

RANCHO MURIETA COMMUNITY SERVICES DISTRICT

COMMUNITY FACILITIES DISTRICT NO. 1

RESOLUTION NO. 90-31

A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE RANCHO MURIETA COMMUNITY SERVICES DISTRICT
AUTHORIZING THE ISSUANCE AND PRESCRIBING
THE CONDITIONS, TERMS AND FORM OF \$20,000,000
PRINCIPAL AMOUNT OF RANCHO MURIETA COMMUNITY
SERVICES DISTRICT COMMUNITY FACILITIES
DISTRICT NO. 1 SPECIAL TAX BONDS

Adopted September 19, 1990

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RANCHO MURIETA COMMUNITY SERVICES DISTRICT

COMMUNITY FACILITIES DISTRICT NO. 1

RESOLUTION NO. 90-_____

A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE RANCHO MURIETA COMMUNITY SERVICES DISTRICT
AUTHORIZING THE ISSUANCE AND PRESCRIBING
THE CONDITIONS, TERMS AND FORM OF \$20,000,000
PRINCIPAL AMOUNT OF RANCHO MURIETA COMMUNITY
SERVICES DISTRICT COMMUNITY FACILITIES
DISTRICT NO. 1 SPECIAL TAX BONDS

WHEREAS, the Board of Directors of the Rancho Murieta Community Services District on August 28, 1990, duly adopted its Resolution No. 90-26 establishing the Rancho Murieta Community Services District Community Facilities District No. 1 for the purpose of providing for the financing of certain public facilities in and for such Community Facilities District; and

WHEREAS, at an election held in such Community Facilities District on September 18, 1990, the qualified electors therein duly authorized the issuance of \$20,000,000 principal amount of special tax bonds for the purpose of financing such public facilities; and

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

WHEREAS, the Board of Directors of the Rancho Murieta Community Services District has determined to authorize the issuance and prescribe the conditions, terms and form of such special tax bonds authorized at such election;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE RANCHO MURIETA COMMUNITY SERVICES DISTRICT, AS FOLLOWS:

ARTICLE I

DEFINITIONS; EQUAL SECURITY

SECTION 1.01. Definitions. Unless the context otherwise requires, the terms defined in this section shall for all purposes hereof and of any Supplemental Resolution and of the Bonds and of any certificate, opinion, report, request or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein:

Accountant's Report

"Accountant's Report" means a report signed by an Independent Certified Public Accountant.

Acquisition and Construction Fund

"Acquisition and Construction Fund" means the fund referred to by that name established in Section 2.11.

Board of Directors

"Board of Directors" means the Board of Directors of the District.

Bond Reserve Account

"Bond Reserve Account" means the account referred to by that name established in Section 4.02.

Bonds, Serial Bonds, Term Bonds

"Bonds" means the twenty million dollars (\$20,000,000) principal amount of special tax bonds of the District at any time Outstanding hereunder that are executed, issued and delivered in accordance with the provisions hereof and that were authorized at the special election held in the Community Facilities District on September 18, 1990, and any refunding bonds for such special tax bonds issued under the Law. "Serial Bonds" means Bonds for which no Minimum Sinking Fund Account Payments are established, being the Bonds maturing on October 1, 1992, through October 1, 2005, both dates inclusive. "Term Bonds" means Bonds which are redeemable or payable on or before their specified maturity date or dates from Minimum Sinking Fund Account Payments established for the purpose of redeeming or paying such Bonds on or before their specified maturity date or dates, being the Bonds maturing on October 1, 2010, and on October 1, 2015.

Bond Year

"Bond Year" means the twelve-month period terminating on October 1 of each year.

Certificate of the District

"Certificate of the District" means an instrument in writing signed by the General Manager, or by any other officer of the District duly authorized by the Board of Directors for that purpose, and by the Secretary, with the seal of the District affixed.

Code

"Code" means the Internal Revenue Code of 1986, and the regulations issued thereunder from time to time, and in this regard reference to any particular section of the Code shall include reference to any successor to such section of the Code.

Community Facilities District

"Community Facilities District" means the Rancho Murieta Community Services District Community Facilities District No. 1, a community facilities district duly organized and existing in a portion of the District under and by virtue of the Law.

Community Facilities District Fund

"Community Facilities District Fund" means the fund referred to by that name established in Section 4.02.

Debt Service

"Debt Service" means, for any Bond Year, the sum of (1) the interest payable during such Bond Year on all Outstanding Bonds, assuming that all Outstanding Serial Bonds are retired as scheduled and that all Outstanding Term Bonds are redeemed or paid as scheduled at the times of and in amounts equal to the Minimum Sinking Fund Account Payments (except to the extent that such interest is to be paid from portions of the proceeds of sale of the Bonds), (2) the principal amount of all Outstanding Serial Bonds maturing by their terms in such Bond Year, and (3) the Minimum Sinking Fund Account Payment required to be deposited in the Sinking Fund Account in such Bond Year.

District

"District" means the Rancho Murieta Community Services District, a community services district duly organized and existing under and by virtue of the laws of the State of California.

Expense Account

"Expense Account" means the account referred to by that name established in Section 4.02.

Expenses

"Expenses" means all expenses paid or incurred by the District for the cost of planning and designing the Facilities, including the cost of environmental evaluations of the Facilities and the costs associated with the creation of the Community Facilities District, the issuance of the Bonds, the determination of the amount of the Special Tax, the collection of the Special Tax and the payment of the Special Tax, or costs otherwise incurred in order to carry out the authorized purposes of the Community Facilities District, and any other expenses incidental to the acquisition, construction, completion and inspection of the Facilities; all as determined in accordance with Generally Accepted Accounting Principles.

Facilities

"Facilities" means the water supply systems, water transmission pipelines, water storage reservoirs, water treatment plant improvements, public irrigation systems, sewer pump stations and pump station modifications, sewer force mains, wastewater treatment plant improvements, drainage pump stations, bridges and fire suppression equipment, together with necessary appurtenances thereto and equipment therefor, authorized to be acquired and constructed in and for the Community Facilities District under and pursuant to the Law at the special election held in the Community Facilities District on September 18, 1990.

Federal Securities

"Federal Securities" means (a) any securities now or hereafter authorized both the interest on and principal of which are guaranteed by the full faith and credit of the United States of America, (b) any of the following obligations of federal agencies not guaranteed by the United States of America: (1) participation certificates or senior debt obligations of the Federal Home Loan Mortgage Corporation,

(2) bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act and bonds of any federal home loan bank established under said act, and (3) stocks, bonds, debentures, participations and other obligations of or issued by the Federal National Mortgage Association, the Student Loan Marketing Association, the Government National Mortgage Association and the Federal Home Loan Mortgage Corporation, as and to the extent that such securities or obligations are eligible for the legal investment of District funds, and (c) any repurchase agreements which are secured by any of such securities or obligations that (1) have a fair market value (determined at least daily) at least equal to one hundred two per cent (102%) of the amount invested in the repurchase agreement, (2) are in the possession of the Paying Agent or a third party acting solely as agent for the Paying Agent who holds a perfected first lien therein, and (3) are free from all third party claims.

Fiscal Year

"Fiscal Year" means the twelve-month period terminating on June 30 of each year, or any other annual accounting period hereafter selected and designated by the District as its Fiscal Year in accordance with applicable law.

Generally Accepted Accounting Principles

"Generally Accepted Accounting Principles" means the uniform accounting and reporting procedures set forth in publications of the American Institute of Certified Public Accountants or its successor, or by any other generally accepted authority on such procedures, and includes, as applicable, the standards set forth by the Governmental Accounting Standards Board or its successor.

General Manager

"General Manager" means the General Manager of the District.

Holder

"Holder" means any person who shall be the registered owner, as shown on the registration books maintained by the Paying Agent pursuant to Section 2.08, of any Outstanding Bond.

Independent Certified Public Accountant

"Independent Certified Public Accountant" means any certified public accountant or firm of such accountants duly licensed and entitled to practice and practicing as such under the laws of the State of California, appointed and paid by the District, and who, or each of whom --

(1) is in fact independent and not under the domination of the District;

(2) does not have a substantial financial interest, direct or indirect, in the operations of the District; and

(3) is not connected with the District as an officer or employee of the District, but who may be regularly retained to audit the accounting records of and make reports thereon to the District.

Law

"Law" means the Mello-Roos Community Facilities Act of 1982 (being Sections 53311 et seq. of the Government Code of the State of California, as amended) and all laws amendatory thereof or supplemental thereto.

Legal Investments

"Legal Investments" means any securities in which funds of the District may now or hereafter be legally invested as provided by the applicable law in effect at the time of such investment.

Minimum Sinking Fund Account Payments

"Minimum Sinking Fund Account Payments" means the payments required hereby to be deposited in the Sinking Fund Account.

Moody's

"Moody's" means Moody's Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors or assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the District and not objected to by the Paying Agent.

Opinion of Counsel

"Opinion of Counsel" means a written opinion of counsel (including, without limitation, counsel for the District) retained by the District and not objected to by the Paying Agent.

Outstanding

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 7.02) all Bonds except --

(1) Bonds cancelled and destroyed by the Paying Agent or delivered to the Paying Agent for cancellation and destruction;

(2) Bonds paid or deemed to have been paid within the meaning of Section 9.01; and

(3) Bonds in lieu of or in substitution for which other Bonds shall have been executed by the District and authenticated and delivered by the Paying Agent pursuant to Section 2.09.

Paying Agent

"Paying Agent" means Bank of America National Trust and Savings Association, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, at its corporate trust office in San Francisco, California, and its successors or assigns, or any other bank or trust company at its corporate trust office in San Francisco, California, which may at any time be substituted in its place as provided in Section 6.01.

Prepayment Account

"Prepayment Account" means the account referred to by that name established in Section 4.02.

President

"President" means the President of the Board of Directors.

Rebate Certificate

"Rebate Certificate" means the certificate delivered upon the original issuance of the Bonds relating to Section

148 of the Code, or any functionally similar replacement certificate.

Rebate Fund

"Rebate Fund" means the fund referred to by that name established in Section 5.03.

Redemption Account

"Redemption Account" means the account referred to by that name established in Section 4.02.

Required Bond Reserve

"Required Bond Reserve" means the sum of two million dollars (\$2,000,000); provided, that such requirement (or any portion thereof) may be provided by one or more policies of municipal bond insurance or surety bonds issued by a municipal bond insurer or by a letter of credit issued by a bank, the obligations insured by which insurer or issued by which bank, as the case may be, have ratings at the time of issuance of such policy or surety bond or letter of credit equal to "A" or higher assigned by Moody's and by Standard & Poor's.

Resolution

"Resolution" means this resolution adopted by the Board of Directors on September 19, 1990, under and pursuant to the Law, as it may from time to time be amended or supplemented by all Supplemental Resolutions adopted pursuant to the provisions hereof.

Secretary

"Secretary" means the Secretary of the Board of Directors.

Sinking Fund Account

"Sinking Fund Account" means the account referred to by that name established in Section 2.03, consisting of two subaccounts, one to receive Minimum Sinking Fund Account Payments for the Term Bonds maturing on October 1, 2010, and the other to receive Minimum Sinking Fund Account Payments for the Term Bonds maturing on October 1, 2015.

Special Tax

"Special Tax" means the special tax authorized to be levied and collected annually on all Taxable Land in the

Community Facilities District under and pursuant to the Law at the special election held in the Community Facilities District on September 18, 1990.

Special Tax Fund

"Special Tax Fund" means the fund referred to by that name established in Section 4.01.

Standard & Poor's

"Standard & Poor's" means Standard & Poor's Corporation, a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors or assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Standard & Poor's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the District and not objected to by the Paying Agent.

Supplemental Resolution

"Supplemental Resolution" means any resolution then in full force and effect which has been duly adopted by the Board of Directors under and pursuant to the Law at a meeting of the Board of Directors duly convened and held, at which a quorum was present and acted thereon, amendatory hereof or supplemental hereto; but only if and to the extent that such Supplemental Resolution is specifically authorized hereunder.

Taxable Land

"Taxable Land" means all land within the Community Facilities District taxable under the Law in accordance with the proceedings for the authorization of the issuance of the Bonds and the levy and collection of the Special Tax.

Written Request of the District

"Written Request of the District" means an instrument in writing signed by the General Manager, or by any other officer of the District duly authorized by the Board of Directors for that purpose, and by the Secretary, with the seal of the District affixed.

SECTION 1.02. Equal Security. In consideration of the acceptance of the Bonds by the Holders thereof, the Resolution shall be deemed to be and shall constitute a contract between the District and the Holders from time to time to secure the full and final payment of the interest on

and principal of and redemption premiums, if any, on all Bonds which may from time to time be authorized, sold, executed, authenticated and delivered hereunder, subject to the agreements, conditions, covenants and terms contained herein; and all agreements, conditions, covenants and terms contained herein required to be observed or performed by or on behalf of the District shall be for the equal and proportionate benefit, security and protection of all Holders without distinction, preference or priority as to security or otherwise of any Bonds over any other Bonds by reason of the number thereof or the time of authorization, sale, execution, authentication or delivery thereof or otherwise for any cause whatsoever, except as expressly provided herein or therein.

ARTICLE II

AUTHORIZATION AND ISSUANCE OF BONDS

SECTION 2.01. Authorization and Purpose of Bonds.

(a) The Board of Directors has reviewed all proceedings heretofore taken relative to the authorization of the Bonds and has found, as a result of such review, and hereby finds and determines that all acts, conditions and things required by law to exist, happen and be performed precedent to and in the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by the Law, and the District is now authorized, pursuant to each and every requirement of the Law and hereof, to issue the Bonds in the aggregate principal amount of twenty million dollars (\$20,000,000) in the form and manner provided herein, which Bonds shall be entitled to the benefit, protection and security of the provisions hereof. The Bonds shall be designated the "Rancho Murieta Community Services District Community Facilities District No. 1 Special Tax Bonds" and shall be issued by the District under and pursuant to the Law and under and pursuant hereto. The Bonds may contain or have endorsed thereon such descriptive provisions, specifications and words not inconsistent with the provisions hereof as may be desirable or necessary to comply with custom or the rules of any securities exchange or commission or brokerage board or otherwise as may be determined by the District prior to the delivery thereof.

(b) The purpose for which the Bonds are to be issued is to provide funds to pay costs of the acquisition, construction and installation of the Facilities (or for making reimbursements to the District for such costs of acquisition, construction and installation theretofore paid by it), including payment of costs incidental to or connected with

such acquisition, construction and installation, or for the repayment of funds advanced to or for the Community Facilities District.

(c) From and after the issuance of the Bonds the findings and determinations of the Board of Directors respecting the Bonds shall be conclusive evidence of the existence of the facts so found and determined in any action or proceeding in any court in which the validity of such Bonds is at issue, and no bona fide purchaser of any of the Bonds shall be required to see to the existence of any fact or to the performance of any condition or to the taking of any proceeding required prior to such issuance or to the application of the purchase price paid for the Bonds. The validity of the issuance of the Bonds shall not be dependent on or affected in any way by (i) any proceedings taken by the District for the acquisition, construction and installation of any Facilities, or (ii) any contracts made by the District in connection therewith, or (iii) the failure to complete the acquisition, construction and installation of any Facilities. The recital contained in the Bonds that the Bonds are issued under and pursuant to the Law and under and pursuant hereto shall be conclusive evidence of their validity and of the regularity of their issuance and all Bonds shall be incontestable from and after their issuance. The Bonds shall be deemed to be issued, within the meaning hereof, whenever the definitive Bonds (or any temporary Bonds exchangeable therefor) have been delivered to the purchaser thereof and the purchase price thereof received.

SECTION 2.02. Denominations of Bonds. The Bonds shall be issued as fully registered Bonds in the denomination of five thousand dollars (\$5,000) or any integral multiple thereof (not exceeding the principal amount of Bonds maturing at any one time).

SECTION 2.03. Date and Maturity Dates of and Minimum Sinking Fund Account Payments for Bonds. The Bonds shall be dated November 1, 1990. The Bonds shall mature on the dates and in the principal amounts as set forth in the following schedule:

<u>Maturity Date</u> <u>October 1</u>	<u>Principal Amount</u>	<u>Maturity Date</u> <u>October 1</u>	<u>Principal Amount</u>
1992	\$ 320,000	2000	\$ 555,000
1993	340,000	2001	595,000
1994	360,000	2002	645,000
1995	390,000	2003	695,000
1996	410,000	2004	750,000
1997	445,000	2005	810,000
1998	480,000	2010	5,125,000
1999	525,000	2015	7,555,000

Minimum Sinking Fund Account Payments are hereby established for the mandatory redemption and payment of the Term Bonds maturing on October 1, 2010, and for the Term Bonds maturing on October 1, 2015, respectively, which payments shall become due during the years ending on the dates and in the amounts as set forth in the following schedule (except that if any Term Bonds have been optionally redeemed pursuant to Section 3.01, the amounts of the Minimum Sinking Fund Account Payments allocable to such Term Bonds shall be reduced proportionately by the principal amount of all such Term Bonds so optionally redeemed), namely:

<u>Year Ending</u> <u>October 1</u>	<u>Minimum Sinking Fund Account Payment</u>	<u>Year Ending</u> <u>October 1</u>	<u>Minimum Sinking Fund Account Payment</u>
2006	\$ 875,000	2011	\$1,285,000
2007	940,000	2012	1,390,000
2008	1,020,000	2013	1,500,000
2009	1,100,000	2014	1,625,000
2010	1,190,000	2015	1,755,000

All such Minimum Sinking Fund Account Payments shall be deposited in a separate account in the Redemption Account, which account is hereby established and shall be known as the Sinking Fund Account and which account the District hereby agrees and covenants to cause to be maintained so long as any Term Bonds are Outstanding. All money in the subaccount in the Sinking Fund Account allocable to the Term Bonds maturing on October 1, 2010, shall be used and withdrawn by the District at any time for the purchase of Term Bonds maturing on October 1, 2010, at public or private sale as and when and at such prices (including brokerage and other charges) as it may in its discretion determine, but not to exceed the principal amount of such Term Bonds, and all money in the subaccount in the Sinking Fund Account allocable to the Term

Bonds maturing on October 1, 2015, shall be used and withdrawn by the District at any time for the purchase of Term Bonds maturing on October 1, 2015, at public or private sale as and when and at such prices (including brokerage and other charges) as it may in its discretion determine, but not to exceed the principal amount of such Term Bonds. All money in the subaccount in the Sinking Fund Account allocable to the Term Bonds maturing on October 1, 2010, on October 1 of each year, beginning on October 1, 2006, shall be used and withdrawn by the District on such October 1 for the mandatory redemption or payment of the Term Bonds maturing on October 1, 2010, and all money in the subaccount in the Sinking Fund Account allocable to the Term Bonds maturing on October 1, 2015, on October 1 of each year, beginning on October 1, 2011, shall be used and withdrawn by the District on such October 1 for the mandatory redemption or payment of the Term Bonds maturing on October 1, 2015; and the District hereby agrees and covenants with the Holders of the Term Bonds to call and redeem in accordance with Article III or pay the Term Bonds from Minimum Sinking Fund Account Payments deposited in the Sinking Fund Account pursuant to this paragraph whenever on October 1 of any year, beginning on October 1, 2006, there is money in the Sinking Fund Account available for such purpose.

SECTION 2.04. Interest Payment Dates of Bonds.

Interest on the Bonds shall be computed on the basis of a 360-day year of twelve (12) 30-day months, and shall be payable on October 1, 1991, and semiannually thereafter on April 1 and October 1 in each year. The Bonds shall bear interest from the interest payment date next preceding the date of registration thereof, unless they are registered on a day during the period from the sixteenth (16th) day of the month next preceding an interest payment date to such interest payment date, both inclusive, in which event they shall bear interest from such interest payment date, or unless they are registered on a day on or before the fifteenth (15th) day of the month next preceding the first interest payment date, in which event they shall bear interest from November 1, 1990; provided, that if at the time of registration of any Bond interest is then in default on the Outstanding Bonds, such Bond shall bear interest from the interest payment date to which interest has previously been paid or made available for payment on the Outstanding Bonds.

SECTION 2.05. Form of Bonds. The Bonds and the authentication and registration endorsement and assignment to appear thereon shall be substantially in the following forms, respectively:

[FORM OF BONDS]

No. _____

\$ _____

UNITED STATES OF AMERICA

STATE OF CALIFORNIA

COUNTY OF SACRAMENTO

RANCHO MURIETA COMMUNITY SERVICES DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 1
SPECIAL TAX BOND

<u>Interest</u> <u>Rate</u>	<u>Maturity</u> <u>Date</u>	<u>Bond</u> <u>Date</u>	<u>CUSIP</u>
_____%	October 1, ____	November 1, 1990	_____

REGISTERED OWNER:

PRINCIPAL AMOUNT:

DOLLARS

The Rancho Murieta Community Services District, a community services district duly organized and existing under and pursuant to the laws of the State of California (the "District"), for value received hereby promises to pay (but only out of the proceeds of the Special Tax hereinafter referred to) to the registered owner set forth above on the maturity date set forth above (subject to any right of prior redemption hereinafter provided for) the principal amount set forth above, together with interest thereon computed on the basis of a 360-day year of twelve (12) 30-day months from the interest payment date next preceding the date of registration of this Bond (unless this Bond is registered on a day during the period from the sixteenth (16th) day of the month next preceding an interest payment date to such interest payment date, both inclusive, in which event it shall bear interest from such interest payment date, or unless it is registered on a day on or before the fifteenth (15th) day of the month next preceding the first interest payment date, in which event it shall bear interest from November 1, 1990) until the principal hereof shall have been paid, at the interest rate per annum set forth above, payable on October 1, 1991, and semiannually thereafter on April 1 and October 1 in each year. The interest on and principal of and redemption premium, if any, on this Bond are payable in lawful money of the United States

of America at the corporate trust office of Bank of America National Trust and Savings Association in San Francisco, California, the Paying Agent of the District for the Bonds. The interest on this Bond due before the maturity or prior redemption hereof shall be payable only to the person whose name appears in the registration books required to be kept by the Paying Agent as the registered owner hereof at the close of business as of the fifteenth (15th) day of the month next preceding each interest payment date, such interest to be paid by check mailed by first class mail to such registered owner at his address as it appears on such books, except that in the case of a registered owner of one million dollars (\$1,000,000) or more in principal amount of Bonds then outstanding, payment shall be made at such owner's option by wire transfer of immediately available funds according to written instructions provided by such owner to the Paying Agent not later than the fifteenth (15th) day of the month before such interest payment date. The interest on this Bond due on the maturity or prior redemption hereof and the principal of and redemption premium, if any, on this Bond shall be payable only to the person whose name appears in such registration books as the registered owner hereof, such interest and principal and redemption premium, if any, to be paid only on the surrender of this Bond at the office of the Paying Agent at maturity or on redemption prior to maturity.

This Bond is one of a duly authorized issue of Bonds in the aggregate principal amount of twenty million dollars (\$20,000,000) issued by the Board of Directors of the District for the Rancho Murieta Community Services District Community Facilities District No. 1 (the "Community Facilities District") located in the District, designated the "Rancho Murieta Community Services District Community Facilities District No. 1 Special Tax Bonds" (the "Bonds"), which Bonds are issued under and pursuant to the Mello-Roos Community Facilities Act of 1982 (being Sections 53311 et seq. of the Government Code of the State of California, as amended) and all laws amendatory thereof or supplemental thereto (the "Law"), and under and pursuant to Resolution No. 90-_____ adopted by the Board of Directors of the District on September 19, 1990 (the "Resolution"), all of like tenor and date (except for such variations, if any, as may be required to designate varying numbers, denominations, maturities, interest rates or redemption provisions). All the Bonds are equally and ratably secured in accordance with the terms and conditions of the Resolution (copies of which are on file at the office of the Secretary of the Board of Directors of the District and at the office of the Paying Agent), and reference is hereby made to the Law and to the Resolution and any and all amendments thereof and supplements thereto for a description of the terms on which the Bonds are issued and for

the rights of the registered owners of the Bonds; and all the terms of the Law and the Resolution are hereby incorporated herein and constitute a contract between the District and the registered owner from time to time of this Bond, to all the provisions of which the registered owner of this Bond, by his acceptance hereof, agrees and consents; and each taker and subsequent registered owner hereof shall have recourse to all the provisions of the Law and the Resolution and shall be bound by all the terms and conditions thereof.

The Bonds are issued to provide funds to pay costs of the acquisition, construction and installation of the Facilities, as that term is defined in the Resolution. The Bonds are special tax obligations of the District, and the interest on and principal of and redemption premiums, if any, on the Bonds are payable solely from the proceeds of the Special Tax (as that term is defined in the Resolution, and herein the "Special Tax"), as provided in the Resolution, and the District is not obligated to pay them except from the proceeds of the Special Tax as so provided. The general fund of the District is not liable and the full faith and credit of the District is not pledged for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds, and no tax or assessment other than the Special Tax shall ever be levied or collected to pay the interest on or principal of or redemption premiums, if any, on the Bonds. The Bonds are not secured by a legal or equitable pledge of or charge, lien or encumbrance upon any property of the District or any of its income or receipts except the money in the Special Tax Fund established under the Resolution, and neither the payment of the interest on or principal of or redemption premiums, if any, on the Bonds is a general debt, liability or obligation of the District.

The Bonds maturing by their terms on October 1, 2010, are subject to mandatory redemption by the District prior to their maturity date in part on any October 1 on or after October 1, 2006, to and including October 1, 2009, and the Bonds maturing by their terms on October 1, 2015, are subject to mandatory redemption by the District prior to their maturity date in part on any October 1 on or after October 1, 2011, to and including October 1, 2014, in each case solely from Minimum Sinking Fund Account Payments deposited in the Sinking Fund Account (as those terms are defined in and as provided in the Resolution), upon published and mailed notice as hereinafter provided, at the principal amount thereof together with accrued interest thereon to the date of redemption. The Bonds maturing by their terms on or after October 1, 1999, are subject to optional redemption by the District prior to their respective maturity dates, as a whole or in part on any interest payment date on or after October 1,

1998, from funds derived by the District from any source other than such Minimum Sinking Fund Account Payments, upon published and mailed notice as hereinafter provided, at the following redemption prices (computed upon the principal amount of Bonds or portions thereof called for redemption) together with accrued interest to the date of redemption, to wit:

102% if redeemed on October 1, 1998, or April 1, 1999;

101% if redeemed on October 1, 1999, or April 1, 2000; and

100% if redeemed on or after October 1, 2000, and prior to maturity.

If less than all the outstanding Bonds are to be redeemed at the option of the District at any one time, the Bonds of the latest maturity date or dates shall be redeemed prior to or simultaneously with the redemption of any Bonds maturing prior thereto, and if less than all the outstanding Bonds of any one maturity date are to be redeemed at any one time, the Paying Agent shall select the Bonds or portions thereof of such maturity date to be redeemed in integral multiples of five thousand dollars (\$5,000) by lot in any manner that it deems appropriate and fair.

Notice of redemption of this Bond or any portion hereof shall be published once in a newspaper of general circulation circulated in the District not less than thirty (30) days nor more than ninety (90) days before the redemption date and shall be mailed by the District not less than thirty (30) days nor more than sixty (60) days before the redemption date by first class mail to the registered owner hereof and to those securities depositories and securities information services selected by the District in accordance with the Resolution, but neither failure to receive any such mailed notice nor any immaterial defect contained therein shall affect the sufficiency or validity of such proceedings for redemption. If notice of redemption has been duly given as aforesaid, then this Bond or the portion thereof to be redeemed shall, on the redemption date designated in such notice, become due and payable at the above-described redemption price; and from and after the date so designated interest on this Bond or the portion thereof to be redeemed shall cease to accrue and the registered owner of this Bond shall have no rights in respect hereof except to receive payment of the redemption price of this Bond or the portion thereof to be redeemed, and upon surrender of this Bond if redeemed in part only, the District shall execute and the

Paying Agent shall authenticate and deliver to the registered owner hereof at the expense of the District a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of this Bond so surrendered.

The District has covenanted that, so long as any Bonds are outstanding, it will annually levy against all Taxable Land (as that term is defined in the Resolution) in the Community Facilities District and make provision for the collection of the Special Tax in amounts which will be sufficient, after making reasonable allowances for contingencies and errors in the estimates, to yield proceeds equal to the amounts required for compliance with the agreements, conditions, covenants and terms contained in the Resolution, and which in any event will be sufficient to pay the interest on and the principal of and the Minimum Sinking Fund Account Payments for and the redemption premiums, if any, on the Bonds as they become due and payable and to replenish the Bond Reserve Account established under the Resolution and to pay all current Expenses (as that term is defined in the Resolution) as they become due and payable in accordance with the provisions and terms of the Resolution.

The Bonds are issuable in the form of fully registered Bonds in the denomination of five thousand dollars (\$5,000) or any integral multiple thereof (not exceeding the principal amount of Bonds maturing at any one time). The registered owner of any Bond or Bonds may surrender the same (together with a written instrument of transfer satisfactory to the Paying Agent duly executed by the registered owner or his duly authorized attorney) in exchange for an equal aggregate principal amount of Bonds of the same maturity date of any other authorized denominations in the manner, subject to the conditions and upon payment of the charges provided in the Resolution.

The registration of this Bond is transferable on the registration books kept by the Paying Agent by the registered owner hereof or by his duly authorized attorney upon surrender of this Bond together with a written instrument of transfer satisfactory to the Paying Agent duly executed by the registered owner or his duly authorized attorney, and thereupon a new Bond or Bonds of the same maturity date of authorized denominations in the same aggregate principal amount will be issued to the transferee in exchange therefor in the manner, subject to the conditions and terms and upon payment of the charges provided in the Resolution. The District and the Paying Agent may deem and treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the interest hereon and principal hereof and redemption

premium, if any, hereon as provided in the Resolution and for all other purposes.

The Resolution and the rights and obligations of the District and of the registered owners of the Bonds may be amended or supplemented at any time in the manner, to the extent and upon the terms provided in the Resolution, but no such amendment or supplement shall (1) extend the maturity of this Bond or reduce the interest rate hereon or otherwise alter or impair the obligation of the District to pay the interest hereon or principal hereof or Minimum Sinking Fund Account Payment herefor or redemption premium, if any, hereon at the time and place and at the rate and in the currency and from the funds provided herein without the express written consent of the registered owner of this Bond, or (2) permit the issuance by the District of any obligations payable from the proceeds of the Special Tax other than the Bonds as provided in the Resolution, or jeopardize the ability of the District to levy and collect the Special Tax, or (3) reduce the percentage of Bonds required for the written consent to any such amendment to or supplement of the Resolution, or (4) modify any rights or obligations of the Paying Agent without its prior written assent thereto; all as more fully set forth in the Resolution.

The Bonds do not constitute an indebtedness of the District within the meaning of any constitutional or statutory debt limitation or restriction, and neither the Board of Directors of the District nor the District nor any officer or employee thereof shall be liable for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds otherwise than from the proceeds of the Special Tax as provided in the Resolution.

This Bond shall not be entitled to any benefits under the Resolution or become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been manually signed by the Paying Agent.

It is hereby certified that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law and that the amount of this Bond, together with all other obligations of the District and the Community Facilities District, does not exceed any limit prescribed by the laws of the State of California and is not in excess of the principal amount of the Bonds permitted to be issued under the Resolution.

IN WITNESS WHEREOF, the Rancho Murieta Community Series District has caused this Bond to be executed in its name and on its behalf by the facsimile signature of the President and its Board of Directors and countersigned by the facsimile signature of the Secretary of its Board of Directors, and has caused its seal to be printed hereon by facsimile reproduction, and has caused this Bond to be dated November 1, 1990.

RANCHO MURIETA COMMUNITY SERVICE
DISTRICT

By _____
President of the
Board of Directors

[Seal]

Countersigned:

Secretary of the Board
Board of Directors

[FORM OF PAYING AGENT'S CERTIFICATE OF AUTHENTICATION
AND REGISTRATION TO APPEAR ON BONDS]

This is one of the Bonds described in the
within-mentioned Resolution which has been authenticated and
registered on _____.

BANK OF ALAMEDA NATIONAL TRUST
AND SAVINGS ASSOCIATION,
as Paying Agent

By _____
Authorized Signatory

[FORM OF ASSIGNMENT TO
APPEAR ON BONDS]

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

Dated: _____

SIGNATURE GUARANTEED BY:

Note: The signature(s) to this Assignment must
correspond with the name(s) as written on the face of the
within Bond in every particular, without alteration or
enlargement or any change whatsoever, and the
signature(s) must be guaranteed by a member firm of the
New York Stock Exchange or a commercial bank or trust
company.

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

SECTION 2.06. Payment of Bonds. The interest on and principal of and redemption premiums, if any, on the Bonds shall be payable in lawful money of the United States of America at the office of the Paying Agent, and the District and the Paying Agent may deem and treat the registered owner of any Bond as the absolute owner of such Bond for all purposes hereof, whether such Bond shall be overdue or not, and neither the District nor the Paying Agent shall be affected by any notice or knowledge to the contrary. Payment of interest on the Bonds due before the maturity or prior redemption thereof shall be made only to the person whose name appears in the registration books required to be kept by the Paying Agent pursuant to Section 2.08 as the registered owner thereof at the close of business as of the fifteenth (15th) day of the month next preceding each interest payment date, such interest to be paid by check mailed by first class mail to such registered owner at his address as it appears on such books, except that in the case of a Holder of one million dollars (\$1,000,000) or more in principal amount of Bonds then Outstanding, payment shall be made at such Holder's option by wire transfer of immediately available funds according to written instructions provided by such Holder to the Paying Agent not later than the fifteenth (15th) day of the month before such interest payment date. Payment of the interest on the Bonds due on the maturity or prior redemption thereof and the principal of and redemption premiums, if any, on the Bonds shall be made only to the person whose name appears in the registration books required to be kept by the Paying Agent pursuant to Section 2.08 as the registered owner thereof, such interest and principal and redemption premiums, if any, to be paid only on the surrender of the Bonds at the office of the Paying Agent at maturity or on redemption prior to maturity.

SECTION 2.07. Execution of Bonds. The Bonds shall be signed on behalf of the District by the facsimile signature of the President and countersigned by the facsimile signature of the Secretary, and the seal of the District shall be printed thereon by facsimile reproduction thereof. In case any officer of the District who shall have signed any of the Bonds shall cease to be such officer before the Bonds so signed shall have been delivered to the purchaser by the Paying Agent, such Bonds may nevertheless be delivered and issued and, upon such delivery and issuance, shall be as binding upon the District as though such officer who signed the same had continued to be such officer until such delivery and issuance. Also, any Bond may be signed on behalf of the District by any person who on the actual date of the execution of such Bond shall be the proper officer of the District, although on the nominal date of such Bond such person shall not have been such officer of the District. Only those Bonds that bear thereon a certificate of authentication executed by

the Paying Agent shall be entitled to any benefit, protection or security hereunder or be valid or obligatory for any purpose, and such certificate of the Paying Agent shall be conclusive evidence that the Bonds so authenticated have been duly authorized, sold, executed, authenticated and delivered hereunder and are entitled to the benefits hereof.

SECTION 2.08. Transfer and Exchange of Bonds. The Paying Agent shall keep at its office sufficient books for the transfer and exchange of the Bonds, which books shall at all times during normal business hours be open to inspection by the District or by any Holder. Any Bond may, in accordance with its terms, be transferred or exchanged on such books by the person in whose name it is registered, in person or by his duly authorized attorney, upon payment by the Holder requesting such transfer or exchange of any tax or other governmental charge required to be paid with respect to such transfer or exchange and upon surrender of such Bond for cancellation accompanied by delivery of a duly executed written instrument of transfer or exchange in a form approved by the Paying Agent. Whenever any Bond or Bonds shall be surrendered for transfer or exchange, the District shall execute and the Paying Agent shall authenticate and deliver a new Bond or Bonds of the same maturity date and of authorized denominations for the same aggregate principal amount, except that neither the District nor the Paying Agent shall be required (i) to transfer or exchange any Bonds during the fifteen-day period prior to the selection of any Bonds for redemption under Article III, or (ii) to transfer or exchange any Bond which has been selected for redemption in whole or in part, except the unredeemed portion of such Bond selected for redemption in part, from and after the day that such Bond has been selected for redemption in whole or in part under Article III.

The District and the Paying Agent may deem and treat the registered owner of any Bond as the absolute owner of such Bond for all purposes hereof, whether such Bond shall be overdue or not, and neither the District nor the Paying Agent shall be affected by any notice or knowledge to the contrary; and payment of the interest on such Bond shall be made only to the registered owner thereof at the close of business as of the fifteenth (15th) day of the month next preceding each interest payment date and payment of the principal of and redemption premium, if any, on such Bond shall be made only to the registered owner thereof, which payments shall be valid and effectual to satisfy and discharge the liability on such Bond to the extent of the sum or sums so paid.

SECTION 2.09. Mutilated, Destroyed, Stolen or Lost Bonds. In case any Bond shall become mutilated in respect of

the body of such Bond or shall be believed by the District to have been destroyed, stolen or lost, upon proof of ownership satisfactory to the District and the Paying Agent and upon the surrender of such mutilated Bond at the office of the Paying Agent, or upon the receipt of evidence satisfactory to the District and the Paying Agent of such destruction, theft or loss and upon receipt of indemnity satisfactory to the District and the Paying Agent, and also upon payment of all expenses incurred by the District and the Paying Agent in the premises, the District shall execute and the Paying Agent shall authenticate and deliver at such office a new Bond or Bonds of the same maturity date for the same aggregate principal amount of like tenor and date and bearing such numbers and notations as the Paying Agent shall determine in exchange and substitution for and upon cancellation of the mutilated Bond or in lieu of and in substitution for the Bond so destroyed, stolen or lost.

If any such destroyed, stolen or lost Bond shall have matured or shall have been called for redemption, payment of the amount due thereon may be made by the District upon receipt of like proof, indemnity and payment of expenses.

Any substitute Bonds issued pursuant to this section shall be entitled to equal and proportionate benefits with all other Bonds issued hereunder, and the District and the Paying Agent shall not be required to treat both the original Bond and any duplicate Bond as being Outstanding for the purpose of determining the principal amount of Bonds which may be issued hereunder or for the purpose of determining any percentage of Bonds Outstanding hereunder, but both the original and the substitute Bond shall be treated as one and the same.

SECTION 2.10. Temporary Bonds. The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds shall be printed, lithographed or typewritten, shall be of such denominations as may be determined by the District, shall be issued in fully registered form and shall contain such reference to any of the provisions hereof as may be appropriate. Each temporary Bond shall be executed by the District upon the same conditions and in substantially the same manner as the definitive Bonds. If the District issues temporary Bonds, it will execute and furnish definitive Bonds without delay, and thereupon the temporary Bonds may be surrendered in exchange therefor at the office of the Paying Agent, and the Paying Agent shall deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations of the same maturity date or dates, and until so exchanged, the temporary

Bonds shall be entitled to the same benefits as definitive Bonds issued hereunder.

SECTION 2.11. Application of Proceeds of Sale of Bonds. Upon the receipt of payment for the Bonds when the same shall have been duly sold by the District, the District shall set aside and deposit the proceeds of sale of the Bonds in the following accounts and fund in the following order:

(a) The District shall deposit in the Redemption Account a sum which is equal to the interest accruing on the Bonds to and including October 1, 1991.

(b) The District shall deposit in the Bond Reserve Account a sum which is equal to the Required Bond Reserve.

(c) The District shall deposit the remainder of the proceeds of sale of the Bonds in the Rancho Murieta Community Services District Community Facilities District No. 1 Acquisition and Construction Fund, which fund is hereby established in the treasury of the District. All money in the Acquisition and Construction Fund shall be applied by the District in the manner provided by the Law for payment of costs of the acquisition, construction and installation of the Facilities upon (in the case of an acquisition) receiving satisfactory evidence that such Facilities are completed and ready to be acquired (or for making reimbursements to the District for such costs of acquisition, construction and installation theretofore paid by it), including payment of costs incidental to or connected with such acquisition, construction and installation, or for the repayment of funds advanced to or for the Community Facilities District.

ARTICLE III

REDEMPTION OF BONDS

SECTION 3.01. Redemption Prices and Terms of Bonds. The Term Bonds maturing on October 1, 2010, are subject to mandatory redemption by the District prior to their maturity date in part on any October 1 on or after October 1, 2006, to and including October 1, 2009, and the Term Bonds maturing on October 1, 2015, are subject to mandatory redemption by the District prior to their maturity date in part on any October 1 on or after October 1, 2011, to and including October 1, 2014, in each case solely from Minimum Sinking Fund Account Payments deposited in the Sinking Fund Account, upon published and mailed notice as provided herein,

at the principal amount thereof together with accrued interest thereon to the date of redemption. The Bonds maturing by their terms on or after October 1, 1999, are subject to optional redemption by the District prior to their respective maturity dates, as a whole or in part on any interest payment date on or after October 1, 1998, from funds derived by the District from any source other than such Minimum Sinking Fund Account Payments deposited in the Sinking Fund Account, upon published and mailed notice as provided herein, at the following redemption prices (computed upon the principal amount of Bonds or portions thereof called for redemption) together with accrued interest to the date of redemption, to wit:

102% if redeemed on October 1, 1998, or April 1, 1999;

101% if redeemed on October 1, 1999, or April 1, 2000; and

100% if redeemed on or after October 1, 2000, and prior to maturity.

SECTION 3.02. Selection of Bonds for Redemption.

If less than all the Outstanding Bonds are to be redeemed at the option of the District at any one time, the Bonds of the latest maturity date or dates shall be redeemed prior to or simultaneously with the redemption of the Bonds maturing prior thereto, and if less than all the Outstanding Bonds of any one maturity date are to be redeemed at any one time, the Paying Agent shall select the Bonds or the portions thereof of such maturity date to be redeemed in integral multiples of five thousand dollars (\$5,000) by lot in any manner that it deems appropriate and fair. The District shall notify the Paying Agent in writing at least fifteen (15) days prior to the date fixed for the selection by the Paying Agent of any Bonds for redemption, and after such selection the Paying Agent shall promptly notify the District in writing of the numbers of the Bonds selected for redemption in whole or in part.

SECTION 3.03. Notice of Redemption. The District shall publish a notice of redemption of any Bonds called for redemption once in a newspaper of general circulation circulated in the District not less than thirty (30) days nor more than ninety (90) days before the redemption date of such Bonds called for redemption and shall mail a notice of redemption of any Bonds called for redemption pursuant to Section 10.09 to the respective Holders of all Bonds selected for redemption in whole or in part and to all securities depositories and securities information services selected by it to comply with custom or the rules of any securities

exchange or commission or brokerage board or otherwise as may be determined by it in its sole discretion. Such notice shall state the date of such notice, the Bonds to be redeemed, the date of issue of such Bonds, the redemption date, the redemption price, the place of redemption (including the name and appropriate address of the Paying Agent), the CUSIP number of the maturity or maturities and, if less than all of any such maturity, the numbers of the Bonds of such maturity to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed, and shall give notice that further interest on such Bonds or the portions thereof to be redeemed will not accrue after the redemption date, and shall require that such Bonds be then surrendered at the address of the Paying Agent so designated. If any Bond so chosen for redemption shall not be redeemable in whole, such notice shall also state that such Bond is to be redeemed in part only and that upon presentation of such Bond for redemption there will be issued in lieu of the unredeemed portion of principal thereof a new Bond or Bonds of the same maturity date of authorized denominations equal in aggregate principal amount to such unredeemed portion.

SECTION 3.04. Partial Redemption of Bonds. Upon surrender of any Bond redeemed in part only, the District shall execute and the Paying Agent shall authenticate and deliver to the registered owner thereof at the expense of the District a new Bond or Bonds of the same maturity date and of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

SECTION 3.05. Effect of Redemption of Bonds. If notice of redemption has been duly given as aforesaid and money for the payment of the principal of and redemption premiums, if any, on, together with interest to the redemption date on, the Bonds or portions thereof so called for redemption is held by the Paying Agent, then on the redemption date designated in such notice such Bonds or such portions thereof shall become due and payable, and from and after the date so designated interest on the Bonds or such portions thereof so called for redemption shall cease to accrue and the Holders of such Bonds shall have no rights in respect thereof except to receive payment of the principal or such portions thereof and the redemption premiums, if any, thereon and the interest accrued thereon to the redemption date; provided, that redemption of Bonds other than from Minimum Sinking Fund Account Payments or from the application of refunding bond proceeds shall be made only from and to the extent of funds on deposit with the Paying Agent and available for such purpose on the date of redemption.

ARTICLE IV

SPECIAL TAX

SECTION 4.01. Deposit of Proceeds of the Special Tax in the Special Tax Fund. The District agrees and covenants that all proceeds of the Special Tax (including any prepayments thereof), when and as received, shall be immediately deposited in the Rancho Murieta Community Services District Community Facilities District No. 1 Special Tax Fund, which fund is hereby established in the treasury of the District and which fund the District hereby agrees and covenants to maintain so long as any Bonds are Outstanding hereunder, and all money in such fund shall be held by the District in trust hereunder and shall be accounted for separately and apart from all other accounts, funds, money or other resources of the District and shall be disbursed, allocated and applied by the District solely to the uses and purposes hereinafter set forth in this article.

SECTION 4.02. Allocation of Money in the Special Tax Fund. All money in the Special Tax Fund shall be set aside by the District in the following respective special accounts within the Special Tax Fund (each of which accounts is hereby created) in the following order of priority, and all money in each of such accounts shall be applied, used and withdrawn only for the purposes hereinafter authorized in this section, namely:

- (1) Redemption Account,
- (2) Bond Reserve Account,
- (3) Expense Account, and
- (4) Prepayment Account.

(1) Redemption Account. On or before the twenty-fifth (25th) day of each March and September, beginning in March, 1992, the District shall, from the money in the Special Tax Fund (other than money constituting prepayments of the Special Tax), first transfer to and deposit in the Redemption Account an amount of money equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on the next succeeding interest payment date, and thereafter shall transfer to and deposit in the Redemption Account an amount of money equal to either one-half (1/2) of the amount of principal becoming due and payable on all Outstanding Bonds on the next succeeding October 1, or one-half (1/2) of the Minimum Sinking Fund Account

Payment required hereby to be made during the year ending on the next succeeding October 1 into the Sinking Fund Account, as the case may be.

No deposit need be made into the Redemption Account if the amount of money contained therein is at least equal to the amount required by the terms of the preceding paragraph to be deposited therein at the times and in the amounts herein provided.

All money in the Redemption Account shall be used and withdrawn by the District solely for transfer to the Paying Agent to pay the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity) plus the principal of and redemption premiums, if any, on the Bonds as they shall become due and payable, except that any money in the Sinking Fund Account shall be used only to purchase or redeem or retire the Term Bonds as provided herein.

(2) Bond Reserve Account. On or before the twenty-fifth (25th) day of each March and September, beginning in March, 1992, the District shall, from the then remaining money in the Special Tax Fund (other than money constituting prepayments of the Special Tax), transfer to and deposit in the Bond Reserve Account such amount of money as shall be required to restore the Bond Reserve Account to a sum equal to the Required Bond Reserve; and for this purpose all investments in the Bond Reserve Account shall (beginning in March, 1992) be valued on March 25 and September 25 of each year at the face value thereof if such investments mature within twelve (12) months from the date of valuation, or if such investments mature more than twelve (12) months after the date of valuation, at the price at which such investments are redeemable by the holder at his option, if so redeemable, or if not so redeemable, at the lesser of (i) the cost of such investments plus the amortization of any premium or minus the amortization of any discount, or (ii) the market value of such investments, and for this latter purpose, market value on any such date shall mean the last reported transaction price of such investments or, if not reported, the mean of the closing bid and asked prices of such investments on the next preceding business day as reported in The Wall Street Journal (or, if such publication is unavailable, in such other financial publication of national standing as may be selected by the Paying Agent), except that as to any investments the bid and asked prices of which are not published on a regular basis in The Wall Street Journal,

market value shall mean the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Paying Agent in its sole discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service.

No deposit need be made into the Bond Reserve Account if the value of the money and the investments contained therein is at least equal to the Required Bond Reserve.

All money in the Bond Reserve Account shall be used and withdrawn by the District solely for transfer to the Paying Agent to pay the interest on or principal of or redemption premiums, if any, on the Bonds as they shall become due and payable in the event there is insufficient money in the Redemption Account available for this purpose; provided, that if as a result of any of the foregoing valuations it is determined that the amount of money in the Bond Reserve Account exceeds the Required Bond Reserve, the District shall withdraw the amount of money representing such excess from such fund and shall deposit such amount of money in the Acquisition and Construction Fund or in the Special Tax Fund, as the case may be, as provided in the last paragraph of Section 10.05.

(3) Expense Account. On or before the twenty-fifth (25th) day of each March and September, beginning in March, 1992, the District shall, from the then remaining money in the Special Tax Fund (other than money constituting prepayments of the Special Tax), transfer to and deposit in the Expense Account a sum equal to the amount required by the District for the payment of budgeted Expenses during the six-month period beginning on the next succeeding April 1 or October 1, as the case may be. All money in the Expense Account shall be used and withdrawn by the District only to pay Expenses as they become due and payable or to pay interest on or principal of or redemption premiums, if any, on the Bonds in the event that no other money is available therefor.

(4) Prepayment Account. Immediately upon receipt of any prepayments of the Special Tax (including any payments pursuant to Section 53317.5 of the Law), the District shall, from the money in the Special Tax Fund constituting such prepayments, transfer to and deposit in the Prepayment Account the amount of money constituting such prepayments, and all money in the Prepayment Account

shall be used and withdrawn by the District solely as provided in the applicable provisions of the formula establishing the Special Tax concerning the use of such prepayments.

All money remaining in the Special Tax Fund (other than money in the Redemption Account, the Bond Reserve Account, the Expense Account or the Prepayment Account) on October 1 of each year, beginning in October, 1992, after withdrawing all of the sums required to be withdrawn therefrom on or prior to such date by the provisions of Sections 4.02(1), (2), (3) and (4), shall be withdrawn from the Special Tax Fund by the District and deposited in the Rancho Murieta Community Services District Community Facilities District No. 1 Community Facilities District Fund, which fund is hereby established in the treasury of the District and which fund the District hereby agrees and covenants to maintain so long as any Bonds are Outstanding hereunder. All money in the Community Facilities District Fund shall be used and withdrawn by the District solely for the purpose of paying costs of the acquisition and construction of the Facilities or otherwise for the benefit of the Community Facilities District in accordance with the Law.

ARTICLE V

COVENANTS OF THE DISTRICT

SECTION 5.01. Punctual Payment and Performance.

The District will punctually pay the interest on and principal of and redemption premium, if any, to become due on every Bond issued hereunder in strict conformity with the terms of the Law and hereof and of the Bonds, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained herein and in the Bonds required to be observed and performed by it.

SECTION 5.02. Against Indebtedness and

Encumbrances. The District will not issue any evidences of indebtedness payable from the proceeds of the Special Tax except as provided in Article III, and will not create, nor permit the creation of, any pledge, lien, charge or other encumbrance upon any money in the Special Tax Fund other than as provided herein; provided, that the District may at any time, or from time to time, issue evidences of indebtedness for any lawful purpose of the Community Facilities District which are payable from any moneys in the Community Facilities District Fund as may from time to time be deposited therein (as provided in Section 4.02), so long as any payments due

thereunder shall be subordinate in all respects to the use of the proceeds of the Special Tax as provided herein.

SECTION 5.03. Against Federal Income Taxation.

(a) The District will not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, and specifically the District will not directly or indirectly use or make any use of the proceeds of the Bonds or any other funds of the District or take or omit to take any action that would cause the Bonds to be "arbitrage bonds" subject to federal income taxation by reason of Section 148 of the Code or "private activity bonds" subject to federal income taxation by reason of Section 141(a) of the Code or obligations subject to federal income taxation because they are "federally guaranteed" as provided in Section 149(b) of the Code; and to that end the District, with respect to the proceeds of the Bonds and such other funds, will comply with all requirements of such sections of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent that such regulations are, at the time, applicable and in effect; provided, that if the District shall obtain an opinion of nationally recognized bond counsel to the effect that any action required under this section is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, the District may rely conclusively on such opinion in complying with the provisions hereof. In the event that at any time the District is of the opinion that for purposes of this section it is necessary to restrict or limit the yield on the investment of any moneys held by the District hereunder or otherwise the District shall so instruct the General Manager in writing, and the General Manager shall take such action as may be necessary in accordance with such instructions.

(b) Without limiting the generality of the foregoing, the District will pay from time to time all amounts required to be rebated to the United States of America pursuant to Section 148(f) of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent that such regulations are, at the time, applicable and in effect, which obligation shall survive payment in full or defeasance of the Bonds, and to that end, there is hereby established in the treasury of the District a fund to be known as the Rancho Murieta Community Services District Community Facilities District No. 1 Special Tax Bonds Rebate Fund to be held and administered by the District. The

District will comply with the provisions of the Rebate Certificates with respect to making deposits in the Rebate Fund, and moneys held in the Rebate Fund are pledged to provide payments to the United States of America as provided herein and in the Rebate Certificates and no other person shall have claim to such moneys except as provided in the Rebate Certificates.

SECTION 5.04. Payment of Claims. The District will pay and discharge any and all lawful claims which, if unpaid, might become payable from the proceeds of the Special Tax or any part thereof or upon any funds in the hands of the District or the Paying Agent allocated to the payment of the interest on or principal of or redemption premiums, if any, on the Bonds, or which might impair the security of the Bonds.

SECTION 5.05. Expense Budgets. The District will, prior to July 1, 1991, adopt a budget setting forth the estimated Expenses for the period from such date to and including the next ensuing June 30. On or before the first day of July in each succeeding year, the District will adopt a budget setting forth the estimated Expenses for the year ending on the next succeeding June 30; provided, that any budget adopted in accordance with this section may be amended at any time.

SECTION 5.06. Accounting Records; Financial Statements and Other Reports.

(a) The District will keep appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the receipt, investment, disbursement, allocation and application of the proceeds of the Special Tax and of the proceeds of the Bonds, which accounting records shall at all times during business hours be subject to the inspection of any Holder (or his representative authorized in writing) and of any investment banker, security dealer or other person interested in the Bonds.

(b) The District will prepare annually within one hundred eighty (180) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 1991) financial statements of the District for the preceding Fiscal Year prepared in accordance with Generally Accepted Accounting Principles, together with an Accountant's Report thereon and a special report prepared by the Independent Certified Public Accountant who examined such financial statements stating that nothing came to his attention in connection with such examination that caused him to believe that the District was not in compliance with any of the financial agreements or covenants contained herein. The District will furnish a copy

of such financial statements and Accountant's Report without charge to any Holder (or his representative authorized in writing) and to any investment banker, security dealer or other person interested in the Bonds requesting copies thereof.

(c) The District will prepare annually not more than one hundred eighty (180) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 1991) a summary report showing in reasonable detail the proceeds of the Special Tax levied and collected and the Expenses for the preceding Fiscal Year and containing a general statement of the physical condition of the Facilities. The District will furnish a copy of such summary report without charge to any Holder (or his representative authorized in writing) and to any investment banker, security dealer or other person interested in the Bonds requesting a copy thereof.

SECTION 5.07. Protection of Security and Rights of Holders. The District will preserve and protect the security of the Bonds and the rights of the Holders and will warrant and defend their rights against all claims and demands of all persons.

SECTION 5.08. Payment of Governmental Charges and Compliance with Governmental Regulations. The District will pay and discharge all taxes or payments in lieu of taxes, assessments and other governmental charges or liens that may be levied, assessed or charged upon the Facilities or any part thereof promptly as and when the same shall become due and payable, except that the District shall not be required to pay any such governmental charges so long as the application or validity thereof shall be contested in good faith and the District shall have set aside reserves to cover such charges. The District will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Facilities or any part thereof, except that the District shall not be required to comply with any such regulations or requirements so long as the application or validity thereof shall be contested in good faith.

SECTION 5.09. Levy and Collection of the Special Tax. The District, so long as any Bonds are Outstanding, will annually levy the Special Tax against all Taxable Land in the Community Facilities District and make provision for the collection of the Special Tax in amounts which will be sufficient, after making reasonable allowances for contingencies and errors in the estimates, to yield proceeds equal to the amounts required for compliance with the agreements, conditions, covenants and terms contained herein,

and which in any event will be sufficient to pay the interest on and principal of and Minimum Sinking Fund Account Payments for and redemption premiums, if any, on the Bonds as they become due and payable and to replenish the Bond Reserve Account and to pay all current Expenses as they become due and payable in accordance with the provisions and terms hereof. The Special Tax shall be collected in the same manner as ordinary ad valorem property taxes are collected and, except as otherwise provided in Section 5.10 and in the Law, shall be subject to the same penalties and the same collection procedure, sale, and lien priority in case of delinquency as is provided for ad valorem property taxes.

SECTION 5.10. Foreclosure of Special Tax Liens.

The District annually will review the public records of the County of Sacramento relating to the collection of the Special Tax in order to determine, by a date not later than December 1 of each year, the amount of the Special Tax collected and the amount thereof delinquent in the prior Fiscal Year, and on the basis of such review the District shall institute foreclosure proceedings in order to enforce the lien of any delinquent installments of the Special Tax, as follows:

(a) If the District determines that property owned by any single property owner in the Community Facilities District is delinquent by ten thousand dollars (\$10,000) or more in the prior Fiscal Year or Years with respect to the Special Tax due and payable by such property owner, then it will, within sixty (60) days thereafter, institute foreclosure proceedings as authorized by the Law in order to enforce the lien of the delinquent installments of the Special Tax and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale; and

(b) If the District determines that the total amount of the Special Tax that is delinquent, less the amount of the delinquencies referred to in subparagraph (a) hereof, exceeds five per cent (5%) of the total amount of the Special Tax due and payable in the prior Fiscal Year, the District will institute, prosecute and pursue foreclosure proceedings to judgment and sale in the time and manner provided in subparagraph (a) hereof against any single property owner in the Community Facilities District delinquent by eight hundred dollars (\$800) or more with respect to the Special Tax due and payable by such property owner for the prior Fiscal Year or Years; and

(c) If the District determines that the total amount of the Special Tax that is delinquent, less the amount of the delinquencies referred to in subparagraphs (a) and (b) hereof, exceeds three per cent (3%) of the total amount of the

Special Tax due and payable in the prior Fiscal Year, the District will institute, prosecute and pursue foreclosure proceedings to judgment and sale in the time and manner provided in subparagraph (a) hereof against all property owners in the Community Facilities District delinquent with respect to the Special Tax due and payable by such property owners for the prior Fiscal Year or Years.

SECTION 5.11. Further Assurances. The District will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof and for the better assuring and confirming unto the Holders of the rights and benefits provided herein.

ARTICLE VI

THE PAYING AGENT

SECTION 6.01. The Paying Agent. Bank of America National Trust and Savings Association at its corporate trust office in San Francisco, California, is hereby appointed Paying Agent of the District for the purpose of receiving all money which the District is required to transfer to it hereunder and for applying and using such money as provided herein for the purpose of paying the interest on and principal of and redemption premiums, if any, on the Bonds. The District agrees that it will at all times maintain a Paying Agent having a corporate trust office in San Francisco, California.

The District may remove the Paying Agent initially appointed and any successor thereto and may appoint a successor or successors thereto by an instrument in writing; provided, that any such successor shall be a bank or trust company doing business and having a corporate trust office in San Francisco, California, having a combined capital (exclusive of borrowed capital) and surplus of at least one hundred million dollars (\$100,000,000) and subject to supervision or examination by a federal or state banking authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The Paying Agent may at any time resign by giving written notice of such resignation to the District and by giving notice of such

resignation by mail pursuant to Section 10.09 to the Holders, and upon receiving such notice of resignation, the District shall promptly appoint a successor Paying Agent by an instrument in writing having the qualifications required hereby. Any resignation or removal of a Paying Agent and appointment of a successor Paying Agent shall become effective only upon the acceptance of appointment by the successor Paying Agent. If within thirty (30) days after notice of the removal or resignation of the Paying Agent no successor Paying Agent shall have been appointed by the District and shall have accepted such appointment, the removed or resigning Paying Agent may petition any court of competent jurisdiction for the appointment of a successor Paying Agent, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Paying Agent having the qualifications required hereby.

The Paying Agent is hereby authorized to pay interest on the Bonds due before the maturity or prior redemption thereof to the Holders as their names appear at the close of business as of the fifteenth (15th) day of the month next preceding each interest payment date on the registration books required to be kept by it pursuant to Section 2.08 as the registered owners thereof, such interest to be paid by check mailed to the Holders at their addresses appearing on such books or at such other addresses as they may have filed with the Paying Agent for that purpose (except that in the case of a Holder of one million dollars (\$1,000,000) or more in principal amount of Outstanding Bonds, payment shall be made at such Holder's option by wire transfer of immediately available funds according to written instructions provided by such Holder to the Paying Agent not later than the fifteenth (15th) day of the month before such interest payment date) and to pay to the Holders the interest on the Bonds due on the maturity or prior redemption thereof and the principal of and redemption premiums, if any, on the Bonds upon presentation and surrender of the Bonds to the Paying Agent at maturity or on redemption prior to maturity. The Paying Agent shall cancel and destroy all Bonds paid by it at maturity or on redemption prior to maturity and all Bonds surrendered to it by the District, and shall deliver to the District a certificate of such destruction, and the Paying Agent shall keep accurate records of all Bonds cancelled and destroyed by it hereunder. All money held by or on behalf of the Paying Agent for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds, whether at maturity or on prior redemption, shall be held in trust for the account of the Holders thereof, and the Paying Agent shall not be required to pay the District or the Holders or any other person for any interest earned on any money so held.

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

SECTION 6.02. Liability of the Paying Agent. The recitals of facts, agreements and covenants contained herein and in the Bonds shall be taken as statements, agreements and covenants of the District, and the Paying Agent does not assume any responsibility for the correctness of the same and does not make any representation as to the sufficiency or validity hereof or of the Bonds or of the Special Tax, or as to the financial or technical feasibility of the acquisition and construction of the Facilities, and shall not incur any responsibility in respect thereof other than in connection with the rights and obligations expressly assigned to or imposed upon it herein or in the Bonds, and shall not be liable in connection with the performance of its duties hereunder except for its own negligence or willful misconduct. The Paying Agent shall not be liable for any error of judgment made in good faith, unless it shall be proved that the Paying Agent was negligent in ascertaining the pertinent facts, and no provision hereof shall require the Paying Agent to expend or risk its own funds or otherwise incur any liability for the performance of its duties hereunder, or in the exercise of any of its rights or powers hereunder, if it shall have reasonable grounds for believing that repayment of such funds, or adequate indemnity satisfactory to it against such risks or liability, is not assured to it.

SECTION 6.03. Notice to the Paying Agent. The Paying Agent shall be protected in acting upon any Bond, certificate, consent, notice, opinion, report, request, resolution or other document or paper believed by it to be genuine and to have been signed or presented by the proper party or parties. The Paying Agent may consult with counsel, including, without limitation, counsel to the District, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection with

respect to any action taken or suffered hereunder in good faith and in accordance therewith.

Whenever in the administration of its rights and obligations hereunder the Paying Agent shall deem it necessary or desirable that a matter be established or proved prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of bad faith on the part of the Paying Agent, be deemed to be conclusively established or proved by a Certificate of the District or an Accountant's Report, which shall be full warrant to the Paying Agent for any action taken or suffered under the provisions hereof upon the faith thereof, and on which the Paying Agent may conclusively rely, but in its discretion the Paying Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

ARTICLE VII

AMENDMENT OF OR SUPPLEMENT TO THE RESOLUTION

SECTION 7.01. Procedure for Amendment of or Supplement to the Resolution. The Resolution and the rights and obligations of the District and of the Holders may be amended or supplemented at any time by a Supplemental Resolution which shall become binding when the written consents of the Holders of sixty per cent (60%) in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 7.02, are filed with the District. No such amendment or supplement shall (1) extend the maturity of or reduce the interest rate on or otherwise alter or impair the obligation of the District to pay the interest on or principal of or Minimum Sinking Fund Account Payment for or redemption premium, if any, on any Bond at the time and place and at the rate and in the currency and from the funds provided herein without the express written consent of the Holder of such Bond, or (2) permit the issuance by the District of any obligations payable from the proceeds of the Special Tax other than the Bonds as provided herein, or jeopardize the ability of the District to levy and collect the Special Tax, or (3) reduce the percentage of Bonds required for the written consent to any such amendment or supplement, or (4) modify any rights or obligations of the Paying Agent without its prior written assent thereto.

The Resolution and the rights and obligations of the District and of the Holders may also be amended or supplemented at any time by a Supplemental Resolution which shall become binding upon adoption without the prior written

consent of any Holders, but only to the extent permitted by law and only for any one or more of the following purposes --

(a) To add to the agreements and covenants required herein to be performed by the District other agreements and covenants thereafter to be performed by the District which shall not adversely affect the interests of the Holders, or to surrender any right or power reserved herein to or conferred herein upon the District which shall not (in the opinion of the District) adversely affect the interests of the Holders;

(b) To make such provisions for the purpose of curing any ambiguity or of curing, correcting or supplementing any defective provision contained herein or in regard to questions arising hereunder which the District may deem desirable or necessary and not inconsistent herewith and which shall not (in the opinion of the District) adversely affect the interests of the Holders;

(c) To make such additions, deletions or modifications as may be necessary or appropriate, as set forth in an Opinion of Counsel filed with the District and the Paying Agent, to insure compliance with Section 148(f) of the Code relating to the required rebate of excess investment earnings to the United States of America, or otherwise as may be necessary to insure exclusion from gross income for purposes of federal income taxation of the interest on the Bonds; or

(d) To make such additions, deletions or modifications as may be necessary or appropriate, as set forth in an Opinion of Counsel filed with the District and the Paying Agent, to maintain any then current rating by either Moody's or Standard & Poor's on the Bonds.

SECTION 7.02. Disqualified Bonds. Bonds owned or held for the account of the District shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided for in this article or in Article VIII, and shall not be entitled to consent to or take any other action provided for in this article or in Article VIII.

SECTION 7.03. Endorsement or Replacement of Bonds After Amendment or Supplement. After the effective date of any action taken as hereinabove provided, the District may determine that the Bonds may bear a notation by endorsement in form approved by it as to such action, and in that case upon demand of the Holder of any Bond Outstanding on such effective

date and presentation of his Bond for such purpose at the office of the Paying Agent a suitable notation as to such action shall be made on such Bond. If the District shall so determine, new Bonds so modified as, in the opinion of the District, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Holder of any Bond Outstanding on such effective date such new Bonds shall, upon surrender of such Outstanding Bonds, be exchanged at the office of the Paying Agent, without cost to each Holder, for Bonds then Outstanding.

SECTION 7.04. Amendment or Supplement by Mutual Consent. The provisions of this article shall not prevent any Holder from accepting any amendment or supplement as to any particular Bonds held by him; provided, that due notation thereof is made on such Bonds.

ARTICLE VIII

REMEDIES OF HOLDERS

SECTION 8.01. Remedies of Holders. Any Holder shall have the right for the equal benefit and protection of all Holders similarly situated --

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

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Holders; or

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

SECTION 8.02. Non-waiver. Nothing in this article or in any other provision herein or in the Bonds shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the interest on and principal of and redemption premiums, if any, on the Bonds to the respective Holders of the Bonds at the respective dates of maturity or upon redemption prior to maturity as provided herein from the

proceeds of the the Special Tax as provided herein, or shall affect or impair the right of such Holders, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied herein and in the Bonds.

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

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

SECTION 8.03. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Holders is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Law or any other law.

ARTICLE IX

DEFEASANCE

SECTION 9.01. Discharge of any Bonds.

(a) If the District shall pay or cause to be paid or there shall otherwise be paid to the Holders of all Outstanding Bonds the interest thereon and the principal thereof and the redemption premiums, if any, thereon at the times and in the manner stipulated therein and herein, then all agreements, covenants and other obligations of the District to the Holders of such Bonds hereunder shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Paying Agent shall execute and deliver to the District all such instruments as may be

necessary or desirable to evidence such discharge and satisfaction, and the Paying Agent shall pay over or deliver to the District all money or securities held by it pursuant hereto which are not required for the payment of the interest on and principal of and redemption premiums, if any, on such Bonds.

(b) Any Outstanding Bonds shall on the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section if there shall be on deposit with the Paying Agent money which is sufficient to pay the interest due on such Bonds on such date and the principal and redemption premiums, if any, due on such Bonds on such date.

(c) Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in subsection (a) of this section if (1) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the District shall have agreed to publish and mail a notice of redemption pursuant to Section 10.09 to the respective Holders of all such Outstanding Bonds and to such securities depositories or securities information services selected by it pursuant to Section 3.03, (2) there shall have been deposited with an escrow agent or the Paying Agent either money in an amount which shall be sufficient or Federal Securities which are not subject to redemption except by the holder thereof prior to maturity (including any Federal Securities issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) or municipal obligations which have been defeased with Federal Securities and which are rated in the highest rating category by either Moody's or Standard & Poor's, the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with such escrow agent or the Paying Agent at the same time, shall be sufficient to pay when due the interest to become due on such Bonds on and prior to the maturity dates or redemption dates thereof, as the case may be, and the principal of and redemption premiums, if any, on such Bonds on and prior to the maturity dates or the redemption dates thereof, as the case may be, as evidenced by an Accountant's Report on file with the District and the Paying Agent, and (3) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the District shall have agreed to mail pursuant to Section 10.09 a notice to the Holders of such Bonds and to such securities depositories and securities information services selected by it pursuant to Section 3.03 that the deposit required by clause (2) above has been made with such escrow agent or the Paying Agent and that

such Bonds are deemed to have been paid in accordance with this section and stating the maturity dates or redemption dates, as the case may be, upon which money is to be available for the payment of the principal of and redemption premiums, if any, on such Bonds.

SECTION 9.02. Unclaimed Money. Anything contained herein to the contrary notwithstanding, any money held by the Paying Agent in trust for the payment and discharge of any of the Bonds or any interest thereon which remains unclaimed for four (4) years after the date when such Bonds or interest thereon have become due and payable, either at their stated maturity dates or by call for redemption prior to maturity, if such money was held by the Paying Agent on such date, or for four (4) years after the date of deposit of such money if deposited with the Paying Agent after the date when such Bonds or interest thereon became due and payable, shall be repaid by the Paying Agent to the District as its absolute property free from trust and for use in accordance with the Law, and the Paying Agent shall thereupon be released and discharged with respect thereto and the Holders shall look only to the District for the payment of such Bonds and interest thereon; provided, that before the Paying Agent shall be required to make any such repayment the District shall mail pursuant to Section 10.09 a notice to the Holders of all Outstanding Bonds and to such securities depositories and securities information services selected by it pursuant to Section 3.03 that such money remains unclaimed and that after a date named in such notice, which date shall not be less than thirty (30) days after the date of the mailing of such notice, the balance of such money then unclaimed will be returned to the District.

ARTICLE X

MISCELLANEOUS

SECTION 10.01. Liability of District Limited to Proceeds of the Special Tax. Notwithstanding anything contained herein, the District shall not be required to advance any money derived from any source of income other than the proceeds of the Special Tax as provided herein for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds.

The Bonds are special tax obligations of the District and the interest on and principal of and redemption premiums, if any, on the Bonds are payable solely from the proceeds of the Special Tax as provided herein, and the District is not obligated to pay them except from the proceeds of the Special Tax. The general fund of the District is not

liable and the full faith and credit of the District is not pledged for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds, and no tax or assessment other than the Special Tax shall ever be levied or collected to pay the interest on or principal of or redemption premiums, if any, on the Bonds. The Bonds are not secured by a legal or equitable pledge of or charge, lien or encumbrance upon any property of the District or any of its income or receipts except the money in the Special Tax Fund, and neither the payment of the interest on or principal of or redemption premiums, if any, on the Bonds is a general debt, liability or obligation of the District. The Bonds do not constitute an indebtedness of the District within the meaning of any constitutional or statutory debt limitation or restriction, and neither the Board of Directors nor the District nor any officer or employee thereof shall be liable for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds otherwise than from the proceeds of the Special Tax as provided herein.

SECTION 10.02. Benefits of the Resolution Limited to Certain Parties. Nothing contained herein, express or implied, is intended to give to any person other than the Board of Directors, the District, the Paying Agent and the Holders any right, remedy or claim under or by reason hereof, and any agreement or covenant required herein to be performed by or on behalf of the Board of Directors or the District or any officer or employee thereof shall be for the sole and exclusive benefit of the Paying Agent and the Holders.

SECTION 10.03. Successor is Deemed Included in All References to Predecessor. Whenever either the Board of Directors or any officer or employee of the District is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions with respect to the administration, control and management of the affairs of the District that are presently vested in the Board of Directors or such officer or employee, and all agreements and covenants required herein to be performed by or on behalf of the Board of Directors or any officer or employee thereof shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

SECTION 10.04. Execution of Documents by Holders. Any declaration, request or other instrument which is permitted or required herein to be executed by Holders may be in one or more instruments of similar tenor, and may be executed by Holders in person or by their attorneys duly authorized in writing. The fact and date of the execution by any Holder or his attorney of any declaration, request or other instrument or of any writing appointing such attorney

may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state or territory in which he purports to act that the person signing such declaration, request or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness to such execution duly sworn to before such notary public or other officer. The ownership of Bonds and the amount, maturity, number and date of holding the same shall be provided by the registration books required to be kept by the Paying Agent pursuant to Section 2.08.

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

SECTION 10.05. Deposit and Investment of Money in Accounts and Funds. All money held by the District in any accounts and funds established herein shall be deposited in time or demand deposits in any state or nationally chartered bank or trust company, including the Paying Agent, or a state or federal savings and loan association, and shall be secured at all times by such obligations as are required by law and to the fullest extent required by law, except such money that is at the time invested in accordance with this section. Money in the Acquisition and Construction Fund and in the Special Tax Fund and in the Redemption Account and in the Expense Account and in the Prepayment Account and in the Community Facilities District Fund may be invested by the District in Legal Investments maturing not later than the date on which it is estimated that such money will be required to be paid out hereunder, and money in the Bond Reserve Account may be invested by the District in Federal Securities maturing not more than five (5) years from the date of purchase by the District, or the final maturity date of any Outstanding Bonds, whichever is earlier.

All interest received on any such money so deposited or invested which exceeds the requirements of the account or fund from which such money was deposited or invested shall (subject to the requirements of Section 5.03), prior to the completion of the acquisition and construction of the Facilities, be deposited in the Acquisition and Construction Fund, and after such completion shall be deposited in the Special Tax Fund, and all losses on any such money so deposited or invested shall be borne by the account or fund from which the deposit or investment was made.

SECTION 10.06. Waiver of Personal Liability. No member of the Board of Directors or officer or employee of the District shall be individually or personally liable for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds, but nothing herein contained shall relieve any member of the Board of Directors or officer or employee of the District from the performance of any official duty provided hereby or by the Law or by any other applicable provisions of law.

SECTION 10.07. Acquisition of Bonds by District. All Bonds acquired by the District, whether by purchase or gift or otherwise, shall be surrendered to the Paying Agent for cancellation and destruction by it.

SECTION 10.08. Content of Certificates and Reports. Every certificate or report with respect to compliance with an agreement, condition, covenant or term provided herein shall include (a) a statement that the person or persons making or giving such certificate or report have read such agreement, condition, covenant or term and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the opinion contained in such certificate or report is based; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such agreement, condition, covenant or term has been complied with; and (d) a statement as to whether, in the opinion of the signers, such agreement, condition, covenant or term has been complied with.

Any such certificate made or given by an officer of the District may be based, insofar as it relates to legal matters, upon a representation made in an Opinion of Counsel unless such officer knows that the representation with respect to the matters upon which his certificate may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous. Any such Opinion of Counsel may be based, insofar as it relates to factual matters information with respect to which is in the possession of the District, upon a representation by an officer or officers of the District unless the counsel giving such Opinion of Counsel knows that the representation with respect to the matters upon which his representation may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous.

SECTION 10.09. Notice by Mail. Any notice required to be given by mail to any Holders or to any securities depositories or securities information services shall be given

by mailing a copy of such notice, first class postage prepaid, to such Holders at their addresses appearing in the books required to be kept by the Paying Agent pursuant to the provisions of Section 2.08 or to such securities depositories or securities information services not less than thirty (30) days nor more than sixty (60) days following the action or prior to the event concerning which notice thereof is required to be given; provided, that neither failure to receive any such notice nor any immaterial defect contained therein shall affect the sufficiency or validity of the proceedings taken in connection with the action or the event concerning which such notice was given.

SECTION 10.10. Maintenance of Accounts and Funds. Any account or fund required herein to be established and maintained in the treasury of the District may be maintained by the District in its accounting records in its customary manner either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any financial reports or statements with respect thereto, be treated either as an account or as a fund; but all such accounting records with respect to all such accounts and funds shall at all times be maintained by the District in accordance with Generally Accepted Accounting Principles and with due regard for the protection of the security of the Bonds and the rights of the Holders.

SECTION 10.11. Article and Section Headings, Gender and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the construction, effect or meaning hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to "Articles," "Sections" and other subdivisions are to the corresponding articles, sections or subdivisions hereof; and the words "hereby," "herein," "hereof," "hereto," "herewith" and "hereunder" and other words of similar import refer to the Resolution as a whole and not to any particular article, section or subdivision hereof.

SECTION 10.12. Partial Invalidity. If any one or more of the agreements, conditions, covenants or terms or portions thereof required hereby to be observed or performed by the District shall be contrary to law, then such agreement or agreements, such condition or conditions, such covenant or covenants or such term or terms or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements, conditions, covenants or terms or portions thereof and shall in no way affect the validity hereof or of the Bonds; and the Holders shall retain all the

rights and benefits accorded to them under the Law or any other applicable provisions of law. The District hereby declares that it would have adopted the Resolution and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the issuance of the Bonds pursuant hereto irrespective of the fact that any one or more of the articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

SECTION 10.13. Repeal of Inconsistent Resolutions.
Any resolution of the District and any part of any resolution inconsistent herewith is hereby repealed to the extent of such inconsistency.

SECTION 10.14. Effective Date of the Resolution.
The Resolution shall take effect from and after its passage, approval and adoption.

PASSED, APPROVED AND ADOPTED by the Board of Directors of the Rancho Murieta Community Services District this 19th day of September, 1990, by the following vote, to wit:

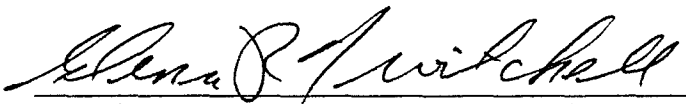
AYES: Directors: Twitchell, Huntley, Reese

NOES: None

ABSENT: Director Brandt

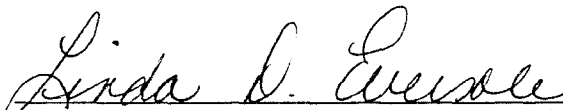
ABSTAIN: Director Sullivan

APPROVED:


Vice President of the Board of Directors
of the Rancho Murieta Community
Services District

[SEAL]

ATTEST:


Secretary of the Board of Directors
of the Rancho Murieta Community
Services District

SECRETARY'S CERTIFICATE

I, Linda D. Eversole, Secretary of the Board of Directors of the Rancho Murieta Community Services District, do hereby certify as follows:

The foregoing resolution is a full, true and correct copy of a resolution duly adopted at a regular meeting of the Board of Directors of said District duly and regularly held at the regular meeting place thereof on the 19th day of September, 1990, of which meeting all of the members of said Board of Directors had due notice and at which a majority thereof were present, and that at said meeting said resolution was adopted by the following vote:

AYES: Directors: Twitchell, Reese, Huntley

NOES: None

ABSENT: Director Brandt

ABSTAIN: Director Sullivan

An agenda for said meeting was posted at least seventy-two (72) hours before said meeting at 14670 Cantova Way, Rancho Murieta, California 95683, a location freely accessible to members of the public, and a brief description of said resolution appeared on said agenda.

Said resolution has not been amended, modified or rescinded since the date of its adoption and the same is now in full force and effect.

Dated: September 20, 1990.

Secretary of the Board of Directors
of the Rancho Murieta Community
Services District

[Seal]