

**MOORPARK CITY COUNCIL  
AGENDA REPORT**

**TO:** Honorable City Council

**FROM:** Hugh R. Riley, Assistant City Manager 

**DATE:** May 19, 2006 (CC Meeting of 6/7/06)

**SUBJECT:** Consider a Resolution Authorizing the Issuance of Special Tax Bonds for and on Behalf of the City of Moorpark Community Facilities District No. 2004-1 (Moorpark Highlands), Approving and Directing the Execution of a Fiscal Agent Agreement, Approving the Form of Preliminary Official Statement, Approving Sale of Such Bonds, and Approving Other Related Documents and Actions

**DISCUSSION:**

The City Council will recall that the property owner, Pardee Homes had submitted a petition to the City to initiate the process to form a Community Facilities District for the Moorpark Highlands Project (Pardee) (the "CFD").

The City Council will also recall that the purpose of the CFD is to fund the construction of certain major on- and off-site improvements, and to pay certain fees associated with projects of this nature, as well as the acquisition of a school site and to fund \$1,000,000 for water shed flood control studies and improvements. The City will receive an issuance fee of \$50,000 from bond proceeds as well as a \$50,000 annual administrative fee from which it will appropriate \$10,000 for the cost to administer the special tax assessment role. In addition, the special tax to be levied on the property will include a police services component in the annual amount of \$400 per year with an escalator of the greater of three percent (3%), or the percentage change in the Consumer Price Index (CPI). This fee will not be used for debt service, but will be used to offset the fiscal impact of providing police services to new residents.

The City Council will also recall that on September 15, 2004, that it adopted resolutions declaring its intent to establish the CFD as well as its intent to incur bonded indebtedness to finance the acquisition and construction of various public facilities and to pay certain fees.

On September 7, 2005, the City Council held a public hearing and conducted a special election in which unanimous approval was given to the issue regarding the levy of the

special tax. The proceedings held at that Council meeting fully formed Community Facilities District 2004-1 (Moorpark Highlands) by the adoption of a formation Ordinance.

The City Council is requested to adopt the attached Resolution No. 2006-\_\_\_\_ approving the issuance of the special tax bonds for and on behalf of the District in the maximum principal amount of not to exceed \$43,750,000. The Resolution also approves a Fiscal Agent Agreement, a Bond Purchase Agreement, and a Preliminary Official Statement in the form presented at this meeting. The Fiscal Agent Agreement is the document that actually authorizes the terms and conditions for the bonds. It provides that a fiscal agent will receive moneys generated from the special taxes levied in the District and use the moneys to pay bondholders and it also provides for the safekeeping of a reserve fund to cover payments should any deficiencies occur because of non-payment of special taxes. The Bond Purchase Agreement will be entered into with Piper Jaffray, the City's underwriter of the bonds so the bonds can be sold to the public. The Preliminary Official Statement is the offering document used by the Underwriter to market the bonds. All of these documents have been prepared by the City's bond counsel and reviewed by the City Attorney.

Members of the City Council should note that the Special Tax Bonds are not an obligation of the City of Moorpark. The sole source of revenue to pay debt service on the Bonds comes from the special tax levied within the District.

**STAFF RECOMMENDATION: (ROLL CALL VOTE REQUIRED)**

Adopt Resolution No. 2006-\_\_\_\_.

**ATTACHMENTS:**

1. Resolution No. 2006-\_\_\_\_
2. Fiscal Agent Agreement
3. Bond Purchase Agreement
4. Preliminary Official Statement

RESOLUTION NO. 2006-\_\_\_\_\_

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MOORPARK, CALIFORNIA, AUTHORIZING THE ISSUANCE OF SPECIAL TAX BONDS FOR AND ON BEHALF OF THE CITY OF MOORPARK COMMUNITY FACILITIES DISTRICT NO. 2004-1 (MOORPARK HIGHLANDS), APPROVING AND DIRECTING THE EXECUTION OF A FISCAL AGENT AGREEMENT, APPROVING THE FORM OF PRELIMINARY OFFICIAL STATEMENT, APPROVING SALE OF SUCH BONDS, AND APPROVING OTHER RELATED DOCUMENTS AND ACTIONS

WHEREAS, the City Council has conducted proceedings under and pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (the "Act"), to form the City of Moorpark Community Facilities District No. 2004-1 (Moorpark Highlands) (the "District"), to authorize the levy of special taxes upon the land within the District for the purpose of providing moneys for the construction and acquisition of improvements and to finance certain services of benefit to property within the District, and to issue bonds secured by said special taxes for the purpose of providing for financing the construction and acquisition of such improvements; and

WHEREAS, the City Council, as legislative body of the District, authorized the issuance of special tax bonds of the City for the District in the maximum principal amount of not to exceed \$43,750,000 designated City of Moorpark Community Facilities District No. 2004-1 (Moorpark Highlands) Special Tax Bonds and the City now desires to issue the bonds (the "Bonds") originally contemplated for the District; and

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

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

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

WHEREAS, all conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of the Bonds as

contemplated by this Resolution and the documents referred to herein exist, have happened and have been performed in due time, form and manner as required by the laws of the State of California, including the Act.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MOORPARK DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1. Issuance of Bonds. Pursuant to the Act, this Resolution and the Fiscal Agent Agreement, special tax bonds of the City for the District designated as "City of Moorpark Community Facilities District No. 2004-1 (Moorpark Highlands) Special Tax Bonds Series 2006" in an aggregate principal amount not to exceed \$43,750,000 are hereby authorized to be issued. The Bonds shall be executed in the form set forth in and otherwise as provided in the Fiscal Agent Agreement.

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

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

SECTION 2. Bond Purchase Agreement. The City Council hereby approves the Bond Purchase Agreement between the City and the Underwriter in the form presented to the City Council at this meeting. The Authorized Officers are each hereby authorized and directed to accept the offer of the Underwriter to purchase the Bonds contained in the Bond Purchase Agreement and to execute the Bond Purchase Agreement, for and in the name and on behalf of the City and the District, in such form, together with any additions thereto or changes therein deemed necessary or advisable by the Authorized Officer executing such document upon consultation with Bond

Counsel (provided that no additions or changes shall authorize an aggregate principal amount of Bonds in excess of \$43,750,000 or result in an underwriter's discount in excess of 1.75%, or an average true interest rate on the Bonds in excess of 5.65% per annum. The City Council hereby authorizes the delivery and performance by the City of the Bond Purchase Agreement.

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

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

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

SECTION 4. Foreclosure. The City hereby covenants, for the benefit of the Bondowners, to commence and diligently pursue to completion any foreclosure action regarding delinquent installments of any amount levied as a special tax for the payment of interest or principal of the Bonds, said foreclosure action to be commenced and pursued as more completely set forth in the Fiscal Agent Agreement.

SECTION 5. Authentication of Bonds. The Bonds, when executed, shall be delivered to the Fiscal Agent for authentication. The Fiscal Agent is hereby requested and directed to authenticate the Bonds by executing the Fiscal Agent's certificate of authentication and registration appearing thereon, and to deliver the Bonds, when duly executed and authenticated, to the Underwriter in accordance with written instructions executed on behalf of the City by one or more of the Authorized Officers, which instructions such officers are each hereby authorized, for and in the name and on behalf of the City, to execute and deliver to the Fiscal Agent. Such instructions shall provide for the delivery of the Bonds to the Underwriter or its designee in accordance with the Bond Purchase Agreement, upon payment of the purchase price therefore.

SECTION 6. Other Actions. All actions heretofore taken by the officers and agents of the City with respect to the establishment of the District and the sale and issuance of the Bonds are hereby approved, confirmed and ratified, and Authorized Officers of the City are each hereby authorized and directed to do any and all things and take any and all actions and execute any and all certificates, agreements and other documents, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Bonds in accordance with this Resolution, and any certificate, agreement, and other document described in the documents herein approved. Any document herein approved and executed and delivered by any one of the Authorized Officers shall be a valid and binding agreement of the City.

SECTION 7. Effectiveness. This Resolution shall take effect from and after its adoption.

SECTION 8. Certification. The City Clerk shall certify to the adoption of this resolution and cause a certified resolution to be filed in the book of original resolutions.

PASSED AND ADOPTED this 7th day of June, 2006.

\_\_\_\_\_  
Patrick Hunter, Mayor

ATTEST:

\_\_\_\_\_  
Deborah S. Traffenstedt, City Clerk

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**FISCAL AGENT AGREEMENT  
by and between**

**CITY OF MOORPARK**

**and**

**[FISCAL AGENT],  
as Fiscal Agent**

**Dated as of June 1, 2006**

**Relating to:**

**\$ \_\_\_\_\_  
City of Moorpark  
Community Facilities District No. 2004-1 (Moorpark Highlands)  
Special Tax Bonds  
Series 2006**

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EXHIBIT A FORM OF BOND

## FISCAL AGENT AGREEMENT

THIS FISCAL AGENT AGREEMENT (the "Agreement") is made and entered into as of June 1, 2006, by and between the City of Moorpark, California, a public body, corporate and politic, organized and existing under and by virtue of the Constitution and laws of the State of California (the "City") for and on behalf of the City of Moorpark Community Facilities District No. 2004-1 (Moorpark Highlands) (the "District"), and [FISCAL AGENT], a \_\_\_\_\_, duly organized and existing under the laws of \_\_\_\_\_ with a corporate trust office located in Los Angeles, California, as fiscal agent (the "Fiscal Agent").

### WITNESSETH:

WHEREAS, the City Council of the City has formed the District under the provisions of the Mello-Roos Community Facilities Act of 1982, as amended (constituting Section 53311 *et seq.* of the California Government Code) (the "Act") and Resolution No. 2005-\_\_\_\_\_ of the City Council adopted on September 21, 2005.

WHEREAS, the City Council, as the legislative body of the District, is authorized under the Act to levy special taxes to pay for the costs of facilities within the District and to authorize the issuance of bonds secured by said special taxes under the Act;

WHEREAS, under the provisions of the Act, on \_\_\_\_\_, 2006, the City Council of the City adopted its Resolution No. 2006-\_\_\_\_\_ (the "Resolution"), which resolution, among other matters, authorized the issuance of the City of Moorpark Community Facilities District No. 2004-1 (Moorpark Highlands) Special Tax Bonds Series 2006 to provide moneys for the construction and acquisition of improvements within the District and provided that said issuance would be in accordance with the Act and this Agreement, and authorized the execution hereof;

WHEREAS, it is in the public interest and for the benefit of the City, the District, the persons responsible for the payment of special taxes and the Owners of the Bonds that the City enter into this Agreement to provide for the issuance of the Bonds, the disbursement of proceeds of the Bonds, the disposition of the special taxes securing the Bonds and any additional bonds authorized to be issued hereunder and the administration and payment of the Bonds; and

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

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

## ARTICLE I

### AUTHORITY AND DEFINITIONS STATUTORY AUTHORITY AND DEFINITIONS

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

Section 1.02. Agreement for Benefit of Bondowners. The provisions, covenants and agreements herein set forth to be performed by or on behalf of the City shall be for the equal benefit, protection and security of the Owners. All of the Bonds, without regard to the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, except as expressly provided in or permitted by this Agreement. The Fiscal Agent may become the Owner of any of the Bonds in its own or any other capacity with the same rights it would have if it were not Fiscal Agent.

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

"*Acquisition Agreement*" means the Funding and Acquisition Agreement, dated as of \_\_\_\_\_, 2005 and entered into by and between the City and Moorpark and Moorpark 150, LLC, and any amendments thereto.

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

"*Administrative Expenses*" means any or all of the following: the fees and expenses of the Fiscal Agent (including any fees or expenses of its counsel), the expenses of the City in carrying out its duties hereunder (including, but not limited to, the levying and collection of the Special Taxes, and the foreclosure of the liens of delinquent Special Taxes) including the fees and expenses of its counsel, an allocable share of the salaries of City staff directly related thereto and a proportionate amount of City general administrative overhead related thereto, any amounts paid by the City from its general funds pursuant to Section 6.02, and all other costs and expenses of the City or the Fiscal Agent incurred in connection with the issuance and administration of the Bonds and/or the discharge of their respective duties hereunder (including, but not limited to, the calculation of the levy of the Special Taxes, foreclosures with respect to delinquent taxes, and the calculation of amounts subject to rebate to the United States) and, in the case of the City, in any way related to the administration of the

District. Administrative Expenses shall include any such expenses incurred in prior years but not yet paid, and any advances of funds by the City under Section 6.02 hereof.

*"Agreement"* means this Fiscal Agent Agreement, as it may be amended or supplemented from time to time by any Supplemental Agreement.

*"Annual Debt Service"* means, for each Bond Year, the sum of (i) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled, and (ii) the principal amount of the Outstanding Bonds, including any mandatory sinking fund payments, due in such Bond Year.

*"Authorized Officer"* means the City Manager, Assistant City Manager or any other officer or employee authorized by the City Council of the City or by an Authorized Officer to undertake the action referenced in this Agreement as required to be undertaken by an Authorized Officer.

*"Bond Counsel"* means any attorney or firm of attorneys acceptable to the City and nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities.

*"Bond Year"* means each twelve-month period beginning on September 2 in any year and extending to the next succeeding September 1, both dates inclusive; except that the first Bond Year shall begin on the Closing Date and end on \_\_\_\_\_, 2007.

*"Bonds"* means the City of Moorpark Community Facilities District No. 2004-1 (Moorpark Highlands) Special Tax Bonds Series 2006 at any time outstanding under this Agreement and any Supplemental Agreement.

*"Business Day"* means any day other than (i) a Saturday or a Sunday or (ii) a day on which banking institutions in the state in which the Principal Office of the Fiscal Agent is located are authorized or obligated by law or executive order to be closed.

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

*"City"* means the City of Moorpark, California, and any successor thereto.

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

*"Code"* means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it may be

amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

*"Continuing Disclosure Agreement"* means the Continuing Disclosure Agreement, dated as of June 1, 2006, by and among the City and \_\_\_\_\_, in its capacity as Dissemination Agent, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

*"Cost of Issuance"* means items of expense payable or reimbursable directly or indirectly by the City and related to the authorization, sale and issuance of the Bonds, which items of expense shall include, but not be limited to, printing costs, costs of reproducing and binding documents, closing costs, filing and recording fees, initial fees, expenses and charges of the Fiscal Agent including its first annual administration fee, expenses incurred by the City in connection with the issuance of the Bonds, financial advisor fees, Bond (underwriter's) discount or underwriting fee, legal fees and charges, including bond counsel, charges for execution, transportation and safekeeping of the Bonds and other costs, charges and fees in connection with the foregoing.

*"2006 Costs of Issuance Fund"* means the fund by that name established pursuant to Section 3.05(A) hereof.

*"DTC"* means the Depository Trust Company, New York, New York, and its successors and assigns.

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

*"2006 Debt Service Account"* means the account of the Special Tax Fund by that name established by Section 3.03(A) hereof.

*"Depository"* means (a) initially, DTC, and (b) any other Securities Depository acting as Depository pursuant to Section 2.12.

*"District"* means the City of Moorpark Community Facilities District No. 2004-1 (Moorpark Highlands) formed pursuant to the Resolution of Formation.

*"Fair Market Value"* means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the

investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security—State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) the investment is the Local Agency Investment Fund of the State of California, but only if at all times during which the investment is held its yield is reasonably expected to be equal to or greater than the yield on a reasonably comparable direct obligation of the United States.

*"Federal Securities"* means any of the following which are non-callable and which at the time of investment are legal investments under the laws of the State of California for funds held by the Fiscal Agent (the Fiscal Agent entitled to rely upon investment direction from the City as a certification that such investment constitutes a legal investment).

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

(ii) Any of the following obligations of the following agencies of the United States of America: (i) direct obligations of the Export-Import Bank, (ii) certificates of beneficial ownership issued by the Farmers Home Administration, (iii) participation certificates issued by the General Services Administration, (iv) mortgage-backed bonds or passthrough obligations issued and guaranteed by the Government National Mortgage Association, (v) project notes issued by the United States Department of Housing and Urban Development, and (vi) public housing notes and bonds guaranteed by the United States of America.

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

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

*"2006 Improvement Fund"* means the fund by that name established pursuant to Section 3.04(A) hereof.

"*Information Services*" means Financial Information, Inc 's "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention Editor; Mergent/FIS, Inc., 5250 77 Center Drive, Charlotte, North Carolina 28217, Attention Municipal News Reports; Kenny S&P, 55 Water Street, 45th Floor, New York, New York 10041, Attention Notification Department; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such services providing information with respect to called bonds as the City may designate in an Officer's Certificate delivered to the Fiscal Agent.

"*Interest Payment Dates*" means March 1 and September 1 of each year, commencing September 1, 2006.

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

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

"*Ordinance*" means any ordinance of the City levying the Special Taxes.

"*Original Purchaser*" means the first purchaser of the Bonds from the City.

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

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

"*Participating Underwriter*" shall have the meaning ascribed thereto in the Continuing Disclosure Agreement.

"*Permitted Investments*" means any of the following, to the extent that they are lawful investments for City funds at the time of investment, and are acquired at Fair Market Value (the Fiscal Agent entitled to rely upon investment direction from the City as a certification that such investment constitutes a legal investment):

- (i) Federal Securities;
- (ii) any of following obligations of federal agencies not guaranteed by the United States of America: (a) debentures issued by the Federal Housing

Administration; (b) participation certificates or senior debt obligations of the Federal Home Loan Mortgage Corporation or Farm Credit Banks (consisting of Federal Land Banks, Federal Intermediate Credit Banks or Banks for Cooperatives); (c) bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act, bonds of any federal home loan bank established under said act and 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; and bonds, notes or other obligations issued or assumed by the International Bank for Reconstruction and Development;

(iii) interest-bearing demand or time deposits (including certificates of deposit) in federal or State of California chartered banks (including the Fiscal Agent), provided that (a) in the case of a savings and loan association, such demand or time deposits shall be fully insured by the Federal Deposit Insurance Corporation, or the unsecured obligations of such savings and loan association shall be rated in one of the top two rating categories by a nationally recognized rating service, and (b) in the case of a bank, such demand or time deposits shall be fully insured by the Federal Deposit Insurance Corporation, or the unsecured obligations of such bank (or the unsecured obligations of the parent bank holding company of which such bank is the lead bank) shall be rated in one of the top two rating categories by a nationally recognized rating service;

(iv) repurchase agreements with a registered broker/dealer subject to the Securities Investors Protection Corporation Liquidation in the event of insolvency, or any commercial bank provided that: (a) the unsecured obligations of such bank shall be rated in one of the top two rating categories by a nationally recognized rating service, or such bank shall be the lead bank of a banking holding company whose unsecured obligations are rated in one of the top two rating categories by a nationally recognized rating service; (b) the most recent reported combined capital, surplus and undivided profits of such bank shall be not less than \$100 million; (c) the repurchase obligation under any such repurchase obligation shall be required to be performed in not more than thirty (30) days; (d) the entity holding such securities as described in clause (c) shall have a pledged first security interest therein for the benefit of the Fiscal Agent under the California Commercial Code or pursuant to the book-entry procedures described by 31 C.F.R. 306.1 *et seq.* or 31 C.F.R. 350.0 *et seq.* and are rated in one of the top two rating categories by a nationally recognized rating service;

(v) bankers acceptances endorsed and guaranteed by banks described in clause (iv) above;

(vi) obligations, the interest on which is exempt from federal income taxation under Section 103 of the Code and which are rated in the one of the top two rating categories by a nationally recognized rating service;

(vii) money market funds which invest solely in Federal Securities or in obligations described in the preceding clause (ii) of this definition, or money market funds which are rated in the highest rating category by Standard & Poor's Ratings Services or Moody's Investor Service, including funds which are managed or maintained by the Fiscal Agent;

(viii) units of a taxable government money market portfolio comprised solely of obligations listed in (i) and (iv) above;

(ix) any investment which is a legal investment for proceeds of the Bonds at the time of the execution of such agreement, and which investment is made pursuant to an agreement between the City or the Fiscal Agent or any successor Fiscal Agent and a financial institution or governmental body whose long term debt obligations are rated in one of the top two rating categories by a nationally recognized rating service;

(x) commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided for by Moody's Investors Service, or Standard and Poor's Corporation, of issuing corporations that are organized and operating within the United States and having total assets in excess of five hundred million dollars (\$500,000,000) and having an "AA" or higher rating for the issuer's debentures, other than commercial paper, as provided for by Moody's Investors Service or Standard and Poor's Corporation, and provided that purchases of eligible commercial paper may not exceed 180 days maturity nor represent more than 10 percent of the outstanding paper of an issuing corporation;

(xi) any general obligation of a bank or insurance company whose long term debt obligations are rated in one of the two highest rating categories of a national rating service;

(xii) shares in a common law trust established pursuant to Title 1, Division 7, Charter 5 of the Government Code of the State which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the Government Code of the State, as it may be amended;

(xiii) shares in the California Asset Management Program; or

(xiii) the Local Agency Investment Fund established pursuant to Section 16429.1 of the Government Code of the State of California, *provided, however*, that the Fiscal Agent shall be permitted to make investments and withdrawals in its own name and the Fiscal Agent may restrict investments in the such fund if necessary to keep moneys available for the purposes of this Fiscal Agent Agreement.

(xiv) any other lawful investment for City funds.

*"Principal Office"* means the corporate trust office of the Fiscal Agent set forth in Section 9.06, or such other or additional offices as may be designated by the Fiscal Agent.

*"Project"* means the acquisitions and improvements described in the Resolution of Intention.

*"Record Date"* means the fifteenth (15th) day of the month next preceding the month of the applicable Interest Payment Date.

*"Regulations"* means temporary and permanent regulations promulgated under the Code.

*"2006 Reserve Fund"* means the fund by that name established pursuant to Section 4.03(A) hereof.

*"Reserve Fund Credit Instrument"* means a surety bond issued by an insurance company rated in the highest rating category by Standard & Poor's and Moody's.

*"Reserve Requirement"* means an amount equal to the lesser of (a) Maximum Annual Debt Service on the Outstanding Bonds, (b) 125% of average annual Debt Service, or (c) ten percent (10%) of the total proceeds of the Bonds deposited under Section 3.02 hereof.

*"2006 Resolution"* means Resolution No. 2006-\_\_\_\_\_, adopted by the City Council of the City on \_\_\_\_\_, 2006, which resolution, among other matters, authorized the issuance of the Bonds.

*"Resolution of Formation"* means Resolution No. 2005-\_\_\_\_\_, adopted by the City Council of the City on September 21, 2005, establishing the District for the purpose of providing for the financing of certain public facilities in and for such District.

*"Resolution of Intention"* means Resolution No. 2004-2239, adopted by the City Council of the City on September 15, 2004.

*"Securities Depositories"* means The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax-(516) 227-4039 or 4190; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the City may designate in an Officer's Certificate delivered to the Fiscal Agent.

*"Special Tax Fund"* means the fund by that name established by Section 3.03(A) hereof.

*"Special Tax Revenues"* means the proceeds of the Special Taxes received by the City, including all scheduled payments and delinquent payments thereof, interest and penalties thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes.

*"Special Taxes"* means the special taxes levied within the District pursuant to the Act, the Ordinance and this Agreement.

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

*"Surplus Account"* means the account of the Special Tax Fund by that name established by Section 3.03(A) hereof.

*"Treasurer"* means the duly acting Treasurer of the City or if the City has no Treasurer, an Authorized Officer of the City.

*"2006 Bond Fund"* means the fund by that name established pursuant to Section 4.02(A) hereof.

*"2006 Bonds"* means the City of Moorpark Community Facilities District No. 2004-1 (Moorpark Highlands) Special Tax Bonds Series 2006.

**ARTICLE II**

**THE 2006 BONDS**

Section 2.01. Principal Amount; Designation. 2006 Bonds in the aggregate principal amount of \_\_\_\_\_ Dollars (\$\_\_\_\_\_) are hereby authorized to be issued by the City for the District under and subject to the terms of the Resolution and this Agreement, the Act and other applicable laws of the State of California. The 2006 Bonds shall be designated the "City of Moorpark Community Facilities District No. 2004-1 (Moorpark Highlands) Special Tax Bonds Series 2006."

Section 2.02. Terms of 2006 Bonds.

(A) Form; Denominations. The 2006 Bonds shall be issued as fully registered Bonds without coupons in the denomination of \$5,000 or any integral multiple of \$5,000 in excess thereof. 2006 Bonds shall be lettered and numbered in a customary manner as determined by the Fiscal Agent.

(B) Date of 2006 Bonds. The 2006 Bonds shall be dated \_\_\_\_\_, 2006.

(C) CUSIP Identification Numbers. "CUSIP" identification numbers shall be imprinted on the 2006 Bonds, but such numbers shall not constitute a part of the contract evidenced by the 2006 Bonds and any error or omission with respect thereto shall not constitute cause for refusal of any purchaser to accept delivery of and pay for the 2006 Bonds. In addition, failure on the part of the City or the Fiscal Agent to use such CUSIP numbers in any notice to Owners shall not constitute an event of default or any violation of the City's contract with such Owners and shall not impair the effectiveness of any such notice.

(D) Maturities. The 2006 Bonds shall be issued as serial bonds and term bonds and shall mature and become payable as follows:

<u>Maturity</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
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(E) Interest. The 2006 Bonds shall bear interest at the rates set forth above payable on the Interest Payment Dates in each year. Interest shall be calculated on the basis of a 360-day year composed of twelve 30-day months. Each 2006 Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated on an Interest Payment Date, in which event it shall bear interest from such date of authentication, or (ii) it is

authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (iii) it is authenticated prior to the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from the Closing Date; provided, however, that if at the time of authentication of a 2006 Bond, interest is in default thereon, such 2006 Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

(F) Method of Payment. Interest on the 2006 Bonds (including the final interest payment upon maturity or earlier redemption) is payable by check of the Fiscal Agent mailed on the Interest Payment Dates by first class mail to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer made on such Interest Payment Date upon written instructions received by the Fiscal Agent on or before the Record Date preceding the Interest Payment Date of any Owner of \$1,000,000 or more in aggregate principal amount of 2006 Bonds; provided that so long as any 2006 Bonds are in book-entry form, payments with respect to such 2006 Bonds shall be made by wire transfer or such other method acceptable to the Fiscal Agent to the Depository. The principal of the 2006 Bonds and any premium on the 2006 Bonds are payable in lawful money of the United States of America upon surrender of the 2006 Bonds at the Principal Office of the Fiscal Agent. All 2006 Bonds paid by the Fiscal Agent pursuant to this Section shall be cancelled by the Fiscal Agent. The Fiscal Agent shall destroy the cancelled 2006 Bonds and issue a certificate of destruction thereof to the City.

Section 2.03. Redemption.

(A) Redemption Dates.

(i) Optional Redemption. The 2006 Bonds shall be subject to optional redemption from any source of available funds prior to maturity, in whole, or in part among maturities as shall be specified by an Officer's Certificate of the City and by lot within a maturity, on any Interest Payment Date on or after September 1, \_\_\_\_\_, at the following respective redemption prices (expressed as percentages of the principal amount of the 2006 Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
September 1, _____ and March 1, _____	
September 1, _____ and March 1, _____	
September 1, _____ and March 1, _____	
September 1, _____ and Interest Payment Dates thereafter	

(ii) Mandatory Redemption From Prepayments. The 2006 Bonds shall be subject to mandatory redemption from Prepayments of the Special Tax by property owners, in whole or in part among maturities as shall be specified by the City and by lot within a maturity, or any Interest Payment Date at the following respective redemption prices (expressed as percentages of the principal amount of the 2006 Bonds to be redeemed), plus accrued interest thereon the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
September 1, 2006 to and including March 1, _____	
September 1, _____ and March 1, _____	
September 1, _____ and March 1, _____	
September 1, _____ and Interest Payment Dates thereafter	

The proceeds of any such Prepayment shall be deposited in the Prepayment Account of the 2006 Bond Fund and applied by the Fiscal Agent to pay the redemption price of the 2006 Bonds.

(iii) Mandatory Sinking Fund Redemption. The Term Bonds maturing September 1, \_\_\_\_\_ and \_\_\_\_\_ are subject to mandatory sinking payment redemption in part on September 1, \_\_\_\_\_ and September 1, \_\_\_\_\_, respectively, and on each September 1 thereafter to maturity, by lot, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts as set forth in the following tables:

**Term Bonds of \_\_\_\_\_**

Mandatory Redemption Date ( <u>September 1</u> )	Sinking Fund <u>Payment</u>
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**Term Bonds of \_\_\_\_\_**

Mandatory Redemption Date <u>(September 1)</u>	Sinking Fund Payment
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The amounts in the foregoing tables shall be reduced pro rata at the direction of the City in an Officer's Certificate, in order to maintain substantially level debt service, as a result of any prior partial redemption of the 2006 Bonds pursuant to Section 2.03(A)(i) or (ii) above.

In lieu of redemption under this Section 2.03, moneys in the 2006 Bond Fund may be used and withdrawn by the Fiscal Agent for purchase of Outstanding 2006 Bonds, upon the filing with the Fiscal Agent of an Officer's Certificate requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Officer's Certificate may provide, but in no event may 2006 Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase.

(B) Notice to Fiscal Agent. The City shall give the Fiscal Agent an Officer's Certificate containing notice of its intention to redeem 2006 Bonds pursuant to subsections (A)(i) and (A)(ii) not less than sixty (60) days prior to the applicable redemption date.

(C) Redemption Procedure by Fiscal Agent. The Fiscal Agent shall cause notice of any redemption to be mailed by first class mail, postage prepaid, at least thirty (30) days but not more than sixty (60) days prior to the date fixed for redemption, to the Securities Depositories and to one or more Information Services, and to the respective registered Owners of any 2006 Bonds designated for redemption, at their addresses appearing on the 2006 Bond registration books in the Principal Office of the Fiscal Agent; but such mailing shall not be a condition precedent to such redemption and failure to mail or to receive any such notice, or any defect therein, shall not affect the validity of the proceedings for the redemption of such 2006 Bonds.

Such notice shall state the redemption date and the redemption price and, if less than all of the then Outstanding 2006 Bonds are to be called for redemption, shall designate the CUSIP numbers and 2006 Bond numbers of the 2006 Bonds to be redeemed by giving the individual CUSIP number and 2006 Bond number of each 2006 Bond to be redeemed or shall state that all 2006 Bonds between two stated 2006 Bond numbers, both inclusive, are to be redeemed or that all of the 2006 Bonds of one

or more maturities have been called for redemption, shall state as to any 2006 Bond called in part the principal amount thereof to be redeemed, and shall require that such 2006 Bonds be then surrendered at the Principal Office of the Fiscal Agent for redemption at the said redemption price, and shall state that further interest on such 2006 Bonds will not accrue from and after the redemption date.

Upon the payment of the redemption price of 2006 Bonds being redeemed, each check or other transfer of funds issued for such purpose shall, to the extent practicable, bear the CUSIP number identifying, by issue and maturity, of the 2006 Bonds being redeemed with the proceeds of such check or other transfer.

Whenever provision is made in this Agreement for the redemption of less than all of the 2006 Bonds of any maturity, the Fiscal Agent shall select the 2006 Bonds to be redeemed, from all 2006 Bonds or such given portion thereof of such maturity by lot in any manner which the Fiscal Agent in its sole discretion shall deem appropriate.

Upon surrender of 2006 Bonds redeemed in part only, the City shall execute and the Fiscal Agent shall authenticate and deliver to the registered Owner, at the expense of the City, a new 2006 Bond or 2006 Bonds, of the same series and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the 2006 Bond or 2006 Bonds.

(D) Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of, and interest and any premium on, the 2006 Bonds so called for redemption shall have been deposited in the 2006 Bond Fund, such 2006 Bonds so called shall cease to be entitled to any benefit under this Agreement other than the right to receive payment of the redemption price, and no interest shall accrue thereon on or after the redemption date specified in such notice.

All 2006 Bonds redeemed and purchased by the Fiscal Agent pursuant to this Section shall be canceled by the Fiscal Agent. The Fiscal Agent shall destroy the cancelled 2006 Bonds and issue a certificate of destruction thereof to the City.

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

Section 2.05. Execution of Bonds. The Bonds shall be executed on behalf of the City by the Mayor and the City Clerk of the City who are in office on the date of adoption of this Agreement or at any time thereafter, and the seal of the City shall be impressed, imprinted or reproduced by facsimile signature thereon. If any officer whose signature appears on any Bond ceases to be such officer before delivery of the Bonds to the Owner, such signature shall nevertheless be as effective as if the officer had remained in office until the delivery of the Bonds to the Owner. Any Bond may be signed and

attested on behalf of the City by such persons as at the actual date of the execution of such Bond shall be the proper officers of the City although at the nominal date of such Bond any such person shall not have been such officer of the City.

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

Section 2.06. Transfer of Bonds. Any Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of Section 2.08 by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form acceptable to the Fiscal Agent. The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such transfer shall be paid by the City. The Fiscal Agent shall collect from the Owner requesting such transfer any tax or other governmental charge required to be paid with respect to such transfer.

Whenever any Bond or Bonds shall be surrendered for transfer, the City shall execute and the Fiscal Agent shall authenticate and deliver a new Bond or Bonds, for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity.

No transfers of Bonds shall be required to be made (i) within fifteen (15) days prior to the date established by the Fiscal Agent for selection of Bonds for redemption or (ii) with respect to a Bond after such Bond has been selected for redemption.

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

No exchanges of Bonds shall be required to be made (i) within fifteen (15) days prior to the date established by the Fiscal Agent for selection of Bonds for redemption or (ii) with respect to a Bond after such Bond has been selected for redemption.

Section 2.08. Bond Register. The Fiscal Agent will keep or cause to be kept, at its Principal Office, sufficient books for the registration and transfer of the Bonds (the "Bond Register"), which books shall show the series number, date, amount, rate of interest and Owner of each Bond and shall at all times be open to inspection by the City

during regular business hours upon reasonable notice; and, upon presentation for such purpose, the Fiscal Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, the ownership of the Bonds as hereinbefore provided.

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

Section 2.10. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the City shall execute, and the Fiscal Agent shall authenticate and deliver, a new Bond of like tenor and principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Fiscal Agent of the Bond so mutilated. Every mutilated Bond so surrendered to the Fiscal Agent shall be canceled by it and destroyed by the Fiscal Agent who shall deliver a certificate of destruction thereof to the City. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Fiscal Agent and, if such evidence be satisfactory to it and indemnity for the Fiscal Agent and the City satisfactory to the Fiscal Agent shall be given, the City shall execute, and the Fiscal Agent shall authenticate and deliver, a new Bond of like tenor and principal amount in lieu of and in substitution for the Bond so lost, destroyed or stolen. The City may require payment of a sum not exceeding the actual cost of preparing each new Bond delivered under this Section and of the expenses which may be incurred by the City and the Fiscal Agent for the preparation, execution, authentication and delivery. Any Bond delivered under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the City whether or not the Bond so alleged to be lost, destroyed or stolen is at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Agreement with all other Bonds issued pursuant to this Agreement.

Section 2.11. Limited Obligation. All obligations of the City under this Agreement and the Bonds shall be special obligations of the City, payable solely from the Special Tax Revenues and the funds pledged therefore hereunder. Neither the full faith and credit nor the taxing power of the City (except to the limited extent set forth

herein) or the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

Section 2.12. Book-Entry Only System. DTC shall act as the initial Depository for the Bonds. One Bond for each maturity of the Bonds shall be initially executed, authenticated, and delivered as set forth herein as a separate fully registered certificate (in printed or typewritten form). Upon initial execution, authentication, and delivery, the ownership of the Bonds shall be registered in the Bond Register kept by the Fiscal Agent for the Bonds in the name of Cede & Co, as nominee of DTC or such nominee as DTC shall appoint in writing.

The Authorized Officers and the Fiscal Agent are hereby authorized to take any and all actions as may be necessary and not inconsistent with this Agreement to qualify the Bonds for the Depository's book-entry system, including the execution of the Depository's required representation letter.

With respect to Bonds registered in the Bond Register in the name of Cede & Co, as nominee of DTC, the Fiscal Agent shall not have any responsibility or obligation to any broker-dealer, bank, or other financial institution for which DTC holds Bonds as Depository from time to time (the "DTC Participants") or to any person for which a DTC Participant acquires an interest in the Bonds (the "Beneficial Owners"). Without limiting the immediately preceding sentence, the Fiscal Agent shall not have any responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co, or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant, any Beneficial Owner, or any other person, other than DTC, of any notice with respect to the Bonds, including any notice of redemption or mandatory tender, (iii) the selection by the Depository of the beneficial interests in the Bonds to be redeemed in the event the City elects to redeem the Bonds in part, (iv) the payment to any DTC Participant, any Beneficial Owner, or any other person, other than DTC, of any amount with respect to the principal of or interest on the Bonds, or (v) any consent given or other action taken by the Depository as Owner of the Bonds.

The Fiscal Agent may treat as and deem DTC to be the absolute Owner of each Bond for which DTC is acting as Depository for the purpose of payment of the principal of and interest on such Bonds, for the purpose of giving notices of prepayment and other matters with respect to such Bonds, for the purpose of registering transfers with respect to such Bonds, and for all purposes whatsoever. The Fiscal Agent shall pay all principal of and interest on the Bonds only to the Owners as shown on the Registration Books, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to the principal of and interest on the Bonds to the extent of the sums or sums so paid.

No person other than an Owner, as shown on the Bond Register, shall receive a physical Bond. Upon delivery by DTC to the Fiscal Agent of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and

subject to the transfer provisions in Section 2.06 hereof, references to "Cede & Co." in this Section 2.12 shall refer to such new nominee of DTC.

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

Upon the termination of the services of DTC as provided in the previous paragraph, and if no substitute Depository willing to undertake the functions hereunder can be found which is willing and able to undertake such functions upon reasonable or customary terms, or if the City determines that it is in the best interest the Beneficial Owners of the Bonds that they be able to obtain certificated Bonds, the Bonds shall no longer be restricted to being registered in the Bond Register of the Fiscal Agent in the name of Cede & Co., as nominee of DTC, but may be registered in whatever name or name the Owners shall designate at that time, in accordance with Section 2.06.

To the extent that the Beneficial Owners are designated as the transferee by the Owners, in accordance with Section 2.06, the Bonds will be delivered to such Beneficial Owners as soon as practicable.

Section 2.13. No Acceleration. The principal of the Bonds shall not be subject to acceleration hereunder. Nothing in this Section 2.13 shall in any way prohibit the prepayment or redemption of Bonds under Section 2.03 hereof, or the defeasance of the Bonds and discharge of this Agreement under Section 9.03 hereof.

**ARTICLE III**

**ISSUANCE OF BONDS**

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

Section 3.02. Application of Proceeds of Sale of 2006 Bonds.

The proceeds of the purchase of the 2006 Bonds by the Original Purchaser in the amount of \_\_\_\_\_ (representing the principal of amount of the Bonds, less an aggregate original issue discount of \$\_\_\_\_\_, less an underwriter's discount of \$\_\_\_\_\_), shall be paid to the Fiscal Agent, who shall forthwith set aside, pay over and deposit such proceeds on the Closing Date as follows:

- (i) Transfer to the City for deposit in the 2006 Improvement Fund \$\_\_\_\_\_;
- (ii) Deposit in the 2006 Reserve Fund \$\_\_\_\_\_;
- (iii) Deposit in the 2006 Capitalized Interest Account of the Bond Fund \$\_\_\_\_\_;
- (iv) Deposit in the 2006 Costs of Issuance Fund \$\_\_\_\_\_.

Section 3.03. Special Tax Fund.

(A) Establishment of Special Tax Fund. There is hereby established as a separate fund to be held by the City, the Community Facilities District No. 2004-1 (Moorpark Highlands) Special Tax Bonds, Series 2006, Special Tax Fund. Within the Special Tax Fund, the City shall establish and maintain two accounts, (i) the 2006 Debt Service Account, to the credit of which the City shall deposit, immediately upon receipt, all Special Tax Revenues received by the City and any amounts required by Section 3.05(B) to be deposited in the Special Tax Fund, and (ii) the Surplus Account, to the credit of which the City shall deposit surplus Special Tax Revenues described in Section 3.03(B) below. Moneys in the Special Tax Fund shall be held in trust by the City for the benefit of the City and the Owners of the Bonds, shall be disbursed as

provided below and, pending any disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

(B) Disbursements. All Special Tax Revenues shall be deposited in the 2006 Debt Service Account upon receipt. No later than ten (10) Business Days prior to each Interest Payment Date, the City shall withdraw from the Debt Service Account of the Special Tax Fund and transfer (i) to the Fiscal Agent for deposit in the Reserve Fund an amount such that the amount then on deposit therein is equal to the Reserve Requirement, and (ii) to the Fiscal Agent for deposit in the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund such that the amount in the Bond Fund equals the principal, including any mandatory sinking fund payments, premium, if any, and interest due on the Bonds on the next Interest Payment Date. After the transfers under subsections (i) and (ii) have been made, the City may, on or after September 15<sup>th</sup> of each year transfer to the Surplus Account the amount remaining in the Debt Service Account.

From time to time, the City may withdraw from the Surplus Account of the Special Tax Fund amounts needed to pay costs of the Project, amounts determined by the City to be necessary to pay for City services authorized to be paid from Special Taxes of the District, or incidental expenses of the District authorized under the Act. Moneys in the Surplus Account may, at the City's discretion, also be used to pay the principal of, premium, if any, and interest on the Bonds or to replenish the Reserve Fund to the amount of the Reserve Requirement.

From time to time, the City shall withdraw from the Debt Service Account and/or the Surplus Account of the Special Tax Fund amounts needed to pay the City Administrative Expenses; provided that such transfers shall not be in excess of the portion of the Special Tax Revenues collected by the City that represent levies for Administrative Expenses.

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

#### Section 3.04. Improvement Fund.

(A) Establishment of Improvement Fund. There is hereby established as a separate fund to be held by the Fiscal Agent, the Community Facilities District No. 2004-1 (Moorpark Highlands) Special Tax Bonds Series 2006 Improvement Fund to the credit of which a deposit shall be made as required by Section 3.02. Moneys in the 2006 Improvement Fund shall be held in trust by the Fiscal Agent and shall be disbursed as provided in subsection (B) of this Section for the payment or reimbursement of costs of the Project. Prior to disbursement, amounts on deposit in the 2006 Improvement Fund shall be subject to a lien in favor of the Owners of the Bonds.

(B) Procedure for Disbursement. Disbursements from the 2006 Improvement Fund shall be made as determined by an Authorized Officer for the payment or reimbursement of the costs of the Project, including for costs of acquisition of portions of the Project, which may include authorized administrative expenses of the City, in accordance with the Acquisition Agreement, by submission of an Officer's Certificate to the Fiscal Agent requesting disbursement of moneys. The Fiscal Agent need not make any such payment if it has received notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the moneys to be so paid, that has not been released or will not be released simultaneously with such payment. The Fiscal Agent shall not incur any liability for any disbursement from the 2006 Improvement Fund made in reliance upon any Officer's Certificate.

(C) Investment. Moneys in the 2006 Improvement Fund and the accounts established thereunder shall be invested and deposited in accordance with Section 6.01. Interest earnings and profits from the investment of amounts in the 2006 Improvement Fund shall be retained by the Fiscal Agent in the 2006 Improvement Fund to be used for the purposes of the 2006 Improvement Fund.

(D) Closing of Fund. Upon the filing of an Officer's Certificate stating that the portion of the Project to be financed from the 2006 Improvement Fund and the accounts established thereunder has been completed and that all costs of such portion of the Project have been paid or are not required to be paid from the 2006 Improvement Fund, the Authorized Officer shall request the Fiscal Agent to transfer the amount, if any, remaining in the 2006 Improvement Fund to the Bond Fund for application to the payment of principal of and interest on the Bonds in accordance with Section 4.02 and the 2006 Improvement Fund shall be closed.

### Section 3.05. 2006 Costs of Issuance Fund.

(A) Establishment of 2006 Costs of Issuance Fund. There is hereby established as a separate fund to be held by the Fiscal Agent, the Community Facilities District No. 2004-1 (Moorpark Highlands) Special Tax Bonds Series 2006 Costs of Issuance Fund, to the credit of which a deposit shall be made as required by Section 3.02. Moneys in the 2006 Costs of Issuance Fund shall be held in trust by the Fiscal Agent and shall be disbursed as provided in subsection (B) of this Section for the payment or reimbursement of Costs of Issuance of the 2006 Bonds.

(B) Disbursement. Amounts in the 2006 Costs of Issuance Fund shall be disbursed from time to time to pay Costs of Issuance, as set forth in an Officer's Certificate containing respective amounts to be paid to the designated payees, signed by the Treasurer or an Authorized Officer or a designee thereof and delivered to the Fiscal Agent. The Fiscal Agent shall pay all Costs of Issuance of the 2006 Bonds upon receipt of an invoice from any such payee which requests payment in an amount which is less than or equal to the amount set forth with respect to such payee in such Officer's Certificate, or upon receipt of an Officer's Certificate requesting payment of a

Cost of Issuance not listed on the initial Officer's Certificate delivered to the Fiscal Agent on the Closing Date of the 2006 Bonds. The Fiscal Agent shall maintain the 2006 Costs of Issuance Fund for a period of 6 months, from the Closing Date of the 2006 Bonds and then shall transfer any moneys remaining therein, including any investment earnings thereon, to the Treasurer for deposit by the Treasurer in the Special Tax Fund. Thereafter, every invoice received by the Fiscal Agent shall be submitted to the Treasurer or Authorized Officer for payment from amounts on deposit in the Special Tax Fund.

(C) Investment. Moneys in the 2006 Costs of Issuance Fund shall be invested and deposited in accordance with Section 6.01. Interest earnings and profits resulting from said investment shall be retained by the Fiscal Agent in the 2006 Costs of Issuance Fund to be used for the purposes of such fund.

## ARTICLE IV

### SPECIAL TAX REVENUES; BOND FUND AND RESERVE FUND

Section 4.01. Pledge of Special Tax Revenues and Other Amounts. All of the Special Tax Revenues and all moneys deposited in the Bond Fund, the Reserve Fund and, until disbursed as provided herein, in the 2006 Improvement Fund and the Special Tax Fund are hereby pledged to secure the repayment of the Bonds. Such pledge shall constitute a first lien on the Special Tax Revenues and said amounts. The Special Tax Revenues and all moneys deposited into the such funds (except as otherwise provided herein) are hereby dedicated in their entirety to the payment of the principal of, including any mandatory sinking fund payments, and interest and any premium on, the Bonds as provided herein and in the Act until all of the Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose in accordance with Section 9.03.

Amounts in the Costs of Issuance Fund are not pledged to the repayment of the Bonds. The facilities acquired with the proceeds of the Bonds are not in any way pledged to pay the Debt Service on the Bonds. Any proceeds of condemnation, destruction or other disposition of any facilities financed with the proceeds of the Bonds are not pledged to pay the Debt Service on the Bonds and are free and clear of any lien or obligation imposed hereunder.

#### Section 4.02. Bond Fund.

(A) Establishment of Bond Fund. There is hereby established as a separate fund to be held by the Fiscal Agent the Community Facilities District No. 2004-1 (Moorpark Highlands) Special Tax Bonds Bond Fund, to the credit of which deposits shall be made as required by Section 3.02, clause (ii) of Section 3.03(B), Section 4.03 and any other amounts required to be deposited therein by this Agreement or the Act. Within the Bond Fund, the Fiscal Agent shall establish and maintain a 2006 Capitalized Interest Account, to the credit of which deposit shall be made as required by Section 3.02. Moneys in the Bond Fund shall be held in trust by the Fiscal Agent for the benefit of the Owners of the Bonds, shall be disbursed for the payment of the principal of, and interest and any premium on, the Bonds as provided below, and, pending such disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

(B) Disbursements. On each Interest Payment Date, the Fiscal Agent shall withdraw from the Bond Fund and pay to the Owners of the Bonds the principal of, and interest and any premium, then due and payable on the Bonds, including any amounts due on the Bonds by reason of the sinking payments set forth in Section 2.03(A)(iii) or any redemption of the Bonds under Section 2.03(A)(i), provided however, that so long as monies remain in the Capitalized Interest Account of the Bond Fund, the Fiscal Agent shall first withdraw from such Capitalized Interest Account for payment to the Owners of the respective Bonds the interest then due and payable on such Bonds.

In the event that amounts in the Bond Fund are insufficient to pay regularly scheduled payments of principal of and interest on the Bonds, the Fiscal Agent shall withdraw from the Reserve Fund to the extent of any funds therein, the amount of such insufficiency, and the Fiscal Agent shall provide written notice to the Authorized Officer of the amounts so withdrawn from the Reserve Fund. Amounts so withdrawn from the Reserve Fund shall be deposited in the Bond Fund.

If, after the foregoing transfer, there are insufficient funds in the Bond Fund to make the payments provided for to pay regularly scheduled payments of principal of and interest on the Bonds, the Fiscal Agent shall apply the available funds first to the payment of interest on the Bonds, then to the payment of principal due on the Bonds other than by reason of sinking payments, and then to payment of principal due on the Bonds by reason of sinking payments. Any sinking payment not made as scheduled shall be added to the sinking payment to be made on the next sinking payment date.

(C) Investment. Moneys in the Bond Fund shall be invested and deposited in accordance with Section 6.01. Interest earnings and profits resulting from such investment and deposit shall be retained in the Bond Fund to be used for the purposes of such fund.

(D) Deficiency. If ten days before any Interest Payment Date it appears to the Fiscal Agent that there is a danger of deficiency in the Bond Fund and that the Fiscal Agent may be unable to pay regularly scheduled debt service on the Bonds in a timely manner, the Fiscal Agent shall report to the Authorized Officer such fact. The City covenants to increase the levy of the Special Taxes in the next Fiscal Year (subject to the maximum amount authorized by the Resolution of Formation) in accordance with the procedures set forth in the Act for the purpose of curing Bond Fund deficiencies.

If on any Interest Payment Date the Fiscal Agent is unable to pay principal, interest and premium, if any, due on any Interest Payment Date for the Bonds due to insufficient funds in the Bond Fund, or if funds are withdrawn from the Reserve Fund to pay principal and/or interest on the Bonds the Fiscal Agent shall notify the Authorized Officer in writing of such fact, and the Authorized Officer shall notify CDIAC of such fact within 10 days of such Interest Payment Date. The Fiscal Agent has no obligation under this Agreement to provide notice or disclosure to the Bondowners of insufficient funds or anticipation of deficiency in the Bond Fund.

#### Section 4.03. Reserve Fund.

(A) Establishment of Fund. There is hereby established as a separate fund to be held by the Fiscal Agent the Community Facilities District No. 2004-1 (Moorpark Highlands) Special Tax Bonds Reserve Fund, to the credit of which a deposit shall be made as required by Section 3.02 and deposits shall be made as provided in Section 3.03(B). Moneys in the Reserve Fund shall be held in trust by the Fiscal Agent for the benefit of the Owners of the Bonds as a reserve for the payment of principal of,

and interest on, the Bonds and shall be subject to a lien in favor of the Owners of the Bonds.

(B) Use of Fund. Except as otherwise provided in this Section, all amounts deposited in the Reserve Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency within five days prior to any Interest Payment Date in the Bond Fund of the amount required for payment of the principal of, and interest on, the Bonds on such Interest Payment Date. Whenever transfer is made from the Reserve Fund to the Bond Fund due to a deficiency in the Bond Fund, the Fiscal Agent shall provide written notice thereof to the Treasurer and the Authorized Officer.

(C) Transfer of Excess of Reserve Requirement. Whenever, on the Business Day prior to any Interest Payment Date, the amount in the Reserve Fund exceeds the then applicable Reserve Requirement, the Fiscal Agent shall provide written notice to the Treasurer and Authorized Officer of the amount of the excess and, following any transfer required pursuant to Section 4.03(D) below, shall transfer an amount equal to the excess from the Reserve Fund to the Improvement Fund, if the Project has not been completed as of the date of such transfer, or if the Project has been completed, to the Bond Fund to be used for the payment of the principal of and interest on the Bonds in accordance with Section 4.02.

(D) Transfer for Rebate Purposes. Investment earnings on amounts in the Reserve Fund may be withdrawn from the Reserve Fund for purposes of making payment to the federal government to comply with Section 6.02.

(E) Transfer When Balance Exceeds Outstanding Bonds. Whenever the balance in the Reserve Fund exceeds the amount required to redeem or pay the Outstanding Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, and after making any transfer required under Section 4.03(D) above and upon receipt of an Officer's Certificate directing it to do so, the Fiscal Agent shall transfer the amount in the Reserve Fund to the Bond Fund to be applied, on the next succeeding Interest Payment Date to the payment and redemption, in accordance with Section 4.02 or 2.03 as applicable, of all of the Outstanding Bonds. In the event that the amount so transferred from the Reserve Fund to the Bond Fund exceeds the amount required to pay and redeem the Outstanding Bonds, the balance in the Reserve Fund shall be transferred to the City, after payment of any amounts due the Fiscal Agent hereunder, to be used for any lawful purpose of the City.

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

(F) Investment. Moneys in the Reserve Fund shall be invested and deposited in accordance with Section 6.01. Interest earnings and profits resulting from such investment and deposit shall be retained in the Reserve Fund to be used and disbursed as provided in this Section 4.03.

## ARTICLE V

### OTHER COVENANTS OF THE CITY

Section 5.01. Punctual Payment. The City will punctually pay or cause to be paid the principal of, and interest and any premium on, the Bonds when and as due in strict conformity with the terms of this Agreement, and it will faithfully observe and perform all of the conditions covenants and requirements of this Agreement and all Supplemental Agreements and of the Bonds.

Section 5.02. Limited Obligation. The Bonds are limited obligations of the City on behalf of the District and are payable solely from and secured solely by the Special Tax Revenues and the amounts in the Bond Fund, the Reserve Fund and the Special Tax Fund created hereunder.

Section 5.03. Extension of Time for Payment. In order to prevent any accumulation of claims for interest after maturity, the City shall not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and shall not, directly or indirectly, be a party to the approval of any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the City, such claim for interest so extended or funded shall not be entitled, in case of default hereunder, to the benefits of this Agreement, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

Section 5.04. Against Encumbrances. The City will not encumber, pledge or place any charge or lien upon any of the Special Tax Revenues or other amounts pledged to the Bonds superior to or on a parity with the pledge and lien herein created for the benefit of the Bonds, except as permitted by this Agreement.

Section 5.05. Books and Accounts. The City will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City, in which complete and correct entries shall be made of all transactions relating to the expenditure of amounts disbursed from the Special Tax Fund and to the Special Tax Revenues. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Fiscal Agent and the Owners of not less than ten percent (10%) of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

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

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

Section 5.06. Protection of Security and Rights of Owners. The City will preserve and protect the security of the Bonds and the rights of the Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the delivery of any of the Bonds by the City, the Bonds shall be incontestable by the City.

Section 5.07. Compliance with Law; Completion of Project. The City will comply with all applicable provisions of the Act and the law in completing the acquisition and construction of the Project; provided that the City shall have no obligation to advance any funds to complete the Project in excess of the amounts available therefor in the Improvement Fund.

Section 5.08. Private Activity Bond Limitation. The City shall assure that the proceeds of the Bonds are not so used as to cause the Bonds to satisfy the private business tests of Section 141(b) of the Code or the private loan financing test of Section 141(c) of the Code.

Section 5.09. Federal Guarantee Prohibition. The City shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

Section 5.10. Collection of Special Tax Revenues. The City shall comply with all requirements of the Act so as to assure the timely collection of Special Tax Revenues, including without limitation, the enforcement of delinquent Special Taxes.

On or within five (5) Business Days of each June 1, the Fiscal Agent shall provide the Treasurer and Authorized Officer with a notice stating the amount then on deposit in the Bond Fund and the Reserve Fund. The receipt of such notice by the Treasurer and Authorized Officer shall in no way affect the obligations of the Treasurer or Authorized Officer under the following two paragraphs. Upon receipt of such notice, the Treasurer shall communicate with the Authorized Officer to ascertain the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits during the preceding and then current year.

The City shall effect the levy of the Special Taxes each Fiscal Year in accordance with the Ordinance such that the computation of the levy is complete before the final date on which County Auditor will accept the transmission of the Special Tax amounts for the parcels within the District for inclusion on the next secured real property tax roll. Upon the completion of the computation of the amounts of the levy, the City shall prepare or cause to be prepared, and shall transmit to the Authorized Officer, such data as the County Auditor requires to include the levy of the Special Taxes on the next secured real property tax roll.

The City shall fix and levy the amount of Special Taxes within the District required for the payment of principal of and interest on any outstanding Bonds of the District becoming due and payable during the ensuing year, including any necessary replenishment or expenditure of the Reserve Fund for the Bonds and an amount estimated to be sufficient to pay the Administrative Expenses during such year, all in accordance with the rate and method of apportionment of the Special Taxes for the District and the Ordinance. In any event, the Special Taxes so levied shall not exceed the authorized amounts as provided in the proceedings pursuant to the Resolution of Formation.

The Special Taxes shall be payable and be collected in the same manner and at the same time and in the same installment as the general taxes on real property are payable, and have the same priority, become delinquent at the same times and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general taxes on real property. Notwithstanding the foregoing, the Special Taxes may be collected in such other manner as the City shall prescribe if necessary to pay the debt service on the Bonds.

Section 5.11. Further Assurances. The City will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Agreement, and for the better assuring and confirming unto the Owners of the rights and benefits provided in this Agreement.

Section 5.12. No Arbitrage. The City shall not take, or permit or suffer to be taken by the Fiscal Agent or otherwise, any action with respect to the gross proceeds of the Bonds which if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code and Regulations.

Section 5.13. Maintenance of Tax-Exemption. The City shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Bonds.

Section 5.14. Annual State Reports. The following requirements shall apply to the Bonds:

(A) Annual Reporting. Not later than October 30 of each calendar year, beginning with the October 30 first succeeding the date of the Bonds, and in each calendar year thereafter until the October 30 following the final maturity of the Bonds, the Treasurer shall prepare and supply the California Debt and Investment Advisory Commission, by mail, postage prepaid, with the information required under Section

53359.5(c) of the Act. The annual reporting shall be made using such form or forms as may be prescribed by CDIAC.

(B) Other Reporting. If within 10 days prior to any Interest Payment Date it appears to the Fiscal Agent that there is a danger of deficiency in the Bond Fund and that the Fiscal Agent may be unable to pay regularly scheduled debt service on the Bonds in a timely manner or if the Fiscal Agent is unable to pay principal, interest and premium, if any, due on any Interest Payment Date for the Bonds due to insufficient funds in the Bond Fund, or if funds are withdrawn from the Reserve Fund to pay principal and/or interest on the Bonds the Fiscal Agent shall make the reports required under Section 4.02(D) hereof.

(C) Amendment. The reporting requirements of this Section 5.14 shall be amended from time to time, without action by the City or the Fiscal Agent, to reflect any amendments to Section 53359.5(b) or Section 53359.5(c) of the Act.

(D) No Liability. None of the City and its officers, agents and employees, the Treasurer or the Fiscal Agent shall be liable for any inadvertent error in reporting the information required by this Section 5.14.

Section 5.15. Covenant to Foreclose. The City hereby covenants with and for the benefit of the Owners of the Bonds that it will annually on or before September 1 of each year review the public records of the County of Ventura relating to the collection of the Special Tax in order to determine the amount of the Special Tax collected in the prior Fiscal Year, and if the City determines on the basis of such review that the amount so collected is deficient by more than five percent (5%) of the total amount of the Special Tax levied in such Fiscal Year, it will within thirty (30) days thereafter institute foreclosure proceedings as authorized by the Act in order to enforce the lien of the delinquent installment of the Special Tax against each separate lot or parcel of land in the District for which such installment of the Special Tax is delinquent, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale; *provided*, that if the City determines on the basis of such review that (a) the amount so collected is deficient by less than 5% of the total amount of the Special Tax levied in the District in such Fiscal Year, but that property owned by any single property owner in the District is delinquent by more than \$5,000 with respect to the Special Tax due and payable by such property owner in such Fiscal Year, or (b) that property owned by any single property owner in the District is delinquent cumulatively by more than \$3,000 with respect to the current and past Special Tax due (irrespective of the total delinquencies in the District) then the City will institute, prosecute and pursue such foreclosure proceedings in the time and manner provided herein against each such property owner. The Treasurer or Authorized Officer shall notify the City Attorney of any such delinquency of which it is aware, and the City Attorney shall commence, or cause to be commenced, such proceedings.

Section 5.16. Continuing Disclosure to Owners. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing

Disclosure Agreement. Notwithstanding any other provision of this Agreement, failure of the City to comply with the Continuing Disclosure Agreement shall not be considered a default hereunder; however, any Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate to compel performance by the City of its obligations thereunder, including seeking mandate or specific performance by court order.

Section 5.17. No.Additional Bonds. The City shall not authorize the issuance additional bonds payable from Special Taxes and secured by the Special Tax Revenues equally and ratably with 2006 Bonds previously issued, except that the City may issue bonds secured on a parity with the 2006 Bonds to refund all or a portion of the 2006 Bonds.

Section 5.18. Yield of the Bonds. In determining the yield of the Bonds to comply with Section 5.13 and 6.02 hereof, the City will take into account redemption (including premium, if any) in advance of maturity based on the reasonable expectations of the City, as of the Closing, without regard to whether or not redemption moneys are received or Bonds are redeemed.

## ARTICLE VI

### **INVESTMENTS; DISPOSITION OF INVESTMENT PROCEEDS; LIABILITY OF THE CITY**

Section 6.01. Deposit and Investment of Moneys in Funds. Subject in all respects to the provisions of Section 6.02, moneys in any fund or account created or established by this Agreement and held by the Fiscal Agent, shall be invested by the Fiscal Agent in Permitted Investments, as directed pursuant to an Officer's Certificate filed with the Fiscal Agent at least two (2) Business Days in advance of the making of such investments. In the absence of any such Officer's Certificate, the Fiscal Agent shall invest any such moneys in Permitted Investments described in clause (vii) of the definition thereof which by their terms mature prior to the date on which such moneys are required to be paid out hereunder. Subject in all respects to the provisions of Section 6.02, moneys in any fund or account created or established by this Agreement and held by the Treasurer or Authorized Officer shall be invested by the Treasurer or Authorized Officer in any lawful investments that the City may make, which by their terms mature prior to the date on which such moneys are required to be paid out hereunder. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account, subject, however, to the requirements of this Agreement for transfer of interest earnings and profits resulting from investment of amounts in funds and accounts.

The Fiscal Agent, Treasurer or Authorized Officer may act as principal or agent in the acquisition or disposition of any investment. Neither the Fiscal Agent, the Treasurer or the Authorized Officer shall incur any liability for losses arising from any investments made pursuant to this Section. Any losses arising from any investments made pursuant to this Section shall be offset against interest earnings and profits retained in the same fund.

Except as otherwise provided in the next sentence, all investments of amounts deposited in any fund or account created by or pursuant to this Agreement, or otherwise containing gross proceeds of the Bonds (within the meaning of Section 148 of the Code), shall be acquired, disposed of, and valued (as of the date that valuation is required by this Agreement or the Code) at Fair Market Value. For purposes of any Fair Market Value determination hereunder, the Fiscal Agent shall be entitled to conclusively rely on an Officer's Certificate of the City and shall be fully protected in relying thereon. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code and (unless valuation is undertaken at least annually) investments in the Reserve Fund shall be valued at their present value (within the meaning of Section 148 of the Code).

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

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

The Fiscal Agent or the Treasurer, as applicable, shall sell or present for redemption, any investment security whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such investment security is credited and neither the Fiscal Agent nor the Treasurer shall be liable or responsible for any loss resulting from the acquisition or disposition of such investment security in accordance herewith.

The City acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the City the right to receive brokerage confirmations of security transactions as they occur, the City specifically waives receipt of such confirmations to the extent permitted by law. The Fiscal Agent will furnish the City periodic cash transaction statements which include detail for all investment transactions made by the Fiscal Agent hereunder.

Section 6.02. Rebate of Excess Investment Earnings to the United States. The City covenants to calculate and rebate to the federal government, in accordance with the Regulations, excess investment earnings to the extent required by Section 148(f) of the Code.

The City shall notify the Fiscal Agent of any amounts determined to be due to the federal government, and the Fiscal Agent shall, upon receipt of an Officer's Certificate of the City, withdraw such amounts from the Reserve Fund pursuant to Section 4.03(D), and pay such amounts to the federal government as required by the Code and the Regulations. In the event of any shortfall in amounts available to make such payments under Section 4.03(D), the Fiscal Agent shall notify the Authorized Officer in writing of the amount of the shortfall and the Authorized Officer shall make such payment from any amounts available in the Special Tax Fund. Any fees or expenses incurred by the Fiscal Agent or the City under or pursuant to this Section 6.02 shall be Administrative Expenses.

In order to provide for the administration of this Section 6.02, the City may provide for the employment of independent attorneys, accountants and consultants compensated on such reasonable basis as the City may deem appropriate.

Section 6.03. Limited Obligation. The City's obligations hereunder are limited obligations of the City on behalf of the District and are payable solely from and secured solely by the Special Tax Revenues and the amounts in the Special Tax Fund, the Bond Fund and the Reserve Fund created hereunder.

## ARTICLE VII

### THE FISCAL AGENT

Section 7.01. Appointment of Fiscal Agent. [FISCAL AGENT], at its Principal Office, is hereby appointed Fiscal Agent for the Bonds. The Fiscal Agent undertakes to perform such duties, and only such duties, as are specifically set forth in this Agreement, and no implied covenants or obligations shall be read into this Agreement against the Fiscal Agent.

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

The City may remove the Fiscal Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto, but any such successor shall be a bank or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least Fifty Million Dollars (\$50,000,000) including, for such purpose, the combined capital and surplus of any parent holding company, and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section 7.01, 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 Fiscal Agent may at any time resign by giving written notice to the City and by giving to the Owners notice by mail of such resignation. Upon receiving notice of such resignation, the City shall promptly appoint a successor Fiscal Agent by an instrument in writing. Any resignation or removal of the Fiscal Agent shall become effective upon acceptance of appointment by the successor Fiscal Agent.

If no appointment of a successor Fiscal Agent shall be made pursuant to the foregoing provisions of this Section within thirty (30) days after the Fiscal Agent shall have given to the City written notice or after a vacancy in the office of the Fiscal Agent shall have occurred by reason of its inability to act, the Fiscal Agent or any Bondowner may apply to any court of competent jurisdiction to appoint a successor Fiscal Agent. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Fiscal Agent.

Section 7.02. Liability of Fiscal Agent. The recitals of facts, covenants and agreements herein and in the Bonds contained shall be taken as statements, covenants

and agreements of the City, and the Fiscal Agent assumes no responsibility for the correctness of the same, or makes any representations as to the validity or sufficiency of this Agreement or of the Bonds, or shall incur any responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Bonds assigned to or imposed upon it. The Fiscal Agent shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful default. The Fiscal Agent assumes no responsibility or liability for any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds. The Fiscal Agent has no liability regarding the use of the proceeds from the purchase of the Bonds deposited in funds held by the City.

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

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

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

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

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

Section 7.03. Information. The Fiscal Agent shall provide to the City such information relating to the Bonds and the funds and accounts maintained by the Fiscal Agent hereunder as the City shall reasonably request, including but not limited to quarterly statements reporting funds held and transactions by the Fiscal Agent.

Section 7.04. Notice to Fiscal Agent. The Fiscal Agent may rely and shall be protected in acting or refraining from acting upon any Officer's Certificate, notice, resolution, request, consent, order, certificate, report, warrant, Bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties and given in accordance with the requirements hereof. The Fiscal Agent may execute any of the powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Fiscal Agent shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder. The Fiscal Agent may consult with counsel, who may be counsel to the City, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

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

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

Section 7.05. Compensation, Indemnification. The City shall pay to the Fiscal Agent from time to time reasonable compensation for all services rendered as Fiscal Agent under this Agreement, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Agreement, but the Fiscal Agent shall not have a lien therefor on any funds at any time held by it under this Agreement. The City further agrees, to the extent permitted by applicable law, to indemnify and save the Fiscal Agent, its officers, employees, directors and agents harmless against any costs, claims, expenses or liabilities, including, without limitation, fees and expenses of its attorneys which it may incur in

the exercise and performance of its powers and duties hereunder which are not due to its negligence or willful misconduct. The obligation of the City under this Section shall survive resignation or removal of the Fiscal Agent under this Agreement and payment of the Bonds and discharge of this Agreement.

## ARTICLE VIII

### MODIFICATION OR AMENDMENT OF THIS AGREEMENT

Section 8.01. Amendments Permitted. This Agreement and the rights and obligations of the City and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Agreement pursuant to the affirmative vote at a meeting of Owners, or with the written consent without a meeting, of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 8.04. No such modification or amendment shall (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the City to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation by the City of any pledge or lien upon the Special Taxes superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise permitted by the Act, the laws of the State of California or this Agreement), or reduce the percentage of Bonds required for the amendment hereof. No such amendment may modify any of the rights or obligations of the Fiscal Agent without its written consent.

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

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

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

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

(D) to make such additions, deletions or modifications as may be necessary or desirable to assure compliance with Section 148 of the Code relating to required rebate of excess investment earnings to the United States or otherwise as may be necessary to assure exclusion from gross income for federal income tax purposes of interest on the Bonds or to conform with the Regulations.

Section 8.02. Owners' Meetings. The City may at any time call a meeting of the Owners. In such event the City is authorized to fix the time and place of said meeting and to provide for the giving of notice thereof and to fix and adopt rules and regulations for the conduct of said meeting.

Section 8.03. Procedure for Amendment with Written Consent of Owners. The City and the Fiscal Agent may at any time enter into a Supplemental Agreement amending the provisions of the Bonds or of this Agreement or any Supplemental Agreement, to the extent that such amendment is permitted by Section 8.01, to take effect when and as provided in this Section. A copy of such Supplemental Agreement, together with a request to Owners for their consent thereto, if such consent is required under Section 8.01, shall be mailed by first class mail, by the Fiscal Agent to each Owner of Bonds Outstanding, but failure to mail copies of such Supplemental Agreement and request shall not affect the validity of the Supplemental Agreement when assented to as in this Section provided.

If consent of the Owners is required under Section 8.01, such Supplemental Agreement shall not become effective unless there shall be filed with the Fiscal Agent the written consents of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in Section 8.04) and a notice shall have been mailed as hereinafter in this Section provided. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given, which proof shall be such as is permitted by Section 9.04. Any such consent shall be binding upon the Owner of the Bonds giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Fiscal Agent prior to the date when the notice hereinafter in this Section provided for has been mailed.

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

a legal action or equitable proceeding for such purpose commenced within such sixty-day period.

Section 8.04. Disqualified Bonds. Bonds owned or held for the account of the City, excepting any pension or retirement fund, shall not be deemed Outstanding for the purpose of any vote, consent or other action or any calculation of Outstanding Bonds provided for in this Article VIII, and shall not be entitled to vote upon, consent to, or take any other action provided for in this Article VIII. Upon request, the City shall provide an Officer's Certificate to the Fiscal Agent listing those Bonds which are disqualified pursuant to this Section 8.04.

Section 8.05. Effect of Supplemental Agreement. From and after the time any Supplemental Agreement becomes effective pursuant to this Article VIII, this Agreement shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations under this Agreement of the City and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such Supplemental Agreement shall be deemed to be part of the terms and conditions of this Agreement for any and all purposes.

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

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

Section 8.08. Opinion of Counsel Regarding Supplemental Agreement. The Fiscal Agent shall be furnished, upon request, an opinion of counsel that any Supplemental Agreement entered into by the City and the Fiscal Agent complies with the provisions of this Article VIII, and the Fiscal Agent may conclusively rely upon such opinion.

## ARTICLE IX

### MISCELLANEOUS

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

Section 9.02. Successor is Deemed Included in All References to Predecessor. Whenever in this Agreement or any Supplemental Agreement either the City or the Fiscal Agent is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Agreement contained by or on behalf of the City or the Fiscal Agent shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 9.03. Discharge of Agreement. If the City shall pay and discharge the entire indebtedness on all or any portion of the Bonds Outstanding in any one or more of the following ways:

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

(B) by depositing with the Fiscal Agent, in trust, at or before maturity, money which, together with (in the event that all of the Bonds are to be defeased) the amounts then on deposit in the funds and accounts provided for in Sections 4.02 and 4.03, is fully sufficient to pay such Bonds Outstanding, including all principal, interest and redemption premiums, or;

(C) by irrevocably depositing with the Fiscal Agent, in trust, cash and Federal Securities in such amount as the City shall determine as confirmed by an independent certified public accountant will, together with the interest to accrue thereon and (in the event that all of the Bonds are to be defeased) moneys then on deposit in the fund and accounts provided for in Sections 4.02 and 4.03, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates;

and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been given as in this Agreement provided or provision satisfactory to the Fiscal Agent shall have been made for the giving of such notice, then, at the election of the City, and notwithstanding that any Bonds shall not have been

surrendered for payment, the pledge of the Special Taxes and other funds provided for in this Agreement and all other obligations of the City under this Agreement with respect to such Bonds Outstanding shall cease and terminate, except only the obligations of the City under Section 5.13 and to pay or cause to be paid to the Owners of the Bonds not so surrendered and paid all sums due thereon and all amounts owing to the Fiscal Agent pursuant to Section 7.05; and thereafter Special Taxes shall not be payable to the Fiscal Agent. Notice of such election shall be filed with the Fiscal Agent.

Any funds thereafter held by the Fiscal Agent upon payments of all fees and expenses of the Fiscal Agent, which are not required for said purpose, shall be paid over to the City.

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

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

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

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

Section 9.05. Waiver of Personal Liability. No member, officer, agent or employee of the City shall be individually or personally liable for the payment of the principal of, or interest or any premium on, the Bonds; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

Section 9.06. Notices to and Demands on City and Fiscal Agent. Any notice or demand which by any provision of this Agreement is required or permitted to be given or served by the Fiscal Agent to or on the City may be given or served by being deposited postage prepaid in a post office letter box, by overnight courier or by facsimile (with

receipt confirmed by telephone) addressed (until another address is filed by the City with the Fiscal Agent) as follows:

City of Moorpark  
799 Moorpark Avenue  
Moorpark, California 93021  
Attention: Assistant City Manager  
Fax: (805) 531-9112

Any notice or demand which by any provision of this Agreement is required or permitted to be given or served by the City to or on the Fiscal Agent may be given or served by being deposited postage prepaid in a post office letter box, by overnight courier or by facsimile (with receipt confirmed by telephone) addressed (until another address is filed by the Fiscal Agent with the City) as follows:

[FISCAL AGENT]

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

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

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

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

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

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

Section 9.13. State Reporting Requirements. In addition to Section 5.16, the following requirements shall apply to the Bonds:

(A) Annual Reporting.

(i) Not later than October 30 of each calendar year, beginning with the October 30 first succeeding the date of the Bonds, and in each calendar year thereafter until the October 30 following the final maturity of the Bonds, the Director of Finance shall cause the following information to be supplied to CDIAC: (i) the principal amount of the Bonds Outstanding; (ii) the balance in the Reserve Fund and any amounts of capitalized interest in the Bond Fund; (iii) the number of parcels in the CFD which are delinquent in the payment of Special Taxes, the amount of each delinquency, the length of time delinquent and when foreclosure was commenced for each delinquent parcel; and (iv) the assessed value of all parcels in the CFD subject to the levy of the Special Taxes as shown in most recent equalized roll. The annual reporting shall be made using such form or forms as may be prescribed by CDIAC.

(ii) Not later than January 1, 2007, and at least once a year thereafter, Director of Finance shall file a report with the Council, which report shall contain: (a) the amount of funds collected and expended with respect to the Bonds; and (b) the status of the Project required and authorized to be funded by the CFD.

(B) Other Reporting. If at any time the Fiscal Agent fails to pay principal and interest due on any scheduled payment date for the Bonds, or if funds are withdrawn from the Reserve Fund to pay principal and interest on the Bonds, the Fiscal Agent shall notify the Director of Finance of such failure or withdrawal in writing. The Director of

Finance shall notify CDIAC and the Original Purchasers of such failure or withdrawal within 10 days of such failure or withdrawal.

(C) Amendment. The reporting requirements of this Section 9.13 shall be amended from time to time, without action by the City or the Fiscal Agent, to reflect any amendments to Section 53359.5(b) or Section 53359.5(c) of the Act.

(D) No Liability. None of the City and its officers, agents and employees, the Director of Finance or the Fiscal Agent shall be liable for any inadvertent error in reporting the information required by this Section 9.13.

The Director of Finance shall provide copies of any such reports to any Bondowner upon the written request of a Bondowner and payment by the person requesting the information of the cost of the City to photocopy and pay any postage or other delivery cost to provide the same, as determined by the Director of Finance. The term "Bondowner" for purposes of this Section 9.13 shall include any beneficial owner of the Bonds as described in Section 2.12.

Section 9.14. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original.

IN WITNESS WHEREOF, the City has caused this Agreement to be executed in its name and the Fiscal Agent has caused this Agreement to be executed in its name, all as of June 1, 2006.

CITY OF MOORPARK, for and on  
behalf of  
CITY OF MOORPARK COMMUNITY  
FACILITIES DISTRICT NO. 2004-1  
(MOORPARK HIGHLANDS)

By: \_\_\_\_\_  
Authorized Officer

[FISCAL AGENT], as Fiscal Agent

By: \_\_\_\_\_  
Authorized Officer

**EXHIBIT A**

**FORM OF BOND**

UNITED STATES OF AMERICA  
STATE OF CALIFORNIA

No. \_\_\_\_\_

\$ \_\_\_\_\_

CITY OF MOORPARK  
COMMUNITY FACILITIES DISTRICT NO. 2004-1  
(Moorpark Highlands)  
SPECIAL TAX BONDS SERIES 2006

INTEREST RATE:

MATURITY DATE:

BOND DATE:  
, 2006

CUSIP:

REGISTERED OWNER: Cede & Co.

PRINCIPAL AMOUNT:

DOLLARS

The City of Moorpark (the "City") for and on behalf of the City of Moorpark Community Facilities District No. 2004-1 (Moorpark Highlands) (the "District"), for value received, hereby promises to pay solely from the Special Tax (as hereinafter defined) to be collected in the District or amounts in certain funds and accounts held under the Agreement (as hereinafter defined), to the Registered Owner named above, or registered assigns (the "Owner"), on the Maturity Date set forth above, unless redeemed prior thereto as hereinafter provided, the Principal Amount set forth above, and to pay interest on such principal amount from the Bond Date shown above, or from the most recent Interest Payment Date (as hereinafter defined) to which interest has been paid or duly provided for, semiannually on March 1 and September 1, commencing September 1, 2006 (the "Interest Payment Dates"), at the Interest Rate set forth above, until the principal amount hereof is paid or made available for payment. The principal of this Bond is payable to the Owner hereof in lawful money of the United States of America upon presentation and surrender of this Bond at the principal corporate trust office of [FISCAL AGENT] in Los Angeles, California (the "Fiscal Agent"). Interest on this Bond shall be paid by check of the Fiscal Agent mailed by first class mail on each Interest Payment Date to the Owner hereof as of the close of business on the 15th day of the month preceding the month in which the Interest Payment Date occurs (the "Record Date") at such Owner's address as it appears on the registration books maintained by the Fiscal Agent, or by wire transfer made on such

Interest Payment Date upon written instructions delivered to the Fiscal Agent by the applicable Record Date of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds.

This Bond is one of a duly authorized issue of bonds approved by resolution of the City Council of the City on \_\_\_\_\_, 2006, pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, Sections 53311, *et seq.*, of the California Government Code (the "Mello-Roos Act") for the purpose of providing moneys for the construction and acquisition of improvements within the District, and is one of the bonds designated "City of Moorpark Community Facilities District No. 2004-1 (Moorpark Highlands) Special Tax Bonds Series 2006" (the "Bonds"). The issuance of the Bonds and the terms and conditions thereof are provided for by a Fiscal Agent Agreement, dated as of June 1, 2006, by and between the City and the Fiscal Agent (the "Agreement") and this reference incorporates the Agreement herein, and by acceptance hereof the Owner of this Bond assents to said terms and conditions. The Agreement is authorized under, this Bond is issued under and both are to be construed in accordance with, the laws of the State of California.

Pursuant to the Mello-Roos Act, the Agreement and the Resolution, the principal of and interest on this Bond are payable solely from the annual special tax authorized under the Mello-Roos Act to be collected within the District (the "Special Tax") and certain funds held under the Agreement.

Interest on this Bond shall be payable from the Interest Payment Date next preceding the date of authentication hereof, unless (i) it is authenticated on an Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (ii) such date of authentication is after a Record Date but on or prior to an Interest Payment Date, in which event interest will be payable from such Interest Payment Date, or (iii) such date of authentication is prior to the first Record Date, in which event interest will be payable from the Bond Date shown above; provided however, that if at the time of authentication of this Bond, interest is in default hereon, this Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment hereon.

Any tax for the payment hereof shall be limited to the Special Tax, except to the extent that provision for payment has been made by the City as may be permitted by law. The Bonds do not constitute obligations of the City for which the City is obligated to levy or pledge, or has levied or pledged, general or special taxation other than described herein above.

Optional Redemption. The 2006 Bonds shall be subject to optional redemption from any source of available funds prior to maturity, in whole, or in part among maturities as shall be specified by an Officer's Certificate of the City and by lot within a maturity, on any Interest Payment Date on or after September 1, \_\_\_\_\_, at the following respective redemption prices (expressed as percentages of the principal amount of the 2006 Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
September 1, _____ and March 1, _____	
September 1, _____ and March 1, _____	
September 1, _____ and March 1, _____	
September 1, _____ and Interest Payment Dates thereafter	

(ii) Mandatory Redemption From Prepayments. The 2006 Bonds shall be subject to mandatory redemption from Prepayments of the Special Tax by property owners, in whole or in part among maturities as shall be specified by the City and by lot within a maturity, or any Interest Payment Date at the following respective redemption prices (expressed as percentages of the principal amount of the 2006 Bonds to be redeemed), plus accrued interest thereon the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
_____, 2005 to and including March 1, _____	
September 1, _____ and March 1, _____	
September 1, _____ and March 1, _____	
September 1, _____ and Interest Payment Dates thereafter	

The proceeds of any such Prepayment shall be deposited in the Prepayment Account of the 2006 Bond Fund and applied by the Fiscal Agent to pay the redemption price of the 2006 Bonds.

Mandatory Redemption From Prepayments. The Term Bonds maturing September 1, \_\_\_\_\_ and \_\_\_\_\_ are subject to mandatory sinking payment redemption in part on September 1, \_\_\_\_\_ and September 1, \_\_\_\_\_, respectively, and on each September 1 thereafter to maturity, by lot, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts as set forth in the following tables:

**Term Bonds of \_\_\_\_\_**

Mandatory Redemption Date <u>(September 1)</u>	Sinking Fund Payment
--	-------------------------

**Term Bonds of \_\_\_\_\_**

Mandatory Redemption Date <u>(September 1)</u>	Sinking Fund Payment
--	-------------------------

The amounts in the foregoing tables shall be reduced pro rata, in order to maintain substantially level debt service, as a result of any prior partial optional redemption or mandatory redemption of the Bonds.

Notice of redemption with respect to the Bonds to be redeemed shall be given to the Owners thereof, in the manner, to the extent and subject to the provisions of the Agreement.

This Bond shall be registered in the name of the Owner hereof, as to both principal and interest. Each registration and transfer of registration of this Bond shall be entered by the Fiscal Agent in books kept by it for this purpose and authenticated by its manual signature upon the certificate of authentication endorsed hereon.

No transfer or exchange hereof shall be valid for any purpose unless made by the registered owner, by execution of the form of assignment endorsed hereon, and authenticated as herein provided, and the principal hereof, interest hereon and any redemption premium shall be payable only to the registered owner or to such Owner's order. The Fiscal Agent shall require the Owner requesting transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange. No transfer or exchange hereof shall be required to be made (i) within 15

days prior to the date established by the Fiscal Agent for selection of Bonds for redemption or (ii) with respect to a Bond after such Bond has been selected for redemption.

The Agreement and the rights and obligations of the City thereunder may be modified or amended as set forth therein. The principal of the Bonds is not subject to acceleration upon a default under the Agreement or any other document.

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

It is hereby certified, recited and declared that all acts, conditions and things required by law to exist, happen and be performed precedent to and in the issuance of this Bond have existed, happened and been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other indebtedness of the City, does not exceed any debt limit prescribed by the laws or Constitution of the State of California.

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

IN WITNESS WHEREOF, the City of Moorpark has caused this Bond to be dated \_\_\_\_\_, 2006 and to be signed by the Mayor of the City and countersigned by the City Clerk of the City.

---

Mayor

[S E A L]

---

City Clerk

*FISCAL AGENT'S CERTIFICATE OF AUTHENTICATION*

This is one of the Bonds described in the Resolution and the Agreement.

Dated: \_\_\_\_\_, 2006

[FISCAL AGENT], as Fiscal Agent

By:  
Authorized Signatory

ASSIGNMENT

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

\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
(Name, address and Tax identification Number of Assignee)

the within-mentioned registered Bond and hereby irrevocably constitute(s) and appoint(s)

\_\_\_\_\_, attorney, \_\_\_\_\_  
to transfer the same on the registration books of the Fiscal Agent with full power of substitution in the premises.

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

Signature Guaranteed:

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

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

**ATTACHMENT 3**

Jones Hall Draft 5/22/06

**\$ \_\_\_\_\_  
CITY OF MOORPARK  
COMMUNITY FACILITIES DISTRICT NO. 2004-1  
(Moorpark Highlands)  
SPECIAL TAX BONDS  
SERIES 2006**

**BOND PURCHASE AGREEMENT**

\_\_\_\_\_, 2006

City of Moorpark  
Community Facilities District No. 2004-1  
799 Moorpark Avenue  
Moorpark, California 93021

Ladies and Gentlemen:

The undersigned (the "Underwriter") offers to enter into this Purchase Agreement (this "Purchase Agreement") with the City of Moorpark (the "City") on behalf of City of Moorpark Community Facilities District No. 2004-1 (Moorpark Highlands) (the "District"), which upon acceptance will be binding upon the Underwriter, the City and the District. The agreement of the Underwriter to purchase the Bonds (as hereinafter defined) is contingent upon the City satisfying all of the obligations imposed upon it under this Purchase Agreement. This offer is made subject to the City's acceptance by the execution of this Purchase Agreement and its delivery to the Underwriter on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to the City at any time prior to the acceptance hereof by the City. All capitalized terms used herein, which are not otherwise defined, shall have the meaning provided for such terms in the Fiscal Agent Agreement (as hereinafter defined).

**Section 1. Purchase, Sale and Delivery of the Bonds.**

(a) Subject to the terms and conditions, and in reliance upon the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase from the City, and the City hereby agrees to sell to the Underwriter, all (but not less than all) of the \$\_\_\_\_\_ aggregate principal amount of the City of Moorpark Community Facilities District No. 2004-1 (Moorpark Highlands), Special Tax Bonds, Series 2006 (the "Bonds"), dated the Closing Date (as hereinafter defined), bearing interest at the rates and maturing on the dates and in the principal amounts set forth in Exhibit A hereto. The purchase price for the Bonds shall be \$\_\_\_\_\_ (representing the principal of amount of the Bonds, plus an aggregate original issue premium of \$\_\_\_\_\_, less an underwriter's discount of \$\_\_\_\_\_). The Bonds shall be substantially in the form described in, shall be issued and secured under the provisions of, and shall be payable from the Special Taxes as provided in the Fiscal Agent Agreement, dated as of June 1, 2006, (the "Fiscal Agent Agreement"), between the City and [FISCAL AGENT], a \_\_\_\_\_ duly organized and existing under and by virtue of the laws of the \_\_\_\_\_, as fiscal agent (the "Fiscal Agent"), the Official Statement (as

hereinafter defined), and the Mello-Roos Community Facilities Act of 1982, constituting Section 53311 et seq. of the California Government Code (the "Act").

(b) Pursuant to the authorization of the City, the Underwriter has distributed copies of the Preliminary Official Statement, dated \_\_\_\_\_, 2006, relating to the Bonds, which, together with the cover page and appendices thereto, is herein called the "Preliminary Official Statement." By its acceptance of this Purchase Agreement, the City hereby ratifies the use by the Underwriter of the Preliminary Official Statement; and the City agrees to execute a final official statement relating to the Bonds (the "Official Statement") which will consist of the Preliminary Official Statement with such changes as may be made thereto, with the approval of Jones Hall, A Professional Law Corporation, the City's Bond Counsel (herein called "Bond Counsel") and the Underwriter, and to provide copies thereof to the Underwriter as set forth in Section 2(n) hereof. The City hereby authorizes the Underwriter to use and promptly distribute, in connection with the offer and sale of the Bonds, the Preliminary Official Statement, the Official Statement and any supplement or amendment thereto. The City further authorizes the Underwriter to use and distribute, in connection with the sale of the Bonds all documents, certificates and statements furnished by or on behalf of the City or the District to the Underwriter in connection with the transactions contemplated by this Purchase Agreement.

(c) Except as the Underwriter and the City may otherwise agree, at 8:00 A.M. California time, on \_\_\_\_\_, 2006 (the "Closing Date"), the City will deliver to the Underwriter, at the offices of Jones Hall, San Francisco, California, or at such other location as may be mutually agreed upon by the Underwriter and the City, the documents hereinafter mentioned and the City will deliver to the Underwriter at the offices of The Depository Trust Company ("DTC") in New York, New York, the Bonds, in definitive form (all Bonds bearing CUSIP numbers), duly executed by the City and authenticated by the Fiscal Agent in the manner provided for in the Fiscal Agent Agreement and the Act, and the Underwriter will accept such delivery and pay the purchase price of the Bonds as set forth in paragraph (a) of this Section in immediately available funds (such delivery and payment being herein referred to as the "Closing"). The Bonds shall be made available to the Underwriter for inspection not later than two Business Days prior to the Closing Date. The Bonds shall be in fully registered book-entry form (which may be typewritten) and shall be registered in the name of Cede & Co., as nominee of DTC.

Section 2. Representations, Warranties and Agreements of the City. The City represents, warrants to, covenants and agrees with, the Underwriter that:

(a) The District is a community facilities district duly organized and validly existing under the Constitution and laws of the State of California, and the City, acting on behalf of the District, has, and at the Closing Date will have, full legal right and power (i) to enter into, execute and deliver this Purchase Agreement, the Fiscal Agent Agreement, the Continuing Disclosure Agreement, dated as of the date of Closing (the "Issuer Continuing Disclosure Agreement") by and among the City, the Fiscal Agent and \_\_\_\_\_, as dissemination agent (the "Dissemination Agent"), and the Official Statement and (ii) to carry out, give effect to and consummate the transactions contemplated hereby and thereby.

(b) The City has complied, and will at the Closing Date be in compliance, in all respects with the Fiscal Agent Agreement, the Issuer Continuing Disclosure Agreement, the Act and this Purchase Agreement.

(c) The City Council has duly and validly: (i) made all the necessary findings and determinations required under the Act in connection with the formation of the District and the issuance of the Bonds, (ii) approved and authorized the execution and delivery of the Fiscal Agent Agreement, the Bonds, the Issuer Continuing Disclosure Agreement, this Purchase Agreement and the Official Statement and approved the distribution of the Preliminary Official Statement, and (iii) authorized and approved the performance by the City of its obligations contained in, and the taking of any and all action as may be necessary to carry out, give effect to and consummate the transactions contemplated by, each of such documents.

(d) Except as described in the Preliminary Official Statement, neither the City nor the District is, in any respect material to the transactions referred to herein or contemplated hereby, in breach of or in default under, any law or administrative rule or regulation of the State of California, the United States of America, or of any department, division, agency or instrumentality of either thereof, or under any applicable court or administrative decree or order, or under any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the City or the District is a party or is otherwise subject or bound, and the performance by the City on behalf of the District of its obligations under the Fiscal Agent Agreement, the Bonds, the Issuer Continuing Disclosure Agreement and this Purchase Agreement and any other instruments contemplated by any of such documents, and compliance with the provisions of each thereof, will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State of California, the United States of America, or of any department, division, agency or instrumentality of either thereof, or under any applicable court or administrative decree or order, or under any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the City or the District is a party or is otherwise subject or bound, in any manner which would materially and adversely affect the performance by the City on behalf of the District of its obligations under the Fiscal Agent Agreement, the Bonds, the Issuer Continuing Disclosure Agreement or this Purchase Agreement.

(e) Except as may be required under the "blue sky" or other securities laws of any jurisdiction, all approvals, consents, authorizations, elections and orders of, or filings or registrations with, any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to, or the absence of which would materially adversely affect the performance by the City on behalf of the District of its obligations hereunder or under the Fiscal Agent Agreement, the Bonds or the Issuer Continuing Disclosure Agreement have been or will be obtained at the Closing Date and are or will be at the Closing Date in full force and effect.

(f) The Fiscal Agent Agreement creates a valid pledge of, first lien upon and security interest in, the Special Tax Revenues and the amounts in the Special Tax Fund, the Bond Fund and the Reserve Fund established pursuant to the Fiscal Agent Agreement, on the terms and conditions set forth in the Fiscal Agent Agreement.

(g) As of the date hereof the information in the Preliminary Official Statement is true, correct and complete in all material respects and does not and, on the Closing Date the information in the Official Statement will not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(h) If after the date of this Purchase Agreement and until ninety (90) days after the End of the Underwriting Period (as hereinafter defined), any event shall occur, of which the City

has notice, as a result of which it may be necessary to supplement the Official Statement in order to make the statements therein, in the light of the circumstances existing at such time, not misleading, the City shall forthwith notify the Underwriter of any such event of which it has knowledge and, if in the opinion of the Underwriter and the City Manager on behalf of the District, such event requires an amendment or supplement to the Official Statement, the City will at its own expense amend or supplement the Official Statement in a form and manner jointly approved by the City and the Underwriter so that the statements therein as so amended or supplemented will not be misleading in the light of the circumstances existing at such time and the City will promptly furnish to the Underwriter a reasonable number of copies of such amendment or supplement. As used herein the term "End of the Underwriting Period" means the later of such time as (i) the City on behalf of the District delivers the Bonds to the Underwriter, or (ii) the Underwriter does not retain an unsold balance of the Bonds for sale to the public. Unless the Underwriter gives notice to the contrary, the End of the Underwriting Period shall be deemed to be the Closing Date. Any notice delivered pursuant to this provision shall be written notice delivered to the City at or prior to the Closing Date, and shall specify a date (other than the Closing Date) to be deemed the "End of the Underwriting Period."

(i) Except as disclosed in the Preliminary Official Statement, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency or public board or body to which the City or the District is a party and has been served with a summons or other notice thereof, is pending, or to the knowledge of the City threatened, in any way affecting the existence of the District, the existence of the City or the titles of its officers to their respective offices or seeking to restrain or to enjoin the issuance, sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Fiscal Agent Agreement, the collection or application of the Special Taxes pledged or to be pledged to pay the principal of, and interest on, the Bonds, or the pledge thereof, or the collection or application of the Special Taxes pledged or to be pledged to pay the principal of, and interest on, the Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Fiscal Agent Agreement, the Bonds, the Issuer Continuing Disclosure Agreement or this Purchase Agreement, any action of the City or the District contemplated by any of such documents, or in any way contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or the powers of the City or the District with respect to the Fiscal Agent Agreement, the Bonds, the Issuer Continuing Disclosure Agreement or this Purchase Agreement or any action of the City or the District contemplated by any of such documents, or which contests the exclusion from gross income for federal income tax purposes of interest paid on the Bonds or the exemption of interest paid on the Bonds from State of California personal income taxation.

(j) The City will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order for the Underwriter to qualify the Bonds for offer and sale under the "blue sky" or other securities laws and regulations of such states and other jurisdictions of the United States of America as the Underwriter may designate; provided, however, that neither the City nor the District shall be required to register as a dealer or broker of securities or to consent to service of process or qualify to do business in any jurisdiction where it is not now so subject. It is understood that such "blue sky" registration is the sole responsibility of the Underwriter.

(k) Any certificate signed by any authorized officer or employee of the City authorized to do so shall be deemed a representation and warranty by the City on behalf of the District as to the statements made therein.

(l) The City on behalf of the District will apply the proceeds of the Bonds in accordance with the Fiscal Agent Agreement.

(m) Until such time as moneys have been set aside in an amount sufficient to pay all then outstanding Bonds at maturity or to the date of redemption if redeemed prior to maturity, plus unpaid interest thereon and premium, if any, to maturity or to the date of redemption if redeemed prior to maturity, the City on behalf of the District will faithfully perform and abide by all of the covenants, undertakings and provisions contained in the Fiscal Agent Agreement.

(n) The Preliminary Official Statement heretofore delivered to the Underwriter has been deemed final by the City as of its date, except for the omission of such information as is permitted to be omitted in accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 ("Rule 15c2-12"). The City hereby covenants and agrees that, within seven (7) business days from the date hereof, or upon reasonable written notice from the Underwriter within sufficient time to accompany any confirmation requesting payment from any customers of the Underwriter, the City shall cause a final printed form of the Official Statement to be delivered to the Underwriter in sufficient quantity to comply with Rule 15c2-12 and the applicable rules of the Municipal Securities Rulemaking Board.

(o) Except as disclosed in the Official Statement, to the best of the City's knowledge, no other public debt secured by a tax or assessment levied by the City on the land in the District is in the process of being authorized and no assessment districts or community facilities district have been or are in the process of being formed by the city which include any portion of the land within the District.

The execution and delivery of this Purchase Agreement by the City on behalf of the District shall constitute a representation to the Underwriter that the representations and warranties contained in the Section 2 are true as of the date hereof.

Section 3. Conditions to the Obligation of the Underwriter. The obligation of the Underwriter to accept delivery of and pay for the Bonds on the Closing Date shall be subject, at the option of the Underwriter, to the accuracy in all material respects of the representations and warranties on the part of the City contained herein, to the accuracy in all material respects of the statements of the officer and other officials of the City made in any certificates or other documents furnished pursuant to the provisions hereof, to the performance by the City on behalf of the District of its obligations to be performed hereunder at or prior to the Closing Date and to the following conditions:

(a) At the Closing Date, the Fiscal Agent Agreement, the Issuer Continuing Disclosure Agreement, the Continuing Disclosure Agreement (Developer), by and among \_\_\_\_\_ and \_\_\_\_\_, as dissemination agent and dated as of the date of Closing (the "Developer Continuing Disclosure Agreement," and together with the Issuer Continuing Disclosure Agreement, the "Continuing Disclosure Agreements") and this Purchase Agreement shall be in full force and effect, and shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Underwriter, and there shall have been taken in connection therewith, with the issuance of the Bonds, and with the transactions contemplated thereby, by this Purchase Agreement, all such actions as, in the opinion of Bond Counsel, shall be necessary and appropriate.

(b) At the Closing Date, except as was described in the Preliminary Official Statement, neither the City nor the District shall be, in any respect material to the transactions

referred to herein or contemplated hereby, in breach of or in default under, any law or administrative rule or regulation of the State of California, the United States of America, or of any department, division, agency or instrumentality of either thereof, or under any applicable court or administrative decree or order, or under any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the City or the District is a party or is otherwise subject or bound, and the performance by the City on behalf of the District of its obligations under the Bonds, the Fiscal Agent Agreement, the Issuer Continuing Disclosure Agreement and this Purchase Agreement, and any other instruments contemplated by any of such documents, and compliance with the provisions of each thereof, will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State of California, the United States of America, or of any department, division, agency or instrumentality of either thereof, or under any applicable court or administrative decree or order, or under any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the City or the District is a party or is otherwise subject or bound, in any manner which would materially and adversely affect the performance by the City on behalf of the District of its obligations under the Bonds, Fiscal Agent Agreement, the Issuer Continuing Disclosure Agreement and this Purchase Agreement.

(c) At the Closing Date, except as may be required under the "blue sky" or other securities laws of any jurisdiction, all approvals, consents, authorizations, elections and orders of, or filings or registrations with, any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to, or the absence of which would materially adversely affect, the performance by the City on behalf of the District of its obligations hereunder, and the Fiscal Agent Agreement, the Bonds or the Issuer Continuing Disclosure Agreement will have been obtained and will be in full force and effect.

(d) The information contained in the Official Statement is, as of the Closing Date and as of the date of any supplement or amendment thereto pursuant to Section 2(h) hereof, true, correct and complete in all material respects and does not, as of the Closing Date or as of the date of any supplement or amendment thereto pursuant to Section 2(h) hereof, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(e) Between the date hereof and the Closing Date, the market price or marketability, at the initial offering prices set forth on the inside cover page of the Official Statement, of the Bonds shall not have been materially adversely affected (evidenced by a written notice to the City terminating the obligation of the Underwriter to accept delivery of and pay for the Bonds), by reason of any of the following:

(1) Legislation introduced in or enacted (or resolution passed) by the Congress of the United States of America or recommended to the Congress by the President of the United States, the Department of the Treasury, the Internal Revenue Service, or any member of Congress, or favorably reported for passage to either House of Congress by any committee of such House to which such legislation had been referred for consideration, or a decision rendered by a court established under Article III of the Constitution of the United States of America or by the Tax Court of the United States of America, or an order, ruling, regulation (final, temporary or proposed), press release or other form of notice issued or made by or on behalf of the Treasury Department of the United States of America or the Internal Revenue Service, with the purpose or effect, directly or

indirectly, of imposing federal income taxation upon such interest as would be received by any owners of the Bonds;

(2) Legislation introduced in or enacted (or resolution passed) by the Congress or an order, decree or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary or proposed), press release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Bonds, including any or all underlying arrangements, are not exempt from registration under or other requirements of the Securities Act of 1933, as amended, or that the Fiscal Agent Agreement is not exempt from qualification under or other requirements of the Trust Indenture Act of 1939, as amended, or that the issuance, offering or sale of obligations of the general character of the Bonds, including any or all underlying arrangements, as contemplated hereby or by the Official Statement or otherwise is or would be in violation of the federal securities laws as amended and then in effect;

(3) A general suspension of trading in securities on the New York Stock Exchange, or a general banking moratorium declared by Federal, State of New York or State of California officials authorized to do so;

(4) The introduction, proposal or enactment of any amendment to the Federal or California Constitution or any action by any Federal or California court, legislative body, regulatory body or any other governmental body materially adversely affecting the tax status of the District, its property, income, securities (or interest thereon), the validity or enforceability of the Special Taxes, as contemplated by the Fiscal Agent Agreement and the Official Statement;

(5) Any event occurring, or information becoming known which, in the judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Preliminary Official Statement or in the Official Statement, or has the effect that the Preliminary Official Statement or the Official Statement contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; or

(6) There shall have occurred any outbreak of hostilities or other local, national or international calamity or crisis or the escalating of any hostilities, calamity or crisis, the effect of which on the financial markets of the United States of America, in the reasonable judgment of the Underwriter, is such as to materially and adversely affect (A) the market price or the marketability of the Bonds, or (B) the ability of the Underwriter to enforce contracts for the sale of the Bonds.

(f) At or prior to the Closing Date, the Underwriter shall have received two counterpart originals or certified copies of the following documents, in each case satisfactory in form and substance to the Underwriter:

(1) The resolution authorizing the sale of the Bonds adopted on \_\_\_\_\_, 2006 (Resolution No. 2006-\_\_\_\_\_) by the City Council, acting in its capacity as legislative body of the District (the "Resolution"), together with a certificate of the City Clerk, dated as of the Closing Date, to the effect that such resolution is a true, correct and complete copy of the resolution duly adopted by the City;

(2) The Official Statement, executed on behalf of the District by an authorized signatory of the City;

(3) The Fiscal Agent Agreement duly executed and delivered by the City and the Fiscal Agent;

(4) The Continuing Disclosure Agreements, duly authorized and executed by the City, the Developer and \_\_\_\_\_ as applicable;

(5) An unqualified opinion, dated the Closing Date and addressed to the City, of Bond Counsel, to the effect that the Bonds are the valid, legal and binding obligations of the City and that the interest thereon is excluded from gross income for federal income tax purposes and exempt from personal income taxes of the State of California in substantially the form included as Appendix C to the Official Statement, together with an unqualified opinion of Bond Counsel, dated the Closing Date and addressed to the Underwriter, to the effect that such opinion addressed to the City may be relied upon by the Underwriter to the same extent as if such opinion was addressed to the Underwriter;

(6) A supplemental opinion or opinions, dated the Closing Date and addressed to the City and the Underwriter, of Bond Counsel, to the effect that (i) this Purchase Agreement has been duly authorized, executed and delivered by the City and, assuming due authorization, execution and delivery by the other parties thereto, constitutes the legal, valid and binding agreement of the City and the District, each enforceable in accordance with its terms, except to the extent that enforceability may be limited by moratorium, bankruptcy, reorganization insolvency or other similar laws affecting creditors' rights generally or by the exercise of judicial discretion in accordance with general principles of equity or otherwise in appropriate cases; (ii) the Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Fiscal Agent Agreement is exempt from qualification under the Trust Indenture Act of 1939, as amended; (iii) the Bonds, the Fiscal Agent Agreement and the Continuing Disclosure Agreements conform as to form and tenor to the descriptions thereof contained in the Official Statement, and the statements contained in the Official Statement on the cover and under the captions "INTRODUCTION," "THE BONDS," "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS," "CONTINUING DISCLOSURE" and "TAX MATTERS" and in Appendices C, E and F to the Official Statement insofar as such statements purport to summarize certain provisions of the Bonds, the Fiscal Agent Agreement, the Continuing Disclosure Agreements, Bond Counsel's final opinion and the Act, are accurate in all material respects; (iv) the Fiscal Agent Agreement has been duly adopted by the City Council, acting as the legislative body of the District and creates a valid pledge of the Special Taxes and the amounts on deposit in certain funds and accounts established under the Fiscal Agent Agreement, as and to the extent provided in such Fiscal Agent Agreement; and (v) the Special Taxes and the levy thereof have been duly and validly authorized in accordance with the provisions of the Act and, when levied, the Special Tax will be a valid and binding lien upon the property against which it is levied, enforceable by the City in accordance with the provisions of the Fiscal Agent Agreement and the Act except as the same may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditor's rights;

(7) the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Disclosure Counsel, dated the Closing Date, addressed to the District and to the Underwriter, to the effect that based upon an examination which they have made, and without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, they have no reason to believe that the Official Statement (other than financial statements and other statistical and financial data and information relating to The Depository Trust Company, New York, New York, and its book-entry system contained therein and incorporated therein by reference, as to which no view need be expressed) contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(8) A certificate of the City, dated the Closing Date and signed by the City Manager or Assistant City Manager or an authorized designee to the effect that (i) the representations and warranties of the City contained herein are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date, except that all references herein to the Preliminary Official Statement shall be deemed to be references to the Official Statement; (ii) to the best knowledge of such officer, no event has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect; and (ii) the City has complied with all the agreements and satisfied all the conditions on its part to be satisfied under this Purchase Agreement, the Fiscal Agent Agreement, the Issuer Continuing Disclosure Agreement and the Official Statement at or prior to the Closing Date;

(9) An opinion, dated the Closing Date and addressed to the City and the Underwriter, of the City Attorney, to the effect that (i) the District is a community facilities district duly organized and validly existing under the Act; (ii) the Official Statement and the distribution thereof have been duly authorized by the City; (iii) the forms of the Fiscal Agent Agreement, the Issuer Continuing Disclosure Agreement and this Purchase Agreement have been duly approved at a meeting of the City Council, acting as the legislative body of the District, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting; (iv) the City on behalf of the District has duly and validly executed and delivered on behalf of the District this Purchase Agreement, the Fiscal Agent Agreement, the Bonds and the Issuer Continuing Disclosure Agreement, and each such document constitutes the legal, valid and binding obligation of the District enforceable against the District in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium and other laws affecting enforcement of creditors' rights in general and to the application of equitable principles if equitable remedies are sought; (v) other than as disclosed in the Official Statement, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body to which the City or the District is a party and has been served with a summons or other notice thereof, is pending or, to such counsel's knowledge, threatened, in any way affecting the existence of the District, the existence of the City or the titles of its officers to their respective offices, or seeking to restrain or to enjoin the issuance, sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Fiscal Agent Agreement, the collection or application of the Special Taxes to pay the principal of, and interest on, the Bonds, or in any way contesting or affecting the validity or enforceability of the Bonds, the Fiscal Agent Agreement, this Purchase Agreement, the Issuer Continuing Disclosure Agreement, or any action of the City or the District contemplated by any of such documents or in any way contesting the completeness or accuracy

of the Official Statement or the powers of the City or the District with respect to the Bonds, the Fiscal Agent Agreement, this Purchase Agreement, the Issuer Continuing Disclosure Agreement, of any action on the part of the City or the District contemplated by any of such documents, or in any way seeking to enjoin or restrain the City from approving the development of any of the property within District, or which challenges the exclusion of the interest paid on the Bonds from federal income tax purposes and the exemption of interest paid on the Bonds from State of California personal income taxation; (vi) the statements in the Official Statement under the heading "NO LITIGATION" are as of the date of the Official Statement and as of the date of the opinion, true and correct in all material respects and do not, as of the date of the Official Statement and as of the date of the opinion, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (vii) the City is duly organized and validly existing as a political subdivision under the Constitution and laws of the State of California with full legal right, power and authority to form the District;

(10) A transcript of all proceedings relating to the authorization, issuance, sale and delivery of the Bonds, including certified copies of the Fiscal Agent Agreement and all resolutions relating thereto;

(11) Certified copies of excerpts from the Bylaws of [FISCAL AGENT], as Fiscal Agent, authorizing the execution and delivery of certain documents by certain officers of [FISCAL AGENT], which resolution authorizes the execution of the Fiscal Agent Agreement;

(12) A certificate of [FISCAL AGENT], addressed to the Underwriter and the City dated the Closing Date, to the effect that (i) [FISCAL AGENT] is authorized to carry out corporate trust powers, and has full power and to perform its duties under the Fiscal Agent Agreement; (ii) [FISCAL AGENT] is duly authorized to execute and deliver the Fiscal Agent Agreement, to accept the obligations created by the Fiscal Agent Agreement, and to authenticate the Bonds pursuant to the terms of the Fiscal Agent Agreement; (iii) no consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over [FISCAL AGENT] that has not been obtained is or will be required for the authentication of the Bonds, of the consummation by it of the other transactions contemplated to be performed by it in connection with the authentication of the Bonds and the acceptance and performance of the obligations created by the Fiscal Agent Agreement; and (v) to the best of its knowledge, compliance with the terms of the Fiscal Agent Agreement will not conflict with, or result in a violation or breach of, or constitute a default under, any loan agreement, fiscal agent agreement, bond, note, resolution or any other agreement or instrument to which [FISCAL AGENT] is a party or by which it is bound, or any law or any rule, regulation, order or decree of any court or governmental agency or body having jurisdiction over [FISCAL AGENT] or any of its activities or properties;

(13) Certificates dated the Closing Date from the Developer, MuniFinancial, the Special Tax Consultant and the Appraiser substantially in the form of Exhibits B, D and E hereto, respectively;

(14) An opinion, dated the Closing Date, of counsel to the Developer, addressed to the City and the Underwriter, substantially in the form of Exhibit C hereto.

(15) A copy of the Appraisal;

(16) A tax certificate of the City on behalf of the District in form and substance acceptable to Bond Counsel and the Underwriter;

(17) Such additional legal opinions, certificates, instruments and other documents as the Underwriter may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the Closing Date, of the material representations and warranties of the City contained herein, and of the statements and information contained in the Official Statement and the due performance or satisfaction by the City at or prior to the Closing of all agreements then to be performed and all conditions then to be satisfied by the City in connection with the transactions contemplated hereby, the Fiscal Agent Agreement and Continuing Disclosure Agreements and the Official Statement.

If the City shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, accept delivery of and pay for the Bonds contained in this Purchase Agreement, or if the obligations of the Underwriter to purchase, accept delivery of and pay for the Bonds shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate and none of the City, the District nor the Underwriter shall be under any further obligation hereunder, except that the respective obligations of the Underwriter, the City and the District set forth in Section 4 hereof shall continue in full force and effect.

Section 4. Expenses.

(a) Whether or not the Underwriter accepts delivery of and pays for the Bonds as set forth herein, it shall be under no obligation to pay, and the City shall pay out of the proceeds of the Bonds or any other legally available funds of the City, all expenses incidental to the performance of the City's obligations hereunder, including but not limited to the cost of printing, engraving and delivering the Bonds to the Underwriter; the costs of printing and shipping the Preliminary Official Statement and the Official Statement; the fees and disbursements of the District, the City, the Fiscal Agent, the Dissemination Agent, Bond Counsel, accountants, engineers, appraisers, economic consultants and any other experts or consultants retained by the City in connection with the issuance and sale of Bonds; and any other expenses not specifically enumerated in paragraph (b) of this Section incurred in connection with the issuance and sale of the Bonds.

(b) Whether or not the Bonds are delivered to the Underwriter as set for the herein, the City shall be under no obligation to pay, and the Underwriter shall be responsible for and pay, CUSIP Bureau and CDIAAC fees and expenses to qualify the Bonds for sale under any "blue sky" laws; and all other expenses incurred by the Underwriter in connection with its public offering and distribution of the Bonds not specifically enumerated in paragraph (a) of this Section, including the fees and disbursements of its counsel.

Section 5. Undertakings of the City. The City agrees (a) to inform the Underwriter, from time to time, upon the reasonable request of the Underwriter, of the amount then on deposit in the Reserve Fund and all accounts thereunder, and (b) to make available to the Underwriter, upon reasonable request of the Underwriter, at the expense of the City, sufficient copies of its audited financial statements, if any, resolutions of its legislative body with respect to the Bonds, the Fiscal Agent Agreement, the Official Statement, any amendments or supplements thereto, and other documents relating to the Bonds and pertaining to the District or the City, to the extent that such documents are publicly available, as may be reasonably required from time to time for the prompt and efficient performance by the Underwriter of their

obligations hereunder (except any portion of any such document which, by contract, is not subject to disclosure).

Section 6. Notices. Any notice or other communication to be given to the City under this Purchase Agreement may be given by delivering the same in writing to the City of Moorpark at 799 Moorpark Avenue, Moorpark, California 93021, Attention: Assistant City Manager; any notice or other communication to be given to the Underwriter under this Purchase Agreement may be given by delivering the same in writing to: Piper Jaffray & Co., 345 California Street, Suite 2200, San Francisco, California 94104, Attention: Mark Curran.

Section 7. Parties in Interest. This Purchase Agreement is made solely for the benefit of the City, the District and the Underwriter (including any successors or assignees of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof.

Section 8. Survival of Representations and Warranties. The representations and warranties of the City hereunder shall not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing and regardless of any investigations made by or on behalf of the Underwriter (or statements as to the results of such investigations) concerning such representations and statements of the City and regardless of the delivery of and payment for the Bonds.

Section 9. Execution in Counterparts. This Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 10. No Prior Agreements. This Purchase Agreement supersedes and replaces all prior negotiations, agreements and understandings among the parties hereto in relation to the sale of the Bonds of the City.

Section 11. Effective Date. This Purchase Agreement shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by the City and shall be valid and enforceable as of the time of such acceptance.

Very truly yours,

**PIPER JAFFRAY & CO. INC.**

By: \_\_\_\_\_  
Managing Director

**CITY OF MOORPARK  
on behalf of COMMUNITY FACILITIES DISTRICT  
NO. 2004-1 (Moorpark Highlands)**

By: \_\_\_\_\_  
City Manager

**EXHIBIT A**  
**MATURITY SCHEDULE**

<u>Maturity</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>
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Exhibit B  
\$ \_\_\_\_\_  
CITY OF MOORPARK  
COMMUNITY FACILITIES DISTRICT NO. 2004-1  
(Moorpark Highlands)  
SPECIAL TAX BONDS, SERIES 2006

**Developer Representations, Warranties and Covenants**

\_\_\_\_\_ (the "Developer") hereby makes the following representations, warranties and covenants as of the date hereof to and for the benefit of the City of Moorpark (the "City") for itself and on behalf of Community Facilities District No. 2004-1 (Moorpark Highlands) (the "District") and to Piper Jaffray & Co. (the "Underwriter") in connection with the pricing by the City of its Community Facilities District No. 2004-1 (Moorpark Highlands) Special Tax Bonds, Series 2006 (the "Bonds"). Capitalized terms not otherwise defined herein, are defined as provided in the Purchase Agreement dated \_\_\_\_\_ 2006 (the "Purchase Agreement") between the Underwriter and the City.

1. **Due Organization, Existence and Authority.** The Developer is a \_\_\_\_\_ and is duly formed and validly existing under the laws of its state of organization and has full rights, power and authority to execute, deliver and perform its obligations under the Development Agreement, the Acquisition Agreement and to carry out and consummate the transactions contemplated by the Development Agreement and Acquisition Agreement (collectively, the "Developer Documents").

2. **Due Authorization and Approval.** By all necessary action of the corporation, the Developer has duly authorized and approved the execution and delivery of and the performance by the Developer of the obligations of the Developer contained in the Developer Documents, and as of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. The Developer acknowledges that it (as the owner of all taxable land in the District) has the obligation to pay Special Taxes.

3. **No Breach or Default.** The execution and delivery of the Developer Documents and compliance with the provisions thereof, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the Developer a breach or default under any agreement or instrument to which the Developer is a party or by which it is bound, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would, in any material respect, constitute a default or an event of default under the Developer Documents.

4. **No Litigation.** There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending and served or threatened by or against the Developer: (i) in any way questioning the due formation and valid existence of the Developer; (ii) in any way contesting or affecting the validity of the Developer Documents or the consummation of the transactions contemplated thereby; (iii) in any way questioning or contesting the validity of any governmental approval of the District or any aspect thereof or (iv) which would have a material adverse effect upon the financial condition of the Developer or the ability to develop the District.

5. Information. The information submitted by the Developer to the City or the Underwriter in connection with the preparation of the Preliminary Official Statement and the Official Statement was, and is as of this date, true and correct in all material respects.

6. Official Statement. The Developer has provided the information set forth in the Preliminary Official Statement and the Official Statement describing the Developer and the development undertaken and proposed to be undertaken by the Developer, and the Underwriter is authorized to use such information in the distribution of the Preliminary Official Statement and the Official Statement. With respect to the discussion in the Preliminary Official Statement and the Official Statement under the captions "THE DISTRICT," "THE IMPROVEMENTS," "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT" and "SPECIAL RISK FACTORS," insofar as such statements purport to summarize information with respect to the Developer, its proposed development, property ownership, and pending or threatened litigation, nothing has come to the Developer's attention as of the date of this Certificate which would lead the Developer to believe that such discussion contains any untrue statements of a material fact or omits to state a material fact necessary, to make the statements therein, in the light of the circumstances under which they were made, not misleading.

7. Developer's Financial Statements. The financial statements, if any, and other financial information submitted to the Underwriter are true, correct and complete in all material respects and fairly present the financial position of The Developer as of the date thereof. No material adverse change has occurred in such financial position since the date of such financial statement.

8. Taxes and Assessments. All taxes and assessments are current on the property which the Developer owns or will own within the District.

9. Appraisal. The Developer has reviewed the Appraisal Report dated \_\_\_\_\_, 2006 ("Appraisal") prepared by Abergel & Associates and agrees with the assumptions that all Improvements will be completed within 12 months following issuance of the Bonds.

10. Consent to Bond Issuance. The Developer hereby consents to the issuance of the Bonds.

11. Development Agreement. The Developer acknowledges that it has read and understood the terms and conditions of the Development Agreement and agrees with the provisions set forth therein.

12. Consent to Fiscal Agent Agreement. The Developer hereby consents to all of the terms and conditions contained in that certain Fiscal Agent Agreement, dated as of October 1, 2002, by and between the City and [FISCAL AGENT], as fiscal agent (the "Fiscal Agent").

13. Agreement. In addition to the foregoing, the Developer covenants that, while the Bonds are outstanding, the Developer will not bring any action, suit, proceeding, inquiry or investigation at law or in equity, before any court, regulatory agency, public board or body which in any way seeks to challenge or overturn the District, the levy of the Special Tax in accordance with the terms of the resolutions and ordinances previously adopted by the District or the validity of the Bonds or the proceedings leading up to their issuance.

Dated: \_\_\_\_\_, 2006

[DEVELOPER]

By: \_\_\_\_\_  
Authorized Representative

Exhibit C  
\$ \_\_\_\_\_  
CITY OF MOORPARK  
COMMUNITY FACILITIES DISTRICT NO. 2004-1  
(Moorpark Highlands)  
SPECIAL TAX BONDS, SERIES 2006

**Form of Developer's Counsel Opinion**

[Letterhead of George Phillips]

City of Moorpark  
799 Moorpark Avenue  
Moorpark California 93021

Piper Jaffray & Co.  
345 California Street, Suite 2200  
San Francisco, California 94104

Re: \$ \_\_\_\_\_ City of Moorpark Community Facilities District  
No. 2004-1 (Moorpark Highlands) Special Tax Bonds, Series 2006

Ladies and Gentlemen:

We have acted as counsel to Moorpark 15, LLC (the "Developer") in connection with (i) the proposed development known as Moorpark Highlands (the "Development") to be located in the City of Moorpark (the "City") as described in the Preliminary Official Statement (as defined herein), and (ii) the issuance and sale of \$ \_\_\_\_\_ City of Moorpark Community Facilities District No. 2004-1 (Moorpark Highlands) Special Tax Bonds, Series 2006 (the "Bonds"). This opinion is rendered pursuant to Section 3 of the Purchase Agreement dated \_\_\_\_\_, 2006 (the "Purchase Agreement") between the City, acting for itself and on behalf of the City of Moorpark Community Facilities District No. I, and the Underwriters named therein. Capitalized terms used herein without definition shall have the meanings set forth in the Purchase Agreement.

In rendering the opinions set forth herein, we have reviewed and examined such documents as we have determined to be appropriate, including the following documents:

- A. The Purchase Agreement;
- B. The Official Statement for the offer and sale of the Bonds dated \_\_\_\_\_, 2006 (the "Official Statement");
- C. The Development Agreement including the Amendments thereto, between Developer and the City related to the Development (collectively, the "Development Agreement");

D. A litigation search of Developer, dated \_\_\_\_\_, 2006 (the "Litigation Search"), conducted by \_\_\_\_\_, but without warranty as to the completeness and accuracy thereof due to the potential for errors or inaccuracies in the data and files made available to us from the applicable courts.

E. The Funding, Construction and Acquisition Agreement dated as of \_\_\_\_\_, 2006, between Developer and the City (the "Acquisition Agreement" and together with the Development Agreement, the "Developer Agreements");

F. [The Articles of Incorporation for \_\_\_\_\_ dated as of \_\_\_\_\_, certified by the Secretary of State of the State of California on \_\_\_\_\_;]

G. [The Bylaws of the Developer certified by the Secretary of Developer to be the bylaws in effect on the date hereof;]

H. Resolutions of the Board of Directors of Developer dated \_\_\_\_\_, 2006;

I. Certificate of Good Standing for Developer, issued by the Secretary of State of the State of California on \_\_\_\_\_, 2006; and

J. The Developer Certificate provided by Developer to the City and Underwriter pursuant to Section 3 of the Purchase Agreement.

With respect to factual matters underlying our opinions herein, we have made no independent investigation or inquiry and have relied solely upon the Developer Certificate. We advise you that the phrase "to our knowledge," as used herein, means that no facts have come to our attention, based upon an inquiry of attorneys in this firm who devote substantive legal attention to Developer, or as a result of our examination of the Developer Certificate, that indicate to us anything contrary to the statement to which the phrase relates. Except as expressly set forth above, the phrase does not mean that we have conducted any investigation or inquiry or performed any other examination, or review. We have no reason to believe that any factual matters or assumptions relied upon by us are not true, correct and complete.

Our opinions herein are limited to the internal laws of the State of California and the federal laws of the United States of America. We express no opinion whatsoever with respect to the laws of any other jurisdiction and assume no responsibility for the applicability of such laws. In rendering our opinions herein, we have assumed the following, with your approval:

(i) The genuineness and authenticity of all signatures on original documents submitted to us (other than any signatures on behalf of Developer); the authenticity and completeness of all documents submitted to us as originals; the conformity to originals of all documents submitted to us as copies; where any signature, other than any signature on behalf of Developer purports to have been made in a corporate, governmental, fiduciary or other capacity, the person who affixed such signature had the full power and authority to do so;

(ii) The due authorization, execution and delivery of the applicable agreements by the parties thereto, other than the Developer, and the legality, validity, binding effect and enforceability against such parties of their respective obligations under such agreements;

(iii) The truth, accuracy and completeness of all factual representations and warranties of all parties under the documents described in paragraphs A through J, above; and

(iv) The constitutionality or validity of a relevant statute, rule, regulation or agency action is not in issue unless a reported decision in the State of California has specifically addressed but not resolved, or has established, its unconstitutionality or invalidity.

Based upon the foregoing and in reliance thereon, and based on our examination of such questions of law as we have deemed appropriate under the circumstances, and subject to any further assumptions, comments, exceptions, qualifications and limitations set forth below, as of the date hereof, it is our opinion that:

1. Developer is a corporation duly incorporated and validly existing in the State of California and in good standing under the laws of the State of California. Developer is qualified to do business in the State of California.

2. The Developer Agreements have been duly authorized, executed and delivered by Developer, and constitute legal, valid and binding obligations of the Developer, enforceable against the Developer in accordance with their respective terms.

3. The execution and delivery by Developer of the Developer Agreements and the performance of its obligations thereunder will not conflict with or result in a violation of, or breach of or a default under, as applicable (a) the Articles of Incorporation or Bylaws of Developer, (b) to our knowledge, any indenture, mortgage, deed of trust, lease, note, commitment, agreement or other instrument to which Developer is a party, or by which Developer or its property is bound or (c) to our knowledge, of any order, rule or regulation of any court or other governmental body having jurisdiction over Developer, the conflict, violation or breach of which, in the case of clauses (b) or (c) would have a material adverse effect on Developer or the development, use, occupancy or operation of the Development or any material portion thereof.

4. To our knowledge, and otherwise based solely upon a review of the Litigation Search, there are no actions, suits or proceedings pending or threatened against Developer which, if determined adversely, would have a material adverse effect (a) on the ability of Developer to perform its obligations under the Developer Agreements or (b) on the development, construction, use, occupancy or operation of the Development or a material portion thereof.

5. To our knowledge, the environmental review pursuant to the California Environmental Quality Act (Public Resources Code §§ 21000 et seq.) for the North Moorpark Specific Plan for the property within the District and the Developer

Agreements have been completed and the Notices of Determination with respect to such approvals (except for amendments to the Development Agreement and the Acquisition Agreement) have been filed and posted by the City in accordance with the requirements of the California Environmental Quality Act.

6. Without having undertaken to independently determine the accuracy, completeness or fairness of the discussion contained in the Preliminary Official Statement under the captions "THE DISTRICT," "THE IMPROVEMENTS," "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT" and "SPECIAL RISK FACTORS" nothing has come to our attention which would lead us to believe that such discussion contains any untrue statements of a material fact or omits to state a material fact necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

In addition, all of our opinions expressed hereinabove are specifically subject to and limited by the following:

(a) The effect of laws or court decisions relating to bankruptcy, insolvency, fraudulent conveyance, equitable subordination, reorganization, arrangement, moratorium or other laws or court decisions relating to or affecting creditors' rights generally.

(b) Limitations imposed by California or federal law or equitable principles upon the availability of the remedy of specific performance of any of the remedies, covenants or other provisions of any document or agreement and upon the availability of injunctive relief or other equitable remedies.

In addition, we express no opinion as to the title of the property within the District or any entitlements, permits, approvals or other assets relating to the Development.

This letter is intended solely for your use in accordance with the Purchase Agreement and may not be reproduced or filed publicly or relied upon for any other purpose by you or for any purpose whatsoever by any other party without the express written consent of the undersigned except that this Opinion may be copied and distributed as part of a closing book of the bond transaction documents, provided that such distribution shall not expand in any way the permitted uses of this letter. We assume no responsibility for the effect of any fact or circumstance occurring subsequent to the date of this letter, including without limitation, legislative or other changes in the law. Further, we assume no responsibility to advise you of any facts or circumstances of which we become aware after the date hereof, regardless of whether or not they may affect our opinions herein. This opinion is given as of the date hereof and we assume no obligation to update our opinions herein after the date hereof.

Very truly yours,

[COUNSEL]

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

Exhibit D  
\$ \_\_\_\_\_  
CITY OF MOORPARK  
COMMUNITY FACILITIES DISTRICT NO. 2004-1  
(Moorpark Highlands)  
SPECIAL TAX BONDS, SERIES 2006

**Certificate of Special Tax Consultant**

City of Moorpark  
799 Moorpark Avenue  
Moorpark, California 93021

Piper Jaffray & Co.  
345 California Street, Suite 2200  
San Francisco, California 94104

The undersigned hereby states and certifies:

1. That he is an authorized officer of Munifiancial (the "Special Tax Consultant") and as such is familiar with the facts herein certified and is authorized and qualified to certify the same.

2. That the Special Tax Consultant assisted the City of Moorpark (the "City") in the preparation of (a) the Rate and Method of Apportionment of the Special Tax (the "Special Tax Formula") as set forth in Appendix A to the Official Statement, and (b) the Community Facilities District No. 2004-1 (Moorpark Highlands) Financing Plan, as described under the section entitled "THE DISTRICT" of the Preliminary Official Statement dated \_\_\_\_\_, 2006 (the "Preliminary Official Statement") and the Official Statement dated \_\_\_\_\_, 2006 (the "Official Statement") for the City of Moorpark Community Facilities District No. 2004-1 (Moorpark Highlands) (the "District") Special Tax Bonds, Series 2006 (the "Bonds"). The Bonds are secured by Special Taxes of the Community Facilities District. Capitalized terms not otherwise defined herein shall be defined as provided in the Special Tax Formula or in the Fiscal Agent Agreement dated as of June 1, 2006 (the "Fiscal Agent Agreement"), by and between the City and the Fiscal Agent.

3. That the Special Taxes, if levied in accordance with the Special Tax Formula and collected will annually yield sufficient revenue to make timely payments of the annual debt service on the Bonds, and annual Administrative Expenses related to the levy and collection of the Special Taxes and the expenses of the Fiscal Agent for the Bonds.

4. That all information supplied by the Special Tax Consultant for use in the Official Statement, including Appendix A thereto, is true and correct.

5. That, as of the date of the Preliminary Official Statement and the Official Statement and as of the date hereof, those portions of the Official Statement entitled "SECURITY AND SOURCES OF PAYMENTS FOR THE BONDS--Special Taxes" and "--Special Tax Methodology," "THE DISTRICT," "SPECIAL RISK FACTORS," and "APPENDIX A" and the other data provided by the Special Tax Consultant and included in the Preliminary

Official Statement and the Official Statement, do not, to our knowledge, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

Dated: \_\_\_\_\_, 2006

MUNIFINANCIAL

By: \_\_\_\_\_,  
Principal

Exhibit E  
\$ \_\_\_\_\_  
CITY OF MOORPARK  
COMMUNITY FACILITIES DISTRICT NO. 2004-1  
(Moorpark Highlands)  
SPECIAL TAX BONDS, SERIES 2006

**Certificate of Appraiser**

City of Moorpark  
799 Moorpark Avenue  
Moorpark, California 93021

Piper Jaffray & Co.  
345 California Street, Suite 2200  
San Francisco, California 94104

The undersigned hereby states and certifies:

1. That he or she is an authorized principal of Abergel & Associates (the "Appraiser") and as such is familiar with the facts herein certified and is authorized and qualified to certify the same.

2. That the Appraiser has prepared an appraisal report dated \_\_\_\_\_, 2006 (the "Appraisal Report"), on behalf of the City of Moorpark (the "City") and in connection with the sale by the City on behalf of the Community Facilities District No. 2004-1 (Moorpark Highlands) (the "District") of its City of Moorpark Community Facilities District No. 2004-1 (Moorpark Highlands) Special Tax Bonds, Series 2006 (the "Bonds"). Capitalized terms not otherwise defined herein shall be defined as provided in the Purchase Agreement dated as of \_\_\_\_\_, 2006, between the City and the Underwriter named therein.

3. That, as of the date of this Certificate, the conclusions set forth in the Appraisal Report included as Appendix B to the Preliminary Official Statement dated \_\_\_\_\_, 2006 (the "Preliminary Official Statement") and the Official Statement dated \_\_\_\_\_, 2006 (the "Official Statement") are confirmed.

4. That, as of the date hereof, the information under the caption "APPRAISAL OF PROPERTY WITHIN THE DISTRICT" and the Appraisal Report appended to the Preliminary Official Statement and the Official Statement, to the best of our knowledge and belief, and subject to all of the General and Specific Assumptions and Limiting Conditions set forth in the Appraisal Report, does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading, and no events or occurrences have been ascertained by us or have come to our attention that would substantially change the estimated values concluded in the Appraisal Report. However, we have not performed any procedures since the date of the Appraisal Report to obtain knowledge of such events or occurrences nor are we obligated to do so in the future.

5. We hereby consent to the reproduction and use of the Appraisal Report appended to the Preliminary Official Statement and the Official Statement. We also consent to the use of the references to our firm made in the Preliminary Official Statement.

Dated: \_\_\_\_\_, 2006

ABERGEL & ASSOCIATES

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

# ATTACHMENT 4

Jones Hall Draft 5/22/06

PRELIMINARY OFFICIAL STATEMENT DATED \_\_\_\_\_, 2006

NEW ISSUE-FULL BOOK ENTRY

NOT RATED

*In the opinion of Jones Hall, a Professional Law Corporation, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming (among other things) compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes. In the opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that it is included in adjusted current earnings in calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences caused by ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.*

\$ \_\_\_\_\_ \*

**CITY OF MOORPARK  
COMMUNITY FACILITIES DISTRICT NO. 2004-1  
(Moorpark Highlands)  
SPECIAL TAX BONDS  
SERIES 2006**

**Dated: Date of Delivery**

**Due: September 1, as shown below**

The bonds captioned above (the "Bonds"), are being issued by the City of Moorpark (the "City") by and through its Community Facilities District No. 2004-1 (Moorpark Highlands) (the "District"). The Bonds are special tax obligations of the City, authorized pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, being California Government Code Section 53311, et seq. (the "Act"), and are issued pursuant to a Fiscal Agent Agreement dated as of June 1, 2006 (the "Fiscal Agent Agreement") by and between the City and [FISCAL AGENT], as fiscal agent (the "Fiscal Agent"). The Bonds are issued to (i) construct and acquire certain public facilities of benefit to the District; (ii) provide for the establishment of a reserve fund, (iii) provide capitalized interest, and (iv) pay the costs of issuance of the Bonds. Interest on the Bonds is payable on September 1, 2006, and thereafter semiannually on March 1 and September 1 of each year.

The Bonds are being issued as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to ultimate purchasers in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. See "APPENDIX G – BOOK-ENTRY SYSTEM."

The Bonds are secured by and payable from a pledge of Special Taxes (as defined herein) to be levied by the City on real property within the boundaries of the District, from the proceeds of any foreclosure actions brought following a delinquency in the payment of the Special Taxes, and from amounts held in certain funds under the Fiscal Agent Agreement, all as more fully described herein. **Unpaid Special Taxes do not constitute a personal indebtedness of the owners of the parcels within the District. In the event of delinquency, proceedings may be conducted only against the parcel of real property securing the delinquent Special Tax. There is no assurance the owners will be able to pay the Special Tax or that they will pay a Special Tax even though financially able to do so.** To provide funds for payment of the Bonds and the interest thereon as a result of any delinquent Special Taxes, the City will establish a Reserve Fund from proceeds of the Bonds, as described herein. See "SECURITY FOR THE BONDS."

Property in the District subject to the Special Tax comprises approximately 456 gross acres north of the center of the City planned for 552 single family detached and attached units. The land is currently mostly undeveloped, with some initial home construction underway. See "THE DISTRICT" and "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT."

**The Bonds are subject to optional and mandatory redemption prior to maturity as described herein. See "THE BONDS — Redemption."**

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE COUNTY OF VENTURA, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS DO NOT CONSTITUTE A DEBT OF THE CITY WITHIN THE MEANING OF ANY STATUTORY OR CONSTITUTIONAL DEBT LIMITATION. THE INFORMATION SET FORTH IN THIS OFFICIAL STATEMENT, INCLUDING INFORMATION UNDER THE HEADING "SPECIAL RISK FACTORS," SHOULD BE READ IN ITS ENTIRETY.

*This cover page contains certain information for general reference only. It is not a summary of all of the provisions of the Bonds. Prospective investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See "SPECIAL RISK FACTORS" herein for a discussion of the special risk factors that*

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should be considered, in addition to the other matters and risk factors set forth herein, in evaluating the investment quality of the Bonds.

#### MATURITY SCHEDULE\*

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price or</u> <u>Yield</u>	<u>CUSIP†</u> <u>( )</u>
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\$ \_\_\_\_\_ % Term Bond Due September 1, \_\_\_\_\_ Price: \_\_\_\_\_ % CUSIP: \_\_\_\_\_  
\$ \_\_\_\_\_ % Term Bond Due September 1, \_\_\_\_\_ Price: \_\_\_\_\_ % CUSIP: \_\_\_\_\_

† Copyright 2006, American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and are provided for convenience of reference only. Neither the City nor the Underwriter assumes any responsibility for the accuracy of these CUSIP data.

*The Bonds are offered when, as and if issued, subject to approval as to their legality by Jones Hall, a Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will also be passed on by Jones Hall, as Disclosure Counsel. Certain legal matters will be passed upon for the City by Burke, Williams & Sorensen, LLP, Los Angeles, California, City Attorney. It is anticipated that the Bonds will be available for delivery to DTC on or about \_\_\_\_\_, 2006 in New York, New York.*

#### PIPER JAFFRAY & CO.

The date of this Official Statement is \_\_\_\_\_, 2006.

\* Preliminary, subject to change.

## CITY OF MOORPARK, CALIFORNIA

### **City Council**

Patrick Hunter, *Mayor*  
Roseann Mikos, Ph.D., *Mayor Pro Tem*  
Janice Parvin, *Councilmember*  
Clint D. Harper, Ph.D., *Councilmember*  
Keith F. Milhouse, *Councilmember*

### **City Staff**

Steven Kueny, *City Manager*  
Hugh R. Riley, *Assistant City Manager*  
Deborah S. Traffenstedt, *City Clerk*  
Johnny Ea, *Finance Director*  
Joseph Montes, *City Attorney*

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## **SPECIAL SERVICES**

### **Bond Counsel**

Jones Hall, A Professional Law Corporation  
*San Francisco, California*

### **Fiscal Agent**

[FISCAL AGENT]  
*San Francisco, California*

### **Financial Advisor**

Urban Futures, Inc.  
*Orange, California*

### **Appraiser**

Abergel & Associates  
*Calabasas, California*

### **Special Tax Consultant**

MuniFinancial  
*Temecula, California*

## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

**Use of Official Statement.** This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the Bonds.

**Estimates and Forecasts.** When used in this Official Statement and in any continuing disclosure by the City, in any press release and in any oral statement made with the approval of an authorized officer of the City, the words or phrases "will likely result," "are expected to", "will continue", "is anticipated", "estimate", "project," "forecast", "expect", "intend" and similar expressions identify "forward looking statements." Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the City since the date hereof.

**Limit of Offering.** No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained herein and if given or made, such other information or representation must not be relied upon as having been authorized by the City or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

**Involvement of Underwriter.** The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, their responsibilities to investors under the Federal Securities Laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. All summaries of the documents referred to in this Official Statement, are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

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## OFFICIAL STATEMENT

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**CITY OF MOORPARK  
COMMUNITY FACILITIES DISTRICT NO. 2004-1  
(Moorpark Highlands)  
SPECIAL TAX BONDS  
SERIES 2006**

This Official Statement, including the cover page and all Appendices hereto, is provided to furnish certain information in connection with the issuance by the City of Moorpark (the "City") by and through its Community Facilities District No. 2004-1 (Moorpark Highlands) (the "Community Facilities District" or the "District") of the bonds captioned above (the "Bonds").

*Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Definitions of certain terms used herein and not defined herein have the meaning set forth in the Fiscal Agent Agreement. See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT."*

### INTRODUCTION

*This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and attached appendices, and the documents summarized or described in this Official Statement. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.*

**Creation of the District.** The Bonds are issued pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311, *et seq.*, of the Government Code of the State of California) (the "Act") and pursuant to a Fiscal Agent Agreement dated as of June 1, 2006 (the "Fiscal Agent Agreement") between the City and [FISCAL AGENT], San Francisco, California, as fiscal agent (the "Fiscal Agent") and Resolution No. 04-449 (the "Resolution") adopted on September 15, 2004 by the City Council of the City (the "City Council") which authorized the issuance of the Bonds payable from Special Taxes (as defined herein) levied on property within the District according to a methodology approved by the City. The Bonds represent the first series of a total of \$80,000,000 of bonds authorized by the District.

\* Preliminary, subject to change.

**Bond Terms.** The Bonds will be dated as of and bear interest from the date of delivery thereof at the rate or rates set forth on the cover page of this Official Statement. Interest on the Bonds is payable on March 1 and September 1 of each year (each an "Interest Payment Date"), commencing September 1, 2006. The Bonds will be issued without coupons in denominations of \$5,000 or any integral multiple thereof.

**Registration of Ownership of Bonds.** The Bonds will be issued only as fully registered bonds in book-entry form, registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). Ultimate purchasers of Bonds will not receive physical certificates representing their interest in the Bonds. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Owners will mean Cede & Co., and will not mean the ultimate purchasers of the Bonds. Payments of the principal, premium, if any, and interest on the Bonds will be made directly to DTC, or its nominee, Cede & Co. so long as DTC or Cede & Co. is the registered owner of the Bonds. Disbursements of such payments to DTC's Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC's Participants and Indirect Participants, as more fully described herein. See "APPENDIX G – BOOK-ENTRY SYSTEM."

**Use of Proceeds.** Proceeds of the Bonds will primarily be used to finance a portion of the costs of acquiring and constructing certain public infrastructure improvements (the "Facilities," as described herein), including certain development impact fees related thereto. The Facilities consist generally of water, wastewater, drainage, roadway and other infrastructure improvements necessary for development of property within the District, as well as park and open space improvements. Construction of the improvements by the Developer (described herein) commenced in April 2005. The cost of a portion of the improvements will be reimbursed by the proceeds of the Bonds, and the Developer is required to fund any remaining shortfall. See "THE IMPROVEMENTS." Proceeds of the Bonds will also be used to establish a reserve fund (described below) available for payment on the Bonds, to provide capitalized interest until September 1, 2006 and to pay cost of issuance of the Bonds.

**Source of Payment of the Bonds.** The Bonds are payable from special taxes (the "Special Tax" or "Special Taxes") which are to be levied by the City on taxable real property within the boundaries of the District. The Special Taxes include both a facilities component and a services component, however the entire Special Tax is pledged to payment of the Bonds on an annual basis. The Bonds are also payable from the proceeds of any foreclosure actions brought following a delinquency in payment of the Special Taxes, and from amounts held in certain funds and accounts pursuant to the Fiscal Agent Agreement, including a reserve fund, all as more fully described herein. The Special Tax applicable to each taxable parcel in the District will be levied and collected according to the tax liability determined by the City Council through the application of a rate and method of apportionment of Special Tax for the District (the "Special Tax Formula") which has been approved by the City. The Special Tax Formula is set forth in APPENDIX A hereto. The Special Taxes represent liens on the parcels of land subject to a Special Tax and failure to pay the Special Taxes could result in proceedings to foreclose the delinquent property. The Special Taxes do not constitute the personal indebtedness of the owners of taxed parcels. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Special Tax Methodology" and "APPENDIX A — RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX."

In the Fiscal Agent Agreement, the City directs the Fiscal Agent to establish a Reserve Fund (the "Reserve Fund") from Bond proceeds in the amount of the Reserve Requirement, which amount is available to be transferred to the Bond Fund in the event of delinquencies in

the payment of the Special Taxes, to the extent of such delinquencies. The Reserve Fund is required to be maintained at the Reserve Requirement from moneys available under the Fiscal Agent Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Reserve Fund." If there are additional delinquencies after depletion of funds in the Reserve Fund, the City is not obligated to pay the Bonds or supplement the Reserve Fund.

**Property Subject to the Special Tax.** The District is located in the northern portion of the City and is locally referred to as the "Moorpark Highlands" master planned community. The land in the District is currently mostly undeveloped, with some model homes completed and construction of homes underway. The land comprises approximately 456 gross acres planned for 552 single family residential units, which includes 102 townhome units. Initial homebuilding activity commenced in late 2005. All of the land in the District was owned by the master developer Pardee Homes (the "Developer"). The Developer is a homebuilder and expects to develop most of the homes in the District, except that 132 lots (the Developer's "Planning Areas 8 and 9") have been sold to KB HOME Greater Los Angeles Inc for development. Land in the District also includes open space and public parks not subject to the Special Tax.

**Appraised Value of Property.** Property in the District is security for the Special Tax. The City authorized the preparation of an appraisal report for the real property within the District, which sets forth a total bulk sale discounted value of property in the District of \$ \_\_\_\_\_ as of April 1, 2006. The valuation assumes completion of the Facilities funded by the Bonds and accounts for the impact of the lien of the Special Tax securing the Bonds. See "THE IMPROVEMENTS." In considering the estimates of value evidenced by the appraisal, it should be noted that the appraisal is based upon a number of standard and special assumptions which affected the estimates as to value, in addition to the assumption of completion of the Facilities. [The Facilities to be paid for with proceeds of the Bonds are substantially complete.] See "APPRAISAL OF PROPERTY WITHIN THE DISTRICT" and Appendix B. The appraised bulk sale valuation of property in the District is \_\_\_\_\_ \* times the \$ \_\_\_\_\_ \* aggregate principal amount of the Bonds.

**Risks of Investment.** See the section of this Official Statement entitled "SPECIAL RISK FACTORS" for a discussion of special factors that should be considered, in addition to the other matters set forth herein, in considering the investment quality of the Bonds.

**Limited Obligation of the City.** The general fund of the City is not liable and the full faith and credit of the City is not pledged for the payment of 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 City or any of its income or receipts, except the money in the Special Tax Fund (described herein) established under the Fiscal Agent Agreement, and neither the payment of the interest on nor principal of or redemption premiums, if any, on the Bonds is a general debt, liability or obligation of the City. The Bonds do not constitute an indebtedness of the City within the meaning of any constitutional or statutory debt limitation or restrictions and neither the City Council, the City nor any officer or employee thereof are liable for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds other than from the proceeds of the Special Taxes and the money in the Special Tax Fund, as provided in the Fiscal Agent Agreement.

\* Preliminary, subject to change.

**Summary of Information.** Brief descriptions of certain provisions of the Fiscal Agent Agreement, the Bonds and certain other documents are included herein. The descriptions and summaries of documents herein do not purport to be comprehensive or definitive, and reference is made to each such document for the complete details of all its respective terms and conditions, copies of which are available for inspection at the office of the Administrative Services Director of the City. All statements herein with respect to certain rights and remedies are qualified by reference to laws and principles of equity relating to or affecting creditors' rights generally. Capitalized terms used in this Official Statement and not otherwise defined herein have the meanings ascribed to such terms in the Fiscal Agent Agreement. The information and expressions of opinion herein speak only as of the date of this Official Statement and are subject to change without notice. Neither delivery of this Official Statement, any sale made hereunder, nor any future use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the City or the District since the date hereof.

*Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. For definitions of certain terms used herein and not defined herein, see "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT."*

## THE BONDS

### Authority for Issuance

The Bonds are issued pursuant to the Fiscal Agent Agreement, approved by Resolution No. \_\_\_\_\_ adopted by the City Council on \_\_\_\_\_, 2006, and the Act.

On September 21, 2005, the City Council adopted Resolution No. \_\_\_\_\_ (the "**Resolution of Formation**"), which formed the District. The District was established and authorized to incur bonded indebtedness in an aggregate principal amount not to exceed \$43,750,000 at a special election in the District held on the same day. The Bonds are the first series to be issued under the authorization; no additional bonds are expected to be issued, except refunding bonds may possibly be issued in the future. Under the provisions of the Act, since there were fewer than 12 registered voters residing within the District at a point during the 90-day period preceding the adoption of the Resolution of Formation, the qualified electors entitled to vote in the special election consisted of the Developer and two other entities controlled by the Developer. The landowners voted to incur the indebtedness and to approve the annual levy of Special Taxes to be collected within the District, for the purpose of paying for the Facilities, including repaying any indebtedness of the District, replenishing the Reserve Fund and paying the administrative expenses of the District. See "THE DISTRICT" herein.

### Description of the Bonds

**Bond Terms.** The Bonds will be dated as of and bear interest from the date of delivery thereof at the rates and mature in the amounts and years, as set forth on the cover page hereof. The Bonds are being issued in the denomination of \$5,000 or any integral multiple thereof.

Interest on the Bonds will be payable semiannually on March 1 and September 1 of each year (each an "**Interest Payment Date**"), commencing September 1, 2006. The principal of the

Bonds and premiums due upon the redemption thereof, if any, will be payable in lawful money of the United States of America at the principal corporate trust office of the Fiscal Agent in San Francisco, California, or such other place as designated by the Fiscal Agent, upon presentation and surrender of the Bonds; provided that so long as any Bonds are in book-entry form, payments with respect to such Bonds will be made by wire transfer, or such other method acceptable to the Fiscal Agent, to DTC.

**Book-Entry Only System.** The Bonds are being issued as fully registered bonds, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to ultimate purchasers under the book-entry system maintained by DTC. Ultimate purchasers of Bonds will not receive physical certificates representing their interest in the Bonds. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Owners will mean Cede & Co., and will not mean the ultimate purchasers of the Bonds. The Fiscal Agent will make payments of the principal, premium, if any, and interest on the Bonds directly to DTC, or its nominee, Cede & Co., so long as DTC or Cede & Co. is the registered owner of the Bonds. Disbursements of such payments to DTC's Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC's Participants and Indirect Participants, as more fully described herein. See "APPENDIX G –BOOK ENTRY SYSTEM." below.

**Calculation and Payment of Interest.** Interest on the Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Bonds (including the final interest payment upon maturity or earlier redemption) is payable by check of the Fiscal Agent mailed on each Interest Payment Date by first class mail to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer made on such Interest Payment Date upon written instructions received by the Fiscal Agent on or before the Record Date preceding the Interest Payment Date, of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds; provided that so long as any Bonds are in book-entry form, payments with respect to such Bonds will be made by wire transfer, or such other method acceptable to the Fiscal Agent, to DTC. See "APPENDIX G – BOOK ENTRY SYSTEM" below.

Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated on an Interest Payment Date, in which event it will bear interest from such date of authentication, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it will bear interest from such Interest Payment Date, or (iii) it is authenticated prior to the Record Date preceding the first Interest Payment Date, in which event it will bear interest from the Dated Date; provided, however, that if at the time of authentication of a Bond, interest is in default thereon, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, payments of the principal, premium, if any, and interest on the Bonds will be made directly to DTC, or its nominee, Cede & Co. Disbursements of such payments to DTC's Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC's Participants and Indirect Participants, as more fully described herein. See "APPENDIX G – BOOK ENTRY SYSTEM" below.

**Redemption**

**Optional Redemption.** The Bonds are subject to optional redemption from any source of available funds prior to maturity, in whole, or in part among maturities as specified by the City and by lot within a maturity, on any Interest Payment Date on or after September 1, \_\_\_\_\_, at the following respective redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
September 1, _____ and March 1, _____	
September 1, _____ and March 1, _____	
September 1, _____ and Interest Payment Dates thereafter	

**Mandatory Redemption From Prepayments.** The Bonds are subject to mandatory redemption from prepayments of the Special Tax by property owners, in whole or in part among maturities as specified by the City and by lot within a maturity, on any Interest Payment Date at the following respective redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
March 1, _____ through March 1, _____	
September 1, _____ and March 1, _____	
September 1, _____ and Interest Payment Dates thereafter	

**Mandatory Sinking Fund Redemption.** The Term Bonds maturing September 1, \_\_\_\_\_ are subject to mandatory sinking payment redemption in part on September 1, \_\_\_\_\_ and on each September 1 thereafter to maturity, by lot, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts as set forth in the following tables:

<u>Mandatory Redemption Date (September 1)</u>	<u>Sinking Fund Payment</u>
--	-----------------------------

The amounts in the foregoing tables will be reduced pro rata, in order to maintain substantially level debt service, as a result of any prior partial optional redemption or mandatory redemption of the Bonds.

**Purchase In Lieu of Redemption.** In lieu of redemption, moneys in the Bond Fund may be used and withdrawn by the Fiscal Agent for purchase of Outstanding Bonds, upon the filing with the Fiscal Agent of an Officer's Certificate requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such

Officer's Certificate may provide, but in no event may Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase.

**Redemption Procedure by Fiscal Agent.** The Fiscal Agent will cause notice of any redemption to be mailed by first class mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for redemption, to the Securities Depositories and to one or more Information Services, and to the respective registered Owners of any Bonds designated for redemption, at their addresses appearing on the Bond registration books in the Principal Office of the Fiscal Agent; but such mailing is not a condition precedent to such redemption and failure to mail or to receive any such notice, or any defect therein, will not affect the validity of the proceedings for the redemption of such Bonds.

Such notice will state the redemption date and the redemption price and, if less than all of the then Outstanding Bonds are to be called for redemption, will designate the CUSIP numbers and Bond numbers of the Bonds to be redeemed by giving the individual CUSIP number and Bond number of each Bond to be redeemed or will state that all Bonds between two stated Bond numbers, both inclusive, are to be redeemed or that all of the Bonds of one or more maturities have been called for redemption, will state as to any Bond called in part the principal amount thereof to be redeemed, and will require that such Bonds be then surrendered at the Principal Office of the Fiscal Agent for redemption at the said redemption price, and will state that further interest on such Bonds will not accrue from and after the redemption date.

Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose will, to the extent practicable, bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

Whenever provision is made in the Fiscal Agent Agreement for the redemption of less than all of the Bonds of any maturity, the Fiscal Agent will select the Bonds to be redeemed, from all Bonds or such given portion thereof of such maturity by lot in any manner which the Fiscal Agent in its sole discretion deems appropriate. Upon surrender of Bonds redeemed in part only, the City will execute and the Fiscal Agent will authenticate and deliver to the registered Owner, at the expense of the City, a new Bond or Bonds, of the same series and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

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

#### **Transfer or Exchange of Bonds**

*So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, transfers and exchanges of Bonds will be made in accordance with DTC procedures. See "Appendix G" below. Any Bond may, in accordance with its terms, be transferred or exchanged by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form approved by the Fiscal Agent. Whenever any Bond or Bonds are surrendered*

for transfer or exchange, the City will execute and the Fiscal Agent will authenticate and deliver a new Bond or Bonds, for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such transfer or exchange will be paid by the City. The Fiscal Agent will collect from the Owner requesting such transfer any tax or other governmental charge required to be paid with respect to such transfer or exchange.

No transfers or exchanges of Bonds will be required to be made (i) within 15 days prior to the date established by the Fiscal Agent for selection of Bonds for redemption or (ii) with respect to a Bond after such Bond has been selected for redemption.

### ESTIMATED SOURCES AND USES OF FUNDS

A summary of the estimated sources and uses of funds associated with the sale of the Bonds follows:

Estimated Sources of Funds:  
Principal Amount of Bonds  
Less Original Issue Discount  
Total

Estimated Uses of Funds:  
Deposit to Improvement Fund  
Deposit to Reserve Fund  
Deposit to Bond Fund <sup>(1)</sup>  
Costs of Issuance <sup>(2)</sup>  
Total

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<sup>(1)</sup> Represents an amount, when combined with interest earnings, is scheduled to provide for interest up to and including September 1, 2006.

<sup>(2)</sup> Includes fees of Bond Counsel, initial fees, expenses and charges of the Fiscal Agent, costs of printing the Official Statement, administrative fees of the City, special tax consultant, appraiser, Underwriter's discount, financial advisory fees, and other costs of issuance.

### SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

#### Special Taxes

A Special Tax applicable to each taxable parcel in the District will be levied and collected according to the tax liability determined by the City Council through the application of the Special Tax Formula prepared by MuniFinancial, Temecula, California (the "**Special Tax Consultant**") and set forth in APPENDIX A hereto for all taxable properties in the District. Interest and principal on the Bonds is payable from the annual Special Taxes to be levied and collected on taxable property within the District, from amounts held in the funds and accounts established under the Fiscal Agent Agreement (other than the Rebate Fund) and from the proceeds, if any, from the sale of such property for delinquency of such Special Taxes.

The Special Taxes are exempt from the property tax limitation of Article XIII A of the California Constitution, pursuant to Section 4 thereof as a "special tax" authorized by a two-

thirds vote of the qualified electors. The levy of the Special Taxes was authorized by the City pursuant to the Act in an amount determined according to the Special Tax Formula approved by the City. See "Special Tax Methodology" below and "APPENDIX A — RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX."

The Special Tax is comprise of a facilities component (the "**Special Tax for Facilities**") and a services component (the "**Special Tax for Services**") The entire Special Tax is pledged to payment of the Bonds on an annual basis and the services component is released annual after the Special Tax Requirement (as defined in the Special Tax Formula and described below), which includes debt service on the Bonds, has been met. The amount of Special Taxes that the District may levy in any year, and from which principal and interest on the Bonds is to be paid, is strictly limited by the maximum rates approved by the qualified electors within the District which are set forth as the annual "**Maximum Special Tax**" (which includes a "**Maximum Special Tax for Facilities**" and a "**Maximum Special Tax for Services**") in the Special Tax Formula. Under the Special Tax Formula, Special Taxes for the purpose of making payments on the Bonds will be levied annually in an amount, not in excess of the annual Maximum Special Tax. The Special Taxes and any interest earned on the Special Taxes constitute a trust fund for the principal of and interest on the Bonds pursuant to the Fiscal Agent Agreement and, so long as the principal of and interest on these obligations remains unpaid, the Special Taxes and investment earnings thereon will not be used for any other purpose, except as permitted by the Fiscal Agent Agreement, and will be held in trust for the benefit of the owners thereof and will be applied pursuant to the Fiscal Agent Agreement. The Special Tax Formula apportions the Special Tax Requirement (described below) among the taxable parcels of real property within the District according to the rate and methodology set forth in the Special Tax Formula. See "Special Tax Methodology" below. See also "APPENDIX A — RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX."

The City may levy the Special Tax at the annual Maximum Special Tax rate authorized by the qualified electors within the District, as set forth in the Special Tax Formula, if conditions so require. The City has covenanted to annually levy the Special Taxes in an amount at least sufficient to pay the Special Tax Requirement (as defined below). Because each Special Tax levy is limited to the annual Maximum Special Tax rates authorized as set forth in the Special Tax Formula, no assurance can be given that, in the event of Special Tax delinquencies, the amount of the Special Tax Requirement will in fact be collected in any given year. See "SPECIAL RISK FACTORS — Tax Delinquencies" herein. The Special Taxes are collected for the City by the County of Ventura in the same manner and at the same time as *ad valorem* property taxes.

### **Special Tax Methodology**

The Special Tax authorized under the Act applicable to land within the District will be levied and collected according to the tax liability determined by the City through the application of the appropriate amount or rate as described in the Special Tax Formula set forth in "APPENDIX A — RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX." Capitalized terms set forth in this section and not otherwise defined have the meanings set forth in the Special Tax Formula.

The Special Taxes for Services will include a police services component to help offset the costs for additional law enforcement services created by the District. Revenue from the Special Tax for Services will be levied and collected in each Fiscal Year following the issuance of a building permit. The Special Tax for Services will escalate annually at a

minimum of 3%. The Special Tax for Services cannot be prepaid partially or in full. Surplus debt service funds may also be accessed for the Special Tax for Services, if additional police service funding is required. The Special Taxes required for Services will be apportioned as described in the Special Tax Formula. See Appendix A.

**Determination of Special Tax Requirement.** Each year, the City will determine the Special Tax Requirement for Facilities and the Special Tax Requirement for Services (collectively, the "**Special Tax Requirement**") for the District for the upcoming fiscal year. The Special Tax Requirement for Facilities includes the following items:

- (i) debt service or the periodic costs on the bonds issued for the District;
- (ii) administrative expenses of the City;
- (iii) any amounts needed to establish or replenish bond reserve funds; and
- (iv) the collection of funds in any Fiscal Year to pay directly for the acquisition or construction of eligible facilities or for the payment of City Police Services authorized by the District provided that the inclusion of such amount does not cause an increase in the levy of the Special Tax on Final Map Property or Undeveloped Property.

The Special Tax Requirement is the basis for the amount of Special Tax to be levied within the District. In no event may the City levy a Special Tax in any year above the annual Maximum Special Tax identified for each parcel in the Special Tax Formula.

**Parcels Subject to the Special Tax.** The City will prepare a list of the parcels subject to the Special Tax using the records of the City and the County Assessor. The City will tax all parcels within the District except property which is exempt from the Special Tax pursuant to the Special Tax Formula. Taxable Property that are acquired by a public agency after the District is formed will remain subject to the Special Tax unless a "trade" resulting in no loss of Special Tax revenue can be made, as described in the Special Tax Formula.

**Annual Special Tax Levy.** The Special Tax will be levied each year by calculating the Special Tax Requirement which needs to be generated by all Taxable Property in the District; the Special Tax (up to maximum allowable amount) the will be levied against each Taxable Property until the total scheduled Special Tax revenue equals the Special Tax Requirement, however the Special Tax Formula establishes a priority for which properties will be levied a Special Tax, with "Developed Property" (as defined in the Special Tax Formula) receiving a Special Tax levy prior to "Undeveloped Property." For single family detached property, Developed Property is property for which building permits were issued on or before April 1 preceding the Fiscal Year for which Special Taxes are being levied, provided that such Assessor's Parcels were created on or before January 1 of the prior Fiscal Year and the each such parcel is associated with a Lot, as reasonably determined by the City. See the Special Tax Formula in Appendix A. The Special Tax Formula provides that the annual Maximum Special Tax for Services shall escalate, as described below. The Maximum Special Tax for Facilities does not escalate.

**Termination of the Special Tax.** The Special Tax will be levied and collected (up to maximum allowable amount) for as long as needed to pay the principal and interest on the Bonds and other costs incurred in order to construct and acquire the authorized District-funded facilities and to pay the Special Tax Requirement. The Special Tax Formula provides that the

Special Tax for Facilities may not be levied on any parcel in the District after fiscal Year 2044-45. When the Special Tax Requirement for Facilities have all been paid, the Special Tax for Facilities will cease to be levied.

**Prepayment of the Special Tax.** The Special Tax Formula provides that landowners may permanently satisfy all or a portion of the Special Tax for Facilities by a cash settlement with the City. The amount of the prepayment required is to be calculated according to a formula set forth in the Special Tax Formula, which is generally based on the Parcel's share of the outstanding Bonds and Future Facilities Costs (as defined in the Special Tax Formula), remaining facilities costs which have not been bonded, the Reserve Fund, fees, call premiums, negative arbitrage and any expenses incurred by the City in connection with the prepayment and expected future facilities costs.

#### **Levy of Annual Special Tax; Maximum Special Tax**

For purposes of calculating the Special Tax, the District is comprised of four Special Tax Zones, designated Zones 1, 2, 3, and 4. Zone 1 is planned to consist of 95 homes; Zone 2 is planned for 77 condominium homes; Zone 3 is planned for 322 homes and Zone 4 is planned for 37 homes. The minimum Taxable Acreage is 9.86 for Zone 1, 2.47 for Zone 2, 67.20 for Zone 3 and 24.12 for Zone 4.

The annual Special Tax will be calculated by the City and levied to provide money for debt service on the Bonds, replenishment of the Reserve Fund, anticipated Special Tax delinquencies, administration of the District, and for payment of authorized District facilities not funded from Bond proceeds. In no event may the City levy a Special Tax in any year above the annual Maximum Special Tax identified for each parcel in the Special Tax Formula. The initial annual Maximum Special Tax for Facilities is based upon square footage of the residential unit; in Zone 1 it ranges from \$3,858 to \$4,483 per unit, in Zone 2 (condominiums) it ranges from \$2,041 to \$2,818 per unit, in Zone 3 it ranges from \$4,497 to \$6,576 per unit, and in Zone 4 it ranges from \$5,868 to \$7,097 per unit. Special Taxes for Undeveloped Property in each Zone is taxed based on acreage, ranging from \$10,034 (Zone 4) to \$79,030 (Zone 2) per acre. The annual Maximum Special Tax for Facilities does not escalate. The annual Maximum Special Tax for Services in Fiscal Year 2005-06 is set at \$400 per Lot and shall be adjusted annually by an amount equal to the greater of (i) 3% or (ii) the percentage change in the Consumer Price Index for the Calendar Year ending in December of the prior Fiscal Year, not to exceed 7%. See "APPENDIX A - RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX."

The Special Tax will be levied in an amount at least equal to the Special Tax Requirement as described in the Special Tax Formula and may be levied in an amount up to the maximum rates, which may include a component for construction of authorized facilities not funded from proceeds of the Bonds. See "THE IMPROVEMENTS" and "APPRAISAL OF PROPERTY WITHIN THE DISTRICT." See also "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Special Tax Methodology" above. See "APPENDIX A - RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX" for a copy of the Special Tax Formula.

## **Special Tax Fund**

When received, the Special Taxes are required under the Fiscal Agent Agreement to be deposited into a Special Tax Fund to be held by the City in trust for the benefit of the City and the Owners of the Bonds. Within the Special Tax Fund, the City will establish and maintain two accounts, (i) the Debt Service Account, to the credit of which the City will deposit, immediately upon receipt, all Special Tax revenue, and (ii) the Surplus Account, to the credit of which the City will deposit surplus Special Tax Revenue, if any, as described below. Moneys in the Special Tax Fund will be disbursed as provided below and, pending any disbursement, will be subject to a lien in favor of the Owners of the Bonds.

All Special Tax Revenue will be deposited in the Debt Service Account upon receipt. No later than 10 Business Days prior to each Interest Payment Date, the City will withdraw from the Debt Service Account of the Special Tax Fund and transfer (i) to the Fiscal Agent for deposit in the Reserve Fund, an amount which when added to the amount then on deposit therein is equal to the Reserve Requirement, and (ii) to the Fiscal Agent for deposit in the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund, such that the amount in the Bond Fund equals the principal, premium, if any, and interest due on the Bonds on the next Interest Payment Date. At such time as deposits to the Debt Service Account equal the principal, premium if any, and interest becoming due on the Bonds for the current Bond Year and the amount needed to restore the Reserve Fund balance to the Reserve Requirement, the amount in the Debt Service Account in excess of such amount may, at the discretion of the City, be transferred to the Surplus Account, which will occur on or after September 15th of each year. From time to time, the City may withdraw from the Surplus Account of the Special Tax Fund amounts needed to pay the City's administrative expenses and County fees; provided that such transfers will not be in excess of the portion of the Special Tax Revenues collected by the City that represent levies for administrative expenses. Moneys in the Surplus Account may also be used, at the City's discretion, be transferred to the Improvement Fund to pay for costs of the Facilities (including reimbursements to the Developer for the cost of Facilities not funded from proceeds of bonds issued for the District) or authorized facility contributions, to pay the principal of, premium, if any, and interest on the Bonds or to replenish the Reserve Fund to the amount of the Reserve Requirement. See "THE IMPROVEMENTS – Construction and Acquisition of the Facilities."

## **Deposit and Use of Proceeds of Bonds**

The Bonds are additionally secured by amounts generated from proceeds of the Bonds, together with interest earnings thereon pledged under the Fiscal Agent Agreement. The proceeds of the Bonds will be paid to the Fiscal Agent, who will deposit such proceeds in the Reserve Fund, Bond Fund and Costs of Issuance Fund established under the Fiscal Agent Agreement, and transfer to the City the amounts designated for deposit into the Improvement Fund. See "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT" for information on use of the moneys, including investment earnings thereon, in the various funds established under the Fiscal Agent Agreement. See also "Reserve Fund" and "Improvement Fund" below.

## **Delinquent Payments of Special Tax; Covenant for Superior Court Foreclosure**

The Special Tax will be collected in the same manner and the same time as *ad valorem* property taxes, except at the City's option, the Special Taxes may be billed directly to property owners. In the event of a delinquency in the payment of any installment of Special Taxes, the

City is authorized by the Act to order institution of an action in superior court to foreclose the lien therefor.

The City has covenanted in the Fiscal Agent Agreement with and for the benefit of the Owners of the Bonds that it will annually on or before September 1 of each year review the public records of the County of Ventura relating to the collection of the Special Tax in order to determine the amount of the Special Tax collected in the prior fiscal year, and if the City determines on the basis of such review that the amount so collected is deficient by more than 5% of the total amount of the Special Tax levied in the District in such Fiscal Year, it will within 30 days thereafter institute foreclosure proceedings as authorized by the Act in order to enforce the lien of the delinquent installment of the Special Tax against each separate lot or parcel of land in the District for which such installment of the Special Tax is delinquent, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale; *provided*, that if the City determines on the basis of such review that (a) the amount so collected is deficient by less than 5% of the total amount of the Special Tax levied in the District in such Fiscal Year, but that property owned by any single property owner in the District is delinquent by more than \$5,000 with respect to the Special Tax due and payable by such property owner in such Fiscal Year, or (b) property owned by any single property owner in the District is delinquent cumulatively by more than \$3,000 with respect to the current and past Special Tax due (irrespective of the total delinquencies in the District) then the City will institute, prosecute and pursue such foreclosure proceedings in the time and manner provided herein against each such property owner.

Under the Act, foreclosure proceedings are instituted by the bringing of an action in the superior court of the county in which the parcel lies, naming the owner and other interested persons as defendants. The action is prosecuted in the same manner as other civil actions. In such action, the real property subject to the special taxes may be sold at a judicial foreclosure sale for a minimum price which will be sufficient to pay or reimburse the delinquent special taxes.

The owners of the Bonds benefit from the Reserve Fund established pursuant to the Fiscal Agent Agreement; however, if delinquencies in the payment of the Special Taxes with respect to the Bonds are significant enough to completely deplete the Reserve Fund, there could be a default or a delay in payments of principal and interest to the owners of the Bonds pending prosecution of foreclosure proceedings and receipt by the City of the proceeds of foreclosure sales. Provided that it is not levying the Special Tax at the annual Maximum Special Tax rates set forth in the Special Tax Formula, the City may adjust (but not to exceed the annual Maximum Special Tax) the Special Taxes levied on all property within the District subject to the Special Tax to provide an amount required to pay debt service on the Bonds and to replenish the Reserve Fund.

Under current law, a judgment debtor (property owner) has at least 140 days from the date of service of the notice of levy in which to redeem the property to be sold. If a judgment debtor fails to redeem and the property is sold, his or her only remedy is an action to set aside the sale, which must be brought within 90 days of the date of sale. If, as a result of such an action a foreclosure sale is set aside, the judgment is revived and the judgment creditor is entitled to interest on the revived judgment as if the sale had not been made (California Code of Civil Procedure Section 701.680).

Foreclosure by court action is subject to normal litigation delays, the nature and extent of which are largely dependent upon the nature of the defense, if any, put forth by the debtor and the condition of the calendar of the superior court of the county. Such foreclosure actions can

be stayed by the superior court on generally accepted equitable grounds or as the result of the debtor's filing for relief under the Federal bankruptcy laws. The Act provides that, upon foreclosure, the Special Tax lien will have the same lien priority as is provided for *ad valorem* taxes and special assessments. See "APPRAISAL OF PROPERTY WITHIN THE DISTRICT – Priority of Lien."

No assurances can be given that the real property subject to a judicial foreclosure sale will be sold or, if sold, that the proceeds of sale will be sufficient to pay any delinquent Special Tax installment. The Act does not require the District to purchase or otherwise acquire any lot or parcel of property foreclosed upon if there is no other purchaser at such sale.

Section 53356.6 of the Act requires that property sold pursuant to foreclosure under the Act be sold for not less than the amount of judgment in the foreclosure action, plus post-judgment interest and authorized costs, unless the consent of the owners of 75% of the outstanding Bonds is obtained. However, under Section 53356.6 of the Act, the District, as judgment creditor, is entitled to purchase any property sold at foreclosure using a "credit bid," where the District could submit a bid crediting all or part of the amount required to satisfy the judgment for the delinquent amount of the Special Tax. If the District becomes the purchaser under a credit bid, the District must pay the amount of its credit bid into the redemption fund established for the Bonds, but this payment may be made up to 24 months after the date of the foreclosure sale.

#### **Reserve Fund**

A Reserve Fund (the "**Reserve Fund**") for the Bonds will be established under the Fiscal Agent Agreement, to be held by the Fiscal Agent. Upon delivery of the Bonds, the amount on deposit in the Reserve Fund will be established by depositing certain proceeds of the Bonds in the amount of the "**Reserve Requirement**" for the Bonds, which is the lesser of 10% of the original principal amount of the Bonds, 100% of maximum annual debt service on the Bonds, or 125% of average annual debt service on the Bonds. The City is required to maintain an amount of money or other security equal to the Reserve Requirement in the Reserve Fund at all times that the Bonds are outstanding. All amounts deposited in the Reserve Fund will be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of, and interest on, the Bonds. Whenever transfer is made from the Reserve Fund to the Bond Fund due to a deficiency in the Bond Fund, the Fiscal Agent will provide written notice thereof to the City.

Whenever, on the Business Day prior to any Interest Payment Date, the amount in the Reserve Fund exceeds the then applicable Reserve Requirement, the Fiscal Agent will transfer an amount equal to the excess from the Reserve Fund to the Bond Fund or the Improvement Fund as provided below, except that investment earnings on amounts in the Reserve Fund may be withdrawn from the Reserve Fund for purposes of making payment to the Federal government to comply with rebate requirements.

Moneys in the Reserve Fund will be invested and deposited in accordance with the Fiscal Agent Agreement. Interest earnings and profits resulting from the investment of moneys in the Reserve Fund and other moneys in the Reserve Fund will remain therein until the balance exceeds the Reserve Requirement; any amounts in excess of the Reserve Requirement will be transferred to the Improvement Fund, if the Facilities have not been completed, or if the

Facilities have been completed, to the Bond Fund to be used for the payment of the principal of and interest on the Bonds in accordance with the Fiscal Agent Agreement.

Whenever the balance in the Reserve Fund exceeds the amount required to redeem or pay the Outstanding Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, and make any other transfer required under the Fiscal Agent Agreement, the Fiscal Agent will transfer the amount in the Reserve Fund to the Bond Fund to be applied, on the next succeeding Interest Payment Date, to the payment and redemption of all of the Outstanding Bonds. If the amount so transferred from the Reserve Fund to the Bond Fund exceeds the amount required to pay and redeem the Outstanding Bonds, the balance in the Reserve Fund will be transferred to the City, after payment of any amounts due the Fiscal Agent, to be used for any lawful purpose of the City.

### **Improvement Fund**

Under the Fiscal Agent Agreement, there is established an Improvement Fund, which is to be held in trust by the City and will be disbursed as provided in the Fiscal Agent Agreement for the payment or reimbursement of the costs of the construction and acquisition of the Facilities in accordance with the Acquisition Agreement (as described herein). Interest earnings from the investment of amounts in the Improvement Fund will be retained in the Improvement Fund to be used for the purposes of the Improvement Fund.

Upon completion of the Facilities and payment to the Developer pursuant to the Acquisition Agreement, the City will transfer the amount, if any, remaining in the Improvement Fund to the Fiscal Agent for deposit in the Bond Fund for application to the payment of principal of and interest on the Bonds in accordance with the Fiscal Agent Agreement, and the Improvement Fund will be closed. See "THE IMPROVEMENTS."

**DEBT SERVICE SCHEDULE**

The annual debt service on the Bonds, based on the interest rates and maturity schedule set forth on the cover of this Official Statement, is set forth below.

**COMMUNITY FACILITIES DISTRICT No. 2004-1 (MOORPARK HIGHLANDS)  
SPECIAL TAX BONDS SERIES 2006  
DEBT SERVICE**

<b><u>Year Ending (Sept. 1)</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
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\* Paid from capitalized interest.

## THE DISTRICT

### Formation of the District

On September 15, 2004, the City Council adopted a Resolution of Intention to form a community facilities district under the Act, to levy a special tax and to incur bonded indebtedness for the purpose of financing the Facilities and making contributions to certain public facilities. After conducting a noticed public hearing, on September 21, 2005, the City Council adopted the Resolution of Formation, which established Community Facilities District No. 2004-1 (Moorpark Highlands), set forth the Special Tax Formula within the District and set forth the necessity to incur bonded indebtedness in a total amount not to exceed \$43,750,000. On the same day, an election was held within the District in which Pardee Homes (who was then the only eligible landowner voter in the District) unanimously approved the proposed bonded indebtedness and the levy of the Special Tax. See "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT" below.

### Location and Description of the District and the Immediate Area

The District is located in the northern section of the City and is generally located east of Walnut Canyon Road, west of Haapy Camp Canyon Regional Park, north of Charles Street and south of Broadway Road.

**Map.** A boundary map of the District is shown on the following page.

[Reserved for map]

## Anticipated Development in the District

*The Developer has provided the following information with respect to development within the District. No assurance can be given that all information is complete. No assurance can be given that development of the property will be completed, or that it will be completed in a timely manner. Since the ownership of the parcels is subject to change, the development plans outlined below may not be continued by the subsequent owner if the parcels are sold, although development by any subsequent owner will be subject to the West Moorpark Specific Plan, the Development Agreement and the policies and requirements of the City. No assurance can be given that the plans or projections detailed below will actually occur.*

The planned land use in the District is detached and attached single-family residential homes incorporating 552 proposed single-family residential lots on approximately 456 gross acres. The land in the District is currently owned by homebuilder Pardee Homes, the master planner and developer of the property, and herein referred to as the "Developer" or "Pardee" and by KB HOME Greater Los Angeles Inc. ("KB Home"). The Developer plans to construct and sell homes on the owned property, except that the largest 132 homesites were sold to and will be developed by KB Home. The Developer has planned development of the property in the District in nine planning areas, to be marketed as Magnolia Lane (Planning Area 1), Cherry Hill (Planning Areas 2 and 3), Shenandoah (Planning Area 4), and a multifamily site planned for townhomes (Planning Area 5). A portion of the District will be developed by KB Homes as 132 estate lots to be marketed as Sterling Heights (Planning Areas 8 and 9). Planning Areas 6 and 7 are reserved for a park and a school site and are not subject to the Special Tax.

The current designated Assessor's Parcel Numbers (APN) for the District are 500-0-160-545, 500-0-160-555, 500-0-160-705, 500-0-270-075, 500-0-270-195, 500-0-270-205, and 500-0-240-035.

The District is planned for a total of 552 homes which have been classified into four Special Tax Zones for purposes of the Special Tax Formula, designated Zones 1, 2, 3, and 4. Zone 1 comprises Planning Area 1, Zone 2 comprises Planning Area 5, Zone 3 comprises Planning Areas 2, 3, 4 and 9, and Zone 4 comprises Planning Area 8. The minimum Taxable Acreage is 9.86 for Zone 1, 2.47 for Zone 2, 67.20 for Zone 3 and 24.12 for Zone 4. See the Special Tax Formula in Appendix A.

**Zoning.** Property within the District encompasses approximately 456 gross acres, of which approximately 181 net acres are expected to be available for development. The planned land use is for 552 single family residences, ranging from townhomes to single family residences on approximate 30,000 square foot lots. The land is zoned for single family residential and is the subject of a Development Agreement, as described below. The entitlements permit a development proposal related to a particular parcel to proceed through tentative map subdivision and design-review permitting processes to final mapping provided the development application is in accord with the entitlements and the final map conditions. See "Development Agreement" below. The land received full land use approval in July 2003, including approval of Amended Tentative Map #5045 and a Development Agreement.

**Subdivision Maps.** The Developer purchased the property in May 2001 and has tentative map for the all of the land in the District with some final maps also approved and recorded.

Final maps encompassing all of Planning Areas 1-4 (318 lots) were approved as portions of Tract Map #5045 in December 2005 and March 2006, and construction of homes in those areas is underway, as described below. Final maps for Planning Areas 8 & 9 (132 lots) have been submitted to the City and are expected to be approved in June 2006. The remaining lots in the District (102 townhome units in Planning Area 5) are subject to approval by the City of a site development plan, projected by the Developer to be approved in early 2007.

The following table shows the City Developer's "planning area" designation for property in the District and other information.

Planning Area	Acres	Planned Res. Lots	Neighborhood Name	Approx. Avg. Lot Size
No. 1	32.034	95	Magnolia Lane	4,500 sq. ft.
No. 2 & 3	38.38	145	Cherry Hill	6,600 sq. ft.
No. 4	23.553	78	Shenandoah	7,700 sq. ft.
No. 5	8.502	102	Townhomes (Not Yet Named)	N/A
No. 8 & 9	119.758	<u>132</u>	Sterling Heights	30,000 sq. ft. (PA 8) 10,000 sq. ft. (PA 9)
TOTAL	222.227	552		

**Projected Infrastructure Construction Schedule.** Construction of backbone infrastructure improvements, including basic streets, sidewalks, water, sewer, drainage, concrete curb, gutter and paving and all of the relevant utilities in the basic streets, by the Developer, which include all of the Facilities to be financed with proceeds of the Bonds, for the 320 homes in Planning Areas 1-4 have been completed and homebuilding is underway. Grading and storm drain and sewer infrastructure improvements are complete for Planning Areas 5, 8 and 9, with the remaining infrastructure projected to be completed as necessary for home development to occur. See "Construction of Homes" below. Planning Area 5 public works improvements will begin in December 2006, with building construction commencing in first quarter 2007.

**Utilities.** All typical urban utility services will be extended to the lots. These utilities include electric power, natural gas, telephone, cable television, water, and sanitary sewer and storm water facilities. The City provides storm drain, police and fire services, Southern California Gas provides natural gas, and the County of Ventura provides water and sewer service. Electrical service is provided by Southern California Edison.

**Home Construction.** As of April, 2006, Pardee had completed all in-tract improvements, recorded final maps, and commenced home construction in Planning Areas 1-4, as described below. Planning Area 5 is projected for development to commence in 2007. Development in Planning Areas 8 and 9 will commence under KB Home in third quarter 2006, as described below.

**Magnolia Lane.** Magnolia Lane consists of 95 lots and are the smallest lots (4,500 square foot average) in the Pardee product line in the District. Model homes opened in January 2006 and sales commenced at that time. As of March 2006, 27 homes (all that have been released) are under contract for sale to homeowners and approximately 20 homes are under construction, with initial closings to buyers scheduled to begin in August 2006. Home sizes

range from approximately 2,115 to 3,198 square feet. Current pricing ranges in the mid \$600,000's to mid 700,000's.

**Pardee Homes "Magnolia Lane"**

<u>No. of Units</u>	<u>Opened Model Homes</u>	<u>Homes Under Contract</u>	<u>Projected Initial Closing</u>	<u>Square Feet</u>	<u>Price Range</u>
95	Jan. 2006	27	August 2006	2,115 - 3,198	Mid \$600,000's – mid \$700,000's

**Cherry Hill.** Cherry Hill consists of 145 lots and are the mid-sized lots (6,600 square foot average) in the Pardee product line in the District. Model home construction is expected to begin in April 2006 and home sales are expected to begin in May 2006 under a pre-sale program to be undertaken by the Developer prior to opening of the model homes in August 2006. Home sizes range from approximately 3,112 to 3,766 square feet. Pricing for the homes has not yet been determined by the Developer.

**Pardee Homes "Cherry Hill"**

<u>No. of Units</u>	<u>Projected Open Model Homes</u>	<u>Homes Under Contract</u>	<u>Initial Closing</u>	<u>Square Feet</u>	<u>Projected Price Range</u>
147	August 2006	-0-	Dec. 2006	2,607 - 3,479	Not Yet Determined

**Shenandoah.** Shenandoah consists of 78 lots and are the large-sized lots (7,700 square foot average) in the Pardee product line in the District. Model homes construction commenced in January 2006 and as of March 2006 28 homes are the subject of sales contracts to homeowners. Models are projected to open in June 2006 and initial closings of homes is projected for September 2006. Home sizes range from approximately 3,112 to 3,766 square feet. Current pricing ranges in the high \$700,000's to the mid 800,000's.

**Pardee Homes "Shenandoah"**

<u>No. of Units</u>	<u>Projected Open Model Homes</u>	<u>Homes Under Contract</u>	<u>Projected Initial Closing</u>	<u>Square Feet</u>	<u>Projected Price Range</u>
78	June 2006	28	Sept. 2006	3,112 - 3,766	High \$700,000's – mid \$800,000's

**Sterling Heights.** Sterling Heights consists of 132 lots and are the largest-sized lots in the District. Sterling Heights will be developed by KB Homes. Construction on three model homes is expected to commence in June 2006. Models are projected to open in August 2006 and initial closings of homes is projected for September 2006. Home sizes range from approximately 3,160 to 4,958 square feet. Current pricing ranges in the high \$1,100,000's to the low \$1,400,000's.

**KB Homes "Sterling Heights"**

<u>No. of Units</u>	<u>Projected Open Model Homes</u>	<u>Homes Under Contract</u>	<u>Projected Initial Closing</u>	<u>Square Feet</u>	<u>Projected Price Range</u>
132	August 2006	-0-	Sept. 2006	3,160 - 4,958	High \$1,100,000's – low \$1,400,000's

**Development Agreement**

**General.** The Developer is a party to a development agreement dated \_\_\_\_\_ (the "**Development Agreement**") with the City in accordance with applicable state and local codes. The development agreement vests development rights, set forth infrastructure improvements and dedication requirements, secures the timing and methods for financing improvements, and specifies other performance obligations as related to development in the District area. The Development Agreement was entered into in accordance with Sections 65864 through 65869.5 of the California Government Code, as implemented by the City. The Development Agreement is intended to create a binding contract between the City and the Developer and their assigned successors in interest, which sets forth the needed infrastructure improvements, park dedication requirements, timing and method for financing improvements and other specific performance obligations of the City and the Developer as such obligations relate to development of the property in the District, including the terms, conditions, rules, regulations, entitlements, vested rights and other provisions relating to the development of the property in the District according to the entitlements. Included are provisions relating to infrastructure improvements, public dedication requirements, landscaping amenities and other obligations of the parties. The Development Agreement has a \_\_\_\_\_-year term, runs with the property, and may be modified only by mutual consent of the City and the Developer. With the Development Agreement in place, subject to compliance with the terms of the Development Agreement, construction of homes within the District may occur upon City approval of subdivision maps, satisfaction of certain design requirements and conditions of such maps and issuance of building permits. The Development Agreement will be binding on the Developer and all successor owner-developers of property in the District.

**Environmental Matters**

***Flood Hazard Map Information.***

***Wetland Conditions.***

***Seismic Conditions.***

## THE IMPROVEMENTS

### Eligible Facilities

The Bonds will provide a funding source to (i) finance the acquisition, purchase, modification, expansion, improvement, rehabilitation, lease and/or construction of certain public facilities and connection and capacity fees which benefit the property proposed for development; and (ii) pay incidental expenses incurred in connection therewith.

The Facilities eligible to be financed by the District are set forth in the Resolution of Intention and in the Community Facilities District Hearing Report (the "CFD Hearing Report") dated August 16, 2004 prepared for the Developer by Economic & Planning Systems, Inc., Sacramento, California, in connection with the formation of the District.

The eligible Facilities authorized are described in the CFD Hearing Report as follows.

- City of Moorpark Infrastructure, including Development Impact Fees (i.e. Police Facilities, Fire Facilities/Equipment, Streets/Minor Bridges/Culverts, Traffic Signals/Controllers, Storm Drainage and Retention Facilities, Drainage and Flood Control Facilities and Study, General Facilities/Vehicles/Equipment, Open Space Acquisition, Park Land/Facilities, Community Center, Library Facilities/Collection and Major Bridge.)
- Street Improvements for Spring Road, "A" Street, and "C" Street (including, but not limited to, the associated sidewalks, traffic controls, street lighting, curb and gutter, pedestrian access ramps, grading, design)
- Wall Improvements (Los Angeles Avenue to Charles Street)
- School Facilities, including acquisition of a school site, and school fees
- Public Park, Recreation or Open Space Facilities
- Landscaping of Public Streets, Right-Of-Ways, Storm Drain Facilities, Slopes, Mitigation Monitoring and Appurtenant Facilities
- In addition to the above facilities, other incidental expenses as authorized by the Mello-Roos Community Facilities Act of 1982, include, but are not limited to, these: the cost of planning, permitting, and designing the facilities (including the cost of environmental evaluation, orthophotography, environmental remediation/mitigation, and preparation of an overarching Operation and Maintenance [O&M] Plan for the City of Moorpark Open Space Preserves); land acquisition and easement payments for authorized CFD facilities; project management, construction staking; engineering studies and preparation of an engineer's report for the use of recycled water; utility relocation and demolition costs incidental to the construction of the public facilities, costs associated with the creation of the CFD, issuance of bonds, determination of the amount of taxes, collection of taxes, payment of taxes, or costs otherwise incurred in order to carry out the authorized purposes of the CFD, reimbursements to other areas for infrastructure facilities serving development in the CFD, and any other expenses incidental to the construction, completion, and inspection of the facilities.

**Estimated Cost of the Facilities**

The maximum authorized bonded indebtedness for the District is \$43,750,000. The Bonds will be used to fund only a portion of the total cost and facilities. The total estimated construction cost of the Facilities and other project related public expenditures, as shown in the CFD Hearing Report, is approximately \$45.46 million. Approximately \$\_\_\_\_\_ million of the total \$67.9 million cost of backbone infrastructure improvements is projected to be financed by the Bonds. The remaining backbone infrastructure costs will be funded by the Developer.

**Community Facilities District No. 2004-1 (Moorpark Highlands)  
Estimated Cost of Proposed Public Facilities and Fees**

Development Impact Fees	\$ 5,275,922
Street Improvements	12,244,546
Wall Improvements	1,146,302
Park Improvements	1,844,390
Moorpark Unified School District	24,948,646
<b>Total Cost of Facilities and Fees</b>	<b>\$45,459,806</b>

**Construction and Acquisition of the Facilities and Payment of Fees**

In connection with the issuance of the Bonds, the City and the Developer will enter into a Funding, Construction and Acquisition Agreement (the "Acquisition Agreement") which provides that the Developer will construct (or cause to be constructed or funded) the portion of the Facilities consisting of roadways and related facilities, and the City, upon completion of construction and acceptance by the City, will purchase the Facilities. Upon completion of the Facilities and acceptance by the City, proceeds of the Bonds will be used to pay a portion of the purchase price of the Facilities pursuant to the terms of the Acquisition Agreement. The Developer will be responsible for the portion of the cost of construction of the Facilities not paid with bond proceeds, which may, to a limited extent and for a limited time, be reimbursed to the Developer from Special Taxes collected as the pay-as-you-go portion of the levy.

**OWNERSHIP OF PROPERTY WITHIN THE DISTRICT**

*Unpaid Special Taxes do not constitute a personal indebtedness of the owners of the parcels within the District. There is no assurance that the present property owners or any subsequent owners will have the ability to pay the Special Taxes or that, even if they have the ability, they will choose to pay the Special Taxes. An owner may elect to not pay the Special Taxes when due and cannot be legally compelled to do so. Neither the City nor any Bondowner will have the ability at any time to seek payment directly from the owners of property within the District of the Special Tax or the principal or interest on the Bonds, or the ability to control who becomes a subsequent owner of any property within the District.*

*Pardee and KB Home have provided the information set forth in this section entitled "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT." No assurance can be given that all information is complete. In addition, any Internet addresses included below are for reference only, and the information on those Internet sites is not a part of this Official Statement or incorporated by reference into this Official Statement.*

No assurance can be given that development of the property will be completed, or that it will be completed in a timely manner. The Special Taxes are not personal obligations of the developers or of any subsequent landowners; the Bonds are secured only by the Special Taxes and moneys available under the Fiscal Agent Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" and "SPECIAL RISK FACTORS" herein.

The property in the District is currently owned by two owner/developer entities. The following table summarizes the owner or anticipated developer and the number of proposed residential lots in the District.

**CITY OF MOORPARK  
Community Facilities District No. 2004-1 (Moorpark Highlands)  
Summary of Owners/Developers**

Developer	Planned Res. Lots	Allocation of Special Tax	Percent Allocation of Special Tax
<u>Single Family Residential</u>			
Pardee	420		
KB Home	132		
TOTAL	552		

**Pardee**

All of the land within the District was acquired by Pardee Homes ("**Pardee**" or the "**Developer**") in October 2004. Pardee Homes is a multi-regional builder and developer of master-planned communities, new homes, apartments and business parks in California and Nevada. Originating in 1921 as Pardee Construction Company, the company in 1969 became the largest wholly owned subsidiary of Weyerhaeuser Real Estate Company (WRECO), a division of Weyerhaeuser. Today's Pardee Homes provides entry-level homes through upper-end designs, with prices ranging from the mid \$200,000s to \$1 million plus.

Pardee reports that it closed 2,863 homes in 2005, with total sales revenues of approximately \$879.9 million for single-family residential, and approximately \$1 billion in total company revenues. The company's mortgage affiliate, Pardee Home Loans, recorded \_\_\_ new home loans in the same period, representing approximately \$\_\_\_\_\_ million in production dollars. Pardee will open nearly \_\_ new home communities in 2006, and projects \_\_ new home communities with active sales by year end, ranking it among the top five builders by volume in most of its markets. The company is currently developing new home neighborhoods and communities throughout Southern California and Southern Nevada.

Michael V. McGee is Pardee's president and CEO; Hal Struck is the executive vice president and COO. Pardee has approximately 600 full-time employees, and is headquartered in Los Angeles; regional offices are in Valencia, Corona, Irvine, Pleasanton and San Diego in California and in Las Vegas, Nevada.

As President and CEO of Pardee Homes, Mike McGee leads the acquisition and development of the company's master-planned communities, single and multi-family residential developments, commercial and industrial projects. His experience includes a 20-year tenure with Weyerhaeuser Real Estate Company (WRECO), starting with Weyerhaeuser Venture Company in Torrance, California, where he served as assistant vice president/investment manager. He served WRECO as planning manager in Federal Way, Washington, then as vice president/regional manager with WRECO's Westminster Company in Cary, North Carolina, where he was responsible for residential development in the Triangle Area of Raleigh, Durham and Chapel Hill. McGee returned to Southern California in 1988 as vice president/project manager for Pardee Homes, managing entitlement and development in Riverside, San Diego and Orange Counties.

Executive Vice President and Chief Operating Officer Hal Struck oversees company operations throughout California and Nevada, directing a staff of more than 600. A 28-year veteran with Pardee, he previously served as senior vice president of sales and marketing, with specialized experience in land acquisition, product development and merchandising. Mr. Struck began his real estate career in 1972, joining Pardee in 1977 to strengthen the company's land acquisition efforts. Prior to assuming his post as executive vice president, he directed the sales, marketing communications, merchandising and product development for Pardee's residential projects.

*Financing Plan.* The development of the backbone infrastructure improvements and the payment of the Special Taxes will primarily be funded from bond proceeds and from internal financing.

Information on Pardee Homes, including current home offerings, is available on the internet from its website at [www.pardeehomes.com](http://www.pardeehomes.com). The website address is given for reference and convenience only, the information on the websites may be incomplete or inaccurate and has not been reviewed by the City or the Underwriter. Nothing on the website is a part of this Official Statement or incorporated into this Official Statement by reference.

#### ***KB Home.***

KB HOME Greater Los Angeles Inc. is a California corporation ("KB Home") and a wholly-owned subsidiary of KB HOME, a Delaware corporation ("KB Home Corporation"). KB Home purchased a portion of the property in the District (constituting Planning Areas 8 and 9) from Pardee in April 2006 pursuant to a purchase and sale agreement dated March 21, 2006.

KB Home Corporation has domestic operating divisions in California, Arizona, Nevada, New Mexico, Colorado, Texas, Illinois, Indiana, Georgia, North Carolina, South Carolina, Wisconsin and Florida. Founded in 1957, KB Home Corporation is a Fortune 500 company listed on the New York Stock Exchange under the ticker symbol "KBH." Financial information about KB Home Corporation is included in documents filed with the Securities and Exchange Commission, particularly in its Annual Report on Form 10K and its most recent quarterly report on Form 10Q. KB Home Corporation's Internet address is [www.kbhome.com](http://www.kbhome.com). The website address is given for reference and convenience only, the information on the websites may be incomplete or inaccurate and has not been reviewed by the City or the Underwriter. Nothing on the website is a part of this Official Statement or incorporated into this Official Statement by reference.

The North Los Angeles Division of KB Home Corporation has active development operations in Los Angeles County, Kern County and Ventura County. During fiscal year 2004-05, KB Home completed approximately 478 homes, and KB Home anticipates that it will complete approximately 820 homes in fiscal year 2005-06.

Recent residential developments completed or under development by the North Los Angeles Division of KB Home Corporation include the following:

<u>Development</u>	<u>Location</u>	<u>Approximate Number of Homes</u>
Cascades	Sylmar	634
Meadowbrook	Bakersfield	110
Discovery Trails	Palmdale	388
Vineyards	Palmdale	204
Olympia	Bakersfield	168
Desert Fields & Aztec Gardens	Lancaster	286
Autumn Hills	Tehachapi	134
Anaverde (5 planning areas)	Palmdale	500
Orchard Glen	Tehachapi	202

## APPRAISAL OF PROPERTY WITHIN THE DISTRICT

### The Appraisal

**General.** Abergel & Associates, Calabasas, California (the “Appraiser”) prepared an appraisal report dated May 18, 2006, with a date of value of April 1, 2006 (the “Appraisal”). The Appraisal was prepared at the request of the City.

The Appraisal is set forth in APPENDIX B hereto. The description herein of the Appraisal is intended for limited purposes only; the Appraisal should be read in its entirety. The complete Appraisal is on file with the City and is available for public inspection at the City offices at 799 Moorpark Avenue, Moorpark California 93021 or from the Underwriter during the initial marketing period. The conclusions reached in the Appraisal are subject to certain assumptions and qualifications which are set forth in the Appraisal.

**Value Estimates.** The Appraisal valued the fee simple estate of the taxable property in the District to estimate the hypothetical (in light of the fact that the improvements financed by the Bonds were not in place as of the date of valuation) market value of the property (in bulk), assuming completion of the improvements to be financed by the Bonds. The valuation accounts for the impact of the lien of the Special Tax. The property appraised excludes property in the District designated for public and quasi public purposes. The value estimate for the property as of the \_ April 1, 2006 date of value, using the methodologies described in the Appraisal and subject to the limiting conditions and special assumptions set forth in the Appraisal, and based on the ownership of the property as of that date is \$\_\_\_\_\_.

The appraisal methodology used in the Appraisal is based on the subdivision development approach, which utilizes the sales comparison approach and extraction technique to estimate the aggregate value for the property’s various land components. The aggregate

value estimate is then integrated into the discounted cash flow portion of the subdivision development approach. The approaches to value were conducted as set forth below. See also "Assumptions and Limiting Conditions" below.

**Hypothetical Condition.** The improvements to be financed by the Bonds were not in place as of the date of inspection; thus, the value estimate is subject to a hypothetical condition (of such improvements being in place), defined as that which is contrary to what exists but is supposed for the purposes of analysis.

**Aggregate Value.** The retail value for the property represents estimates of what an end user would pay for a finished property under conditions requisite to a fair sale. The Appraiser considered property finished if it were in a state where it could be purchased and then or shortly thereafter be fully developed, with all major infrastructure in place, the subdivision map ready for final approval, and the in-tract improvements able to be completed shortly. The aggregate retail value is the sum of the retail values for the applicable property groupings. This value estimate excludes all allowances for carrying costs and is not equal to the market value of all the subject properties.

**Market Value, Bulk Value.** The bulk sale value represents the most probable price, in a sale of certain parcels within District, to a single purchaser or sales to multiple buyers, over a reasonable absorption period discounted to present value. The discounted value of the property represents the market value of the property in the District.

**Assumptions and Limiting Conditions.** In considering the estimate of value evidenced by the Appraisal, the Appraisal is based upon a number of standard and special assumptions which affect the estimates as to value, some of which include the following. See "APPENDIX B – THE APPRAISAL."

- The value estimates assume the completion of the public facilities to be financed by the Bonds. See "THE FACILITIES."

- The Appraiser has also assumed that there is no hazardous material on or in the property that would cause a loss in value. Should future conditions and events reduce the level of permitted development or delay the completion of any projected development, the value of the undeveloped land would likely be reduced from that estimated by the Appraiser. See "APPENDIX B — THE APPRAISAL" hereto for a description of certain assumptions made by the Appraiser. Accordingly, because the Appraiser arrived at an estimate of current market value based upon certain assumptions which may or may not be fulfilled, no assurance can be given that should the parcels become delinquent due to unpaid Special Taxes, and be foreclosed upon and offered for sale for the amount of the delinquency, that any bid would be received for such property or, if a bid is received, that such bid would be sufficient to pay such delinquent Special Taxes.

**Projected Absorption Period.** The Appraiser also estimated the marketing time that would be required for the disposition of the single-family residential lots, based on the historical marketing times of a number of local sales, as well as current and projected economic conditions, the impacts of present market conditions, as well as anticipated changes in the market. After considering the development timeline and scope of the project, the Appraiser estimated the single-family residential component could transfer within \_\_\_\_\_ years of exposure on the market. Thus, the discounted cash flow analysis reflected sales of residential

lots over a \_\_\_\_\_-year period. The estimate takes into account the time and process associated with delivering developable parcels. The Appraiser also estimated the absorption for the multi-family and commercial components of the project and concluded that the multi-family could sell in the third year of development. The Appraiser projected commercial (retail) land areas could sell in years two and three. Similarly, the office land component was estimated to transfer by year three. See Appendix B.

*No assurance can be given that the estimated absorption will be achieved or attained over an extended period of time; real estate is cyclical in nature, and it is impossible to accurately forecast and project specific demand over a projected absorption period. See "SPECIAL RISK FACTORS – Property Values and Property Development."*

**Limitations of Appraisal Valuation.** Property values may not be evenly distributed throughout the District; thus, certain parcels may have a greater value than others. This disparity is significant because in the event of nonpayment of the Special Tax, the only remedy is to foreclose against the delinquent parcel.

No assurance can be given that the foregoing valuation can or will be maintained during the period of time that the Bonds are outstanding in that the City has no control over the market value of the property within the District or the amount of additional indebtedness that may be issued in the future by other public agencies, the payment of which, through the levy of a tax or an assessment, may be on a parity with the Special Taxes. See "Overlapping Liens and Priority of Lien" below.

For a description of certain risks that might affect the assumptions made in the Appraisal, see "SPECIAL RISK FACTORS" herein.

## **Value to Special Tax Burden Ratios**

The Appraisal sets forth the estimated bulk sale discounted value, subject to the Special Tax lien, of all taxable property within the District to be \$\_\_\_\_\_ subject to the limiting conditions stated therein. (See "The Appraisal" above and Appendix B hereto.) The principal amount of the Bonds is \$\_\_\_\_\_. Consequently, the estimated bulk sale discounted value, subject to the Special Tax lien, of the real property within the District, is approximately \_\_\_\_\_\* times the principal amount of the Bonds and the other Overlapping Debt.

In comparing the appraised value of the real property within the District and the principal amount of the Bonds, it should be noted that only the real property upon which there is a delinquent Special Tax can be foreclosed upon, and the real property within the District cannot be foreclosed upon as a whole to pay delinquent Special Taxes of the owners of such parcels within the District unless all of the property is subject to a delinquent Special Tax. In any event, individual parcels may be foreclosed upon separately to pay delinquent Special Taxes levied against such parcels.

Other public agencies whose boundaries overlap those of the District could, without the consent of the City and in certain cases without the consent of the owners of the land within the District, impose additional taxes or assessment liens on the land within the District. The lien created on the land within the District through the levy of such additional taxes or assessments may be on a parity with the lien of the Special Tax. In addition, construction loans may be obtained by the Developers or home loans may be obtained by ultimate homeowners. The deeds of trust securing such debt on property within the District, however, will be subordinate to the lien of the Special Tax.

## **Overlapping Liens and Priority of Lien**

The principal of and interest on the Bonds are payable from the Special Tax authorized to be collected within the District, and payment of the Special Tax is secured by a lien on certain real property within the District. Such lien is co-equal to and independent of the lien for general taxes and any other liens imposed under the Act, regardless of when they are imposed on the property in the District. The imposition of additional special taxes, assessments and general property taxes will increase the amount of independent and co-equal liens which must be satisfied in foreclosure. The City, the County and certain other public agencies are authorized by the Act to form other community facilities districts and improvement areas and, under other provisions of State law, to form special assessment districts, either or both of which could include all or a portion of the land within the District.

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\* Preliminary, subject to change.

Set forth below is an overlapping debt table showing the existing authorized indebtedness payable with respect to property within the District as of \_\_\_\_\_, 2006. This table has been prepared by California Municipal Statistics Inc. as of the date indicated, and is included for general information purposes only. The City has not reviewed the data for completeness or accuracy and makes no representations in connection therewith.

**City of Moorpark  
Community Facilities District No. 2004-1 (Moorpark Highlands)  
Overlapping Bonded Debt as of \_\_\_\_\_, 2006**

*Source: California Municipal Statistics.*

Property in the District is also subject to [to come]

There can be no assurance that the Developer, its affiliates or any subsequent owner will not petition for the formation of other community facilities districts and improvement areas or for a special assessment district or districts and that parity special taxes or special assessments will not be levied by the County or some other public agency to finance additional public facilities, however no other special districts are currently contemplated by the City or the Developer.

Private liens, such as deeds of trust securing loans obtained by the Developer, may be placed upon property in the District at any time. Under California law, the Special Taxes have priority over all existing and future private liens imposed on property subject to the lien of the Special Taxes.

**Estimated Tax Burden on Single Family Home**

The following table sets forth the estimated total tax burden on a hypothetical \$700,000 single family home in the District, based on estimated Special Tax rates for Fiscal Year 2005-06.

Item	Rate	Single Family (market-rate) Low-Density
Base Sales Price (1)		
Homeowner's Exemption (2)		
<b>Assessed Value of Home</b>		
<b>Annual Assessments/Taxes</b>		
Property Taxes		
Property Tax	1.00%	
<b>Subtotal Property Taxes</b>		
<b>Special Taxes and Assessments</b>		
Infrastructure CFD		
Services CFD (Maintenance) (3)		
<b>Subtotal Services CFD (Maintenance)</b>		
Municipal Services District		
<b>Subtotal All Special Taxes and Assessments</b>		
<b>Total Annual Assessments/Taxes</b>		
<b>As a Percentage of Assessed Value</b>		

*Sources:*

- (1) Based on information provided by \_\_\_\_\_.
- (2) The assessed value of the home is the sales price, less any allowable exemptions. An owner-occupied residence is allowed a \$7,000 annual exemption against the assessed value.
- (3) Maximum Special Taxes in Service CFDs are usually structured to escalate no more than \_\_\_% annually. These figures are for the Base Year only.

**SPECIAL RISK FACTORS**

*The purchase of the Bonds described in this Official Statement involves a degree of risk that may not be appropriate for some investors. The following includes a discussion of some of the risks which should be considered before making an investment decision.*

**Limited Obligation of the City to Pay Debt Service**

The City has no obligation to pay principal of and interest on the Bonds in the event Special Tax collections are delinquent, other than from amounts, if any, on deposit in the Reserve Fund or funds derived from the tax sale or foreclosure and sale of parcels on which levies of the Special Tax are delinquent, nor is the City obligated to advance funds to pay such debt service on the Bonds. The Bonds are not general obligations of the City but are limited obligations of the City and the District payable solely from the proceeds of the Special Tax and certain funds held under the Fiscal Agent Agreement, including amounts deposited in the Reserve Fund and investment income thereon, and the proceeds, if any, from the sale of property in the event of a foreclosure. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS." Any tax for the payment of the Bonds will be limited to the Special Tax to be collected within the jurisdiction of the District.

## **Concentration of Ownership**

Land within the District is primarily owned by the Developer. An owner of property in the District is not personally obligated to pay the Special Tax attributable to the owner's property. Rather, the Special Tax is an obligation only against the parcel of property, secured by the amount which could be realized in a foreclosure proceeding against the property, and not by any promise of the owner to pay. If the value of the property is not sufficient, taking into account other obligations also constituting a lien against the property, the City, Fiscal Agent and owners of the Bonds have no recourse against the owner, such as filing a lawsuit to collect money.

Failure of the Developer or any future owner of significant property subject to the Special Taxes in the District to pay installments of Special Taxes when due could cause the depletion of the Reserve Fund prior to reimbursement from the resale of foreclosed property or payment of the delinquent Special Tax and, consequently, result in the delinquency rate reaching a level that would cause an insufficiency in collection of the Special Tax to meet the District's obligations on the Bonds. For a description of the Developer, see "OWNERSHIP OF PROPERTY WITHIN THE DISTRICT." In that event, there could be a delay or failure in payments on the Bonds. See "SPECIAL RISK FACTORS - Bankruptcy and Foreclosure Delays" below and "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Delinquent Payments of Special Tax; Covenant for Superior Court Foreclosure."

## **Appraised Values**

The Appraisal summarized in APPENDIX B estimates the market value of the taxable property within the District. This market value is merely the present opinion of the Appraiser, and is subject to the assumptions and limiting conditions stated in the Appraisal. The City has not sought the present opinion of any other appraiser of the value of the taxed parcels. A different present opinion of value might be rendered by a different appraiser.

The opinion of value relates to sale by a willing seller to a willing buyer as of the date of valuation, each having similar information and neither being forced by other circumstances to sell or to buy. Consequently, the opinion is of limited use in predicting the selling price at a foreclosure sale, because the sale is forced and the buyer may not have the benefit of full information.

In addition, the opinion is a present opinion. It is based upon present facts and circumstances. Differing facts and circumstances may lead to differing opinions of value. The appraised market value is not evidence of future value because future facts and circumstances may differ significantly from the present.

No assurance can be given that any of the appraised property in the District could be sold in a foreclosure for the estimated market value contained in the Appraisal. Such sale is the primary remedy available to Bondowners if that property should become delinquent in the payment of Special Taxes.

## **Property Values and Property Development**

The value of Taxable Property within the District is a critical factor in determining the investment quality of the Bonds. If a property owner defaults in the payment of the Special Tax, the District's only remedy is to foreclose on the delinquent property in an attempt to obtain funds with which to pay the delinquent Special Tax. Land development and land values could be

adversely affected by economic and other factors beyond the District's control, such as: a general economic downturn; adverse judgments in future litigation that could affect the scope, timing or viability of development; relocation of employers out of the area; stricter land use regulations; shortages of water, electricity, natural gas or other utilities; destruction of property caused by earthquake, flood or other natural disasters; environmental pollution or contamination.

The Appraisal information included as APPENDIX B sets forth certain assumptions of the Appraiser in estimating the market value of the property within the District as of the date indicated. No assurance can be given that the land values are accurate if these assumptions are incorrect or that the values will not decline in the future if one or more events, such as natural disasters or adverse economic conditions, occur. See "Appraised Values" above.

*Neither the District nor the City have evaluated development risks. Since these are largely business risks of the type that property owners customarily evaluate individually, and inasmuch as changes in land ownership may well mean changes in the evaluation with respect to any particular parcel, the District is issuing the Bonds without regard to any such evaluation. Thus, the creation of the District and the issuance of the Bonds in no way implies that the District or the City has evaluated these risks or the reasonableness of these risks.*

The following is a discussion of specific risk factors that could affect the timing or scope of property development in the District or the value of property in the District.

**Land Development.** Land values are influenced by the level of development in the area in many respects.

First, undeveloped or partially developed land is generally less valuable than developed land and provides less security to the owners of the Bonds should it be necessary for the District to foreclose on undeveloped or partially developed property due to the nonpayment of Special Taxes.

Second, failure to complete development on a timely basis could adversely affect the land values of those parcels that have been completed. Lower land values would result in less security for the payment of principal of and interest on the Bonds and lower proceeds from any foreclosure sale necessitated by delinquencies in the payment of the Special Tax. See "APPRAISAL OF PROPERTY WITHIN THE DISTRICT –Value to Special Tax Burden Ratios." No assurance can be given that the proposed development within the District will be completed, and in assessing the investment quality of the Bonds, prospective purchasers should evaluate the risks of noncompletion.

**Risks of Real Estate Investment Generally.** Continuing development of land within the District may be adversely affected by changes in general or local economic conditions, fluctuations in the real estate market, increased construction costs, development, financing and marketing capabilities of individual property owners, water or electricity shortages, and other similar factors. Development in the District may also be affected by development in surrounding areas, which may compete with the District. In addition, land development operations are subject to comprehensive federal, state and local regulations, including environmental, land use, zoning and building requirements. There can be no assurance that proposed land development operations within the District will not be adversely affected by future government policies, including, but not limited to, governmental policies to restrict or control development, or future

growth control initiatives. There can be no assurance that land development operations within the District will not be adversely affected by these risks.

**Natural Disasters.** The value of the parcels in the District in the future can be adversely affected by a variety of natural occurrences, particularly those that may affect infrastructure and other public improvements and private improvements on the parcels in the District and the continued habitability and enjoyment of such private improvements. For example, the areas in and surrounding the District, like those in much of California, may be subject to earthquakes or other unpredictable seismic activity, however, the District is not located in a seismic special studies zone.

Other natural disasters could include, without limitation, landslides, floods, droughts or tornadoes. One or more natural disasters could occur and could result in damage to improvements of varying seriousness. The damage may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost, or because repair or replacement will not facilitate habitability or other use, or because other considerations preclude such repair or replacement. Under any of these circumstances there could be significant delinquencies in the payment of Special Taxes, and the value of the parcels may well depreciate.

**Legal Requirements.** Other events that may affect the value of a parcel include changes in the law or application of the law. Such changes may include, without limitation, local growth control initiatives, local utility connection moratoriums and local application of statewide tax and governmental spending limitation measures. Development in the District may also be adversely affected by the application of laws protecting endangered or threatened species.

**Hazardous Substances.** Any discovery of a hazardous substance detected on property within the District would affect the marketability and the value of some or all of the property in the District. In that event, the owners and operators of a parcel within the District may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws. California laws with regard to hazardous substances are also applicable to property within the District and are as stringent as the federal laws. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the parcels be contaminated by a hazardous substance is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

The values set forth in the Appraisal do not take into account the possible reduction in marketability and value of any of the parcels within the District by reason of the possible liability of the owner (or operator) for the remedy of a hazardous substance condition on a parcel. Although the City is not aware that the owner (or operator) of any of the property within the District has a current liability for a hazardous substance with respect to any of the parcels, it is possible that such liabilities do currently exist and that the City is not aware of them. A "Phase I" environmental site assessment was prepared for the property in the District (not including the specific plan Phase 3 property) in October 1996 in connection with the establishment of the West Moorpark Specific Plan, which did not indicate the presence of any hazardous substance or other environmental concerns within the District.

Further, it is possible that liabilities may arise in the future with respect to any of the parcels within the District resulting from the existence, currently, on the parcel of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently, on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the value of a parcel within the District that is realizable upon a foreclosure sale.

***Endangered and Threatened Species.*** It is illegal to harm or disturb any plants or animals in their habitat that have been listed as endangered species by the United States Fish & Wildlife Service under the Federal Endangered Species Act or by the California Fish & Game Commission under the California Endangered Species Act without a permit. Although the Developer believes that no federally listed endangered or threatened species would be affected by the proposed development within the District, other than any that are permitted by the entitlements already received, the discovery of an endangered plant or animal could delay development of vacant property in the District or reduce the value of undeveloped property.

#### **Bankruptcy and Foreclosure Delays**

The payment of the Special Tax and the ability of the District to foreclose the lien of a delinquent unpaid tax, as discussed in "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Delinquent Payments of Special Tax; Covenant for Superior Court Foreclosure," may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State of California relating to judicial foreclosure. The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

Although bankruptcy proceedings would not cause the Special Taxes to become extinguished, bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure proceedings and could result in the possibility of delinquent Special Tax installments not being paid in full. Such a delay would increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds. To the extent that property in the District continues to be owned by a limited number of property owners, the chances are increased that the Reserve Fund established for the Bonds could be fully depleted during any such delay in obtaining payment of delinquent Special Taxes. As a result, sufficient moneys would not be available in the Reserve Fund for transfer to the Bond Fund to make up shortfalls resulting from delinquent payments of the Special Tax and thereby to pay principal of and interest on the Bonds on a timely basis.

To the extent that bankruptcy or similar proceedings were to involve a large property owner, the chances would increase the likelihood that the Bond Reserve Fund could be fully depleted during any resulting delay in receiving payment of delinquent Special Taxes. As a result, sufficient monies would not be available in the Bond Reserve Fund for transfer to the Bonds Redemption Account to make up any shortfalls resulting from delinquent payments of the Special Tax and thereby to pay principal of and interest on the Bonds on a timely basis.

## **Parity Taxes and Special Assessments; Private Debt**

The City, the County and certain other public agencies are authorized by the Act to form other community facilities districts and improvement areas and, under other provisions of State law, to form special assessment districts, either or both of which could include all or a portion of the land within the District.

Property in the District is currently subject to certain overlapping tax and assessment liens, as shown in the overlapping debt statement. Property in the District is also subject to the special tax of two additional community facilities districts known as the Community Facilities District No. 2 (Public Services) and Community Facilities District No. 3 (Municipal Services). The property is not subject to any other special tax or assessment liens (other than the lien of the Special Tax). See "APPRAISAL OF PROPERTY WITHIN THE DISTRICT – Estimated Tax Burden on Single Family Home."

In general, as long as the Special Tax is collected on the County tax roll, the Special Tax and all other taxes, assessments and charges also collected on the tax roll are on a parity, that is, are of equal priority. Questions of priority become significant when collection of one or more of the taxes, assessments or charges is sought by some other procedure, such as foreclosure and sale. In the event of proceedings to foreclose for delinquency of Special Taxes securing the Bonds, the Special Tax will be subordinate only to existing prior governmental liens, if any. Otherwise, in the event of such foreclosure proceedings, the Special Taxes will generally be on a parity with the other taxes, assessments and charges, and will share the proceeds of such foreclosure proceedings on a pro-rata basis. Although the Special Taxes will generally have priority over non-governmental liens on a parcel of Taxable Property, regardless of whether the non-governmental liens were in existence at the time of the levy of the Special Tax or not, this result may not apply in the case of bankruptcy. See "– Bankruptcy and Foreclosure Delays" above.

There can be no assurance that property owners within the District will not petition for the formation of other community facilities districts and improvement areas or for a special assessment district or districts and that parity special taxes or special assessments will not be levied by the County or some other public agency to finance additional public facilities. In addition to liens for special taxes or assessments to finance public improvements of benefit to land within the District, owners of property may obtain loans from banks or other private sources which loans may be secured by a lien on the parcels in the District. Such loans would increase amounts owed by the owner of such parcel with respect to development of its property in the District. However, the lien of such loans would be subordinate to the lien of the Special Taxes.

## **Tax Delinquencies**

Under provisions of the Act, the Special Taxes will be billed to the properties within the District on the regular property tax bills sent to owners of such properties. Such Special Tax installments are due and payable, and bear the same penalties and interest for nonpayment, as do regular property tax installments. Special Tax installment payments cannot be made separately from property tax payments. Therefore, the unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and Special Tax payments in the future.

The annual Special Tax will be billed and collected in two installments payable without penalty by December 10 and April 10. In the event such Special Taxes are not timely paid, moneys available to pay debt service on the Bonds becoming due on the subsequent respective March 1 and September 1 may be insufficient, except to the extent moneys are available in the Reserve Fund.

In the event of non-payment of Special Taxes, funds in the Reserve Fund, if available, may be used to pay principal of and interest on the Bonds. If funds in the Reserve Fund for the Bonds are depleted, the funds can be replenished from the proceeds of the levy and collection of the Special Tax that are in excess of the amount required to pay all amounts to be paid to the Bond holders pursuant to the Fiscal Agent Agreement. However, no replenishment from the proceeds of a Special Tax levy can occur as long as the proceeds that are collected from the levy of the Special Tax against property within the District at the maximum Special Tax rates, together with other available funds, remains insufficient to pay all such amounts. Thus it is possible that the Reserve Fund will be depleted and not be replenished by the levy of the Special Tax.

See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Delinquent Payments of Special Tax; Covenant for Superior Court Foreclosure," for a discussion of the provisions which apply, and procedures which the City is obligated to follow, in the event of delinquency in the payment of Special Taxes.

#### **No Acceleration Provisions**

The Bonds do not contain a provision allowing for the acceleration of the Bonds in the event of a payment default or other default under the terms of the Bonds or the Fiscal Agent Agreement. Under the Fiscal Agent Agreement, a Bond holder is given the right for the equal benefit and protection of all Bond holders similarly situated to pursue certain remedies. See "APPENDIX C – Summary of Certain Provisions of the Fiscal Agent Agreement." So long as the Bonds are in book-entry form, DTC will be the sole Bond holder and will be entitled to exercise all rights and remedies of Bond holders.

#### **Ballot Initiatives**

From time to time, initiative measures qualify for the State ballot pursuant to the State's constitutional initiative process and those measures could be adopted by California voters. The adoption of any such initiative might place limitations on the ability of the State, the City, the County or other local districts to increase revenues or to increase appropriations or on the ability of the landowners to complete the development of the District. See "Property Values and Property Development – Land Development" above. See also "Proposition 218" below.

#### **Proposition 218**

On November 5, 1996, the voters of the State approved Proposition 218, the so-called "Right to Vote on Taxes Act." Proposition 218 added Articles XIII C and XIII D to the State Constitution, which contain a number of provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments and property related fees and charges.

Article XIII C removes limitations on the initiative power in matters of local taxes, assessments, fees and charges. Article XIII C does not define the term "local taxes" and it is unclear whether this term is intended to include special taxes levied under the Act. This

provision with respect to the initiative power is not limited to taxes imposed on or after November 6, 1996, the effective date of Proposition 218. In the case of the Special Taxes which are pledged as security for payment of the Bonds, the laws of the State provide a mandatory, statutory duty of the City and the County Auditor to post the Special Taxes on the property tax roll of the County each year while any of the Bonds are outstanding. Additionally, on July 1, 1997, a bill was signed into law by the Governor of the State enacting Government Code 5854, which states:

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

The Special Taxes and the Bonds were each authorized by not less than a two-thirds vote of the Developer, as the sole landowner within the District, who constituted the qualified electors of the District at the time of such voted authorization. The City believes, therefore, that issuance of the Bonds does not require the conduct of further proceedings under the Act or Proposition 218.

The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination.

#### CONSTITUTIONAL LIMITATIONS ON TAXATION AND APPROPRIATIONS

Article XIII A of the California Constitution, commonly known as "**Proposition 13**," provides that each county will levy the maximum *ad valorem* property tax permitted by Proposition 13 and will distribute the proceeds to local agencies in accordance with an allocation formula based in part on pre-Proposition 13 *ad valorem* property tax rates levied by local agencies.

Article XIII A limits the maximum *ad valorem* tax on real property to 1% of "full cash value," which is defined as the County Assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment. The full cash value may be adjusted annually to reflect increases of no more than 2% per year or decreases in the consumer price index or comparable local data, or declining property value caused by damage, destruction or other factors.

Article XIII A exempts from the 1% tax limitation any taxes to repay indebtedness approved by the voters prior to July 1, 1978, and requires a vote of two-thirds of the qualified electorate to impose Special Taxes or any additional *ad valorem*, sales, or transaction taxes on real property. In addition, Article XIII A requires the approval of two-thirds of all members of the State Legislature to change any State laws resulting in increased tax revenues. On June 3, 1986, California voters approved an amendment to Article XIII A of the California Constitution to allow local governments and school districts to raise their property tax rates above the constitutionally mandated 1% ceiling for the purpose of paying off certain new general obligation debt issued for the acquisition or improvement of real property and approved by two-thirds of

the votes cast by the qualified electorate. If any such voter-approved debt is issued, it may be on a parity with the lien of the Special Tax on the parcels within the District.

State and local government agencies in the State, and the State itself are subject to annual appropriation limits, imposed by Article XIII B of the State Constitution. Article XIII B prohibits government agencies and the State from spending "appropriations subject to limitation" in excess of the appropriations limits imposed. "Appropriations subject to limitation" are authorizations to spend "proceeds of taxes," which consist of tax revenues, certain state subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed the cost reasonably borne by such entity in providing the regulation, product or service. No limit is imposed on appropriations of funds which are not "proceeds of taxes" such as debt service on indebtedness existing or authorized before January 1, 1979, or subsequently authorized by the voters, appropriations required to comply with mandates of courts or the federal government, reasonable user charges or fees and certain other non-tax funds.

### CONTINUING DISCLOSURE

The City has covenanted for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the District by not later than the next January 15<sup>th</sup> after the end of the City's fiscal year (presently June 30) in each year (the "**City Annual Report**") commencing with its report for the 2005-2006 fiscal year (due January 15, 2007) and to provide notices of the occurrence of certain enumerated events.

The Developer (or an affiliate) has also covenanted for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the property it owns, or its affiliates or subsidiaries, or entities it has an interest in or controls owns, in the District by not later than April 1 of each year (reflecting reported information as of December 31 of the prior year) beginning with the report due April 1, 2007 (the "**Developer Annual Report**") and to provide notices of the occurrence of certain enumerated events. The obligation of the Developer to provide such information is in effect only so long as the Developer and its affiliates, or their successors, are collectively responsible for a certain percentage of the Special Taxes, as described in the Developer Annual Report.

The City Annual Report and the Developer Annual Report will be filed with each Nationally Recognized Municipal Securities Information Repository. The notices of material events will be filed with the Municipal Securities Rulemaking Board. These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the "**Rule**"). The specific nature of the information to be contained in the Annual Report or the notices of material events by the City and the Developer is summarized in "APPENDIX F — FORM OF CONTINUING DISCLOSURE UNDERTAKINGS."

The City has had no instance in the previous five years in which it failed to comply in all material respects with any previous continuing disclosure obligation under the Rule.

### UNDERWRITING

The Bonds were purchased through negotiation by Stone & Youngberg LLC and Piper Jaffray & Co. Inc. (together, the "**Underwriter**"). The Underwriter agreed to purchase the Bonds

at a price of \$ \_\_\_\_\_ (which is equal to the par amount of the Bonds, less an original issue discount of \$ \_\_\_\_\_ and less the Underwriter's discount of \$ \_\_\_\_\_). The initial public offering prices set forth on the cover page hereof may be changed by the Underwriter. The Underwriter may offer and sell the Bonds to certain dealers and others at a price lower than the public offering prices set forth on the cover page hereof.

### FINANCIAL ADVISOR

The City has retained Public Financial Management, Inc., of San Francisco, California, as financial advisor (the "**Financial Advisor**") in connection with the issuance of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. Public Financial Management, Inc., is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

### LEGAL OPINION

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Jones Hall, a Professional Law Corporation, Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix E to this Official Statement, and the final opinion will be made available to registered owners of the Bonds at the time of delivery. The fees of Bond Counsel are contingent upon the sale and delivery of the Bonds.

### TAX MATTERS

The Internal Revenue Code of 1986, as amended (the "**Code**") establishes certain requirements which must be met subsequent to the issuance of the Bonds for the interest on the Bonds to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. These requirements include, but are not limited to, restrictions on the use of bond proceeds and provisions which prescribe yield and other limits within which the proceeds of the Bonds are to be invested and require that certain investment earnings must be rebated on a periodic basis to the United States of America. Failure to comply with such requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. Pursuant to the Fiscal Agent Agreement, the City has covenanted to comply with the requirements of the Code and to cause the payment to the United States Treasury of any and all amounts required to be rebated under the Code with respect to the outstanding Bonds.

In the opinion of Jones Hall, a Professional Law Corporation, San Francisco, California, Bond Counsel, subject to the qualifications set forth below, under existing law and assuming compliance by the City with the aforementioned covenants, interest on the Bonds is excluded from gross income for purposes of federal income taxation. Bond Counsel is further of the opinion that interest on the Bonds is not a specific preference item for purposes of the alternative minimum tax provisions of the Code. However, interest on the Bonds received by

corporations will be included in certain earnings for purposes of federal alternative minimum taxable income of such corporations.

Although Bond Counsel has rendered an opinion that the interest on the Bonds is excluded from gross income for purposes of federal income taxation, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend on the recipient's particular tax status or other items of income or deduction and Bond Counsel expresses no opinion regarding any such consequences. Additionally, Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring after the date of delivery of the Bonds may affect the tax status of the Bonds.

If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which each Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount and original issue premium is disregarded. Owners of Bonds with original issue discount or original issue premium, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to federal income tax and State of California personal income tax consequences of owning such Bonds.

Bond Counsel is further of the opinion that under existing law, interest on the Bonds is exempt from personal income taxation imposed by the State of California.

#### **RATINGS**

The City has not applied to a rating agency for the assignment of a rating to the Bonds and does not contemplate applying for a rating.

#### **NO LITIGATION**

At the time of delivery of and payment for the Bonds, the City Attorney will deliver his opinion that to the best of its knowledge there is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court or regulatory agency pending against the City affecting its existence or the titles of its officers to office or seeking to restrain or to enjoin the issuance, sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Fiscal Agent Agreement, or the collection or application of the Special Tax to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity or enforceability of the Bonds, the Fiscal Agent Agreement or any action of the City contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the City or its authority with respect to the Bonds or any action of the City contemplated by any of said documents.

**EXECUTION**

The execution and delivery of this Official Statement by the City has been duly authorized by the City Council on behalf of the District.

**CITY OF MOORPARK**

By: \_\_\_\_\_  
Administrative Services Director/  
Treasurer

**APPENDIX A**

**RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX**

**APPENDIX B**  
**THE APPRAISAL**

**APPENDIX C**

**SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT**

**APPENDIX D**

**THE CITY OF MOORPARK AND VENTURA COUNTY**

*The District is located in the City of Moorpark in Ventura County. The financial and economic data for the City are presented for information purposes only. The Bonds are not a debt or obligation of the City or the County, but are a limited obligation of the City secured solely by the funds held pursuant to the Fiscal Agent Agreement.*

**Population**

The City's population at January 1, 2005, the most recent estimate, was 35,908 according to the State Department of Finance. The table below shows population estimates for the City, County of Ventura and the State of California for the last five years.

**CITY OF MOORPARK, COUNTY OF VENTURA  
AND STATE OF CALIFORNIA  
Population Estimates**

Calendar Year	City of Moorpark	County of Ventura	State of California
2001	31,935	766,539	34,441,561
2002	32,255	781,199	35,088,671
2003	34,643	793,873	35,691,442
2004	34,978	804,524	36,271,091
2005	35,908	813,052	36,810,358

*Source: State Department of Finance estimates.*

## Employment and Industry

The following table shows civilian labor force and wage and salary employment data for the Ventura Metropolitan Statistical Area, which is coterminous with Ventura County and, therefore, includes the City of Moorpark, for the past five calendar years. These figures are area-wide statistics and may not necessarily accurately reflect employment trends in the City.

### VENTURA METROPOLITAN STATISTICAL AREA Civilian Labor Force, Employment and Unemployment (Annual Averages)

	2001	2002	2003	2004	2005
Civilian Labor Force <sup>(1)</sup>	424,100	430,100	416,900	414,700	420,600
Employment	401,100	407,400	394,500	395,700	400,700
Unemployment	23,000	22,700	22,400	19,000	19,900
Unemployment Rate	4.6%	5.4%	5.3%	5.4%	4.7%
<u>Wage and Salary Employment:</u> <sup>(2)</sup>	299,000	301,000	304,400	306,900	313,800
Agriculture	19,100	19,200	20,200	20,700	22,300
Natural Resources and Mining	800	700	600	700	700
Construction	16,100	15,700	16,600	16,900	18,600
Manufacturing	40,500	38,000	37,100	38,300	38,400
Wholesale Trade	11,000	11,700	11,800	12,200	12,500
Retail Trade	33,800	34,200	34,500	35,300	36,500
Trans., Warehousing and Utilities	5,900	5,800	5,600	5,700	5,800
Information	8,400	8,100	7,200	6,800	6,200
Finance and Insurance	15,500	17,700	19,200	19,800	20,000
Real Estate and Rental and Leasing	4,200	4,600	4,300	4,400	4,500
Professional and Business Services	37,200	36,600	36,900	37,300	38,300
Educational and Health Services	25,300	26,300	27,600	27,500	28,500
Leisure and Hospitality	26,600	27,200	27,600	28,500	28,900
Other Services	9,600	10,200	10,400	10,300	10,500
Federal Government	8,000	7,900	7,800	7,700	7,400
State Government	1,800	2,000	2,200	2,200	2,300
Local Government	35,300	35,400	34,800	32,500	32,400
Total, All Industries	299,000	301,000	304,400	306,900	313,800

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

Source: State of California Employment Development Department.

## Largest Employers

The following table lists the largest employers within the County as of January 2006, listed alphabetically.

### COUNTY OF VENTURA Major Employers As of January 2006

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
Amgen Inc	Thousand Oaks	Laboratories-Research & Development
Blue Cross Of California	Westlake Village	Insurance
Cardservice International Inc	Moorpark	Credit Card & Other Credit Plans
Central Purchasing Inc	Camarillo	Tools-New & Used
Channel Islands Glass	Oxnard	Glass-Auto Plate & Window & Etc
Coastal Berry Co Llc	Oxnard	Farms
Coastal Harvesting Inc	Santa Paula	Labor Contractors
Community Memorial Hospital	Ventura	Hospitals
Eclipse Berry Farms	Oxnard	Ranches
Farmers Insurance Group	Simi Valley	Insurance
Haas Automation Inc	Oxnard	Machinery-Manufacturers
Homestore Inc	Westlake Village	Online Services
John R Read Iii Law Offices	Ventura	Attorneys
Knights Of Columbus	Oxnard	Fraternal Organizations
Los Robles Regional Med Ctr	Thousand Oaks	Hospitals
Moorpark College	Moorpark	Schools-Universities & Colleges Academic
Nancy Reagan Breast Ctr	Simi Valley	Mammograph
Naval Air Warfare Ctr Weapons	Point Mugu Nawc	Federal Government-National Security
Naval Construction Battalion	Port Hueneme	Federal Government-National Security
Simi Valley Hospital & Health	Simi Valley	Hospitals
St Johns Pleasant Valley Hosp	Camarillo	Hospitals
St John's Regional Medical Ctr	Oxnard	Hospitals
Ventura College	Ventura	Schools-Universities & Colleges Academic
Well Point Health Networks Inc	Westlake Village	Medical & Surgical Plans
Zebra Technologies Corp	Camarillo	Bar Coding

Source: California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database.

## Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and nontax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

The following table summarizes the total effective buying income for the County of Ventura, the State and the United States for the past five years.

**COUNTY OF VENTURA  
Effective Buying Income  
As of January 1, 2000 through 2004**

<u>Year</u>	<u>Area</u>	<u>Total Effective Buying Income (000's Omitted)</u>	<u>Median Household Effective Buying Income</u>
2000	Ventura County	\$ 15,503,930	\$56,575
	California	652,190,282	44,464
	United States	5,230,824,904	39,129
2001	Ventura County	\$ 15,263,005	\$52,048
	California	650,521,407	43,532
	United States	5,303,481,498	38,365
2002	Ventura County	\$ 15,560,415	\$50,485
	California	647,879,427	42,484
	United States	5,340,682,818	38,035
2003	Ventura County	\$ 16,366,933	\$51,433
	California	674,721,020	42,924
	United States	5,466,880,008	38,201
2004	Ventura County	\$ 17,094,735	\$52,652
	California	705,108,410	43,915
	United States	5,692,909,567	39,324

*Source: Sales & Marketing Management Survey of Buying Power.*

## Commerce

Total taxable sales reported during the calendar year 2004 in the City of Moorpark were reported to be approximately \$231,780,000, a 21.6% increase over the total taxable sales of \$190,622,000 reported during calendar year 2003. The valuation of taxable transactions in the City is presented in the following table:

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2000	185	\$ 87,767	693	\$168,006
2001	205	100,001	706	163,548
2002	200	96,586	714	155,980
2003	219	134,607	751	190,622
2004	227	170,189	747	231,780

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

## Construction Activity

The following tables show a five-year summary of the valuation of building permits issued in the City.

### City of MOORPARK Building Permit Valuation (Valuation in Thousands of Dollars)

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
<u>Permit Valuation</u>					
New Single-family	\$52,758.7	\$69,632.7	\$48,502.7	\$18,800.9	\$33,904.4
New Multi-family	26,100.0	0.0	0.0	11,451.3	0.0
Res. Alterations/Additions	<u>2,144.5</u>	<u>2,183.0</u>	<u>3,158.0</u>	<u>2,783.0</u>	<u>2,873.0</u>
Total Residential	\$81,003.2	\$71,815.7	\$51,660.7	\$33,035.3	\$36,777.4
New Commercial	220.2	1,783.6	5,700.0	3,882.0	2,550.0
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	1,417.6	1,054.0	2,991.0	1,584.0	1,195.4
Com. Alterations/Additions	<u>8,385.3</u>	<u>6,842.7</u>	<u>11,163.4</u>	<u>5,624.0</u>	<u>8,310.9</u>
Total Nonresidential	\$10,023.1	\$ 9,680.3	\$19,854.4	\$11,090.0	\$12,056.3
<u>New Dwelling Units</u>					
Single Family	188	242	167	50	107
Multiple Family	<u>312</u>	<u>0</u>	<u>0</u>	<u>198</u>	<u>0</u>
TOTAL	500	242	167	248	107

Source: Construction Industry Research Board, Building Permit Summary

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

\_\_\_\_\_, 2006

City Council  
City of Moorpark  
799 Moorpark Avenue  
Moorpark, California 94111

OPINION: \$\_\_\_\_\_ City of Moorpark Community Facilities District No. 2004-1  
(Moorpark Highlands) Special Tax Bonds Series 2006

Members of the City Council:

We have acted as bond counsel in connection with the issuance by the City of Moorpark (the "City") of \$\_\_\_\_\_ City of Moorpark Community Facilities District No. 2004-1 (Moorpark Highlands) Special Tax Bonds Series 2006 (the "Bonds"), pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, constituting Section 53311, et seq. of the California Government Code (the "Act") and a Fiscal Agent Agreement dated as of June 1, 2006 (the "Fiscal Agent Agreement") by and between the City on behalf of the City of Moorpark Community Facilities District and \_\_\_\_\_. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

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

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

1. The City is duly created and validly existing as a public body, corporate and politic, with the power to adopt the resolution authorizing the issuance of the Bonds, enter into the Fiscal Agent Agreement, and perform the agreements on its part contained therein and issue the Bonds.

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

3. The Fiscal Agent Agreement has been duly entered into by the City and constitutes a valid and binding obligation of the City enforceable upon the City.

4. Pursuant to the Act the Fiscal Agent Agreement creates a valid lien on the funds pledged by the Fiscal Agent Agreement.

3. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinion set forth in the preceding sentence is subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that such interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

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

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

Respectfully submitted,

**APPENDIX F**

**FORM OF CONTINUING DISCLOSURE UNDERTAKINGS**

**CONTINUING DISCLOSURE AGREEMENT  
(City)**

**THIS CONTINUING DISCLOSURE AGREEMENT** (the "Disclosure Agreement") is dated as of \_\_\_\_\_, 2006, is by and between the City of Moorpark, a public body, corporate and politic, organized and existing under and by virtue of the laws of the State of California (the "Issuer" or the "City"), and \_\_\_\_\_, \_\_\_\_\_, California, in its capacity as Dissemination Agent (the "Dissemination Agent").

**WITNESSETH:**

**WHEREAS**, pursuant to a Fiscal Agent Agreement dated as of June 1, 2006 (the "Fiscal Agent Agreement") by and between the City and [FISCAL AGENT], as the Fiscal Agent, the City has issued its City of Moorpark Community Facilities District No. 2004-1 (Moorpark Highlands) Special Tax Bonds Series 2006 (the "Bonds"), in the aggregate principal amount of \$ \_\_\_\_\_; and

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

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

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

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

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

"CPO" means the Internet-based filing system currently located at [www.DisclosureUSA.org](http://www.DisclosureUSA.org), or such other similar filing system approved by the Securities and Exchange Commission.

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

"Dissemination Agent" shall mean \_\_\_\_\_, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City.

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

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule, as they may be designated from time to time pursuant to the Rule.

"Official Statement" means the Official Statement, dated \_\_\_\_\_, 2006, relating to the Bonds.

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

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

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

"State" shall mean the State of California.

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

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

(a) The City shall, or shall cause the Dissemination Agent to, not later than January 15 after the end of the City's fiscal year, commencing with the fiscal year ending June 30, 2006 (for the report due January 15, 2007), provide to each Repository an Annual Report which is consistent with the requirements of Section 3 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 3 of this Disclosure Agreement. Not later than fifteen (15) Business Days prior to said date, the City shall provide the Annual Report to the Dissemination Agent. The City shall provide an Officer's Certificate with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder. The Dissemination Agent may conclusively rely upon such Officer's Certificate of the City.

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

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repositories by the date required in subsection (a), the Dissemination Agent shall provide to (i) each National Repository or the Municipal Securities Rulemaking Board and (ii) each appropriate State Repository (with a copy to the Trustee) a notice, in substantially the form attached as Exhibit A. In lieu of filing the notice with each Repository, the City or the Dissemination Agent may file such notice with the CPO.

(d) With respect to the Annual Report, the Dissemination Agent shall:

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

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

(e) In lieu of filing the Annual Report with each Repository in accordance with the preceding paragraph (c), the City or the Dissemination Agent may file such Annual Report solely with the CPO.

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

(a) The following information:

1. Principal amount of Bonds outstanding.
2. Balance in the improvement fund or construction account.
3. Balance in debt service reserve fund, and statement of the reserve fund requirement. Statement of projected reserve fund draw, if any.
4. Balance in other funds and accounts held by Issuer or fiscal agent related to the Bonds.
5. Additional debt authorized by the City and payable from or secured by assessments or special taxes with respect to property within the District.
6. The Special Tax levy, the delinquency rate, total amount of delinquencies, number of parcels delinquent in payment for the five most recent fiscal years.
7. Notwithstanding the June 30th reporting date for the Annual Report, the following information shall be reported as of the last day of the month immediately preceding the date of the Annual Report rather than as of June 30th. Identity of each delinquent taxpayer responsible for 5 percent or more of total special tax/assessment levied, and the following information: assessor parcel number, assessed value of applicable properties, amount of Special Tax levied, amount delinquent by parcel

number and status of foreclosure proceedings. If any foreclosure has been completed, summary of results of foreclosure sales or transfers.

8. Most recently available total assessed value of all parcels subject to the special tax or assessment.

9. List of landowners and assessor's parcel number of parcels subject to 20 percent or more of the Special Tax levy including the following information: development status to the extent shown in City records, land use classification, assessed value (land and improvements).

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

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

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

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

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

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

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

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

(c) If the City determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the City shall, or by written direction cause the Dissemination Agent (if not the City) to, promptly file a notice of such occurrence with (i) each National Repository or the Municipal Securities Rulemaking Board and (ii) each appropriate State Repository with a copy to the Trustee, together with written direction to the Trustee whether or not to notify the Bond holders of the filing of such notice. In the absence of any such direction, the Trustee shall not send such notice to the Bond holders. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and 5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Certificates pursuant to the Indenture.

In lieu of filing the notice of Listed Event with each Repository in accordance with the preceding paragraph, the City or the Dissemination Agent may file such notice of a Listed Event with the CPO.

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

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

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

**SECTION 6. Dissemination Agent.** The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a



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

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

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

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

**CITY OF MOORPARK, for and on behalf of  
City of Moorpark Community Facilities  
District No. 2004-1 (Moorpark Highlands)**

By: \_\_\_\_\_  
Authorized Officer

\_\_\_\_\_, as Dissemination Agent

By: \_\_\_\_\_  
Authorized Officer

**EXHIBIT A**

**NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: City of Moorpark

Name of Bond Issue: \$\_\_\_\_\_ City of Moorpark Community Facilities District  
No. 2004-1 (Moorpark Highlands) Special Tax Bonds Series 2006

Date of Issuance: \_\_\_\_\_, 2006

NOTICE IS HEREBY GIVEN to [(i) each National Repository or the Municipal Securities Rulemaking Board and (ii) each appropriate State Repository] [the CPO and the Municipal Securities Rulemaking Board] that the City of Moorpark (the "City") on behalf of City of Moorpark Community Facilities District No. 2004-1 (Moorpark Highlands) has not provided an Annual Report with respect to the above-named Bonds as required by the Fiscal Agent Agreement dated as of June 1, 2006 (the "Fiscal Agent Agreement") by and between the City and [FISCAL AGENT], as Fiscal Agent. The City anticipates that the Annual Report will be filed by \_\_\_\_\_.

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

\_\_\_\_\_, as Dissemination  
Agent, on behalf of City of Moorpark  
Community Facilities District No. 2004-1  
(Moorpark Highlands)

By: \_\_\_\_\_  
Authorized Officer

cc: City of Moorpark

**CONTINUING DISCLOSURE AGREEMENT  
(Developer)**

**THIS CONTINUING DISCLOSURE AGREEMENT** (the "Disclosure Agreement") dated as of \_\_\_\_\_, 2006, is by and between Pardee Construction Company (the "Developer") and \_\_\_\_\_, \_\_\_\_\_, California, in its capacity as Dissemination Agent (the "Dissemination Agent").

**WITNESSETH:**

**WHEREAS**, pursuant to the Fiscal Agent Agreement dated as of June 1, 2006 (the "Fiscal Agent Agreement"), by and between the City and the Dissemination Agent, in its capacity as Fiscal Agent thereunder, the City has issued its City of Moorpark Community Facilities District No. 2004-1 (Moorpark Highlands) Special Tax Bonds Series 2006 (the "Bonds"), in the aggregate principal amount of \$ \_\_\_\_\_; and

**WHEREAS**, this Disclosure Agreement is being executed and delivered by the Developer and the Dissemination Agent for the benefit of the Holders and Beneficial Owners of the Bonds;

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

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

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

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

"Dissemination Agent" shall mean \_\_\_\_\_, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City.

"Issuer" shall mean the City of Moorpark, Ventura County, California.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time, as they may be designated from time to time pursuant to such Rule.

"Official Statement" means the Official Statement, dated, \_\_\_\_\_, 2006, relating to the Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds.

"Project" shall mean the proposed subdivision within the District, as described in the Official Statement.

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

"State" shall mean the State of California.

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

(a) The Developer shall, not later than April 1<sup>st</sup> of each year (reflecting reported information as of December 31<sup>st</sup> of the prior year) beginning with the report due April 1, 2007 and continuing while this agreement is in effect, provide to the Dissemination Agent an Annual Report which is consistent with the requirements of Section 3 of this Disclosure Agreement with a copy to the Issuer. The Developer shall provide a written certification with each Annual Report furnished to the Dissemination Agent and the Issuer to the effect that the Annual Report is being provided pursuant to this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement. If the Developer's fiscal year changes, it shall give notice of such change in the manner set forth under Section 4(c).

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

(c) If the Developer is unable to provide to the Dissemination Agent an Annual Report by the date required in subsection (a), the Developer shall send a notice to the Dissemination Agent substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

- (i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and
- (ii) (if the Dissemination Agent is other than the Developer), to the extent appropriate information is available to it, file a report with the Developer certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

**SECTION 3. Content of Annual Reports.** The Developer's Annual Report shall contain or incorporate by reference the following, if material:

(a) Any significant changes in the information contained in the Official Statement under the headings: "THE DISTRICT - \_\_\_\_\_" and the status of completion of the Facilities (as defined in the Official Statement).

- (b) A general description of the development status of the parcels within the District.
- (c) A summary of property within the District sold by the Developer since the date of the Official Statement.
- (d) A description of any change in the legal structure of the Developer which is material to Bond investors.
- (e) Material changes in Project costs, status of any construction loans and any permanent financing received by the Developer with respect to the Project that could have a significant impact on the Developer's ability to complete the construction and sale of homes within the District.
- (f) Any denial of credit, lines of credit, loans or loss of source of capital that could have a significant impact on the Developer's ability to pay the Special Tax or other taxes or assessments or to comply with its obligations under the Development Agreement.
- (g) Any failure by the Developer to pay when due general property taxes, assessments or special taxes with respect to its property in the District.
- (h) Any previously undisclosed amendments to the land use entitlements or environmental conditions or other governmental conditions that are necessary to complete the development plan.
- (i) A description of any changes to the Development Agreement which materially adversely affect the development of the property within the District as set forth in the Official Statement.

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

- (a) Pursuant to the provisions of this Section 4, the Developer shall give, to the Dissemination Agent, notice of the occurrence of any of the following events with respect to the Bonds, if material:
  - (i) failure to pay any real property taxes (including any assessments or special taxes) levied within the District on a parcel owned by the Developer.
  - (ii) the discovery of toxic material or hazardous waste which will require remediation on any property owned by the Developer subject to the Special Tax.
  - (iii) default by the Developer on any loan with respect to the construction or permanent financing of public or private improvements with respect to the Project.
  - (iv) Initiation of Dissemination bankruptcy proceedings (whether voluntary or involuntary) by the Developer or any related entity.
- (b) Whenever the Developer obtains knowledge of the occurrence of an event described in section (a), the Developer shall as soon as possible determine if such event would be material to Bond investors under applicable federal securities laws.

(c) If the Developer determines that knowledge of the occurrence of such event would be material under applicable federal securities laws, the Developer shall promptly provide a notice of such occurrence to the Dissemination Agent, with a copy to the Issuer.

**SECTION 5. Termination of Reporting Obligation.** The obligations of the Developer and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. In addition the Developer shall have no obligations hereunder if the Special Tax of the District on all property within the District owned by the Developer and affiliates or partners thereof is less than twenty percent (20%) of the total Special Tax for the entire District. If such termination occurs prior to the final maturity of the Bonds, the Developer shall give notice of such termination in the manner set forth under Section 4(c).

**SECTION 6. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Agreement, the Developer and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the Developer, provided no amendment increasing or affecting the obligations or duties of the Dissemination Agent shall be made without the consent of either such party), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 2(a), 3, or 4(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements or change in law;

(b) The amendment or waiver either (i) is approved by the Bondholders of the Bonds in the same manner as provided in the Agreement for amendments to the Agreement with the consent of Bondholders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Developer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type of information being presented by the Developer.

**SECTION 7. Additional Information.** Nothing in this Disclosure Agreement shall be deemed to prevent the Developer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a material event, in addition to that which is required by this Disclosure Agreement. If the Developer chooses to include any information in any Annual Report or notice of occurrence of a material event in addition to that which is specifically required by this Disclosure Agreement, the Developer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a material event.

**SECTION 8. Duties, Immunities and Liabilities of Dissemination Agent.** The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Developer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities



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

Pardee Construction Company

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

Its: \_\_\_\_\_

\_\_\_\_\_  
*as Dissemination Agent*

By: \_\_\_\_\_  
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Moorpark

Name of Bond Issue: \$\_\_\_\_\_ City of Moorpark, Community Facilities District No. 2004-1 (Moorpark Highlands), Special Tax Bonds, Series 2006

Date of Issuance: \_\_\_\_\_, 2006

NOTICE IS HEREBY GIVEN that Pardee Construction Company (the "Developer") has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement of the Developer dated as of the date of issuance of such Bonds. The Developer anticipates that the Annual Report will be filed by \_\_\_\_\_.

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

\_\_\_\_\_  
on behalf of the Dissemination Agent

By:

\_\_\_\_\_  
Its:

cc: Developer

## APPENDIX G

### THE BOOK ENTRY SYSTEM

#### Book-Entry System

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (the "**Participants**") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. "**Direct Participants**" include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("**Beneficial Owner**") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued. To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such securities are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed. Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to an issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, mandatory redemption and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on payment dates in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the date payable. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Fiscal Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the City or the Fiscal Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be responsibility of Direct and Indirect Participants.

The City cannot and does not give any assurances that DTC, DTC Participants or others will distribute payments of principal, interest or premium with respect to the Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The City is not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner with respect to the Bonds or an error or delay relating thereto.

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

#### **Discontinuance of Book-Entry System**

DTC may discontinue providing its services with respect to the Bonds at any time by giving notice to the Fiscal Agent and discharging its responsibilities with respect thereto under applicable law or the City may terminate participation in the system of book-entry transfers through DTC or any other securities depository at any time. In the event that the book-entry system is discontinued, the City will execute, and the Fiscal Agent will authenticate and make available for delivery, replacement Bonds in the form of registered bonds. In addition, the principal of and redemption premium, if any, on the Bonds will be payable as set forth in the Fiscal Agent Agreement and summarized above under the caption "Description of the Bonds." Bonds will be transferable and exchangeable on the terms and conditions provided in the Fiscal Agent Agreement. See "Transfer or Exchange of Bonds" above.