Area by more than ten percent (10%) above the amount that would have been levied in the fiscal year had there never been any such delinquencies of defaults. See "SECURITY FOR THE 2014 BONDS – Summary of Rate and Method."

Set forth below in Table 6 is the projected Special Tax Revenue from all 231 parcels in the Improvement Area assuming that the 18 parcels in finished lot condition and the 24 parcels of Unimproved Property are all developed with single family homes, are available to pay the scheduled debt service on the 2014 Bonds and assuming no delinquencies in the payment of Special Taxes levied in the Improvement Area.

Table 6
County of Yuba
Community Facilities District No. 2005-1
(Improvement Area C – Countryside at Montrose)

Debt Service Coverage

Year Ending Sept. 1	Maximum Special Tax (1)	Priority Administration (2)	Net Special Tax Revenue Available for Debt Service	Non- Escrowed 2014 Bonds Debt Service (3)(4)	Escrowed Term Bonds Debt Service (4)(5)	Total 2014 Bond Debt Service (4)	Debt Service Coverage (4)
2016	\$231,000	\$25,000	\$206,000	\$161,350	\$15,200	\$176,550	116.7%
2017	231,000	25,000	206,000	165,350	20,200	185,550	111.0
2018	231,000	25,000	206,000	163,700	19,963	183,663	112.2
2019	231,000	25,000	206,000	161,500	24,725	186,225	110.6
2020	231,000	25,000	206,000	164,300	19,250	183,550	112.2
2021	231,000	25,000	206,000	161,900	24,013	185,913	110.8
2022	231,000	25,000	206,000	164,500	18,538	183,038	112.5
2023	231,000	25,000	206,000	161,900	23,300	185,200	111.2
2024	231,000	25,000	206,000	164,300	17,825	182,125	113.1
2025	231,000	25,000	206,000	161,500	22,588	184,088	111.9
2026	231,000	25,000	206,000	163,000	22,113	185,113	111.3
2027	231,000	25,000	206,000	164,250	21,638	185,888	110.8
2028	231,000	25,000	206,000	160,250	26,163	186,413	110.5
2029	231,000	25,000	206,000	161,250	25,450	186,700	110.3
2030	231,000	25,000	206,000	162,000	24,738	186,738	110.3
2031	231,000	25,000	206,000	162,500	24,025	186,525	110.4
2032	231,000	25,000	206,000	162,750	23,313	186,063	110.7
2033	231,000	25,000	206,000	162,750	22,600	185,350	111.1
2034	231,000	25,000	206,000	162,500	21,888	184,388	111.7
2035	231,000	25,000	206,000	162,000	21,175	183,175	112.5
2036	231,000	25,000	206,000	161,250	25,463	186,713	110.3
2037	231,000	25,000	206,000	160,250	24,513	184,763	111.5
2038	231,000	25,000	206,000	164,000	18,563	182,563	112.8
2039	231,000	25,000	206,000	162,250	22,850	185,100	111.3
2040	231,000	25,000	206,000	165,250	21,900	187,150	110.1
2041	231,000	25,000	206,000	162,750	20,950	183,700	112.1

- (1) Assumes all 231 parcels are Single Family Residential Property with a \$1,000 maximum Special Tax per parcel per year. However, the maximum Special Tax for the 42 parcels that are currently undeveloped would be \$77,602 based on their current status as Undeveloped Property. Note also that the Special Tax on a parcel with a home may not be increased by more than ten percent (10%) as a consequence of delinquency or default in payment of the Special Tax levied on any other parcel or parcels in the Improvement Area. See "SECURITY FOR THE 2014 BONDS – Summary of Rate and Method."
- (2) The first \$25,000 of Special Taxes collected by the County each Fiscal Year are retained by the County to pay administrative expenses or for other purposes of the District. See "SECURITY FOR THE 2014 BONDS – Special Tax Fund."
- (3) Annual scheduled debt service on the 2014 Bonds, excluding the scheduled debt service on the Escrow Term Bonds. See "SECURITY FOR THE 2014 BONDS – Escrow Fund."
- (4) Preliminary, subject to change.
- (5) The scheduled debt service on the Escrow Term Bonds, assuming no mandatory redemption of the Escrow Term Bonds. Proceeds of the 2014 Bonds deposited to the Escrow Interest Account are sufficient to pay interest on the Escrow Terms Bonds to December 1, 2016. See "SECURITY FOR THE 2014 BONDS – Escrow Fund" and "THE 2014 BONDS – Redemption – Mandatory Redemption of Escrow Term Bonds."

Sources: Stifel Nicolaus & Co. Inc; Goodwin Consulting Group, Inc.

SPECIAL RISK FACTORS

The following is a description of certain risk factors affecting the Improvement Area, the property owners in the Improvement Area, the parcels subject to the levy of Special Taxes and the payment of and security for the 2014 Bonds. The following discussion of risks is not meant to be a complete list of the risks associated with the purchase of the 2014 Bonds and does not necessarily reflect the relative

importance of the various risks. Potential investors are advised to consider the following factors along with all other information in this Official Statement in evaluating the investment quality of the 2014 Bonds. There can be no assurance that other risk factors will not become material in the future.

No General Obligation of the County or the District

The County's obligations under the 2014 Bonds and under the Fiscal Agent Agreement are limited obligations of the County on behalf of the District and are payable solely from and secured solely by the Special Tax Revenues and amounts in the Special Tax Fund, the Bond Fund and the Reserve Fund. The 2014 Bonds are not general obligations of the County, but are limited obligations of the County for the District payable solely from the Special Tax Revenues derived from Special Taxes levied on property in the Improvement Area and funds pledged therefor and under the Fiscal Agent Agreement. Neither the faith and credit nor the taxing power of the County or the State of California or of any of their respective political subdivisions is pledged to the payment of the 2014 Bonds.

Payment of the Special Tax is not a Personal Obligation

The owners and users of the parcels in the Improvement Area are not personally obligated to pay the Special Tax. Rather, the Special Tax is an obligation that is secured only by a lien against the property on which it is levied. If the value of a property is not sufficient to secure fully the payment of the Special Tax levied and to be levied on it, the County has no recourse against the owner of the property.

Property Value

If a landowner defaults in the payment of the Special Tax, the only legal remedy is the institution of a superior court action to foreclose on the delinquent property in an attempt to obtain funds with which to pay the Special Tax. The value of the Property in the Improvement Area could be adversely affected by economic factors beyond the County's control, including, without limitation, (i) adverse changes in local market conditions, such as changes in the market value of real property in the vicinity of the Improvement Area, the supply of or demand for competitive properties in such area, and the market value of residential property in the event of sale or foreclosure; (ii) changes in real estate tax rates and other expenses of owning Property, governmental rules (including, without limitation, zoning laws and laws relating to endangered species and hazardous materials) and fiscal policies; and (iii) natural disasters (including, without limitation, wildfire, earthquakes, tsunamis and floods), which may result in uninsured losses. See "SPECIAL RISK FACTORS – Natural Disasters and Potential Drought Conditions."

No assurances can be given that the real property subject to a judicial foreclosure sale will be sold or, if sold, that the proceeds of such sale will be sufficient to pay the delinquent Special Tax installment. No appraisal of the property in the Improvement Area has been conducted (see, however, "THE IMPROVEMENT AREA – Value-to-Burden Ratio" for a description of the County Assessor's valuation of the parcels in the Improvement Area). Although the Act authorizes the County to cause such an action to be commenced and diligently pursued to completion, the Act does not specify any obligation of the County with regard to purchasing or otherwise acquiring any lot or parcel of property sold at the foreclosure sale in any such action if there is no other purchaser at such sale. The County is not obligated and does not expect to be a bidder at any such foreclosure sale. See "SECURITY FOR THE BONDS – Covenant for Superior Court Foreclosure" and "SPECIAL RISK FACTORS – Proceeds of Foreclosure Sales."

Exempt Properties

Certain properties are exempt from the Special Tax in accordance with the Rate and Method. In addition, the Act provides that properties or entities of the state, federal or local government are exempt from the Special Tax; provided, however, that property within the Improvement Area acquired by a public entity through a negotiated transaction, or by gift or devise, that is not otherwise exempt from the Special Tax, will continue to be subject to the Special Tax. It is possible that property acquired by a public entity following a tax sale or foreclosure based upon failure to pay taxes could become exempt from the Special Tax. In addition, the Act provides that if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property, for outstanding Bonds only, is to be treated as if it were a special assessment. The constitutionality and operation of these provisions of the Act have not been tested. See "SECURITY FOR THE 2014 BONDS – Special Tax."

In particular, insofar as the Act requires payment of the Special Tax by a federal entity acquiring property within the Improvement Area, it may be unconstitutional. See "SPECIAL RISK FACTORS – Property Interests of Government Agencies; Federal Deposit Insurance Corporation." If for any reason property within the Improvement Area becomes exempt from taxation by reason of ownership by a nontaxable entity such as the federal government or another public agency, subject to the limitation of the Maximum Special Tax, the Special Tax will be reallocated to the remaining taxable properties within the Improvement Area. This would result in the owners of such property paying a greater amount of the Special Tax and could have an adverse impact upon the timely payment of the Special Tax. Moreover, if a substantial portion of land within the Improvement Area becomes exempt from the Special Tax because of public ownership, or otherwise, the maximum rate that could be levied upon the remaining acreage might not be sufficient to pay principal of and interest on the 2014 Bonds when due and a default would occur with respect to the payment of such principal and interest.

The Act further provides that no other properties or entities are exempt from the Special Tax unless the properties or entities are expressly exempted in a resolution of consideration to levy a new special tax or to alter the rate or method of apportionment of an existing special tax.

Parity Taxes and Special Assessments

The Special Taxes and any penalties thereon will constitute liens against the taxable parcels in the Improvement Area until they are paid. Such lien is on a parity with all special taxes and special assessments levied by other agencies and is coequal to and independent of the lien for general property taxes regardless of when they are imposed upon the taxable parcel. The Special Taxes have priority over all existing and future private liens imposed on the property. The Special Tax has the same lien priority with respect to the property. See "THE IMPROVEMENT AREA – Direct and Overlapping Governmental Obligations" for a description of existing overlapping liens on the property.

The County has no control over the ability of other entities and Improvement Areas to issue indebtedness secured by special taxes or assessments payable from all or a portion of the taxable property within the Improvement Area subject to the levy of Special Taxes. In addition, the landowners within the Improvement Area may, without the consent or knowledge of the County, petition other public agencies to issue public indebtedness secured by special taxes or assessments, and any such special taxes or assessments may have a lien on such property on a parity with the Special Taxes. The imposition of additional indebtedness could reduce the willingness and the ability of the property owners within the Improvement Area to pay the Special Taxes when due.

Insufficiency of Special Taxes

In order to pay debt service on the 2014 Bonds, it is necessary that the Special Taxes levied against taxable parcels within the Improvement Area be paid in a timely manner. The County has established the Reserve Fund in an amount equal to the Reserve Requirement to pay debt service on the 2014 Bonds and any Parity Bonds to the extent Special Taxes are not paid on time and other funds are not available. See "SECURITY FOR THE 2014 BONDS – Reserve Fund" and Appendix C – Summary of the Fiscal Agent Agreement. Under the Fiscal Agent Agreement, the County has covenanted to maintain in the Reserve Fund an amount equal to the Reserve Requirement; subject, however, to the limitation that the County may not levy the Special Tax in any fiscal year at a rate in excess of the Maximum Special Tax rates permitted under the Rate and Method. In addition, the Act imposes certain limitations on increases in Special Taxes on residential parcels as a consequence of delinquencies in payment of the Special Taxes. See "SECURITY FOR THE 2014 Bonds – Special Tax." Consequently, if a delinquency occurs, the County may be unable to replenish the Reserve Fund to the Reserve Requirement due to the limitation of the Maximum Special Tax rates. If such defaults were to continue in successive years, the Reserve Fund could be depleted and a default on the 2014 Bonds would occur if proceeds of a foreclosure sale did not yield a sufficient amount to pay the delinquent Special Taxes.

The County has made certain covenants regarding the institution of foreclosure proceedings to sell any property with delinquent Special Taxes in order to obtain funds to pay debt service on the 2014 Bonds. See "SECURITY FOR THE 2014 Bonds – Covenant for Superior Court Foreclosure." If foreclosure proceedings were ever instituted, any mortgage or deed of trust holder could, but would not be required to, advance the amount of delinquent Special Taxes to protect its security interest.

Tax Delinquencies

Under provisions of the Act, the Special Taxes, from which funds necessary for the payment of principal of, and interest on, the 2014 Bonds are derived, are being billed to the property within the Improvement Area on the regular property tax bills sent to owners of the parcels. Such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do regular property tax installments. Special Tax installment payments cannot be made separately from property tax payments. Therefore, the unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and Special Tax installment payments in the future. See "SECURITY FOR THE 2014 BONDS – Reserve Fund" and "-Covenant for Superior Court Foreclosure" for a discussion of the provisions which apply, and procedures which the Improvement Area is obligated to follow under the Fiscal Agent Agreement, in the event of delinquency in the payment of Special Tax installments.

Bankruptcy Delays

The payment of the Special Tax and the ability of the County to commence a superior court action to foreclose the lien of a delinquent unpaid Special Tax, as discussed in "SECURITY FOR THE 2014 BONDS – Covenant for Superior Court Foreclosure," may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State of California relating to judicial foreclosure. Any legal opinion to be delivered concurrently with the delivery of the 2014 Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors'

rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

Although bankruptcy proceedings would not cause the Special Taxes to become extinguished, bankruptcy of a property owner or any other person claiming an interest in the property could result in a delay in superior court foreclosure proceedings and could result in the possibility of Special Tax installments not being paid in part or in full. Such a delay would increase the likelihood of a delay or default in payment of the principal of and interest on the 2014 Bonds.

Proceeds of Foreclosure Sales

Pursuant to Section 53356.1 of the Act, in the event of any delinquency in the payment of any Special Tax, the Board of Supervisors, as the legislative body of the Improvement Area, may order that the Special Taxes be collected by a superior court action to foreclose the lien within specified time limits. The County has covenanted in the Fiscal Agent Agreement that it will, under certain circumstances, commence such a foreclosure action. See "SECURITY FOR THE 2014 Bonds – Covenant for Superior Court Foreclosure."

No assurances can be given that a taxable parcel in the Improvement Area that would be subject to a judicial foreclosure sale for delinquent Special Taxes will be sold or, if sold, that the proceeds of such sale will be sufficient to pay the delinquent Special Tax installment. Although the Act authorizes the County to cause such an action to be commenced and diligently pursued to completion, the Act does not specify any obligation of the County with regard to purchasing or otherwise acquiring any lot or parcel of property sold at the foreclosure sale in any such action if there is no other purchaser at such sale and the County has not in any way agreed nor does it expect to be such a bidder.

In a foreclosure proceeding, a judgment debtor (i.e., the property owner) has 140 days from the date of service of the notice of levy in which to redeem the property to be sold and may have other redemption rights afforded by law. If a judgment debtor fails to so redeem and the property is sold, his only remedy is an action to set aside the sale, which must be brought within 90 days of the date of sale if the purchaser at the sale was the judgment creditor. If a foreclosure sale is thereby set aside, the judgment is revived and the judgment creditor is entitled to interest on the revived judgment as if the sale had not been made.

If foreclosure proceedings were ever instituted, any holder of a mortgage or deed of trust on the affected property could, but would not be required to, advance the amount of the delinquent Special Tax installment to protect its security interest.

In the event such superior court foreclosure or foreclosures are necessary, there could be a delay in principal and interest payments to the owners of the 2014 Bonds pending prosecution of the foreclosure proceedings and receipt by the Improvement Area of the proceeds of the foreclosure sale, if any. Judicial foreclosure actions are subject to the normal delays associated with court cases and may be further slowed by bankruptcy actions and other factors beyond the control of the County, including delay due to crowded local court calendars or legal tactics and, in any event could take several years to complete. In particular, bankruptcy proceedings involving the Landowner or any other owner of a taxable parcel in the Improvement Area could cause a delay, reduction or elimination in the flow of Special Tax Revenues to the Fiscal Agent. See "SPECIAL RISK FACTORS – Bankruptcy Delays."

Natural Disasters

The value of the property in the Improvement Area in the future can be adversely affected by a variety of natural occurrences, particularly those that may affect infrastructure and other public improvements and private improvements on the property and the continued habitability and enjoyment of such private improvements. Such occurrences include, without limitation, wildfire, earthquakes and floods. Known active faults that could cause significant ground shaking in the Improvement Area include, but are not limited to, the San Andreas Fault. However, the District, including the Improvement Area, is located in an area designated as Zone X by FEMA, indicating an area of minimal flood hazard. See "THE IMPROVEMENT AREA – Location and Description of the Improvement Area."

One or more of such natural disasters could occur and could result in damage to improvements of varying seriousness. The damage may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost, or because repair or replacement will not facilitate habitability or other use, or because other considerations preclude such repair or replacement. Under any of these circumstances, the value of the property in the Improvement Area may well depreciate or disappear.

Hazardous Substances

The presence of hazardous substances on a parcel may result in a reduction in the value of a parcel. In general, the owners and operators of a parcel may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner or operator is obligated to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the taxed parcels be affected by a hazardous substance, is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

The County has not independently verified, but is not aware of, the presence of any hazardous substances within the Improvement Area.

Disclosure to Future Purchasers

The willingness or ability of an owner of a parcel to pay the Special Tax, even if the value of the property is sufficient to justify payment, may be affected by whether or not the owner was given due notice of the Special Tax authorization at the time the owner purchased the parcel, was informed of the amount of the Special Tax on the parcel should the Special Tax be levied at the maximum tax rate and, at the time of such a levy, has the ability to pay it as well as pay other expenses and obligations. The County has caused a notice of the Special Tax to be recorded in the Office of the Recorder for the County against the property in the Improvement Area. Although title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such Special Tax obligation when purchasing a property within the Improvement Area or lending money thereon, as applicable.

California Civil Code Section 1102.6b requires that, in the case of transfers, the seller must at least make a good faith effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with the above

requirements, or failure by a purchaser or lessor to consider or understand the nature and existence of the Special Tax, could adversely affect the willingness and ability of the purchaser or lessor to pay the Special Tax when due.

Property Interests of Government Agencies; Federal Deposit Insurance Corporation

The County's ability to collect interest and penalties specified by State law and to foreclose the lien of a delinquent Special Tax payment may be limited in certain respects with regard to properties in which the Internal Revenue Service, the Drug Enforcement Agency, the Federal Deposit Insurance Corporation (the "FDIC") or other similar federal agencies has or obtains an interest.

General. The supremacy clause of the United States Constitution reads as follows: "This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the contrary notwithstanding." The foregoing is generally interpreted to mean that, unless the United States Congress has otherwise provided, if a federal governmental entity owns a parcel that is subject to Special Taxes within the District but does not pay taxes and assessments levied on the parcel (including the Special Taxes), the applicable State and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments. Moreover, unless the United States Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the District wishes to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government's mortgage interest. In *Rust v. Johnson* 597 F.2d 174 (9th Cir. 1979), the United States Court of Appeal, Ninth Circuit (the "Ninth Circuit"), held that FNMA is a federal instrumentality for purposes of this doctrine, and not a private entity, and that, as a result, an exercise of state power over a mortgage interest held by FNMA constitutes an exercise of state power over property of the United States.

The County has not undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the parcels subject to the Special Taxes, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the 2014 Bonds are outstanding.

FDIC. In the event that any financial institution making any loan which is secured by real property within the Improvement Area is taken over by the FDIC, and prior thereto or thereafter the loan or loans go into default, resulting in ownership of the property by the FDIC, then the ability of the County to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid Special Taxes may be limited. The FDIC's policy statement regarding the payment of state and local real property taxes (the "Policy Statement") provides that real property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property's value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its proper tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy

Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

The Policy Statement states that the FDIC generally will not pay non ad valorem taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Special taxes imposed under the Law and a special tax formula which determines the special tax due each year, are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity. The Ninth Circuit issued a ruling on August 28, 2001 in which it determined that the FDIC, as a federal agency, is exempt from special taxes levied pursuant to the Law.

The County is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency with respect to a parcel in which the FDIC has an interest, although prohibiting the lien of the FDIC to be foreclosed on at a judicial foreclosure sale would likely reduce the number of or eliminate the persons willing to purchase such a parcel at a foreclosure sale. Owners of the 2014 Bonds should assume that the District will be unable to foreclose on any parcel owned by the FDIC. Such an outcome could cause a draw on the Reserve Fund and perhaps, ultimately, a default in payment of the 2014 Bonds. The District has not undertaken to determine whether the FDIC currently has, or is likely to acquire, any interest in any of the parcels, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the 2014 Bonds are outstanding.

No Acceleration Provision

The 2014 Bonds and the Fiscal Agent Agreement do not contain a provision allowing for the acceleration of the 2014 Bonds in the event of a payment default or other default under the terms of the 2014 Bonds or the Fiscal Agent Agreement or in the event interest on the 2014 Bonds becomes included in gross income for federal income tax purposes.

Taxability Risk

As discussed herein under the caption "TAX MATTERS," interest on the 2014 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the 2014 Bonds were issued, as a result of future acts or omissions of the County in violation of its covenants in the Fiscal Agent Agreement. There is no provision in the 2014 Bonds or the Fiscal Agent Agreement for special redemption or acceleration or for the payment of additional interest should such an event of taxability occur, and the 2014 Bonds will remain outstanding until maturity or until redeemed under one of the redemption provisions contained in the Fiscal Agent Agreement.

In addition, as discussed under the caption "TAX MATTERS," Congress is or may be considering in the future legislative proposals, including some that carry retroactive effective dates, that, if enacted, would alter or eliminate the exclusion from gross income for federal income tax purposes of interest on municipal bonds, such as the 2014 Bonds. Prospective purchasers of the 2014 Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. The County can provide no assurance that federal tax law will not change while the 2014 Bonds are outstanding or that any such changes will not adversely affect the exclusion of interest on the 2014 Bonds from gross income for federal income tax purposes. If the exclusion of interest on the 2014 Bonds from gross income for federal income

tax purposes were amended or eliminated, it is likely that the market price for the 2014 Bonds would be adversely impacted.

Enforceability of Remedies

The remedies available to the Fiscal Agent and the registered owners of the 2014 Bonds upon a default under the Fiscal Agent Agreement or any other document described in this Official Statement are in many respects dependent upon regulatory and judicial actions that are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided for under such documents may not be readily available or may be limited. Any legal opinions to be delivered concurrently with the issuance of the 2014 Bonds will be qualified to the extent that the enforceability of the legal documents with respect to the 2014 Bonds is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

Judicial remedies, such as foreclosure and enforcement of covenants, are subject to exercise of judicial discretion. A California court may not strictly apply certain remedies or enforce certain covenants if it concludes that application or enforcement would be unreasonable under the circumstances and it may delay the application of such remedies and enforcement.

No Secondary Market

No representation is made concerning any secondary market for the 2014 Bonds. There can be no assurance that any secondary market will develop for the 2014 Bonds. Investors should understand the long-term and economic aspects of an investment in the 2014 Bonds and should assume that they will have to bear the economic risks of their investment to maturity. An investment in the 2014 Bonds may be unsuitable for any investor not able to hold the 2014 Bonds to maturity.

Proposition 218

An initiative measure entitled the "Right to Vote on Taxes Act" (the "**Initiative**") was approved by the voters of the State at the November 5, 1996 general election. The Initiative added Article XIIC and Article XIID to the California Constitution. According to the "Title and Summary" of the Initiative prepared by the California Attorney General, the Initiative limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Provisions of the Initiative have been and will continue to be interpreted by the courts. The Initiative could potentially impact the Special Taxes otherwise available to the Improvement Area to pay the principal of and interest on the 2014 Bonds as described below.

Among other things, Section 3 of Article XIIC states, "...the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge." The Act provides for a procedure, which includes notice, hearing, protest and voting requirements to alter the rate and method of apportionment of an existing special tax. However, the Act prohibits a legislative body from adopting any resolution to reduce the rate of any special tax or terminate the levy of any special tax pledged to repay any debt incurred pursuant to the Act unless such legislative body determines that the reduction or termination of the special tax would not interfere with the timely retirement of that debt. On July 1, 1997, the Governor of the State signed a bill into law enacting Government Code Section 5854, which states that:

Section 3 of Article XIIC of the California Constitution, as adopted at the November 5, 1996, general election, shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after that date, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights protected by Section 10 of Article I of the United States Constitution.

Accordingly, although the matter is not free from doubt, it is likely that Article XIIC has not conferred on the voters the power to repeal or reduce the Special Taxes if such reduction would interfere with the timely retirement of the 2014 Bonds.

It may be possible, however, for voters or the Board of Supervisors acting as the legislative body of the Improvement Area to reduce the Special Taxes in a manner that does not interfere with the timely repayment of the 2014 Bonds, but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. Furthermore, no assurance can be given with respect to the future levy of the Special Taxes in amounts greater than the amount necessary for the timely retirement of the 2014 Bonds. Therefore, no assurance can be given with respect to the levy of Special Taxes for Administrative Expenses (as defined in the Fiscal Agent Agreement). Nevertheless, the County has covenanted that it will not consent to, or conduct proceedings with respect to, a reduction in the maximum Special Taxes that may be levied in the Improvement Area below an amount, for any fiscal year, equal to 110% of the aggregate of the debt service due on the 2014 Bonds in such fiscal year, plus a reasonable estimate of Administrative Expenses for such fiscal year. However, no assurance can be given as to the enforceability of the foregoing covenant.

The interpretation and application of Article XIIC and Article XIID will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination or the timeliness of any remedy afforded by the courts. See “– Enforceability of Remedies.”

Ballot Initiatives

Articles XIIC and XIID of the California Constitution were adopted pursuant to measures qualified for the ballot pursuant to California’s constitutional initiative process, and the State Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provisions for particular activities. On March 6, 1995 in the case of Rossi v. Brown, the State Supreme Court held that an initiative can repeal a tax ordinance and prohibit the imposition of further such taxes and that the exemption from the referendum requirements does not apply to initiatives. From time to time, other initiative measures could be adopted by California voters or legislation enacted by the legislature. The adoption of any such initiative or legislation might place limitations on the ability of the State, the County, or local Improvement Areas to increase revenues or to increase appropriations.

IRS Audit of Tax-Exempt Bond Issues

The Internal Revenue Service has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the 2014 Bonds will be selected for audit by the Internal Revenue Service. It is also possible that the market value of the 2014 Bonds might be affected as a result of such an audit of the 2014 Bonds (or by an audit of similar bonds).

Recent Court Action Involving Landowner – Voted Special Tax District

On August 1, 2014, in a decision in *City of San Diego. v. Melvin Shapiro*, an Appellate Court invalidated an election held by the City of San Diego (the term “City” as used in this paragraph and the next paragraph means the City of San Diego) to authorize the levying of special taxes on hotels City-wide pursuant to a City charter ordinance creating a convention center facilities district (the “CCFD”) much like a community facilities district established under the provisions of the Act. While the CCFD is comprised of all of the real property in the entire City, the special tax was to be levied only on hotel properties located within the CCFD. At the election to authorize such special tax, the electorate was defined to consist solely of (a) the owners of real property in the City on which a hotel is located, and (b) the lessees of real property owned by a governmental entity on which a hotel is located. Such approach to determining who would constitute the qualified electors of the CCFD was based on Section 53326(c) of the Law, which generally provides that, if a special tax will not be apportioned in any tax year on residential property, the legislative body may provide that the vote shall be by the landowners of the proposed district whose property would be subject to the special tax. The Court held that such landowners and lessees are neither “qualified electors” of the City for purposes of Articles XIII A, Section 4 of the California Constitution, nor a proper “electorate” under Article XIII C, Section 2(d) of the California Constitution.

The Court specifically noted that the decision did not require the Court to consider the distinct question of whether landowner voting to impose special taxes under Section 53326(b) of the Act (which was the nature of the voter approval through which the District was formed, as the developers of land in the three improvement areas of the District were the sole owners of the land in the District at the time of the District formation) violates the California Constitution in districts that lack sufficient registered voters to conduct an election among registered voters. In the case of the CCFD, at the time of the election all of the registered voters in the City were within the CCFD. With respect to the District, there were no registered voters within the District at the time of the election to authorize the Special Tax and issuance of bonds by the District. Thus, by its terms, the Court’s holding does not apply to the formation and Special Tax election in the District.

Moreover, Section 53341 of the Act provides that any “action or proceeding to attack, review, set aside, void or annul the levy of a special tax...shall be commenced within 30 days after the special tax is approved by the voters.” Similarly, Section 53359 of the Law requires that any action to determine the validity of bonds issued pursuant to the Law be brought within 30 days of the voters approving the issuance of such bonds. Also, Section 860 et seq. of the California Code of Civil Procedure effectively provides that any legal challenge to the 2014 Bonds and the Fiscal Agent Agreement be filed within 60 days of the date the Fiscal Agent Agreement and the 2014 Bonds were approved by the Board of Supervisors. The landowners in the Improvement Area, as the sole qualified electors in the Improvement Area at the time, approved the Special Tax and the issuance of bonds for the Improvement Area on January 15, 2008; and the 2014 Bonds were authorized to be issued and the Fiscal Agent Agreement and the 2014 Bonds were approved by Resolution No. 2014-89 adopted by the Board of Supervisors, as the legislative body of the District, on September 23, 2014. The County is not aware of any action being filed challenging the formation of the District, the designation of the Improvement Area, the authority to levy the Special Tax on property in the Improvement Area, or the validity or enforceability of the Fiscal Agent Agreement or the 2014 Bonds. See “NO LITIGATION.” Given the foregoing, the County believes that no successful challenge to the levy of the Special Tax in the Improvement Area or the issuance or validity of the 2014 Bonds may now be brought.

TAX MATTERS

Federal tax law contains a number of requirements and restrictions which apply to the 2014 Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The County has covenanted in the Fiscal Agent Agreement to comply with all requirements that must be satisfied in order for the interest on the 2014 Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the 2014 Bonds to become includable in gross income for federal income tax purposes retroactively to the date of issuance of the 2014 Bonds.

Subject to the County's compliance with the above-referenced covenants, under present law, in the opinion of Quint & Thimmig LLP, Bond Counsel, interest on the 2014 Bonds (i) is excludable from the gross income of the owners thereof for federal income tax purposes, and (ii) is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but interest on the 2014 Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

In rendering its opinion, Bond Counsel will rely upon certifications of the County with respect to certain material facts within the County's knowledge. Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

The Internal Revenue Code of 1986, as amended (the "**Code**"), includes provisions for an alternative minimum tax ("**AMT**") for corporations in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon the corporation's alternative minimum taxable income ("**AMTI**"), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "**Adjusted current earnings**" would include certain tax-exempt interest, including interest on the 2014 Bonds.

Ownership of the 2014 Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax exempt obligations. Prospective purchasers of the 2014 Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the "**Issue Price**") for each maturity of the 2014 Bonds is the price at which a substantial amount of such maturity of the 2014 Bonds is first sold to the public. The Issue Price of a maturity of the 2014 Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the inside cover page of this Official Statement.

If the Issue Price of a maturity of the 2014 Bonds is less than the principal amount payable at maturity, the difference between the Issue Price of each such maturity, if any, of the 2014 Bonds (the "**OID 2014 Bonds**") and the principal amount payable at maturity is original issue discount.

For an investor who purchases an OID 2014 Bond in the initial public offering at the Issue Price for such maturity and who holds such OID 2014 Bond to its stated maturity, subject to the condition that the County comply with the covenants discussed above, (a) the full amount of original issue discount with respect to such OID 2014 Bond constitutes interest which is excludable from the gross income of the owner thereof for federal income tax purposes; (b) such owner will not realize taxable capital gain or market discount upon payment of such OID 2014 Bond at its stated maturity; (c) such original issue discount is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Code, but is taken into account in computing an adjustment used in determining the alternative minimum tax for certain corporations under the Code, as described above; and (d) the accretion of original issue discount in each year may result in an alternative minimum tax liability for corporations or certain other collateral federal income tax consequences in each year even though a corresponding cash payment may not be received until a later year. Owners of OID 2014 Bonds should consult their own tax advisors with respect to the state and local tax consequences of original issue discount on such OID 2014 Bonds.

Owners of 2014 Bonds who dispose of 2014 Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase 2014 Bonds in the initial public offering, but at a price different from the Issue Price or purchase 2014 Bonds subsequent to the initial public offering should consult their own tax advisors.

If a 2014 Bond is purchased at any time for a price that is less than the 2014 Bond's stated redemption price at maturity or, in the case of an OID 2014 Bond, its Issue Price plus accreted original issue discount reduced by payments of interest included in the computation of original issue discount and previously paid (the "**Revised Issue Price**"), the purchaser will be treated as having purchased a 2014 Bond with market discount subject to the market discount rules of the Code (unless a statutory de minimis rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a 2014 Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. Such treatment would apply to any purchaser who purchases an OID 2014 Bond for a price that is less than its Revised Issue Price even if the purchase price exceeds par. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such 2014 Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the 2014 Bonds.

An investor may purchase a 2014 Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "**bond premium**" and must be amortized by an investor on a constant yield basis over the remaining term of the 2014 Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax-exempt bond. The amortized bond premium is treated as a reduction in the tax-exempt interest received. As bond premium is amortized, it reduces the investor's basis in the 2014 Bond. Investors who purchase a 2014 Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the 2014 Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the 2014 Bond.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the 2014 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the 2014 Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the “**Service**”) has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the 2014 Bonds. If an audit is commenced, under current procedures the Service may treat the County as a taxpayer and the 2014 Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the 2014 Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax exempt obligations, including the 2014 Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any 2014 Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any 2014 Bond owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

In the further opinion of Bond Counsel, interest on the 2014 Bonds is exempt from California personal income taxes.

Ownership of the 2014 Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the 2014 Bonds. Prospective purchasers of the 2014 Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

The complete text of the final opinion that Bond Counsel expects to deliver upon issuance of the 2014 Bonds is set forth in Appendix D.

LEGAL MATTERS

Concurrent with the issuance of the 2014 Bonds, Quint & Thimmig LLP, San Francisco, California, Bond Counsel, will render its opinion substantially in the form set forth in Appendix D to this Official Statement. Quint & Thimmig LLP, San Francisco, also is acting as Disclosure Counsel to the County with respect to the 2014 Bonds. Certain legal matters will be passed upon for the County and the District by the County Counsel. Certain legal matters related to the 2014 Bonds will be passed upon for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, acting as Underwriter’s Counsel, and for the Developer by the Law Offices of Craig Sandberg, Folsom, California, acting as counsel to the Developer. Payment of the fees and expenses of Bond and Disclosure Counsel, and of Underwriter’s Counsel, is contingent on the issuance of the 2014 Bonds.

FINANCIAL ADVISOR

The County has retained Fieldman, Rolapp & Associates, Irvine, California, as Financial Advisor in connection with the issuance of the 2014 Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The Financial Advisor is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities. Compensation paid to the Financial Advisor is contingent upon the successful issuance of the 2014 Bonds.

NO RATING

The County has not made, and does not intend to make, any application to any rating agency for the assignment of a rating to the 2014 Bonds.

NO LITIGATION

The County is not aware of any pending or threatened litigation challenging the validity of the 2014 Bonds, the Special Taxes securing the 2014 Bonds, or any action taken by the County in connection with the formation of the District, the designation of the Improvement Area, the levying of the Special Taxes or the issuance of the 2014 Bonds.

UNDERWRITING

The 2014 Bonds are being purchased through negotiation by Stifel, Nicolaus & Company, Incorporated (the “**Underwriter**”). The Underwriter agreed to purchase the 2014 Bonds at a price of \$_____ (which is equal to the par amount of the 2014 Bonds, plus a net original issue premium of \$_____, and less an underwriter’s discount of \$_____). The initial public offering prices set forth on the inside cover page may be changed by the Underwriter. The Underwriter may offer and sell the 2014 Bonds to certain dealers and others at prices lower than the public offering prices set forth on the inside cover page hereof.

CONTINUING DISCLOSURE

The County and the Developer each have agreed for the benefit of the Owners of the 2014 Bonds, in separate Continuing Disclosure Agreements, to provide annually certain financial information and operating data, and to provide notices of the occurrence of certain enumerated events. In addition, the Developer has agreed to provide mid-year reports with certain limited information. See Appendix E – Forms of Continuing Disclosure Certificates.

The covenants in the Continuing Disclosure Agreements have been made by the County and the Developer in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”). A failure by the County or the Developer to comply with its respective confirming disclosure obligations will not constitute a default under the Fiscal Agent Agreement. However, the Continuing Disclosure Agreements provide that, in the event of a failure of the County or the Developer, as applicable, to comply with any provision of their respective Continuing Disclosure Agreement, any 2014 Bond owner, any Beneficial Owner or the Underwriter may seek specific performance by court order to cause it to comply with its obligations under its respective Continuing Disclosure Agreement.

The Developer’s obligation to provide continuing annual, mid-year and significant event disclosure will terminate if and when the Developer is no longer the owner of property in the Improvement Area that is subject to twenty percent (20%) or more of the Special Tax levy for the then current fiscal year and the conditions for release of all amounts on deposit in the Escrow Fund have been satisfied. The conditions for release of amounts on deposit in the Escrow Fund will occur on the earlier of the date on which the Developer obtains building permits for the 24 parcels of Unimproved Property in the Improvement Area or the date amounts in the Escrow Fund are used to redeem Escrow Term Bonds (which is December 1, 2016, unless such date is extended under the provisions of the Fiscal Agent Agreement). See Appendix C – Summary of the Fiscal Agent Agreement – Funds and Accounts – Escrow Fund.

The County has advised that during the past five years, the County and its related entities have never failed to comply in all material respects with previous continuing disclosure undertakings pursuant to the Rule, except as follows: in certain instances audited financial

statements were not filed or were not filed on a timely basis, certain rating changes of bond insurers were not timely filed, and documents indicated as included with certain filings were not so included. The County expects to make all necessary remedial filings, except with respect to bonds that have matured prior to the date of this Official Statement, prior to the sale of the 2014 Bonds.

The Developer has advised the County that the Developer, its parent and its affiliates have not failed in the previous five years to comply in all material respects with any continuing disclosure obligations under the Rule, except for failures to include annual financial statements with certain annual reports, no report for 2012 was filed under one continuing disclosure obligation for which a notice of termination of obligation was filed in 2013, and one annual report under another continuing disclosure obligation was not timely filed. The Developer expects to file the required financial statements that had not been filed before the sale of the 2014 Bonds.

MISCELLANEOUS

Included herein are brief summaries of certain documents and reports, which summaries do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the County or the District and the purchasers or Owners of any of the 2014 Bonds.

The execution and delivery of this Official Statement has been duly authorized by the Board of Supervisors.

COUNTY OF YUBA, CALIFORNIA, for and
on behalf of the COUNTY OF YUBA
COMMUNITY FACILITIES DISTRICT NO.
2005-1 (ORCHARD/MONTROSE PUBLIC
IMPROVEMENTS)

By: _____
County Administrator,
County of Yuba, California

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APPENDIX A

GENERAL INFORMATION ABOUT THE COUNTY OF YUBA

The information in this section of the Official Statement is presented as general background data. The 2014 Bonds are payable solely from the Special Tax Revenues and amounts held in certain funds under the Fiscal Agent Agreement, as described in the Official Statement.

General

Yuba County is located in California's Central Valley along the Feather River. Yuba County was one of the original counties of California, formed in 1850 at the time of statehood. According to the U.S. Census Bureau, the county has a total area of 644 square miles (1,670 km²), of which 632 square miles (1,640 km²) is land and 12 square miles (31 km²) (1.9%) is water. It is the fifth-smallest county in California by total area. National protected areas within Yuba County include portions of the Plumas National Forest and the Tahoe National Forest.

A portion of the county, where Marysville (the county seat) and most of the population lives, is west of the mountains on the valley floor. There is a great deal of agriculture business in this part of the county, especially fruit orchards, rice fields, and cattle grazing.

Population

The table below summarizes population of the County and the State for the past five years.

POPULATION
Yuba County and California

Year	Yuba County	California
2010	72,155	37,253,956
2011	72,316	37,427,946
2012	72,642	37,668,804
2013	73,278	37,984,138
2014	73,682	38,340,074

Source: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2011-2014, with 2010 Census Benchmark. Sacramento, California, May 2014. Dates as of January 1 of each year except 2010 which is measured as of April 1.

Employment

The following table summarizes the historical numbers of workers by industry in Yuba County for the last five years:

YUBA COUNTY Labor Force and Industry Employment Annual Averages by Industry

	2009	2010	2011	2012	2013 ⁽¹⁾
Total, All Industries	15,600	15,100	15,500	16,600	16,700
Total Farm	900	900	1,000	900	900
Total Nonfarm	14,700	14,200	14,500	15,700	15,900
Goods Producing	1,300	1,200	1,200	2,000	2,000
Mining, Logging and Construction	700	700	700	1,400	1,400
Manufacturing	600	500	500	600	600
Service Providing	13,400	13,000	13,400	13,700	13,800
Trade, Transportation & Utilities	2,000	2,000	2,000	2,100	2,200
Information	200	200	200	200	200
Financial Activities	300	300	300	300	300
Professional & Business Services	800	800	900	900	900
Educational & Health Services	2,500	2,600	2,500	2,700	2,700
Leisure & Hospitality	1,100	1,100	1,200	1,300	1,400
Other Services	300	300	300	400	400
Government	6,200	5,700	6,000	5,900	5,700

Source: California Employment Development Department Industry Employment & Labor Force - by Annual Average, based on March 2013 benchmark.

(1) Last available full year data.

*Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households, and persons involved in labor/management trade disputes. Employment reported by place of work. Items may not add to totals due to independent rounding.

The following tables summarize historical employment and unemployment for Yuba County, the State of California and the United States for the past five years:

**YUBA COUNTY, CALIFORNIA, AND UNITED STATES
Civilian Labor Force, Employment, and Unemployment
(Annual Averages)**

Year	Area	Labor Force	Employment	Unemployment	Unemployment Rate
2009	Yuba County	28,400	23,500	4,900	17.2%
	California	18,208,300	16,144,500	2,063,900	11.3
	United States	154,142,000	139,877,000	14,265,000	9.3
2010	Yuba County	28,100	22,700	5,400	19.1%
	California	18,316,400	16,051,500	2,264,900	12.4
	United States	153,889,000	139,064,000	14,825,000	9.6
2011	Yuba County	28,000	22,900	5,100	18.3%
	California	18,384,900	16,226,600	2,158,300	11.7
	United States	153,617,000	139,869,000	13,747,000	8.9
2012	Yuba County	27,900	23,200	4,700	16.8%
	California	18,494,900	16,560,300	1,934,500	10.5
	United States	154,975,000	142,469,000	12,506,000	8.1
2013	Yuba County	27,100	23,300	3,800	14.0%
	California	18,596,800	16,933,300	1,663,500	8.9
	United States	155,389,000	143,929,000	11,460,000	7.4

Source: California Employment Development Department Industry Employment & Labor Force - by Annual Average, based on March 2013 benchmark and US Department of Labor, Federal Bureau of Labor Statistics

(1) The unemployment rate is computed from unrounded data, therefore, it may differ from rates computed from rounded figures available in this table.

Major Employers

The table below sets forth the principal employers of the County in alphabetical order.

YUBA COUNTY 2014 Principal Employers

Employer Name	Location	Industry
Appeal Democrat	Marysville	Newspapers (Publishers/Mfrs)
Beale Air Force Base	Beale AFB	Military Bases
Bishop's Pumpkin Farm	Wheatland	Fruits & Vegetables & Produce-Retail
Comprehensive Security Svc Inc	Marysville	Security Guard & Patrol Service
Golden West Aviation Assn Inc	Marysville	Organizations
Haycart Custom Farming Inc	Plumas Lake	Farming Service
Linda Elementary School	Marysville	Schools
Lindhurst High School	Olivehurst	Schools
Lone Tree School Kitchen	Beale AFB	Schools
Marysville Care & Rehab Ctr	Marysville	Nursing & Convalescent Homes
Marysville School District	Marysville	Schools
Pacific Gas & Electric Co	Marysville	Electric Companies
Pacific Gas & Electric Co	Marysville	Electric Companies
Pacific Gas & Electric Co	Marysville	Electric Companies
Pacific Gas & Electric Co	Marysville	Electric Companies
Recology Yuba-Sutter	Marysville	Garbage Collection
Richard R Wilbur Ranch	Marysville	Ranches
Rideout Regional Medical Ctr	Marysville	Hospitals
Shoei Foods USA Inc	Olivehurst	Food Products-Retail
Sierra Kiwi Inc	Marysville	Fruits & Vegetables-Growers & Shippers
Transportation Department	Marysville	State Government-Transportation Programs
Transportation Dept-Equipment	Marysville	State Government-Transportation Programs
US Post Office	Marysville	Post Offices
Walmart Supercenter	Marysville	Department Stores
Yuba County Health & Human Svc	Marysville	County Government-Social/Human Resources

Source: California Employment Development Department – Major Employers by County. Data retrieved October 9, 2014.

Construction Activity

The following tables reflect the five-year history of building permit valuation for the County:

YUBA COUNTY Building Permits and Valuation (Dollars in Thousands)

	2009	2010	2011	2012	2013
Permit Valuation:					
New Single-family	\$ 14,145	\$ 8,748	\$ 10,149	\$ 11,670	\$ 16,318
New Multi-family	214	-	-	-	6,875
Res. Alterations/Additions	2,531	2,794	3,982	1,625	3,203
Total Residential	16,891	11,542	14,131	13,295	26,397
Total Nonresidential	4,962	3,690	13,855	19,677	57,005
Total All Building	\$ 21,853	\$ 15,233	\$ 27,986	\$ 32,973	\$ 83,403
New Dwelling Units:					
Single Family	107	60	68	75	99
Multiple Family	2	-	-	-	48
Total	109	60	68	75	147

Sources: Construction Industry Research Board: "Building Permit Summary."

Note: Totals may not add due to independent rounding.

Median Household Income

The following table summarizes the median household effective buying income for the County, the State of California and the nation for the past five years.

YUBA COUNTY, CALIFORNIA AND UNITED STATES Effective Buying Income

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2009	Yuba County	\$ 1,202,023	\$ 37,891
	California	844,823,319	49,736
	United States	6,571,536,768	43,252
2010	Yuba County	\$ 1,106,293	\$ 34,836
	California	801,393,028	47,177
	United States	6,365,020,076	41,368
2011	Yuba County	\$ 1,097,820	\$ 34,935
	California	814,578,457	47,062
	United States	6,438,704,663	41,253
2012	Yuba County	\$ 1,149,160	\$ 38,161
	California	864,088,827	47,307
	United States	6,737,867,730	41,358
2013	Yuba County	\$ 1,065,205	\$ 36,860
	California	858,676,636	48,340
	United States	6,982,757,379	43,715

Source: The Nielsen Company (US), Inc.

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APPENDIX B
COUNTY OF YUBA
COMMUNITY FACILITIES DISTRICT NO. 2005-1
(IMPROVEMENT AREA C – COUNTRYSIDE AT MONTROSE)
2014 SPECIAL TAX BONDS

AMENDED AND RESTATED
RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

A Special Tax applicable to each Assessor's Parcel in Improvement Area C of the County of Yuba Community Facilities District No. 2005-1 (Orchard/Montrose Public Improvements) shall be levied and collected according to the tax liability determined by the Board of Supervisors of the County of Yuba or its designee, through the application of the appropriate amount or rate for Taxable Property, as described below. All of the property in Improvement Area C, unless exempted by law or by the provisions of Section G below, shall be taxed for the purposes, to the extent, and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acre" or "Acreage" means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable Final Map or other parcel map recorded with the County.

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, (commencing with Section 53311), Division 2 of Title 5 of the Government Code of the State of California.

"Administrative Expenses" means the actual or reasonably estimated costs to the County or Improvement Area C (or both), or any designee thereof directly related to the administration of Improvement Area C including, but not limited to, the following: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules; the costs of collecting the Special Taxes; the costs of remitting the Special Taxes to the fiscal agent or trustee; the costs of the fiscal agent or trustee (including legal counsel) in the discharge of the duties required of it under the Bond indenture or other legal document authorizing the issuance of Bonds; the costs of complying with arbitrage rebate requirements; the costs of providing continuing disclosure; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs related to any appeal of the levy or application of the Special Tax; and the costs associated with the release of funds from an escrow account, if any. Administrative Expenses shall also include amounts estimated or advanced by the County or Improvement Area C for any other administrative purposes of Improvement Area C, including, but not limited to, attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

"Administrator" means the person or firm designated by the County to administer the Special Taxes according to this Amended and Restated Rate and Method of Apportionment of Special Tax.

"Assessor's Parcel" or "Parcel" means a lot or parcel shown on an Assessor's Parcel Map with an assigned Assessor's Parcel number.

“Assessor’s Parcel Map” means an official map of the County Assessor designating parcels by Assessor’s Parcel number.

“Authorized Facilities” means those facilities that are authorized to be funded by the CFD.

“Board” means the County of Yuba Board of Supervisors.

“Bonds” means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued, insured, or assumed by Improvement Area C.

“Buildable Lot” means an individual lot within a Final Map for which a building permit may be issued without further subdivision of such lot.

“Capitalized Interest” means funds in a capitalized interest account available to pay interest on Bonds.

“CFD” or **“CFD No. 2005-1”** means the County of Yuba Community Facilities District No. 2005-1 (Orchard/Montrose Public Improvements).

“Commercial Property” means, in any Fiscal Year, all Parcels of Developed Property for which a building permit was issued for construction of a building to be used for a commercial venture permitted within the County’s commercial zoning codes.

“County” means the County of Yuba.

“Developed Property” means, in any Fiscal Year, all Parcels of Taxable Property for which a building permit for new construction was issued on or prior to June 30 of the preceding Fiscal Year.

“Excess Commercial Property” means the acres of Commercial Property that exceed the acreage exempted in Section G below. In any Fiscal Year in which a Special Tax must be levied on Excess Commercial Property pursuant to Step 3 in Section E below, Excess Commercial Property shall be those Assessor’s Parcel(s) in Improvement Area C that most recently became Commercial Property based on the dates on which building permits were issued creating such Commercial Property.

“Excess Public Property” means the acres of Public Property that exceed the acreage exempted in Section G below. In any Fiscal Year in which a Special Tax must be levied on Excess Public Property pursuant to Step 4 in Section E below, Excess Public Property shall be those Assessor’s Parcel(s) in Improvement Area C that most recently became Public Property based on the dates on which Final Maps recorded creating such Public Property.

“Expected Maximum Special Tax Revenue” means the expected aggregate Maximum Special Tax revenue that can be collected from all property within Improvement Area C. The Expected Maximum Special Tax Revenue at the time of the Resolution of Change is shown in Attachment 1 of this Amended and Restated Rate and Method of Apportionment of Special Tax and may be reduced due to prepayments or land use changes, as permitted in Section D below.

“Expected Residential Lot Count” means, for Improvement Area C, 207 Buildable Lots of Single Family Residential Property.

“Final Bond Sale” means the last series of Bonds issued by Improvement Area C, which issuance shall generally use up the remaining capacity available from the Maximum Special Tax revenues that can be generated within Improvement Area C.

“Final Map” means a final map, or portion thereof, approved by the County pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq) that creates Buildable Lots.

“Fiscal Year” means the period starting July 1 and ending on the following June 30.

“Improvement Area C” means Improvement Area C of CFD No. 2005-1.

“Maximum Special Tax” means the greatest amount of Special Tax that can be levied on an Assessor’s Parcel in any Fiscal Year determined in accordance with Sections C and D below.

“Other Property” means, in any Fiscal Year, all Parcels of Developed Property within the boundaries of Improvement Area C that are not Commercial Property or Single Family Residential Property.

“Proportionately” means, for Developed Property, that the ratio of the actual Special Tax levied in any Fiscal Year to the Maximum Special Tax authorized to be levied in that Fiscal Year is equal for all Assessor’s Parcels of Developed Property within Improvement Area C. For Undeveloped Property, “Proportionately” means that the ratio of the actual Special Tax to the Maximum Special Tax is equal for all Assessor’s Parcels of Undeveloped Property within Improvement Area C.

“Public Property” means any Assessor’s Parcels within the boundaries of Improvement Area C that are owned by the United States of America, the State of California, the County, or other local governments or public agencies.

“Residential Unit” means an individual single-family detached, half-plex, duplex, triplex, fourplex, townhome, or condominium unit.

“Resolution of Change” means the resolution adopted by the Board on October 2, 2007 with respect to, among other matters, the alteration of the rate and method of apportionment of special tax for Improvement Area C.

“Single Family Residential Property” means, in any Fiscal Year, all Parcels of Developed Property for which a building permit was issued for construction of one or more Residential Units that are offered as for-sale units.

“Special Tax” means a special tax levied in any Fiscal Year to pay the Special Tax Requirement.

“Special Tax Requirement” means the amount necessary in any Fiscal Year to: (i) pay principal and interest on the Bonds, (ii) create and/or replenish reserve funds for the Bonds; (iii) cure any delinquencies in the payment of principal or interest on Bonds which have occurred in the prior Fiscal Year or, based on existing delinquencies in the payment of Special Taxes within Improvement Area C, are expected to occur in the Fiscal Year in which the tax will be collected; (iv) pay Administrative Expenses, and (v) pay Authorized Facilities to be funded directly from Special Tax proceeds so long as a Special Tax is not levied for such purpose on Undeveloped Property. The amounts referred to in clauses (i) and (ii) of the preceding sentence may be reduced in any Fiscal Year by: (i) interest earnings on or surplus balances in funds and accounts for the Bonds to the extent that such earnings or balances are available to be applied against debt service pursuant to a Bond indenture, Bond resolution, or other legal document that sets

forth these terms; (ii) proceeds received by CFD No. 2005-1 from the collection of penalties associated with delinquent Special Taxes in Improvement Area C; and (iii) any other revenues available to pay debt service on the Bonds as determined by the Administrator.

“Taxable Property” means all of the Assessor’s Parcels within the boundaries of Improvement Area C which are not exempt from the Special Tax pursuant to law or Section G below.

“Undeveloped Property” means, in any Fiscal Year, all Parcels of Taxable Property within Improvement Area C that are not Developed Property.

B. DATA FOR ANNUAL ADMINISTRATION OF SPECIAL TAXES

On or about July 1 of each Fiscal Year, the Administrator shall identify the current Assessor’s Parcel numbers for Taxable Property within Improvement Area C. The Administrator shall then (i) categorize each Parcel of Taxable Property as Developed Property or Undeveloped Property, (ii) categorize Developed Property as Single Family Residential Property, Commercial Property, or Other Property, (iii) determine if there is Excess Commercial Property or Excess Public Property, and (iv) determine the Special Tax Requirement.

In any Fiscal Year, if it is determined that (i) a parcel map for a portion of property in Improvement Area C was recorded after January 1 of the prior Fiscal Year (or any other date after which the Assessor will not incorporate the newly-created Parcels into the then current tax roll), (ii) because of the date the parcel map was recorded, the Assessor does not yet recognize the new Parcels created by the parcel map, and (iii) one or more of the newly-created Parcels meets the definition of Developed Property, the Administrator shall calculate the Special Tax for the property affected by recordation of the parcel map by determining the Special Tax that applies separately to each newly-created Parcel, then applying the sum of the individual Special Taxes to the master Assessor’s Parcel that was subdivided by recordation of the Assessor’s Parcel Map.

C. MAXIMUM SPECIAL TAXES

1. *Developed Property*

The following Maximum Special Tax rates shall apply to all Parcels of Developed Property within Improvement Area C for each Fiscal Year in which the Special Taxes are collected:

TABLE 1

Developed Property Maximum Special Taxes

Land Use Category	Maximum Special Tax
Single Family Residential Property	\$1,550 per Residential Unit
Other Property	\$7,623 per Acre

· Reduced to \$1,000 per Residential Unit by action of the Board of Supervisors on August 12, 2014. See “THE IMPROVEMENT AREA – History of the Improvement Area” in the text of this Official Statement.

The Maximum Special Tax for a Parcel shall not change once a Parcel is classified as Developed Property.

2. *Undeveloped Property*

The Maximum Special Tax for Parcels of Undeveloped Property within Improvement Area C shall be \$7,623 per Acre.

D. BACK-UP SPECIAL TAX FORMULA

The Maximum Special Taxes set forth in Table 1 above are calculated based on the Expected Residential Lot Count. If, *prior to the Final Bond Sale*, a change to the Expected Residential Lot Count (a "Land Use Change") is proposed that will result in a reduction in the Expected Maximum Special Tax Revenues, no action will be needed pursuant to this Section D as long as the reduction in Expected Maximum Special Tax Revenues does not reduce debt service coverage on outstanding Bonds below the amount committed to in the Bond documents. Upon approval of the Land Use Change, the Administrator shall update Attachment 1 to show the reduced Expected Maximum Special Tax Revenues, and the reduced Expected Maximum Special Tax Revenues shall be the amount used to determine the amount of the Final Bond Sale.

If a Land Use Change is proposed *after the Final Bond Sale*, the following steps shall be applied:

- Step 1:** By reference to Attachment 1 (which shall be updated by the Administrator each time a Land Use Change has been processed according to this Section D), the Administrator shall identify the Expected Maximum Special Tax Revenues for Improvement Area C;
- Step 2:** The Administrator shall calculate the Maximum Special Tax revenues that could be collected from property in Improvement Area C if the Land Use Change is approved;
- Step 3:** If the amount determined in Step 2 is more than that calculated in Step 1, the Land Use Change may be approved without further action. If the revenues calculated in Step 2 are less than those calculated in Step 1, and if:
 - (a) The landowner does not withdraw the request for the Land Use Change that was submitted to the County; **then**
 - (b) Before approval of the Land Use Change, the landowner requesting the Land Use Change must prepay a portion of the Special Tax for Improvement Area C in an amount that corresponds to the lost Maximum Special Tax revenue, as determined by applying the steps set forth in Section H below.

If the prepayment required pursuant to step (b) above is not received by the County at the earlier of (i) 30 days after approval of the Land Use Change or (ii) by July 1 of the Fiscal Year following the Fiscal Year in which the Land Use Change was approved, the amount of the prepayment required pursuant to Step 3.b shall be allocated on a per-acre basis and included on the next property tax bill for all Parcels of Taxable Property within the property affected by the Land Use Change that are still owned by the landowner or an entity of which the landowner is a part. If the landowner is no longer an owner of any Parcel within the Land Use Change area, the required

prepayment shall be allocated on a per-acre basis to all Parcels of Taxable Property within the area affected by the Land Use Change. The amount allocated to each Assessor's Parcel shall be added to and, until paid, shall be a part of, the Maximum Special Tax for the Assessor's Parcel.

If multiple Land Use Changes are proposed at one time (which may include approval of multiple Final Maps at one time), the Administrator may consider the combined effect of all the Land Use Changes to determine if there is a reduction in Expected Maximum Special Tax Revenue that necessitates implementation of Step 3.b. If, based on this comprehensive analysis, the Administrator determines that there is a reduction in Expected Maximum Special Tax Revenue, the Administrator shall determine the required prepayment (pursuant to Section H) by analyzing the combined impact of all of the proposed Land Use Changes.

Notwithstanding the foregoing, if the Administrator analyzes the combined impacts of multiple Land Use Changes, and the County subsequently does not approve one or more of the Land Use Changes that was proposed, the Administrator shall once again apply the three steps set forth above to determine the combined impact of those Land Use Changes.

The duties imposed on the Administrator pursuant to this Section D to review Land Use Changes, to review Final Maps and to make certain calculations are intended only to facilitate the administration of the Special Tax and to better assure the sufficiency of tax capacity to pay debt service on Bonds. Such duties are not intended to give any developer, subdivider or owner of property any right to receive notice of the potential impact of a Land Use Change on the Special Tax applicable to a Parcel; and each developer, subdivider or owner of property whose property is the subject of a Land Use Change shall be responsible for understanding the impact thereof on the Special Tax applicable to such property.

E. METHOD OF LEVY OF THE SPECIAL TAX

Commencing with Fiscal Year 2008-09 and for each following Fiscal Year, the Administrator shall determine the Special Tax Requirement to be collected in that Fiscal Year. The Special Tax shall then be levied according to the following steps:

- Step 1:* The Special Tax shall be levied Proportionately on each Parcel of Developed Property up to 100% of the *Maximum* Special Tax for such Fiscal Year until the amount levied on Developed Property is equal to the Special Tax Requirement prior to applying Capitalized Interest;
- Step 2:* If additional revenue is needed to satisfy the Special Tax Requirement after Step 1 and after applying Capitalized Interest to reduce the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Parcel of Undeveloped Property up to 100% of the Maximum Special Tax for Undeveloped Property for such Fiscal Year determined pursuant to Section C.2;
- Step 3:* If additional revenue is needed to satisfy the Special Tax Requirement after applying the first two steps, the Special Tax shall be levied Proportionately on each Parcel of Excess Commercial Property up to 100% of the Maximum Special Tax for Undeveloped Property for such Fiscal Year;

Step 4: If additional revenue is needed to satisfy the Special Tax Requirement after applying the first three steps, the Special Tax shall be levied *proportionately* on each Parcel of Excess Public Property, up to 100% of the Maximum Special Tax for Undeveloped Property for such Fiscal Year.

F. MANNER OF COLLECTION OF THE SPECIAL TAX

The Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes, provided, however, that prepayments are permitted as set forth in Section H below and provided further that the County may directly bill the Special Taxes, may collect Special Taxes at a different time or in a different manner, and may collect delinquent Special Taxes through foreclosure or other available methods.

The Special Tax shall be levied and collected until principal and interest on the Bonds have been repaid, costs of constructing or acquiring Authorized Facilities from Special Tax proceeds have been paid and all Administrative Expenses have been reimbursed. However, in no event shall a Special Tax be levied after Fiscal Year 2040-41. Under no circumstances may the Special Tax on a Parcel of Developed Property be increased by more than ten percent (10%) as a consequence of delinquency or default in payment of the Special Tax levied on another Parcel or Parcels in Improvement Area C.

G. EXEMPTIONS

Notwithstanding any other provision of this Amended and Restated Rate and Method of Apportionment of Special Tax, no Special Tax shall be levied on up to 30.48 Acres of Public Property. A Special Tax may be levied on Excess Public Property pursuant to Step 4 of Section E; however, a public agency may require that the Special Tax obligation on land conveyed to it that would be classified as Excess Public Property be prepaid pursuant to Section H below.

All Commercial Property shall be taxed as Excess Commercial Property pursuant to Step 3 of Section E. In addition, no Special Tax shall be levied in any Fiscal Year on Parcels that have fully prepaid the Special Tax obligation pursuant to the formula set forth in Section H.

H. PREPAYMENT OF SPECIAL TAX

The following definitions apply to this Section H:

“Construction Fund” means an account specifically identified in the Indenture to hold funds which are available to acquire or construct Authorized Facilities.

“Future Facilities Cost” means the Public Facilities Requirement (as defined below) minus public facility costs funded by Previously Issued Bonds (as defined below), interest earnings on the construction fund actually earned prior to the date of prepayment, Special Taxes, developer equity, and/or any other source of funding.

“Indenture” means the bond indenture, fiscal agent agreement, trust agreement, resolution or other instrument pursuant to which Bonds are issued, as modified, amended, and/or supplemented from time to time, and any instrument replacing or supplementing the same.

· As determined by the Board of Supervisors by Resolution No. 2014-69 adopted on August 12, 2014. See “THE IMPROVEMENT AREA – History of the Improvement Area” in the text of this Official Statement.

“Outstanding Bonds” means all Previously Issued Bonds which remain outstanding, with the following exception: if a Special Tax has been levied against, or already paid by, an Assessor’s Parcel making a prepayment, and a portion of the Special Tax will be used to pay a portion of the next principal payment on the Bonds that remain outstanding, that next principal payment shall be subtracted from the total Bond principal that remains outstanding, and the difference shall be used as the amount of “Outstanding Bonds” for purposes of the prepayment formula.

“Previously Issued Bonds” means all Bonds that have been issued for Improvement Area C prior to the date of prepayment.

“Public Facilities Requirement” means either \$3,200,000 in 2007 dollars, which shall increase on January 1, 2008, and on each January 1 thereafter by the percentage increase, if any, in the construction cost index for the San Francisco region for the prior twelve (12) month period as published in the Engineering News Record or other comparable source if the Engineering News Record is discontinued or otherwise not available, or such other number as shall be determined by the Administrator to be an appropriate estimate of the net construction proceeds that will be generated from all Bonds that have been or are expected to be issued on behalf of Improvement Area C. The Public Facilities Requirements shown above may be adjusted or separate Public Facilities Requirements identified each time property annexes into Improvement Area C; at no time shall the added Public Facilities Requirement for that annexation area exceed the amount of public improvement costs that are expected to be supportable by the Maximum Special Tax revenues generated within that annexation area.

1. Full Prepayment of Special Tax Obligation

The Special Tax obligation applicable to an Assessor’s Parcel in Improvement Area C may be prepaid and the obligation of the Assessor’s Parcel to pay the Special Tax permanently satisfied as described herein, provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Assessor’s Parcel at the time of prepayment. An owner of an Assessor’s Parcel intending to prepay the Special Tax obligation shall provide the County with written notice of intent to prepay. Within 30 days of receipt of such written notice, the County or its designee shall notify such owner of the prepayment amount for such Assessor’s Parcel. Prepayment must be made not less than 75 days prior to any interest payment date for Bonds to be redeemed with the proceeds of such prepaid Special Taxes.

The Prepayment Amount shall be calculated as follows (capitalized terms as defined below):

Bond Redemption Amount	
plus:	Future Facilities Amount
plus:	Redemption Premium
plus:	Defeasance Requirement
plus:	Administrative Fees and Expenses
minus:	Reserve Fund Credit
equals	Prepayment Amount

As of the proposed date of prepayment, the Prepayment Amount shall be determined by application of the following steps:

- Step 1.** Determine the greater of (i) the total Maximum Special Tax that could be collected from the Assessor’s Parcel prepaying the Special Tax in the Fiscal Year in which prepayment would be received by the County, or (ii) the **Maximum** Special Tax that could be collected from the Parcel at buildout based on anticipated land uses at the time the prepayment is calculated.

- Step 2.* Divide the Maximum Special Tax computed pursuant to Step 1 for such Assessor's Parcel by the lesser of (i) the Maximum Special Tax revenues that could be collected in that Fiscal Year from property in Improvement Area C, or (ii) the Maximum Special Tax revenues that could be generated at buildout of property in Improvement Area C based on anticipated land uses at the time the prepayment is calculated.
- Step 3.* Multiply the quotient computed pursuant to Step 2 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the "**Bond Redemption Amount**").
- Step 4.* Compute the current Future Facilities Costs.
- Step 5.* Multiply the quotient computed pursuant to Step 2 by the amount determined pursuant to Step 4 to compute the amount of Future Facilities Costs to be prepaid (the "**Future Facilities Amount**").
- Step 6.* Multiply the Bond Redemption Amount computed pursuant to Step 3 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "**Redemption Premium**").
- Step 7.* Compute the amount needed to pay interest on the Bond Redemption Amount starting with the first Bond interest payment date after which the prepayment has been received until the earliest redemption date for the Outstanding Bonds.
- Step 8.* Compute the amount of interest the County reasonably expects to derive from the reinvestment of the Bond Redemption Amount plus the Redemption Premium from the first Bond interest payment date after which the prepayment has been received until the redemption date for the Outstanding Bonds.
- Step 9.* Take the amount computed pursuant to Step 7 and subtract the amount computed pursuant to Step 8 (the "**Defeasance Requirement**").
- Step 10.* Determine the costs of computing the prepayment amount, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the "**Administrative Fees and Expenses**").
- Step 11.* If and to the extent so provided in the Indenture pursuant to which the Outstanding Bonds to be redeemed were issued, a reserve fund credit shall be calculated as a reduction, if any, in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the "**Reserve Fund Credit**").
- Step 12.* The Special Tax prepayment is equal to the sum of the amounts computed pursuant to Steps 3, 5, 6, 9, and 10, less the amount computed pursuant to Step 11 (the "**Prepayment Amount**").
- Step 13.* The amounts computed pursuant to Steps 3, 6, and 9, less the amount computed pursuant to Step 11, shall be deposited in the appropriate fund established under the Indenture and used to retire Outstanding Bonds or make debt service payments. The amount computed pursuant to Step 5 shall be deposited in the Construction Fund, and the amount determined in Step 10 shall be deposited in the fund established to pay Administrative Expenses.

With respect to any Parcel that prepays its Special Tax obligation, the Administrator shall cause a notice to be recorded in compliance with the Act to release the Special Tax lien on such Parcel, and the obligation of such Parcel to pay the Special Tax shall cease.

2. *Partial Prepayment of Special Tax Obligation*

A partial prepayment of the Special Tax obligation may be made in an amount equal to any percentage of full prepayment desired by the party making a partial prepayment. The Maximum Special Tax that can be levied on a Parcel after a partial prepayment is made is equal to the Maximum Special Tax that could have been levied prior to the prepayment, reduced by the percentage of the full prepayment that the partial prepayment represents, all as determined by or at the direction of the Administrator.

The property owner requesting to make a partial prepayment shall provide the County with written notice of his/her intent to partially prepay the Special Tax obligation and shall identify the percentage of such obligation that is intended to be prepaid. Within 30 days of receipt of such written notice, the County shall notify such owner of the partial prepayment amount, which must be received not less than 75 days prior to any interest payment date for Bonds to be redeemed with the proceeds of such prepaid Special Taxes.

Once the sum of the partial prepayments for the applicable Parcels in Improvement Area C has been received by the County, the Maximum Special Taxes shall be reduced by the same percentage by which the Special Tax obligation was reduced. The Administrator shall record an amended Notice of Special Tax lien against those Parcels within Improvement Area C that has partially prepaid identifying the reduced Maximum Special Tax rates that resulted from the partial prepayment.

I. INTERPRETATION OF SPECIAL TAX FORMULA

The County reserves the right to make minor administrative and technical changes to this document that do not materially affect the rate and method of apportioning Special Taxes. In addition, the interpretation and application of any section of this document shall be left to the County's discretion. Interpretations may be made by the County by resolution of the Board for purposes of clarifying any vagueness or ambiguity in this Rate and Method of Apportionment of Special Tax.

J. APPEALS

Any property owner claiming that the amount or application of the Special Tax is not correct may file a written notice of appeal with the Administrator not later than one calendar year after having paid the Special Tax that is disputed. The Administrator shall promptly review the appeal and, if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and decide the appeal. If the property owner disagrees with the Administrator's decision relative to the appeal, the owner may then file a written appeal with the Board whose subsequent decision shall be binding. If the decision of the Administrator (if the appeal is not filed with the Board) or the Board (if the appeal is filed with the Board) requires the Special Tax to be modified or changed in favor of the property owner, no cash refund shall be made for prior years' Special Tax levies, but an adjustment shall be made to the next Special Tax levy(ies). This procedure shall be exclusive and its exhaustion by any property owner shall be a condition precedent to filing any legal action by such owner.

ATTACHMENT 1

**IMPROVEMENT AREA C OF THE
COUNTY OF YUBA
COMMUNITY FACILITIES DISTRICT NO. 2005-1
(ORCHARD/MONTROSE PUBLIC IMPROVEMENTS)**

**EXPECTED RESIDENTIAL LOT COUNT AND
EXPECTED MAXIMUM SPECIAL TAX REVENUE
AT RESOLUTION OF CHANGE**

Expected Residential Lot Count	Assigned Maximum Special Tax per Unit	Expected Maximum Special Tax Revenue
207	\$1,550	\$320,850

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APPENDIX C

SUMMARY OF THE FISCAL AGENT AGREEMENT

The following is a summary of certain provisions of the Fiscal Agent Agreement not otherwise described in the text of this Official Statement. This summary does not purport to be comprehensive or definitive and is subject to all of the complete terms and provisions of the Fiscal Agent Agreement, to which reference is hereby made.

Definitions

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

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

“Administrative Expense Fund” means the fund by that name established by the Fiscal Agent Agreement.

“Agreement” means the Fiscal Agent Agreement, as it may be amended or supplemented from time to time by any Supplemental Agreement adopted pursuant to the provisions of the Fiscal Agent Agreement.

“Annual Debt Service” means, for each Bond Year, the sum of (i) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled (including by reason of the provisions of the Fiscal Agent Agreement providing for mandatory sinking payments), and (ii) the principal amount of the Outstanding Bonds due in such Bond Year (including any mandatory sinking payment due in such Bond Year pursuant to the Fiscal Agent Agreement).

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

“Authorized Officer” means the County Administrator, the County Treasurer-Tax Collector, the Clerk of the Board of Supervisors of the County, or any other officer or employee of the County authorized by the Board of Supervisors of the County or by an Authorized

Officer to undertake the action referenced in the Fiscal Agent Agreement as required to be undertaken by an Authorized Officer.

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

"Bond Fund" means the fund by that name established by the Fiscal Agent Agreement.

"Bond Register" means the books for the registration and transfer of Bonds maintained by the Fiscal Agent under the Fiscal Agent Agreement.

"Bond Year" means the one-year period beginning on September 2 in each year and ending on September 1 in the following year except that the first Bond Year shall begin on the Closing Date and end on September 1, 2015.

"Bonds" means, collectively, the 2014 Bonds, and, if the context requires, any Parity Bonds, at any time Outstanding under the Fiscal Agent Agreement or any Supplemental Agreement.

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

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

"Capitalized Interest Account" means the account by that name established within the Bond Fund pursuant to the Fiscal Agent Agreement.

"Closing Date" means the date upon which there is a physical delivery of the 2014 Bonds in exchange for the amount representing the purchase price of the 2014 Bonds by the Original Purchaser.

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

"Continuing Disclosure Agreement" means the Continuing Disclosure Agreement, dated as of December 1, 2014, executed by the County and Goodwin Consulting Group, Inc. as the initial Dissemination Agent, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Costs of Issuance" means items of expense payable or reimbursable directly or indirectly by the County and related to the authorization, sale and issuance of the 2014 Bonds, which items of expense shall include, but not be limited to, printing costs, costs of reproducing and binding documents, closing costs, filing and recording fees, initial fees and charges of the Fiscal Agent including its first annual administration fee, fees and expenses of Fiscal Agent's counsel, expenses incurred by the County in connection with the issuance of the 2014 Bonds, special tax consultant fees and expenses, Bond (underwriter's) discount, legal fees and charges, including bond counsel and disclosure counsel, financial advisor fees, rating agency fees,

charges for execution, transportation and safekeeping of the 2014 Bonds and other costs, charges and fees in connection with the foregoing.

“Costs of Issuance Fund” means the fund by that name established by the Fiscal Agent Agreement.

“County” means the County of Yuba, California.

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“Debt Service” means the scheduled amount of interest and amortization of principal (including principal payable by reason of the Fiscal Agent Agreement) on the Bonds and the scheduled amount of interest and amortization of principal payable on any Parity Bonds during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

“Deemed Escrow Bonds” means, as of any date of determination, Escrow Term Bonds in a principal amount equal to the amount then on deposit in the Escrow Fund (not including any amounts on deposit in the Escrow Interest Account, and excluding any investment earnings allocable to the amount on deposit in the Escrow Fund and the Escrow Interest Account).

“Escrow Interest Account” means the account in the Escrow Fund by that name established pursuant to the Fiscal Agent Agreement.

“Escrow Fund” means the fund by that name established by the Fiscal Agent Agreement.

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

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

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

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

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

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

"Improvement Area" means Improvement Area C of the District, designated as such pursuant to the Resolution Designating Improvement Areas.

"Improvement Fund" means the fund by that name created and held by the Fiscal Agent pursuant to the Fiscal Agent Agreement.

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

"Information Services" means the Electronic Municipal Market Access System (referred to as "EMMA"), a facility of the Municipal Securities Rulemaking Board, (at <http://emma.msrb.org>); and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such services providing information with respect to called bonds as the County may designate in an Officer's Certificate delivered to the Fiscal Agent.

"Interest Payment Dates" means March 1 and September 1 of each year, commencing March 1, 2015.

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

"Officer's Certificate" means a written certificate of the County signed by an Authorized Officer of the County.

"Ordinance" means Ordinance No. 1359, adopted by the Board of Supervisors of the County on December 13, 2005, as amended by Ordinance No. 1437 adopted by the Board of Supervisors on January 15, 2008, and any other ordinance of the County levying the Special Taxes.

“Original Purchaser” means the first purchaser of the 2014 Bonds from the County, being Stifel, Nicolaus & Company, Incorporated.

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

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

“Parity Bonds” means bonds issued by the County for the District payable and secured on a parity with any then Outstanding Bonds, pursuant to the Fiscal Agent Agreement.

“Participating Underwriter” shall have the meaning ascribed thereto in the Continuing Disclosure Agreement.

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

(a) Federal Securities.

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

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

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

exceed 20 percent of the total amount invested pursuant to this definition of Permitted Investments.

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

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

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

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

(i) Any other lawful investment for County funds.

"Principal Office" means the corporate trust office of the Fiscal Agent as identified pursuant to the Fiscal Agent Agreement; provided, however, for the purpose of maintenance of

the Registration Books and surrender of Bonds for payment, transfer or exchange such term means the office at which the Fiscal Agent conducts its corporate agency business, or such other or additional offices as may be designated by the Fiscal Agent.

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

“Rate and Method of Apportionment” means the Rate and Method of Apportionment of Special Tax for the Improvement Area, as approved pursuant to proceedings commenced by the Resolution Designating Improvement Areas, and as it may be amended from time to time in accordance with the provisions of the Act.

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

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

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

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

“Reserve Fund” means the fund by that name established pursuant to the Fiscal Agent Agreement.

“Reserve Requirement” means, as of any date of calculation, an amount equal to the least of (i) the then Maximum Annual Debt Service, (ii) one hundred twenty-five percent (125%) of the then average Annual Debt Service, or (iii) ten percent (10%) of the initial principal amount of the Bonds.

“Resolution” means Resolution No. 2014-89, adopted by the Board of Supervisors of the County on September 23, 2014, authorizing the issuance of the 2014 Bonds.

“Resolution Designating Improvement Areas” means Resolution No. 2007-120, adopted by the Board of Supervisors of the County on August 28, 2007, designating three improvement areas within the District, including the Improvement Area.

“Resolution of Formation” means Resolution No. 2005-271, adopted by the Board of Supervisors of the County on November 8, 2005.

“Securities Depositories” means The Depository Trust Company, 55 Water Street, 15L, New York, New York 10041-0099, Fax (212) 855-7232; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the County may designate in an Officer’s Certificate delivered to the Fiscal Agent.

“Special Tax Fund” means the fund by that name established by the Fiscal Agent Agreement.

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

“Special Tax Prepayments Account” means the account by that name within the Bond Fund established by the Fiscal Agent Agreement.

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

“Special Taxes” means the special taxes levied on property within the Improvement Area pursuant to the Act, the Ordinance and the Fiscal Agent Agreement.

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

“Tax Consultant” means Goodwin Consulting Group, Inc. or another independent financial or tax consultant retained by the County for the purpose of computing the Special Taxes.

“Treasurer” means the Treasurer-Tax Collector of the County, or such other officer or employee of the County performing the functions of the chief financial officer of the County.

“2014 Bonds” means the County of Yuba Community Facilities District No. 2005-1 (Improvement Area C – Countryside at Montrose), 2014 Special Tax Bonds at any time Outstanding under the Fiscal Agent Agreement.

“Undeveloped Property” has the meaning given to such term in the Rate and Method of Apportionment.

“Unimproved Property” means the 24 County Assessor’s parcels created by recordation of the Montrose at Edgewater Unit No. 4 final tract map for County Tract No. 2014-0001, recorded in the County Recorder’s Office on November 3, 2014 in Book 96 at Page 4, all of which were in an unimproved condition as of the Closing Date.

Pledge of Special Tax Revenues

The Bonds shall be secured by a first pledge of all of the Special Tax Revenues (other than the Special Tax Revenues to be retained by the County or deposited to the Administrative Expense Fund pursuant to the Fiscal Agent Agreement) and all moneys deposited in the Bond Fund, the Reserve Fund and, until disbursed as provided in the Fiscal Agent Agreement, in the Special Tax Fund. The Special Tax Revenues and all moneys deposited into said funds (except as otherwise provided in the Fiscal Agent Agreement) are dedicated to the payment of the principal of, and interest and any premium on, the Bonds as provided in the Fiscal Agent Agreement and in the Act until all of the Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose in accordance with the Fiscal Agent Agreement. In addition to the foregoing, the Deemed Escrow Bonds shall be secured by a first pledge of all monies in the Escrow Fund and the Escrow Interest Account.

Amounts in the Improvement Fund, the Administrative Expense Fund, the Costs of Issuance Fund, and the Special Tax Revenues to be retained by the County or deposited to the Administrative Expense Fund pursuant to the Fiscal Agent Agreement, are not pledged to the repayment of the Bonds. The facilities financed with proceeds of the 2014 Bonds are not in any way pledged to pay the debt service on the Bonds. Any proceeds of the sale, condemnation or destruction of any facilities financed with proceeds of the 2014 Bonds are not pledged to pay the debt service on the Bonds and are free and clear of any lien or obligation imposed under the Fiscal Agent Agreement.

Funds and Accounts

Improvement Fund. There is established under the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent, the Improvement Fund. Deposits shall be made to the Improvement Fund as required by the Fiscal Agent Agreement. Moneys in the Improvement Fund shall be held by the Fiscal Agent for the benefit of the County, shall be disbursed as provided in the Fiscal Agent Agreement, and are not pledged as security for the Bonds.

Disbursements from the Improvement Fund shall be made by the Fiscal Agent upon receipt of an Officer's Certificate executed by the Treasurer which shall: (i) set forth the amount required to be disbursed, the purpose for which the disbursement is to be made (which shall be for payment of a Project cost or to reimburse expenditures of the County or any other party for Project costs previously paid), that the disbursement is a proper expenditure from the Improvement Fund, and the person to which the disbursement is to be paid; and (ii) certify that no portion of the amount then being requested to be disbursed was set forth in any Officer's Certificate executed by the Treasurer previously filed requesting a disbursement.

Moneys in the Improvement Fund shall be invested and deposited in accordance with the Fiscal Agent Agreement. Interest earnings and profits from the investment and deposit of amounts in the Improvement Fund shall be retained in the Improvement Fund to be used for the purposes of such fund.

Upon the filing with the Fiscal Agent of an Officer's Certificate executed by the Treasurer stating that there are no longer any amounts on deposit in the Escrow Fund and that the costs of the Project to be paid from the Improvement Fund have been so paid, the Fiscal Agent shall transfer the amount, if any, remaining in the Improvement Fund to the Bond Fund to be used to pay Debt Service on the Bonds on the next Interest Payment Date. Following such transfer, the Improvement Fund shall be closed.

Special Tax Fund. There is established under the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent, the Special Tax Fund. The County shall transfer or cause to be transferred to the Fiscal Agent, as soon as practicable following receipt, all Special Tax Revenues received by the County, which amounts shall be deposited by the Fiscal Agent to the Special Tax Fund. In addition, the Fiscal Agent shall deposit in the Special Tax Fund amounts to be transferred thereto pursuant to the Fiscal Agent Agreement.

Notwithstanding the foregoing,

(i) with respect to the first \$25,000.00 of Special Tax Revenues collected by the County in any Fiscal Year; first, the County shall retain such amount, and not remit the same to the Fiscal Agent, and the County shall use such amount to pay Administrative Expenses or for any other lawful purpose under the Act consistent with the Rate and Method of Apportionment, as determined from time to time by the Treasurer;

(ii) any Special Tax Revenues constituting the collection of delinquencies in payment of Special Taxes shall be separately identified by the County and shall be deposited by the Fiscal Agent first, in the Bond Fund to the extent needed to pay any past due debt service on the Bonds; second, to the Reserve Fund to the extent needed to increase the amount then on deposit in the Reserve Fund up to the then Reserve Requirement; and third, to the Special Tax Fund for use as disbursements as described below; and

(iii) any proceeds of Special Tax Prepayments shall be separately identified by the County and shall be deposited by the Fiscal Agent in the Special Tax Prepayments Account established pursuant to the Fiscal Agent Agreement.

Moneys in the Special Tax Fund shall be held by the Fiscal Agent for the benefit of the County and the Owners of the Bonds, shall be disbursed as provided below and, pending and disbursement, shall be subject to a lien in favor of the Owners of the Bonds and the County. Amounts retained by the County pursuant to the preceding clause (i) shall not in any way be pledged to the payment of debt service on the Bonds, and shall be free and clear of any lien imposed pursuant to the Fiscal Agent Agreement.

From time to time as needed to pay the obligations of the Improvement Area, but no later than the Business Day before each Interest Payment Date, the Fiscal Agent shall withdraw from the Special Tax Fund and transfer the following amounts in the following order of priority (i) to the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund and any expected transfers from the Reserve Fund, the Special Tax Fund and the Escrow Fund (including the Escrow Interest Account therein) to the Bond Fund pursuant to the Fiscal Agent Agreement, such that the amount in the Bond Fund equals the principal (including any sinking payment, or principal due pursuant to optional or special tax prepayment redemptions), premium, if any, and interest due on the Bonds on the next Interest Payment Date, and (ii) to the Reserve Fund an amount, taking into account amounts then on deposit in the Reserve Fund, such that the amount in the Reserve Fund is equal to the Reserve Requirement; provided that no such transfers shall exceed the amount then available to be transferred from the Special Tax Fund.

In addition to the foregoing, if in any Fiscal Year there are sufficient funds in the Special Tax Fund to make the foregoing transfers to the Bond Fund and the Reserve Fund in respect of the Interest Payment Dates occurring in the Bond Year that commences in such Fiscal Year, the Treasurer may direct the Fiscal Agent to transfer to the Administrative Expense Fund, from time to time, any amount in the Special Tax Fund in excess of the amount needed to make such transfers to the Bond Fund and the Reserve Fund, if the Treasurer determines that monies are needed to pay Administrative Expenses in excess of the amount then on deposit in the Administrative Expense Fund.

Administrative Expense Fund. There is established under the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent, the Administrative Expense Fund, to the credit of which deposits shall be made as required by the Fiscal Agent Agreement. Moneys in the Administrative Expense Fund shall be held by the Fiscal Agent for the benefit of the County, shall be disbursed as provided below, and are not pledged as security for the Bonds.

Amounts in the Administrative Expense Fund shall be withdrawn by the Fiscal Agent and paid to the County or its order upon receipt by the Fiscal Agent of an Officer's Certificate stating the amount to be withdrawn, that such amount is to be used to pay an Administrative Expense, and the nature of such Administrative Expense. Amounts transferred to the Administrative Expense Fund pursuant to the Fiscal Agent Agreement shall be used for purposes of such fund prior to using other available amounts therein.

Annually, on the last day of each Fiscal Year, the Fiscal Agent shall withdraw any amounts then remaining in the Administrative Expense Fund in excess of \$30,000 that have not otherwise been allocated to pay Administrative Expenses incurred but not yet paid, and which are not otherwise encumbered, and transfer such amounts to the Special Tax Fund.

Moneys in the Administrative Expense Fund shall be invested in accordance the Fiscal Agent Agreement. Interest earnings and profits resulting from said investment shall be retained in the Administrative Expense Fund to be used for the purposes of such fund.

Costs of Issuance Fund. There is established under the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent, the Costs of Issuance Fund, to the credit of which a deposit shall be made from the proceeds of the 2014 Bonds as required by the Fiscal Agent Agreement. Moneys in the Costs of Issuance Fund shall be held by the Fiscal Agent, shall be disbursed as provided below, and are not pledged as security for the Bonds.

Amounts in the Costs of Issuance Fund shall be disbursed from time to time to pay Costs of Issuance, as set forth in a requisition containing respective amounts to be paid to the designated payees, signed by an Authorized Officer and delivered to the Fiscal Agent concurrently with the delivery of the 2014 Bonds. The Fiscal Agent shall pay all Costs of Issuance upon receipt of an invoice from any such payee which requests payment in an amount which is less than or equal to the amount set forth with respect to such payee in such requisition, or upon receipt of an Officer's Certificate requesting payment of a Cost of Issuance not listed on the initial requisition delivered to the Fiscal Agent on the Closing Date. Each such Officer's Certificate shall be sufficient evidence to the Fiscal Agent of the facts stated therein and the Fiscal Agent shall have no duty to confirm the accuracy of such facts. The Fiscal Agent shall maintain the Costs of Issuance Fund for a period of 90 days from the Closing Date and then shall transfer any moneys remaining therein, including any investment earnings thereon, to the Administrative Expense Fund. Following such transfer, the Fiscal Agent shall close the Costs of Issuance Fund.

Moneys in the Costs of Issuance Fund shall be invested in accordance with the Fiscal Agent Agreement. Interest earnings and profits resulting from said investment shall be retained by the Fiscal Agent in the Costs of Issuance Fund to be used for the purposes of such fund.

Escrow Fund. There is established under the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent, the Escrow Fund, to the credit of which a deposit shall be made from the proceeds of the 2014 Bonds as required the Fiscal Agent Agreement. There is also created within the Escrow Fund a separate Escrow Interest Account to be held by the Fiscal Agent, to the credit of which a deposit shall be made from the proceeds of the 2014 Bonds pursuant to the Fiscal Agent Agreement. Moneys in the Escrow Fund and the Escrow Interest Account shall be held by the Fiscal Agent and, pending disbursement as provided in the Fiscal Agent Agreement, shall be subject to a lien in favor of the Owners, and shall be administered as provided in the Fiscal Agent Agreement.

The Fiscal Agent shall make disbursements from the Escrow Fund to the Improvement Fund upon receipt of Officer's Certificates stating that the requirements of the Fiscal Agent Agreement have been met as to all or a portion of the Escrow Term Bonds. Upon receipt of any such Officer's Certificate, the Fiscal Agent shall deposit the requested disbursement to the Improvement Fund. The transfers referred to in the preceding sentence shall only be made (i) no more than semiannually, in each case on an Interest Payment Date, or (ii) on the Initial Escrow Close Date or any Revised Escrow Close Date (as such terms are defined in the Fiscal Agent Agreement), and any Officer's Certificate requesting any such draw shall be presented to the

Fiscal Agent by the Treasurer at least two Business Days (or such lesser number of days as agreed to by the Fiscal Agent) prior to the date for the transfer to be made.

For any proposed date of release of funds from the Escrow Fund to the Improvement Fund, the Treasurer shall determine the number of parcels of Unimproved Property that have had a building permit for new construction of a single family residence issued by the County. The Treasurer shall then multiply the amount initially deposited to the Escrow Fund on the Closing Date pursuant to the Fiscal Agent Agreement, by a fraction with the number of parcels of Unimproved Property for which a building permit has been issued divided by 24, with the resulting amount being the aggregate amount that can be released from the Escrow Fund (the "Aggregate Release Amount"). The Treasurer shall then subtract from the Aggregate Release Amount any amounts previously released from the Escrow Fund to determine the amount that can be released from the Escrow Fund. In making the determinations described above, the Treasurer may conclusively rely on a certificate of a Tax Consultant.

As an additional requirement for disbursements from the Escrow Fund to the Improvement Fund pursuant to the Fiscal Agent Agreement, the Treasurer shall determine if any Special Tax theretofore levied on Undeveloped Property is then delinquent, and no disbursement shall be made to the Improvement Fund pursuant to the Fiscal Agent Agreement if any such delinquency exists at the time the disbursement would otherwise be made.

The Fiscal Agent shall transfer from the Escrow Interest Account to the Bond Fund on the Business Day prior to each Interest Payment Date an amount equal to the interest payable on the Deemed Escrow Bonds on the immediately succeeding Interest Payment Date.

On and after October 1, 2016 (the "Initial Escrow Close Date"), the Fiscal Agent shall make no further disbursements from the Escrow Fund pursuant to the Fiscal Agent Agreement, and on December 1, 2016 (the "Initial Escrow Redemption Date") the Fiscal Agent shall transfer all amounts then on deposit in the Escrow Fund to the Bond Fund, to be applied to the redemption of Bonds to the maximum extent possible on the Initial Escrow Redemption Date, as provided in the Fiscal Agent Agreement, and shall transfer all amounts then on deposit in the Escrow Interest Account to the Bond Fund to be used to pay interest on the Deemed Escrow Bonds on the Initial Escrow Redemption Date.

Notwithstanding the foregoing, the Initial Escrow Close Date (and any Revised Escrow Close Date established pursuant to this paragraph) and the Initial Escrow Redemption Date (and any Revised Escrow Redemption Date established pursuant to this paragraph) may be extended from time to time upon receipt by the Fiscal Agent, not later than one Business Day prior to the Initial Escrow Close Date (or, if extended pursuant to the terms of this paragraph, the then applicable Revised Escrow Close Date), of:

- (i) an Officer's Certificate requesting such extension and stating (a) the new date after which amounts in the Escrow Fund will no longer be subject to disbursement pursuant to the Fiscal Agent Agreement (the "Revised Escrow Close Date") which date shall be at least 45 days but not more than 90 days prior to an Interest Payment Date on which such amounts are to be used to redeem Bonds as described in the following clause (b), and (b) the new date on which Bonds are to be subject to mandatory redemption from the amounts transferred from the Escrow Fund to the Bond Fund pursuant to the Fiscal Agent Agreement (the "Revised Escrow Redemption Date"), which date shall be an Interest Payment Date; and

- (ii) cash (which cash shall be deposited by the Fiscal Agent in the Capitalized Interest Account) in an amount determined in writing by an Independent Financial Consultant (without regard to any future withdrawal from the Escrow Fund pursuant to

the Fiscal Agent Agreement), to be sufficient, without reinvestment, to pay interest on the Deemed Escrow Bonds from the Initial Escrow Close Date (or, if applicable, the most recently established Revised Escrow Close Date) to the then proposed Revised Escrow Redemption Date, accompanied by (a) such written determination by the Independent Financial Consultant, and (b) a schedule prepared by such Independent Financial Consultant showing each Interest Payment Date thereafter to occur on and prior to the Revised Escrow Redemption Date and the amount to be transferred from the Escrow Interest Account to the Bond Fund on each such date (said amounts to be so transferred to be equal to the debt service due on the Deemed Escrow Bonds, without regard to any future withdrawal from the Escrow Fund pursuant to the Fiscal Agent Agreement), and (c) an opinion of counsel to the effect that such cash is not subject to recovery upon the commencement of bankruptcy proceedings with respect to any landowner within the District.

Notwithstanding the foregoing, in no event shall any Revised Escrow Redemption Date be later than September 1, 2017.

The Fiscal Agent shall provide the Bondowners, the Original Purchaser and the Treasurer with a written notice as to any Revised Escrow Redemption Date established under the Fiscal Agent Agreement, promptly following receipt of the Officer's Certificate and other documents described in clauses (i) and (ii) above, which notice shall set forth the Initial Escrow Redemption Date (or, if applicable, the most recent Revised Escrow Redemption Date), and shall state that such redemption date has been extended to the newly-established Revised Escrow Redemption Date.

On or after any Revised Escrow Close Date the Fiscal Agent shall make no further disbursements from the Escrow Fund pursuant to the Fiscal Agent Agreement, and on the Revised Escrow Redemption Date the Fiscal Agent shall transfer all amounts on deposit in the Escrow Fund to the Bond Fund, to be applied to the redemption of Deemed Escrow Bonds on the Revised Escrow Redemption Date as provided in the Fiscal Agent Agreement, and shall transfer all amounts in the Escrow Interest Account to the Bond Fund to pay interest on the Deemed Escrow Bonds on the Revised Escrow Redemption Date.

Moneys in the Escrow Fund and the Escrow Interest Account shall be invested and deposited in accordance with the Fiscal Agent Agreement. Investment earnings and profits from such investment of amounts in the Escrow Fund and Escrow Interest Account shall be transferred by the Fiscal Agent to the Improvement Fund on the Business Day prior to each Interest Payment Date.

Bond Fund. There is established under the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent, the Bond Fund, to the credit of which deposits shall be made as required by the Fiscal Agent Agreement, and any other amounts required to be deposited therein by the Act. There are also created in the Bond Fund separate accounts held by the Fiscal Agent, consisting of (i) the Capitalized Interest Account, to the credit of which a deposit shall be made from proceeds of the 2014 Bonds as provided in the Fiscal Agent Agreement, and (ii) the Special Tax Prepayments Account, to the credit of which deposits shall be made as required by the Fiscal Agent Agreement. Moneys in the Bond Fund and the accounts therein shall be held by the Fiscal Agent for the benefit of the Owners of the Bonds, shall be disbursed for the payment of the principal of, and interest and any premium on, the Bonds as provided below, and, pending such disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

On each Interest Payment Date, and following any transfers required pursuant to the Fiscal Agent Agreement in connection with such Interest Payment Date, the Fiscal Agent shall withdraw from the Bond Fund and pay to the Owners of the Bonds the principal of, and interest

and any premium, then due and payable on the Bonds, including any amounts due on the Bonds by reason of the sinking payments set forth in the Fiscal Agent Agreement, or a redemption of the Bonds required by the Fiscal Agent Agreement, such payments to be made in the priority listed in the second succeeding paragraph. Notwithstanding the foregoing, amounts in the Bond Fund as a result of certain transfers from the Special Tax Fund shall be immediately disbursed by the Fiscal Agent to pay past due amounts owing on the Bonds, and amounts in the Bond Fund as a result of a transfer from the Escrow Fund to the Bond Fund pursuant the Fiscal Agent Agreement shall be used to pay the redemption price of Escrow Term Bonds as provided in the Bond redemption provisions of the Fiscal Agent Agreement.

In the event that amounts in the Bond Fund are insufficient for the purpose set forth in the preceding paragraph, the Fiscal Agent shall withdraw from the Reserve Fund to the extent of any funds therein amounts to cover the amount of such Bond Fund insufficiency. Amounts so withdrawn from the Reserve Fund shall be deposited by the Fiscal Agent in the Bond Fund.

If, after the foregoing transfers, there are insufficient funds in the Bond Fund to make the payments provided for in the Fiscal Agent Agreement, the Fiscal Agent shall apply the available funds first to the payment of interest on the Bonds, then to the payment of principal due on the Bonds other than by reason of sinking payments, and then to payment of principal due on the Bonds by reason of sinking payments; provided, however, that amounts transferred to the Bond Fund from the Escrow Interest Account pursuant to the Fiscal Agent Agreement shall be used solely to pay interest on the Deemed Escrow Bonds and amounts transferred to the Bond Fund from the Escrow Fund pursuant to the Fiscal Agent Agreement shall be used solely to pay the redemption price of the Deemed Escrow Bonds. Each such payment shall be made ratably to the Owners of the Bonds based on the then Outstanding principal amount of the Bonds, if there are insufficient funds to make the corresponding payment for all of the then Outstanding Bonds. Any sinking payment not made as scheduled shall be added to the sinking payment to be made on the next sinking payment date.

Moneys in the Special Tax Prepayments Account shall be transferred by the Fiscal Agent to the Bond Fund on the next date for which notice of redemption of Bonds under the Fiscal Agent Agreement can timely be given by the Fiscal Agent under the Fiscal Agent Agreement, and shall be used (together with any amounts transferred pursuant to the Fiscal Agent Agreement) to redeem Bonds on the redemption date selected in accordance with the Fiscal Agent Agreement.

Moneys in the Capitalized Interest Account shall be transferred to the Bond Fund on the Business Day prior to March 1, 2015 and September 1, 2015, in the amount equal to and to be used for the payment of Debt Service on the 2014 Bonds (other than interest on any Deemed Escrow Bonds, which will be paid from transfers from the Escrow Interest Account pursuant to the Fiscal Agent Agreement) due on the immediately succeeding Interest Payment Date; provided that no such transfer shall exceed the amount then on deposit in the Capitalized Interest Account. In addition to the foregoing, on the Business Day prior to each Interest Payment Date, any investment earnings on amounts in the Capitalized Interest Account shall be transferred to the Bond Fund to be used to pay interest on the Bonds (other than any Deemed Escrow Bonds) on the immediately succeeding Interest Payment Date. When no amounts remain on deposit in the Capitalized Interest Account, the Capitalized Interest Account shall be closed.

Moneys in the Bond Fund, the Special Tax Prepayments Account and the Capitalized Interest Account shall be invested in accordance with the Fiscal Agent Agreement. Interest earnings and profits resulting from investment of amounts in the Bond Fund, the Special Tax Prepayments Account and the Capitalized Interest Account shall be retained in the Bond Fund,

the Special Tax Prepayments Account and the Capitalized Interest Account, respectively, to be used for the purposes of such fund and accounts as applicable.

Reserve Fund. There is established under the Fiscal Agent Agreement as a separate fund to be held by the Fiscal Agent, the Reserve Fund, to the credit of which a deposit shall be made from the proceeds of the 2014 Bonds as required by the Fiscal Agent Agreement, which deposit is equal to the initial Reserve Requirement, and other deposits shall be made as provided in the Fiscal Agent Agreement. Moneys in the Reserve Fund shall be held by the Fiscal Agent for the benefit of the Owners of the Bonds as a reserve for the payment of principal of, and interest and any premium on, the Bonds and shall be subject to a lien in favor of the Owners of the Bonds.

Except as otherwise described below, all amounts deposited in the Reserve Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of, and interest and any premium on, the Bonds or, in accordance with the provisions below, for the purpose of redeeming Bonds from the Bond Fund.

Whenever, on the Business Day before any Interest Payment Date, or on any other date at the request of an Authorized Officer, the amount in the Reserve Fund exceeds the Reserve Requirement, the Fiscal Agent shall provide written notice to the County of the amount of the excess and shall transfer an amount equal to the excess from the Reserve Fund to the Bond Fund to be used for the payment of interest on the Bonds on the next Interest Payment Date in accordance with the Fiscal Agent Agreement.

In addition to the foregoing, on the date, if any, on which amounts are transferred from the Escrow Fund to the Bond Fund to be used to redeem Deemed Escrow Bonds pursuant to the Fiscal Agent Agreement, the Fiscal Agent shall transfer the amount, if any, in the Reserve Fund that is in excess of the then Reserve Requirement (considering the Deemed Escrow Bonds to be redeemed as no longer outstanding), to the Improvement Fund.

Amounts in the Reserve Fund shall be withdrawn, at the written request of an Authorized Officer, for purposes of making payment to the federal government to comply with the Fiscal Agent Agreement.

Whenever the balance in the Reserve Fund exceeds the amount required to redeem or pay the Outstanding Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, the Fiscal Agent shall transfer the amount in the Reserve Fund to the Bond Fund to be applied, on the next succeeding Interest Payment Date to the payment and redemption, in accordance with the Fiscal Agent Agreement, as applicable, of all of the Outstanding Bonds. In the event that the amount so transferred from the Reserve Fund to the Bond Fund exceeds the amount required to pay and redeem the Outstanding Bonds, the balance in the Reserve Fund shall be transferred to the County to be used for any lawful purpose under the Act.

Notwithstanding the foregoing, no amounts shall be transferred from the Reserve Fund until after (i) the calculation, pursuant to the Fiscal Agent Agreement, of any amounts due to the federal government following payment of the Bonds and withdrawal of any such amount under the Fiscal Agent Agreement for purposes of making such payment to the federal government, and (ii) payment of any fees and expenses due to the Fiscal Agent.

Whenever Special Taxes are prepaid and Bonds are to be redeemed with the proceeds of such prepayment pursuant to the Fiscal Agent Agreement, a proportionate amount in the Reserve Fund (determined by the Treasurer on the basis of the principal of Bonds to be

redeemed and the then original principal of the Bonds) shall be transferred on the Business Day prior to the redemption date by the Fiscal Agent to the Bond Fund to be applied to the redemption of the Bonds pursuant to the Fiscal Agent Agreement.

Moneys in the Reserve Fund shall be invested in accordance with the Fiscal Agent Agreement. One Business Day before each Interest Payment Date, interest earnings and profits resulting from said investment shall be transferred by the Fiscal Agent to the Bond Fund to be used by the Fiscal Agent for the purposes of such fund, but any such transfer shall be made only to the extent that following such transfer the amount on deposit in the Reserve Fund equals the then Reserve Requirement.

Certain Covenants of the County

The County will punctually pay or cause to be paid the principal of and interest and any premium on the Bonds when and as due in strict conformity with the terms and subject to the provisions of the Fiscal Agent Agreement and any Supplemental Agreement, and it will faithfully observe and perform all of the conditions, covenants and requirements of the County for the District of the Fiscal Agent Agreement and all Supplemental Agreements and of the Bonds.

In order to prevent any accumulation of claims for interest after maturity, the County shall not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and shall not, directly or indirectly, be a party to the approval of any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the County, such claim for interest so extended or funded shall not be entitled, in case of default under the Fiscal Agent Agreement, to the benefits of the Fiscal Agent Agreement, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

The County will not encumber, pledge or place any charge or lien upon any of the Special Tax Revenues or other amounts pledged to the Bonds superior to or on a parity with the pledge and lien created in the Fiscal Agent Agreement for the benefit of the Bonds, except as permitted by the Fiscal Agent Agreement.

The County will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the County, in which complete and correct entries shall be made of all transactions relating to the Special Tax Revenues. Such books of record and accounts shall at all times during County business hours and following reasonable prior written notice be subject to the inspection of the Fiscal Agent (who shall have no duty to so inspect) and the Owners of not less than ten percent (10%) of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

The County will preserve and protect the security of the Bonds and the rights of the Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the delivery of any of the Bonds by the County, the Bonds shall be incontestable by the County.

The County will comply with all applicable provisions of the Act in administering the District and the Improvement Area; provided that the County shall have no obligation to advance any of its own funds for any purpose whatsoever under the Fiscal Agent Agreement.

The County shall assure that the proceeds of the 2014 Bonds are not so used as to cause the 2014 Bonds to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code.

The County shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the 2014 Bonds to be “federally guaranteed” within the meaning of section 149(b) of the Code.

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

On or about July 1 of each year, the Fiscal Agent shall provide the Treasurer with a notice stating the amounts then on deposit in the Bond Fund and the Reserve Fund. The receipt of such notice by the Treasurer shall in no way affect the obligations of the County under the following three paragraphs. Upon receipt of such notice, the Treasurer shall communicate with the Auditor or other appropriate official of the County to ascertain the relevant parcels in the Improvement Area on which the Special Taxes are to be levied, taking into account any parcel splits during the preceding and then current year. In computing the amount of Special Taxes to be levied, the County shall take into account funds available in the Bond Fund and the Special Tax Fund to make the payment of debt service on the Bonds due on the Interest Payment Dates occurring in the next calendar year, along with any transfers of investment earnings pursuant to the Fiscal Agent Agreement to the Bond Fund expected to occur on such Interest Payment Date.

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

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

In any event, the County shall fix and levy the amount of Special Taxes within the Improvement Area required for the timely payment of principal of and interest on any outstanding Bonds becoming due and payable, including any necessary replenishment or deposit to the Reserve Fund to the amount of the then Reserve Requirement and an amount estimated to be sufficient to pay the Administrative Expenses, and shall take into account any

prepayments of Special Taxes theretofore received by the County. The Special Taxes so levied shall not exceed the maximum amounts as provided in the Rate and Method of Apportionment.

The Treasurer is authorized to employ consultants to assist in computing the levy of the Special Taxes under the Fiscal Agent Agreement and any reconciliation of amounts levied to amounts received. The fees and expenses of such consultants and the costs and expenses of the Treasurer (including a charge for County staff time) in conducting its duties under the Fiscal Agent Agreement shall be an Administrative Expense.

The County 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 the Fiscal Agent Agreement, and for the better assuring and confirming unto the Owners of the rights and benefits provided in the Fiscal Agent Agreement.

The County shall not take, or permit or suffer to be taken by the Fiscal Agent or otherwise, any action with respect to the proceeds of the 2014 Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the 2014 Bonds would have caused the 2014 Bonds to be "arbitrage bonds" within the meaning of section 148 of the Code.

The County shall take all actions necessary to assure the exclusion of interest on the 2014 Bonds from the gross income of the owners of the 2014 Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the 2014 Bonds.

Pursuant to Section 53356.1 of the Act, the County, on behalf of the District, covenants with and for the benefit of the Owners of the Bonds that it will determine or cause to be determined, no later than August 15 of each year, whether or not any owners of property within the Improvement Area are delinquent in the payment of Special Taxes and, if such delinquencies exist, the County, on behalf of the District, will order and cause to be commenced no later than October 1, and thereafter diligently prosecute, an action in the superior court to foreclose the lien of any Special Taxes or installment thereof not paid when due; provided, however, that the County shall not be required to order the commencement of foreclosure proceedings if (a) the total Special Tax delinquency in the Improvement Area for such Fiscal Year is less than 5% of the total Special Tax levied in such Fiscal Year, and (b) the amount then on deposit in the Reserve Fund is equal to the Reserve Requirement. If both the preceding clauses (a) and (b) are not satisfied as of August 15 of any Fiscal Year, the County, on behalf of the District, will diligently institute, prosecute and pursue foreclosure proceedings against any property owner in the Improvement Area that is delinquent in excess of \$2,500 (including penalties and interest) in the payment of the Special Tax.

The Treasurer is authorized to employ counsel to conduct any such foreclosure proceedings. The fees and expenses of any such counsel (including a charge for County staff time) in conducting foreclosure proceedings shall be an Administrative Expense under the Fiscal Agent Agreement.

Except as expressly permitted by the Fiscal Agent Agreement, the County shall not issue any additional bonds secured by (A) a pledge of Special Taxes on a parity with or senior to the pledge thereof under the Fiscal Agent Agreement; or (B) any amounts in any funds or accounts established under the Fiscal Agent Agreement.

In determining the yield of the 2014 Bonds to comply with the Fiscal Agent Agreement, the County will take into account redemption (including premium, if any) in advance of maturity based on the reasonable expectations of the County, as of the Closing Date, regarding

prepayments of Special Taxes and use of prepayments for redemption of the 2014 Bonds, without regard to whether or not prepayments are received or 2014 Bonds redeemed.

The County covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of the Fiscal Agent Agreement, failure of the County to comply with the Continuing Disclosure Agreement shall not be considered a default on the Bonds or a breach of any other provision of the Fiscal Agent Agreement; however, at the request of any Participating Underwriter or the owners of at least a majority aggregate principal amount of Outstanding 2014 Bonds, and in either case upon receipt of satisfactory indemnity by the Fiscal Agent (which indemnity shall include payment of its fees and expenses, including attorneys' fees), the Fiscal Agent shall, or in any event the Participating Underwriter or any 2014 Bondholder may, take such actions as may be necessary and appropriate to compel performance by the County of its obligations under the Continuing Disclosure Agreement, including seeking mandate or specific performance by court order.

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

The following requirements shall apply to the 2014 Bonds, in addition to those continuing disclosure requirements described above:

Not later than October 30 of each calendar year, beginning with the October 30, 2015, and in each calendar year thereafter until the October 30 following the final maturity of the Bonds, the County shall cause the following information to be supplied to CDIAC: (i) the name of the County; (ii) the full name of the Improvement Area; (iii) the name, title, and series of the Bond issue; (iv) any credit rating for the Bonds and the name of the rating agency; (v) the Closing Date of the Bond issue and the original principal amount of the Bond issue; (vi) the amount of the Reserve Requirement; (vii) the principal amount of Bonds outstanding; (viii) the balance in the Reserve Fund; (ix) the balance in the Escrow Fund and in the Capitalized Interest Account; (x) the number of parcels in the Improvement Area that are delinquent with respect to Special Tax payments, the amount that each parcel is delinquent, the total amount of Special Taxes due on the delinquent parcels, the length of time that each has been delinquent, when foreclosure was commenced for each delinquent parcel, the total number of foreclosure parcels for each date specified, and the total amount of tax due on the foreclosure parcels for each date specified; (xi) the assessed value of all parcels subject to the Special Tax to repay the Bonds as shown on the most recent equalized roll, the date of assessed value reported, and the source of the information; (xii) the total amount of Special Taxes due, the total amount of unpaid Special Taxes, and whether or not the Special Taxes are paid under the County's Teeter Plan (Chapter 6.6 (commencing with Section 54773) of the California Government Code); (xiii) the reason and the date, if applicable, that the Bonds were retired; and (xiv) contact information for the party providing the foregoing information. The annual reporting shall be made using such form or forms as may be prescribed by CDIAC.

If at any time the Fiscal Agent fails to pay principal and interest due on any scheduled payment date for the Bonds, or if funds are withdrawn from the Reserve Fund to pay principal and interest on the Bonds, the Fiscal Agent shall notify the County of such failure or withdrawal

in writing. The County shall notify CDIAC and the Original Purchaser of such failure or withdrawal within 10 days of such failure or withdrawal, and the County shall provide notice under the Continuing Disclosure Agreement of such event as required thereunder.

The Treasurer shall file, or cause to be filed, a report with the County no later than January 1, 2015, and at least once a year thereafter, which annual report shall contain: (i) the amount of Special Taxes collected and expended with respect to the Improvement Area, (ii) the amount of Bond proceeds collected and expended with respect to the Improvement Area, and (iii) the status of the Project. It is acknowledged that the Special Tax Fund and the Special Tax Prepayments Account are the accounts into which Special Taxes collected on the Improvement Area will be deposited for purposes of Section 50075.1(c) of the California Government Code, and the funds and accounts listed in Section 4.01 are the funds and accounts into which Bond proceeds will be deposited for purposes of Section 53410(c) of the California Government Code, and the annual report described in the preceding sentence is intended to satisfy the requirements of Sections 50075.1(d), 50075.3(d) and 53411 of the California Government Code.

These reporting requirements shall be amended from time to time, without action by the County or the Fiscal Agent, to reflect any amendments to Section 53359.5(b) or Section 53359.5(c) of the Act, and (ii) with respect to subparagraph (C) above, to reflect any amendments to Section 50075.1, 50075.3, 53410 or 53411 of the California Government Code. Notwithstanding the foregoing, any such amendment shall not, in itself, affect the County's obligations under the Continuing Disclosure Agreement.

None of the County and its officers, agents and employees (including but not limited to the Treasurer), or the Fiscal Agent, shall be liable for any inadvertent error in reporting the information required above.

The Treasurer shall provide, or cause to be provided, copies of any reports prepared pursuant to the State reporting requirements above to any Bondowner upon the written request of a Bondowner and payment by the person requesting the information of the cost of the County to produce such information and pay any postage or other delivery cost to provide the same, as determined by the Treasurer. The term "Bondowner" for purposes of the State reporting requirements shall include any beneficial owner of the Bonds.

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

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

Deposit and Investment of Moneys in Funds

Moneys in any fund or account created or established by the Fiscal Agent Agreement and held by the Fiscal Agent shall be invested by the Fiscal Agent in Permitted Investments, as directed pursuant to an Officer's Certificate filed with the Fiscal Agent at least two (2) Business Days in advance of the making of such investments. The Officer's Certificate shall contain a certification to the Fiscal Agent that the investments being directed are Permitted Investments

as required under the Fiscal Agent Agreement. In the absence of any such Officer's Certificate, the Fiscal Agent shall invest any such moneys in Permitted Investments described in clause (h) of the definition thereof; provided, however, that any such investment shall be made by the Fiscal Agent only if, prior to the date on which such investment is to be made, the Fiscal Agent shall have received an Officer's Certificate specifying a specific money market fund into which the funds shall be invested and, if no such Officer's Certificate is so received, the Fiscal Agent shall hold such moneys uninvested.

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

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

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

Investments in any and all funds and accounts may be commingled in a separate fund or funds for purposes of making, holding and disposing of investments, notwithstanding provisions in the Fiscal Agent Agreement for transfer to or holding in or to the credit of particular funds or accounts of amounts received or held by the Fiscal Agent or the Treasurer under the Fiscal Agent Agreement, provided that the Fiscal Agent or the Treasurer, as applicable, shall at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in the Fiscal Agent Agreement.

The Fiscal Agent shall sell in a commercially reasonable manner, or present for redemption, any investment security whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such investment security is credited and neither the Fiscal Agent nor the Treasurer shall be

liable or responsible for any loss resulting from the acquisition or disposition of such investment security in accordance with the Fiscal Agent Agreement.

Rebate of Excess Investment Earnings to the United States

The County shall take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the 2014 Bonds.

The County shall direct the Fiscal Agent to withdraw such amounts from the Reserve Fund pursuant to the Fiscal Agent Agreement as necessary to make any required rebate payments, and pay such amounts to the federal government as required by the Code and the Regulations. In the event of any shortfall in amounts available to make such payments under the Fiscal Agent Agreement, the County shall make such payment from any amounts available in the Administrative Expense Fund or from any other lawfully available funds of the District attributable to the Improvement Area. Any fees or expenses incurred by the County under or pursuant to the Fiscal Agent Agreement shall be Administrative Expenses.

In order to provide for the administration of the rebate provisions of the Fiscal Agent Agreement, the Treasurer may provide for the employment of independent attorneys, accountants and consultants compensated on such reasonable basis as the Treasurer may deem appropriate and in addition, and without limitation of the provisions of the Fiscal Agent Agreement, the Treasurer may rely conclusively upon and be fully protected from all liability in relying upon the opinions, determinations, calculations and advice of such agents, attorneys and consultants employed under the Fiscal Agent Agreement.

The Fiscal Agent may rely conclusively upon the County's determinations, calculations and certifications required by the Fiscal Agent Agreement. The Fiscal Agent shall have no responsibility to independently make any calculation or determination or to review the County's calculations under the Fiscal Agent Agreement.

Liability of County

The County shall not incur any responsibility in respect of the Bonds or the Fiscal Agent Agreement other than in connection with the duties or obligations explicitly in the Fiscal Agent Agreement or in the Bonds assigned to or imposed upon it. The County shall not be liable in connection with the performance of its duties under the Fiscal Agent Agreement, except for its own negligence or willful default. The County shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions covenants or agreements of the Fiscal Agent herein or of any of the documents executed by the Fiscal Agent in connection with the Bonds, or as to the existence of a default or event of default thereunder.

In the absence of bad faith, the County, including the Treasurer, may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the County and conforming to the requirements of the Fiscal Agent Agreement. The County, including the Treasurer, shall not be liable for any error of judgment made in good faith unless it shall be proved that it was negligent in ascertaining the pertinent facts.

No provision of the Fiscal Agent Agreement shall require the County to expend or risk its own general funds or otherwise incur any financial liability (other than with respect to the Special Tax Revenues) in the performance of any of its obligations hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

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

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

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

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

Fiscal Agent

The Fiscal Agent undertakes to perform such duties, and only such duties, as are specifically set forth in the Fiscal Agent Agreement, and no implied covenants or obligations shall be read into the Fiscal Agent Agreement against the Fiscal Agent.

Any company or association into which the Fiscal Agent may be merged or converted or with which it may be consolidated or any company or association resulting from any merger, conversion or consolidation to which it shall be a party or any company or association to which the Fiscal Agent may sell or transfer all or substantially all of its corporate trust business, provided such company or association shall be eligible under the following paragraph, shall be the successor to such Fiscal Agent without the execution or filing of any paper or any further act, anything in the Fiscal Agent Agreement to the contrary notwithstanding. The Fiscal Agent shall give the Treasurer written notice of any such succession under the Fiscal Agent Agreement.

The County may remove the Fiscal Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto, but any such successor shall be a bank, association or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least Fifty Million Dollars (\$50,000,000), and subject to supervision or examination by federal or state authority. If such bank, association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, combined capital and surplus of such bank, association

or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

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

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

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

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

The Fiscal Agent shall not be liable for any error of judgment made in good faith by a responsible officer unless it shall be proved that the Fiscal Agent was negligent in ascertaining the pertinent facts.

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

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

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

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

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

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

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

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

The Fiscal Agent will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Fiscal Agent, in which complete and correct entries shall be made of all transactions made by the Fiscal Agent relating to the expenditure of amounts disbursed from the Special Tax Fund, the Bond Fund, the Special Tax Prepayments Account, the Capitalized Interest Account, the Escrow Fund, the Escrow Interest Account, the Reserve Fund, the Administrative Expense Fund and the Costs of Issuance Fund. Such books of record and accounts shall upon reasonable prior notice at all times during business hours be subject to the inspection of the County and the Owners of not less than ten percent (10%) of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

Amendment of the Fiscal Agent Agreement

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

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

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

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

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

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

(E) in connection with the issuance of Parity Bonds under and pursuant to the Fiscal Agent Agreement.

The Fiscal Agent may in its discretion, but shall not be obligated to, enter into any such Supplemental Agreement authorized by the Fiscal Agent Agreement which materially adversely affects the Fiscal Agent's own rights, duties or immunities under the Fiscal Agent Agreement or otherwise with respect to the Bonds or any agreements related thereto. The Fiscal Agent may request and shall be fully protected in relying upon, an opinion of Bond Counsel that any proposed Supplemental Agreement complies with the applicable requirements of the Fiscal Agent Agreement.

Discharge of Agreement

The County shall have the option to pay and discharge the entire indebtedness on all or any portion of the Bonds Outstanding in any one or more of the following ways:

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

(B) by depositing with the Fiscal Agent, in trust, at or before maturity, money which, together with the amounts then on deposit in the funds and accounts provided for in the Fiscal Agent Agreement is fully sufficient to pay such Bonds Outstanding, including all principal, interest and redemption premiums; or

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

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

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

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FORM OF OPINION OF BOND COUNSEL

Board of Supervisors
County of Yuba, California
915 8th Street
Marysville, California 95901

Members of the Board of Supervisors:

In connection with this opinion, we have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon representations of the County contained in the Resolution and in the Fiscal Agent Agreement, and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

1. The County is a public body, corporate and politic, duly organized and existing under the laws of the State of California, with the power to enter into the Fiscal Agent Agreement and perform the agreements on its part contained therein and issue the Bonds.

2. The Fiscal Agent Agreement has been duly entered into by the County and constitutes a valid and binding obligation of the County enforceable upon the County in accordance with its terms.

3. Pursuant to the Act, the Fiscal Agent Agreement creates a valid lien on the funds pledged by the Fiscal Agent Agreement for the security of the Bonds, on a parity with the pledge thereof with respect to any Parity Bonds that may be issued under, and as such term is defined in, the Fiscal Agent Agreement.

4. The Bonds have been duly authorized, executed and delivered by the County and are valid and binding limited obligations of the County for the District, payable solely from the sources provided therefor in the Fiscal Agent Agreement.

5. Subject to the County's compliance with certain covenants, interest on the Bonds (i) is excludable from gross income of the owners thereof for federal income tax purposes, and (ii) is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure by the County to comply with certain of such covenants could cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

Ownership of the Bonds may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Resolution and the Fiscal Agent Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

In rendering this opinion, we have relied upon certifications of the County and others with respect to certain material facts. Our opinion represents our legal judgment based upon such review of the law and facts that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX E

FORMS OF CONTINUING DISCLOSURE AGREEMENTS

CONTINUING DISCLOSURE AGREEMENT (for the County of Yuba)

THIS CONTINUING DISCLOSURE AGREEMENT (the "Disclosure Agreement"), dated as of December 1, 2014, is by and between GOODWIN CONSULTING GROUP, INC., as dissemination agent (the "Dissemination Agent"), and the COUNTY OF YUBA, CALIFORNIA, a public body, corporate and politic, duly organized and existing under the laws of the State of California (the "County").

RECITALS:

WHEREAS, the County has issued, for and on behalf of the County of Yuba Community Facilities District No. 2005-1 (Orchard/Montrose Public Improvements) (the "District"), its County of Yuba Community Facilities District No. 2005-1 (Improvement Area C – Countryside at Montrose), 2014 Special Tax Bonds (the "Bonds") in the initial principal amount of \$_____; and

WHEREAS, the Bonds have been issued pursuant to a Fiscal Agent Agreement, dated as of December 1, 2014 (the "Fiscal Agent Agreement"), by and between U.S. Bank National Association, as fiscal agent (the "Fiscal Agent"), and the County, for and on behalf of the District; and

WHEREAS, this Disclosure Agreement is being executed and delivered by the County and the Dissemination Agent for the benefit of the owners and beneficial owners of the Bonds and in order to assist the underwriter of the Bonds in complying with S.E.C. Rule 15c2-12(b)(5).

AGREEMENT:

NOW, THEREFORE, for and in consideration of the premises and mutual covenants herein contained, and for other consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

Section 1. Definitions. In addition to the definitions of capitalized terms set forth in Section 1.03 of the Fiscal Agent Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section or in the Recitals above, the following terms shall have the following meanings when used in this Disclosure Agreement:

"Annual Report" means any Annual Report provided by the County pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

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

"Disclosure Representative" means the Treasurer, or the Treasurer's designee, or such other officer or employee as the County shall designate as the Disclosure Representative hereunder in writing to the Dissemination Agent from time to time.

"Dissemination Agent" means Goodwin Consulting Group, Inc., acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the County and which has filed with the County a written acceptance of such designation.

"EMMA" or *"Electronic Municipal Market Access"* means the centralized on-line repository for documents to be filed with the MSRB, such as official statements and disclosure information relating to municipal bonds, notes and other securities as issued by state and local governments.

"Listed Events" means any of the events listed in Section 5(a) or 5(b) of this Disclosure Agreement.

"MSRB" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information which may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"Official Statement" means the Official Statement, dated November __, 2014, relating to the Bonds.

"Participating Underwriter" means the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

Section 2. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the County and the Dissemination Agent for the benefit of the owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

Section 3. Provision of Annual Reports.

(a) *Delivery of Annual Report.* The County shall, or shall cause the Dissemination Agent to, not later than the March 1 occurring after the end of each fiscal year of the County, commencing with the report for the 2013-14 fiscal year, which is due not later than March 1, 2015, file with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that any audited financial statements of the County may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

(b) *Change of Fiscal Year.* If the County's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c), and subsequent Annual Report filings shall be made no later than six months after the end of such new fiscal year end.

(c) *Delivery of Annual Report to Dissemination Agent.* Not later than fifteen (15) Business Days prior to the date specified in subsection (a) (or, if applicable, subsection (b) of this Section 3 for providing the Annual Report to EMMA), the County shall provide the Annual Report to the Dissemination Agent (if other than the County). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the County.

(d) *Report of Non-Compliance.* If the County is the Dissemination Agent and is unable to file an Annual Report by the date required in subsection (a) (or, if applicable, subsection (b)) of this Section 3, the County shall send a notice to EMMA substantially in the form attached hereto as Exhibit A. If the County is not the Dissemination Agent and is unable to provide an Annual Report to the Dissemination Agent by the date required in subsection (c) of this Section 3, the Dissemination Agent shall send a notice to EMMA in substantially the form attached hereto as Exhibit A.

(e) *Annual Compliance Certification.* The Dissemination Agent shall, if the Dissemination Agent is other than the County, file a report with the County certifying that the Annual Report has been filed with EMMA pursuant to Section 3 of this Disclosure Agreement, stating the date it was so provided and filed.

Section 4. Content of Annual Reports. It is acknowledged that the Closing Date for the Bonds occurred after the end of the 2013-2014 fiscal year of the County. In light of the foregoing, submission of the Official Statement shall satisfy the County's obligation to file an Annual Report for fiscal year 2013-2014.

The Annual Report for each fiscal year commencing with the Annual Report for the 2014-2015 fiscal year, shall contain or incorporate by reference the following:

(a) *Financial Statements.* Audited financial statements of the County for the most recently completed fiscal year, prepared in accordance generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the County's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) *Other Annual Information.* The Annual Report for each fiscal year commencing with fiscal year 2014-2015 shall also include the following information:

(i) The principal amount of Bonds Outstanding as of the September 30 next preceding the date of the Annual Report.

(ii) The balance in the Reserve Fund, and a statement of the Reserve Requirement, as of the September 30 next preceding the date of the Annual Report.

(iii) The balance in the Improvement Fund and in the Escrow Fund, if any, as of the September 30 next preceding the date of the Annual Report.

(iv) The total assessed value of all parcels within the Improvement Area on which the Special Taxes are levied, as shown on the assessment roll of the County Assessor last equalized prior to the September 30 next preceding the date of the Annual Report, and a statement of assessed value-to-lien ratios therefor, either by individual parcel or by categories, in a table similar to Table 3 in the Official Statement.

(v) The Special Tax aggregate delinquency rate for all parcels within the Improvement Area on which the Special Taxes are levied, the aggregate number of

parcels within the Improvement Area on which the Special Taxes are levied and which are delinquent in payment of Special Taxes, and the percentage of the most recent annual Special Tax levy that is delinquent, all as of the September 30 next preceding the date of the Annual Report.

(vi) The status of foreclosure proceedings for any parcels within the Improvement Area on which the Special Taxes are levied and a summary of the results of any foreclosure sales, or other collection efforts with respect to delinquent Special Taxes, as of the September 30 next preceding the date of the Annual Report.

(vii) The identity of any property owner representing more than five percent (5%) of the annual Special Tax levy who is delinquent in payment of such Special Taxes, as shown on the assessment roll of the County Assessor last equalized prior to the September 30 next preceding the date of the Annual Report, the number of parcels so delinquent, and the total dollar amount of all such delinquencies.

(viii) A land ownership summary listing property owners responsible for more than five percent (5%) of the annual Special Tax levy, as shown on the assessment roll of the County Assessor last equalized prior to the December next preceding the date of the Annual Report, in a table similar to Table 2 in the Official Statement (but including only the first four columns in said table).

(ix) The most recent annual information required to be provided to the California Debt and Investment Advisory Commission pursuant to Section 5.19 of the Fiscal Agent Agreement.

(c) *Cross References.* Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the County or related public entities, which are available to the public on EMMA. The County shall clearly identify each such other document so included by reference.

If the document included by reference is a final official statement, it must be available from EMMA.

(d) *Further Information.* In addition to any of the information expressly required to be provided under paragraph (b) of this Section 4, the County shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Listed Events.

(a) *Reportable Events.* The County shall, or shall cause the Dissemination (if not the County) to, give notice of the occurrence of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (3) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (4) Substitution of credit or liquidity providers, or their failure to perform.

- (5) Defeasances.
- (6) Rating changes.
- (7) Tender offers.
- (8) Bankruptcy, insolvency, receivership or similar event of the obligated person.
- (9) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

Note: For the purposes of the event identified in subparagraph (8), the event is considered to occur when any of the following occur: the appointment of a receiver, trustee or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) *Material Reportable Events.* The County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (1) Non-payment related defaults.
- (2) Modifications to rights of security holders.
- (3) Bond calls.
- (4) The release, substitution, or sale of property securing repayment of the securities.
- (5) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.
- (6) Appointment of a successor or additional trustee, or the change of name of a trustee.

(c) *Time to Disclose.* The County shall, or shall cause the Dissemination Agent (if not the County) to, file a notice of such occurrence with EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of any Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(5) and (b)(3) above need not be given under this subsection any earlier than the notice (if

any) of the underlying event is given to owners of affected Bonds under the Fiscal Agent Agreement.

Section 6. Identifying Information for Filings with EMMA. All documents provided to EMMA under this Disclosure Agreement shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The County's obligations under this Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the County shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent.

(a) *Appointment of Dissemination Agent*. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement and may discharge any such agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Goodwin Consulting Group, Inc.

If the Dissemination Agent is not the County, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Disclosure Agreement. It is understood and agreed that any information that the Dissemination Agent may be instructed to file with EMMA shall be prepared and provided to it by the County. The Dissemination Agent has undertaken no responsibility with respect to the content of any reports, notices or disclosures provided to it under this Disclosure Agreement and has no liability to any person, including any Bond owner, with respect to any such reports, notices or disclosures. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the County shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition, except as may be provided by written notice from the County.

(b) *Compensation of Dissemination Agent*. The Dissemination Agent shall be paid compensation by the County for its services provided hereunder as agreed to between the Dissemination Agent and the County from time to time and all expenses, legal fees and expenses and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder, with payment to be made from any lawful funds of the District. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the County, the owners of the Bonds, the Beneficial Owners, or any other party. The Dissemination Agent may rely, and shall be protected in acting or refraining from acting, upon any written direction from the County or a written opinion of nationally recognized bond counsel. The Dissemination Agent may at any time resign by giving written notice of such resignation to the County. The Dissemination Agent shall not be liable hereunder except for its negligence or willful misconduct.

(c) *Responsibilities of Dissemination Agent*. In addition of the filing obligations of the Dissemination Agent set forth in Sections 3(e) and 5, the Dissemination Agent shall be obligated, and hereby agrees, to provide a request to the County to compile the information required for its Annual Report at least 30 days prior to the date such information is to be provided to the Dissemination Agent pursuant to subsection (c) of Section 3. The failure to provide or receive any such request shall not affect the obligations of the County under Section 3.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the County may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the County that does not impose any greater duties or risk of liability on the Dissemination Agent), and any provision of this Disclosure Agreement may be waived, provided that all of the following conditions are satisfied:

(a) *Change in Circumstances*. If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a) or (b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or the type of business conducted.

(b) *Compliance as of Issue Date*. The undertaking, as amended or taking into account such waiver, would, in the opinion of a nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances.

(c) *Consent of Holders; Non-impairment Opinion*. The amendment or waiver either (i) is approved by the Bond owners in the same manner as provided in the Fiscal Agent Agreement for amendments to the Fiscal Agent Agreement with the consent of Bond owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bond owners or Beneficial Owners.

If this Disclosure Agreement is amended or any provision of this Disclosure Agreement is waived, the County shall describe such amendment or waiver in the next following Annual Report and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the County shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or future notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the County to comply with any provision of this Disclosure Agreement, any Bond owner, any Beneficial Owner, the Fiscal Agent or the Participating Underwriter may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under this Disclosure Agreement. The sole remedy under this Disclosure Agreement in the event of any failure of the County to comply with this Disclosure Agreement shall be an action to compel performance.

Section 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the County, the Fiscal Agent, the Dissemination Agent, the Participating Underwriter and the owners and the Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 13. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

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

COUNTY OF YUBA, CALIFORNIA

By: _____

Its: _____

GOODWIN CONSULTING GROUP, INC.,
as Dissemination Agent

By: _____

Its: _____

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: County of Yuba, California

Name of Bond Issue: \$_____ County of Yuba Community Facilities District No. 2005-1
Community Facilities District No. 2005-1 (Improvement Area C –
Countryside at Montrose), 2014 Special Tax Bonds

Date of Issuance: December __, 2014

NOTICE IS HEREBY GIVEN that the Obligor has not provided an Annual Report with respect to the above-named Bonds as required by Section 5.17 of the Fiscal Agent Agreement, dated as of December 1, 2014, between the Obligor and U.S. Bank National Association, as fiscal agent. The Obligor anticipates that the Annual Report will be filed by _____.

Date: _____

By: Goodwin Consulting Group, Inc., as
Dissemination Agent

CONTINUING DISCLOSURE AGREEMENT – DEVELOPER

This Continuing Disclosure Agreement – Developer (the “Disclosure Agreement”) dated as of December 1, 2014, is executed and delivered by Woodside 05N, LP, a California limited partnership (the “Developer”), and Goodwin Consulting Group, Inc., as dissemination agent (the “Dissemination Agent”), in connection with the execution and delivery by the County of Yuba, California (the “County”), for and on behalf of the County of Yuba Community Facilities District No. 2005-1 (Orchard/Montrose Public Improvements) (the “District”), of its County of Yuba Community Facilities District No. 2005-1 (Improvement Area C – Countryside at Montrose) 2014 Special Tax Bonds (the “Bonds”). The Bonds are being issued pursuant to a Fiscal Agent Agreement, dated as of December 1, 2014, by and between the County, for and on behalf of the District, and U.S. Bank National Association, as fiscal agent (the “Fiscal Agent Agreement”).

The Developer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Developer for the benefit of the Bondowners and Beneficial Owners and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Fiscal Agent Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings when used herein:

“Affiliate” shall mean, with respect to any Person, (a) each Person that, directly or indirectly, owns or controls, whether beneficially or as an agent, guardian or other fiduciary, twenty-five percent (25%) or more of any class of Equity Securities of such Person, (b) each Person that controls, is controlled by or is under common control with such Person or any Affiliate of such Person or (c) each of such Person’s executive officers, directors, joint venturers and general partners; provided, however, that in no case shall the County be deemed to be an Affiliate of the Developer for purposes of this Disclosure Agreement. For the purpose of this definition, “control” of a Person shall mean the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through the ownership of voting securities, by contract or otherwise.

“Annual Report” shall mean any Annual Report provided by the Developer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of the Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Disclosure Representative” shall mean the Controller of the Developer or his designee acting on behalf of the Developer, or such other officer or employee as the Developer shall designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” shall mean Goodwin Consulting Group, Inc., acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent

designated in writing by the Developer and which has filed with the Developer and the County a written acceptance of such designation.

“District” shall mean the County of Yuba Community Facilities District No. 2005-1 (Orchard/Montrose Public Improvements).

“EMMA” shall mean the Electronic Municipal Market Access system of the MSRB.

“Equity Securities” of any Person shall mean (a) all common stock, preferred stock, participations, shares, general partnership interests or other equity interests in and of such person (regardless of how designated and whether or not voting or non-voting) and (b) all warrants, options and other rights to acquire any of the foregoing.

“Fiscal Year” shall mean the period beginning on July 1 of each year and ending on the next succeeding June 30.

“Government Authority” shall mean any national, state or local government, any political subdivision thereof, any department, agency, authority or bureau of any of the foregoing, or any other Person exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

“Listed Event” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“Official Statement” shall mean the Official Statement, dated November __, 2014, relating to the Bonds.

“Participating Underwriter” shall mean the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds, which is Stifel, Nicolaus & Company, Incorporated.

“Person” shall mean any natural person, corporation, partnership, firm, association, Government Authority or any other Person whether acting in an individual fiduciary, or other capacity.

“Repository” shall mean the MSRB or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Unless otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

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

“Semiannual Report” shall mean any report to be provided by the Developer on or prior to December 15 of each year pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“State” shall mean the State of California.

SECTION 3. Provision of Annual Reports and Semiannual Reports.

(a) The Developer shall, or shall cause the Dissemination Agent to, not later than June 15 of each year, commencing June 15, 2015, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. If, in any year, June 15 falls on a Saturday, Sunday or a holiday on which the Dissemination Agent's offices are closed for business, such deadline shall be extended to the next following day on which the Dissemination Agent's offices are open for business. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement, provided that the audited financial statements, if any, of the Developer may be submitted separately from the balance of the Annual Report and later than the date required for the filing of the Annual Report if they are not available by that date.

In addition, until such time as this Disclosure Agreement terminates in accordance with Section 6, the Developer shall, or shall cause the Dissemination Agent to, not later than December 15 of each year, commencing December 15, 2015, provide to the Repository a Semiannual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. If, in any year, December 15 falls on a Saturday, Sunday or a holiday on which the Dissemination Agent's offices are closed for business, such deadline shall be extended to the next following day on which the Dissemination Agent's offices are open for business.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report and Semiannual Report to Repositories, the Developer shall provide the Annual Report or the Semiannual Report, as applicable, to the Dissemination Agent or shall provide notification to the Dissemination Agent that the Developer is preparing, or causing to be prepared, the Annual Report or the Semiannual Report, as applicable, and the date which the Annual Report or the Semiannual Report, as applicable, is expected to be available. If by such date, the Dissemination Agent has not received a copy of the Annual Report or the Semiannual Report, as applicable, or notification as described in the preceding sentence, the Dissemination Agent shall notify the Developer of such failure to receive the report.

(c) If the Dissemination Agent is unable to provide an Annual Report or Semiannual Report to Repositories by the date required in subsection (a) or to verify that an Annual Report or Semiannual Report has been provided to the Repository by the date required in subsection (a), the Dissemination Agent shall send a notice to the Repository in the form required by the Repository.

(d) The Developer shall, or shall cause the Dissemination Agent to:

(i) determine each year prior to the date for providing the Annual Report and the Semiannual Report the name and address of the Repository; and

(ii) promptly file a report with the Developer and the County certifying that the Annual Report or the Semiannual Report, as applicable, has been provided pursuant to this Disclosure Agreement, stating the date it was provided to the Repository.

(e) Notwithstanding any other provision of this Disclosure Agreement, any of the required filings hereunder shall be made in accordance with the MSRB's EMMA system or in another manner approved under the Rule.

SECTION 4. Content of Annual Report and Semiannual Report.

(a) The Developer's Annual Report and Semiannual Report shall contain or include by reference the information which is available as of the date of the filing of the Annual Report or the Semiannual Report, as applicable, relating to the following:

1. A discussion of the sources of funds to finance development of property owned by the Developer and its Affiliates within the Improvement Area, and whether any material defaults exist under any loan arrangement related to such financing.

2. A summary of development activity within the Improvement Area, including the number of parcels for which building permits have been issued, the number of parcels for which certificates of occupancy have been issued, and as to property owned by the Developer and its Affiliates, the number of parcels for which sales have closed.

3. Status of completion of the development being undertaken by the Developer and its Affiliates with respect to the Unimproved Property, and any major legislative, administrative and judicial challenges known to the Developer to or affecting the construction of the development or the time for construction of any public or private improvements to be made by the Developer or any Affiliate within the Improvement Area (the "Developer Improvements").

4. Status of Special Tax payments on all parcels owned by the Developer and its Affiliates.

5. In the Annual Report only, the audited financial statements of the Developer for its most recently completed fiscal year (which currently ends on each December 31), prepared in accordance with generally accepted accounting principles as promulgated to apply to private entities from time to time by the Financial Accounting Standards Board. If the Developer has audited financial statements prepared and the audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements for the preceding year, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) In the event that as a result of subsequent amendment of the Rule, interpretive releases, no action letters or other official guidance from the Securities and Exchange Commission or its staff, the information required to satisfy the Rule shall differ from the information described above, the Developer shall provide to the Dissemination Agent such other information as is available to the Developer and not otherwise readily available to the County.

(c) Any and all of the items listed above may be included by specific reference to other documents, including official statements of debt issues which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Developer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Developer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds,

if material under clauses (b) and (c) within 10 business days after the occurrence of any of the following events:

1. Failure to pay any real property taxes, special taxes or assessments levied within the Improvement Area on a parcel owned by the Developer or any Affiliate.

2. Damage to or destruction of any of the Developer Improvements which has a material adverse effect on the value of the parcels owned by the Developer or any Affiliate.

3. Material default by the Developer or any Affiliate on any loan with respect to the construction or permanent financing of the Developer Improvements.

4. Material default by the Developer or any Affiliate on any loan secured by property within the Improvement Area owned by the Developer or any Affiliate.

5. Payment default by the Developer or any Affiliate on any loan of the Developer or any Affiliate (whether or not such loan is secured by property within the Improvement Area) which is beyond any applicable cure period in such loan.

6. The filing of any proceedings with respect to the Developer or any Affiliate, in which the Developer or any Affiliate, may be adjudicated as bankrupt or discharged from any or all of their respective debts or obligations or granted an extension of time to pay debts or a reorganization or readjustment of debts.

7. The filing of any lawsuit against the Developer or any of its Affiliates which, in the reasonable judgment of the Developer, will adversely affect the completion of the Developer Improvements or the development of parcels owned by the Developer or its Affiliates within the Improvement Area, or litigation which if decided against the Developer, or any of its Affiliates, in the reasonable judgment of the Developer, would materially adversely affect the financial condition of the Developer or its Affiliates.

(b) Whenever the Developer obtains knowledge of the occurrence of a Listed Event, the Developer shall as soon as possible determine if such event would be material under applicable federal securities laws. The Dissemination Agent shall have no responsibility to determine the materiality of any of the Listed Events.

(c) If the Developer determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Developer shall promptly file a notice of such occurrence with the Dissemination Agent which shall then distribute such notice to the Repository, with a copy to the County.

SECTION 6. Termination of Reporting Obligation. The Developer's obligations under this Disclosure Agreement shall terminate upon the following events:

- (a) the legal defeasance, prior redemption or payment in full of all of the Bonds,

- (b) if as of the date for filing the Annual Report the Developer and its Affiliates own property within the District which is responsible for less than twenty percent (20%) of the Special Taxes levied in the Fiscal Year for which the Annual Report is being prepared and the conditions for the release of all amounts in the Escrow Fund established under the Fiscal Agent Agreement have been satisfied (which conditions will be satisfied on the earlier of the date on which the Developer obtains

building permits for the 24 parcels of Unimproved Property in the Improvement Area, as such capitalized terms are used in the Official Statement, or the date on which amounts in the Escrow Fund are used to redeem Escrow Term Bonds), or

(c) upon the delivery by the Developer to the County of an opinion of nationally recognized bond counsel to the effect that the information required by this Disclosure Agreement is no longer required. Such opinion shall be based on information publicly provided by the Securities and Exchange Commission or a private letter ruling obtained by the Developer or a private letter ruling obtained by a similar entity to the Developer.

If such termination occurs prior to the final maturity of the Bonds, the Developer shall give notice of such termination in the same manner as for an Annual Report hereunder.

SECTION 7. Dissemination. The Developer may from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the Developer, the Dissemination Agent shall not be responsible in any manner for the form or content of any notice or report prepared by the Developer pursuant to this Disclosure Agreement. The Dissemination Agent may resign by providing (i) thirty days written notice to the Developer and the Fiscal Agent and (ii) upon appointment of a new Dissemination Agent hereunder.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Developer may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) This Disclosure Agreement, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel addressed to the County, the Fiscal Agent and the Participating Underwriter, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(c) The amendment or waiver either (i) is approved by the Bondowners in the same manner as provided in the Fiscal Agent Agreement for amendments to the Fiscal Agent Agreement with the consent of Bondowners, or (ii) does not, in the opinion of nationally recognized bond counsel addressed to the County and the Fiscal Agent, materially impair the interests of the Bondowners or Beneficial Owners of the Bonds; and

(d) The Developer, or the Dissemination Agent, shall have delivered copies of the amendment and any opinions delivered under (b) and (c) above.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Developer shall describe such amendment in the next Annual Report or Semiannual Report, and shall include, as applicable, a narrative explanation of the reason for the

amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Developer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given to the Repository, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison of financial data described in clause (ii) of the preceding sentence shall be provided at the time financial statements, if any, are filed under Section 4(a)(5) hereof.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Developer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Developer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Developer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

The Developer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Developer, and that under some circumstances compliance with this Disclosure Agreement, without additional disclosures or other action, may not fully discharge all duties and obligations of the Developer under such laws.

SECTION 10. Default. In the event of a failure of the Developer to comply with any provision of this Disclosure Agreement, any Participating Underwriter or any Bondowner or Beneficial Owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Developer or the Dissemination Agent to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Fiscal Agent Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the Developer to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement and the Developer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Developer agrees to pay the Dissemination Agent a reasonable annual fee for the performance of its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the Developer, the Participating Underwriter, Bondowners or Beneficial Owners or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon a direction from the Developer or an opinion of nationally recognized bond counsel. The obligations of the Developer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. No person shall have any right to

commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Agreement. The Dissemination Agent may conclusively rely upon the Annual Report provided to it by the Developer as constituting the Annual Report required of the Developer in accordance with this Disclosure Agreement and shall have no duty or obligation to review such Annual Report. The Dissemination Agent shall have no duty to prepare the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the Developer in a timely manner in a form suitable for filing with the Repositories. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act.

SECTION 12. Reporting Obligation of Developer's Transferees. The Developer shall, in connection with any sale or transfer of ownership of land within the District which will result in the transferee (which term shall include any successors and assigns of the Developer) becoming responsible for the payment of more than twenty (20) percent of the Special Taxes levied on property within the District in the Fiscal Year following such transfer, cause such transferee to enter into a disclosure agreement with terms substantially similar to the terms of this Disclosure Agreement, whereby such transferee agrees to provide its audited financial statements, if any, and the information of the type described in Section 4(a)(2) and (4) of this Disclosure Agreement; provided that such transferee's obligations under such disclosure agreement shall terminate upon the sold or transferred land being improved with structures, or the land owned by the transferee becoming responsible for the payment of less than twenty (20) percent of the annual Special Taxes.

SECTION 13. Identifying Information for Filings with EMMA. All documents provided to EMMA under this Disclosure Agreement shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 14. Developer as Independent Contractor. In performing under this Disclosure Agreement, it is understood that the Developer is an independent contractor and not an agent of the County or the District.

SECTION 15. Notices. Notices should be sent in writing to the following addresses. The following information may be conclusively relied upon until changed in writing.

Disclosure Representative:	Woodside Homes of Northern California 111 Woodside Drive, Suite 190 Folsom, CA 95630 Attention: Jim Bayless, Controller
Dissemination Agent:	Goodwin Consulting Group, Inc. 555 University Avenue, Suite 280 Sacramento, CA 95825 Attention: Cindy Yan
Fiscal Agent:	U.S. Bank National Association One California Street, Suite 1000 Mail Code: SF-CA-SFCT San Francisco, CA 94111 Attention: Global Corporate Trust Services

Participating Underwriter: Stifel, Nicolaus & Company, Incorporated
One Montgomery Street, 35th Floor
San Francisco, CA 94104

County or District: Yuba County
915 8th Street, Suite 103
Marysville, CA 95901-4187
Attention: County Treasurer-Tax Collector

SECTION 16. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Developer, the County, the Dissemination Agent, the Fiscal Agent, the Participating Underwriter and Bondowners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 17. Assignability. The Developer shall not assign this Disclosure Agreement or any right or obligation hereunder except to the extent permitted to do so under the provisions of Section 12 hereof. The Dissemination Agent may, with prior written notice to the Developer and the County, assign this Disclosure Agreement and the Dissemination Agent's rights and obligations hereunder to a successor Dissemination Agent.

SECTION 18. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

SECTION 19. Governing Law. The validity, interpretation and performance of this Disclosure Agreement shall be governed by the laws of the State of California applicable to contracts made and performed in California.

SECTION 20. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

WOODSIDE 05N, LP, a California limited partnership

By: _____

Its: _____

GOODWIN CONSULTING GROUP, INC.,
as Dissemination Agent

By: _____

Its: _____

APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The information in this Appendix F has been provided by The Depository Trust Company ("DTC"), New York, NY, for use in securities offering documents, and the County does not take responsibility for the accuracy or completeness thereof. The County cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute the Beneficial Owners either (a) payments of interest, principal or premium, if any, with respect to the 2014 Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the 2014 Bonds, or that they will so do on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement.

The following description of DTC, the procedures and record keeping with respect to beneficial ownership interests in the 2014 Bonds, payment of principal, interest and other payments on the 2014 Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the 2014 Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the 2014 Bonds (the "Issuer") nor the trustee, fiscal agent or paying agent appointed with respect to the 2014 Bonds (the "Agent") take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the 2014 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the 2014 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2014 Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2014 Bonds (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks,

trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). On August 8, 2011, Standard & Poor's downgraded its rating of DTC from AAA to AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

THE FISCAL AGENT, AS LONG AS A BOOK-ENTRY-ONLY SYSTEM IS USED FOR THE 2014 BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES ONLY TO CEDE & CO., OR ITS SUCCESSOR AS DTC'S PARTNERSHIP NOMINEE. ANY FAILURE OF CEDE & CO., OR ITS SUCCESSOR AS DTC'S PARTNERSHIP NOMINEE TO ADVISE ANY PARTICIPANT, OR OF ANY PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OR SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE 2014 BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

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

12. THE IMPROVEMENT AREA, THE COUNTY AND THE UNDERWRITER CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, THE PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF PRINCIPAL, INTEREST OR PREMIUM, IF ANY, WITH RESPECT TO THE 2014 BONDS PAID TO DTC OR ITS NOMINEE AS THE REGISTERED OWNER, OR WILL DISTRIBUTE ANY REDEMPTION NOTICES OR OTHER NOTICES, TO THE BENEFICIAL OWNERS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE IMPROVEMENT AREA, THE COUNTY AND THE UNDERWRITER ARE NOT RESPONSIBLE OR LIABLE FOR THE FAILURE OF DTC OR ANY PARTICIPANT TO MAKE ANY PAYMENT OR GIVE ANY NOTICE TO A BENEFICIAL OWNER WITH RESPECT TO THE 2014 BONDS OR AN ERROR OR DELAY RELATING THERETO.

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