



DISTRICT BOARD MEETING AGENDA

Pursuant to A.R.S. § 38-431.02 notice is hereby given to the public that the District Board of the Quail Creek Community Facilities District will hold a regular meeting at the date and time specified below at the Sahuarita Town Hall Council Chambers, 375 West Sahuarita Center Way, Sahuarita, Arizona. Members of the Quail Creek Community District Board will attend either in person or by telephone conference call.

To better serve our community, the Council Chambers is wheelchair accessible. Persons with a disability may request a reasonable accommodation, such as a sign language interpreter, by contacting the District Clerk's Office at 520-822-8801. Requests should be made no later than three working days prior to the meeting to arrange the accommodation.

**October 24, 2016
REGULAR MEETING AGENDA
AT OR AFTER 6:30 P.M.**

- 1. Call to Order**
- 2. Roll Call**
- 3. Call to the Public**

At this time, any member of the public is invited to address the District Board on any issue which is on tonight's Agenda or on any issue which the District Board can lawfully act upon at a future meeting. Written comments regarding any item on the agenda or on any issue which the District Board can lawfully act upon may be submitted prior to the beginning of the meeting for distribution to the District Board. Pursuant to the Arizona Open Meeting Laws, the District may not discuss the items, but individual members of the District may respond to criticism made by those who have addressed the District, may ask staff to review the matter, or may ask that the matter be placed on a future agenda.

- 4. Consent Agenda**

- A. Approval of the October 10, 2016 Regular Meeting Minutes.**

- 5. Consideration and possible adoption of Resolution No. 31, authorizing the sale and issuance of General Obligation Refunding Bonds, Series 2016; prescribing certain terms and conditions of such Bonds; approving the form and authorizing the execution and delivery of necessary related documents and an Official Statement; delegating the determination of certain terms of such Bonds and matters related thereto to the District Manager and authorizing the subsequent levying of an ad valorem property tax with respect to such Bonds.**

- 6. Adjournment**

Action may be taken by the District Board on any item listed on this agenda. The District Board may vote to go into executive session pursuant to A.R.S. § 38-431.03 (A) (3) for discussion or consultation for legal advice with the District Counsel concerning any matter listed on this agenda.



DISTRICT BOARD AGENDA COMMUNICATION

MEETING DATE: October 24, 2016

DATE PREPARED: October 12, 2016

AGENDA ITEM: 4A

TO: Honorable Chairman and District Board

FROM: Lisa Cole, District Clerk

SUBJECT: Approval of the October 10, 2016 Quail Creek Community Facilities District Minutes.

FINANCIAL / BUDGET SUMMARY

1. Fund(s) Impacted:
2. Available Budget/Project Capacity (\$):

STAFF RECOMMENDATION

Staff recommends approval of the attached minutes.

SUGGESTED MOTION

I move to approve the minutes as submitted (or amended).

DISCUSSION

Draft minutes submitted for District Board approval.

ATTACHMENTS

1. October 10, 2016 Quail Creek Community Facilities District Minutes



DISTRICT BOARD MEETING MINUTES

QUAIL CREEK COMMUNITY FACILITIES DISTRICT MEETING MINUTES OCTOBER 10, 2016

The District Board of the Quail Creek Community Facilities District met in the Town Hall Council Chambers, 375 West Sahuarita Center Way, Sahuarita, Arizona on Monday, October 10, 2016.

1. Call to Order

Chairperson Blumberg called the meeting to order at approximately 6:38 p.m.

2. Roll Call

PRESENT: District Board Members Kara Egbert, Tom Murphy, Lynne Skelton, Gil Lusk, and Chairperson Duane Blumberg

ABSENT: District Board Member Melissa Hicks and Vice Chairperson Bill Bracco

ALSO

PRESENT: Acting District Manager Sarah More, District Attorney Daniel J. Hochuli, and Leah Cox on behalf of District Clerk Lisa Cole

3. Call to the Public

There were no speakers.

4. Consent Agenda

A. Approval of the June 13, 2016 Regular Meeting Minutes.

B. Approval of Cooperative Purchasing Contract No. 170031 with EPS Group, Inc., for the Quail Creek Community Facilities District Engineer Services; not-to-exceed \$300,000 for the contract term commencing October 11, 2016 through October 10, 2017, with the option to renew on an annual basis.

MOTION was made by Board Member Murphy, seconded by Board Member Egbert, to approve the consent agenda. **MOTION CARRIED UNANIMOUSLY.** (Chairperson Hicks and Vice Chairperson Bracco absent.)

5. Adjournment

Chairperson Blumberg adjourned the meeting at approximately 6:39 p.m.

Chairperson Duane Blumberg

ATTEST:

Lisa Cole, MMC
District Clerk

CERTIFICATION

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Meeting of the District Board of the Quail Creek Community Facilities District held on the 10th day of October, 2016. I further certify that the meeting was duly called and held and that a quorum was present.

Dated this 24 day of October, 2016.

Lisa Cole, MMC
District Clerk
LC:lv



DISTRICT BOARD AGENDA COMMUNICATION

MEETING DATE: October 24, 2016

DATE PREPARED: October 18, 2016

AGENDA ITEM: 5

TO: Honorable Chairman and District Board
FROM: A.C. Marriotti, District Treasurer
SUBJECT: **Consideration and possible adoption of Resolution No. 31, authorizing the sale and issuance of General Obligation Refunding Bonds, Series 2016; prescribing certain terms and conditions of such Bonds; approving the form and authorizing the execution and delivery of necessary related documents and an Official Statement; delegating the determination of certain terms of such Bonds and matters related thereto to the District Manager and authorizing the subsequent levying of an ad valorem property tax with respect to such Bonds.**

FINANCIAL / BUDGET SUMMARY

1. Fund(s) Impacted: Quail Creek CFD
2. Available Budget/Project Capacity (\$): Annual debt service budget approx. \$1,012,000

STAFF RECOMMENDATION

Staff recommends approval.

SUGGESTED MOTION

I move to adopt Resolution No. 31.

DISCUSSION

At its May 23, 2016 meeting, the District Board held a study session regarding the opportunity to refinance the District's 2006 general obligation bonds. Our financial advisors (Stifel Nicolaus) explained that the 2006 general obligation bonds would soon be callable, and that the market environment was such that, by refunding the bonds, the District should be able to lower its annual debt service obligation and realize net present value savings. Staff was encouraged to pursue the refinancing opportunity.

At the upcoming meeting, the District's financial advisors and bond counsel will provide an updated presentation on the bond refunding, demonstrating that this refunding will generate significant net savings to the District, its residents, and the developer. The bond team will also walk you through the series of documents and agreements related to this action. Of all the documents, they have asked that you pay particular attention to the Preliminary Official Statement.

The attached documents amend agreements currently in place and are standard for this type of bond refunding. Some noteworthy items and changes from our current agreements include:

- Depository Agreement, Letter of Credit:
 - Face amount will be approx. \$1.8 million, down from the current amount of \$5.5 million. We do not need as much security as we once did now that the District has development (tax base) in it and as our annual debt service obligation will go down with the refunding. Also, it should be noted that the current LOC would have been subject to a reduction in the LOC anyway as certain development metrics have been met.
 - The bank providing the LOC is changing from Chase Bank to Alliance Bank. This was requested by the developer. Alliance Bank is not rated like Chase Bank. However, Alliance Bank still meets certain financial metrics that demonstrate its financial health. Alliance Bank was deemed an appropriate bank to provide an LOC when the Rancho Sahuarita CFD agreement was approved by you, sitting as members as the RSCFD Board.

- **Bond Insurance:** The bond refunding will be insured by Assured Guaranty, which will result in net savings as the interest cost on the bonds will be lowered significantly. This is an indication of how secure this arrangement is.
- **Bank Qualified:** The refunding bond issuance is expected to be bank qualified (issuance under \$10 million), which will broaden the market of potential investors and lower the interest cost on the bonds. To make this happen, the developer will likely have to make a cash contribution towards the refunding.
- **Bond Authorization:** The resolution includes language that limits, to the extent provided by law, the District's ability to issue additional bonds under current authorization until certain development metrics are achieved. This provision was required by Assured Guaranty to secure bond insurance. Given current development projections, it appears this limitation would be effective for 3 to 4 years. As there are no plans to issue new bonds and as there isn't a sufficient tax base to justify this anyway, both the developer and staff have agreed to the condition.
- **Hilltop Securities** will underwrite the bonds. Hilltop was selected through an RFP process. It was deemed to provide the best value (price/experience/qualifications) for this transaction.
- **Trust Bank:** The trustee will change from Wells Fargo Bank to US Bank. US Bank was selected through an RFP process. It was deemed to provide the best value for this transaction.

If approved by the District Board, staff and our bond team will proceed with the refunding. The bonds are expected to be priced and sold, closing sometime during the week of November 7.

ATTACHMENTS

1. Resolution No. 31
2. Draft First Amendment to the Development Agreement
3. Draft Preliminary Official Statement-GO Refunding Bonds, Series 2016
4. Written Policies and Procedures for Tax Advantaged Obligations
5. Procedures for Compliance with Obligations Under Continuing Disclosure Undertakings
6. Draft Bond Purchase Agreement
7. Draft Series 2016 Standby Contribution Agreement
8. Draft Series 2016 Indenture of Trust and Security Agreement
9. Draft Series 2016 Depository Agreement

QUAIL CREEK COMMUNITY FACILITIES DISTRICT
RESOLUTION NO. 31

A RESOLUTION OF THE DISTRICT BOARD OF QUAIL CREEK COMMUNITY FACILITIES DISTRICT AUTHORIZING THE SALE AND ISSUANCE OF GENERAL OBLIGATION REFUNDING BONDS, SERIES 2016; APPROVING THE FORM AND AUTHORIZING THE EXECUTION AND DELIVERY OF A FIRST AMENDMENT TO DISTRICT DEVELOPMENT, FINANCING PARTICIPATION AND INTERGOVERNMENTAL AGREEMENT (QUAIL CREEK COMMUNITY FACILITIES DISTRICT), A SERIES 2016 STANDBY CONTRIBUTION AGREEMENT, A SERIES 2016 DEPOSITORY AGREEMENT, A SERIES 2016 INDENTURE OF TRUST AND SECURITY AGREEMENT, A BOND PURCHASE AGREEMENT, A SERIES 2016 CONTINUING DISCLOSURE UNDERTAKING AND CERTAIN OTHER DOCUMENTS RELATING TO THE BONDS; AWARDING THE BONDS TO THE PURCHASER THEREOF; DELEGATING THE DETERMINATION OF CERTAIN TERMS OF THE BONDS AND MATTERS RELATED THERETO TO THE DISTRICT MANAGER; APPROVING A PRELIMINARY OFFICIAL STATEMENT RELATING TO THE BONDS; AUTHORIZING THE PREPARATION OF A FINAL OFFICIAL STATEMENT RELATING TO THE BONDS AND AUTHORIZING THE SUBSEQUENT LEVYING OF AN AD VALOREM PROPERTY TAX WITH RESPECT TO THE BONDS; ADOPTING POST-ISSUANCE TAX COMPLIANCE AND CONTINUING DISCLOSURE COMPLIANCE PROCEDURES IN CONNECTION WITH ISSUANCE OF OBLIGATIONS OF THE DISTRICT AND AUTHORIZING THE TAKING OF ALL OTHER ACTIONS NECESSARY TO THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY THIS RESOLUTION

BE IT RESOLVED BY THE DISTRICT BOARD OF QUAIL CREEK COMMUNITY FACILITIES DISTRICT as follows:

1. Findings.

- a. Pursuant to Title 48, Chapter 4, Article 6, Arizona Revised Statutes (hereinafter called the "Act"), and Section 9-500.05, Arizona Revised Statutes, the Town of Sahuarita, Arizona (hereinafter called the "Municipality"), Quail Creek Community Facilities District (hereinafter called the "District") and Robson Ranch Quail Creek, LLC (hereinafter called the "Owner") entered into a District Development, Financing Participation and Intergovernmental Agreement (Quail Creek Community Facilities District), dated as of September 1, 2005 (hereinafter called the "Development Agreement") to specify, among other things, conditions, terms, restrictions and requirements for public infrastructure (as such term is defined in the Act) and the financing of public infrastructure and subsequent reimbursements or repayments over time.
- b. With regard to the property which makes up the real property included within the District, the District and the Owner specified some of such matters in the Development Agreement, particularly matters relating to the acquisition or construction of certain public infrastructure by the District, the acceptance by the Municipality or other

appropriate political subdivisions, the reimbursement or repayment of the Owner with respect thereto, the advance of moneys for public infrastructure purposes and the repayment of such advances and the obtaining of credit enhancement for, and processing of disbursement and investment of proceeds of, certain bonds, all pursuant to the Act.

- c. This district board of the District (hereinafter called the "District Board") has determined to enter into a First Amendment to the Development Agreement, to be dated as of the first day of the month of the dated date of the hereinafter described Second Series of the Bonds (hereinafter called the "Development Agreement Amendment"), with the Owner to provide for certain amendments to the Development Agreement.
- d. The District is authorized (1) by Section 48-719, Arizona Revised Statutes to issue and sell general obligation bonds of the District to provide moneys for public infrastructure purposes consistent with The General Plan of Quail Creek Community Facilities District (hereinafter called the "General Plan") and (2) by Section 48-709(G), Arizona Revised Statutes to repay all or part of fees and charges collected from landowners for public infrastructure purposes, the advance of moneys by landowners for public infrastructure purposes or the granting of real property by the landowner for public infrastructure purposes from the proceeds of such bonds pursuant to agreements entered into with landowners and the Municipality, pursuant to Section 48-709(A)(10), Arizona Revised Statutes.
- e. Such bonds may not be issued unless approved at an election ordered and called to submit to the qualified electors of the District or to those persons who will be qualified to vote pursuant to Section 48-707(G), Arizona Revised Statutes [being, if no person has registered to vote within the area to be included within the boundaries of the District within fifty (50) days immediately preceding any scheduled election date, the owners of land within the District who will be qualified electors of the State of Arizona and other landowners according to Section 48-3043, Arizona Revised Statutes (hereinafter called the "qualified electors"),] the question of authorizing the District Board to issue such bonds (hereinafter called the "Bonds").
- f. The District Board deemed it necessary and advisable to order and call such an election and to establish the procedures whereby such election should be held and did so pursuant to Resolution No. 1 adopted by us on September 12, 2005 (hereinafter called the "Election Resolution"), which provided that a special election be held on November 8, 2005 (hereinafter called the "Election"), at which time there was submitted to the qualified electors of the

District the question set forth in the official ballot described in the Election Resolution.

- g. The election board for the Election filed with the District Board its returns of election and the ballots cast at the polling place, and the District Board canvassed the returns of the Election and determined (1) that a total of one (1) ballot(s) had been cast in response to the questions submitted, that in answer to the questions submitted, such ballot was marked "Bonds, Yes" and no ballots were marked "Bonds, No" with respect to the issuance of the Bonds; (2) that the Election had been conducted and the returns thereof made as required by law and (3) that only qualified electors were permitted to vote at the Election.
- h. Pursuant to Resolution No. 2 adopted by us on November 14, 2005, the District Board found and determined that a majority of the votes cast by the qualified electors voting at the Election voted "Bonds, Yes" and that up to and including \$30,000,000 aggregate principal amount of general obligation bonds are therefore authorized to be sold and issued.
- i. The District Board has caused \$12,660,000 aggregate principal amount of the Bonds, designated General Obligation Bonds, Series 2006 and dated June 21, 2006 (hereinafter called the "First Series of Bonds"), to be sold and issued to construct or acquire certain projects relating to certain public infrastructure provided for in the General Plan.
- j. The District is authorized by Sections 35-473.01 and 48-719, Arizona Revised Statutes to issue and sell refunding bonds to refund any general obligation bonds of the District.
- k. The District Board (1) has determined and found that it is expedient to refund all of the remaining, outstanding of the First Series of Bonds (hereinafter referred to as the "Bonds Being Refunded") and that the issuance of certain general obligation refunding bonds by the District (hereinafter called the "Second Series of Bonds") and the application of the net proceeds thereof to pay at maturity or earlier redemption the Bonds Being Refunded are necessary and advisable and in the best interests of the District and shall result in a present value debt service savings, net of costs associated with the Bonds, of not less than three percent (3%) and (2) shall enter in its minutes a record of the Second Series of Bonds sold and their numbers and dates and levy and cause an *ad valorem* tax to be collected, at the same time and in the same manner as other taxes are levied and collected on all taxable property in the boundaries of the District

sufficient, together with moneys from the sources described herein, to pay Debt Service (as such term is hereinafter defined) when due; provided, however, that the total aggregate of taxes levied to pay principal of and interest on the Second Series of Bonds in the aggregate shall not exceed the total aggregate principal and interest to become due on the Bonds Being Refunded from the date of issuance of the Second Series of Bonds to the final date of maturity of the Bonds Being Refunded; the owners of the Second Series of Bonds shall rely upon the sufficiency of the funds deposited as described in the hereinafter described Indenture for the payment of the Bonds Being Refunded and the issuance of the Second Series of Bonds shall in no way infringe upon the rights of the owners of the Bonds Being Refunded to rely upon a tax levy for the payment of principal and interest on the Bonds Being Refunded if such funds prove insufficient.

1. Pursuant to the Act, the District Board has determined to enter into a Series 2016 Standby Contribution Agreement, to be dated as of the first day of the month of the dated date of the Second Series of Bonds determined as provided herein (hereinafter called the "Standby Contribution Agreement"), by and among the District, the Owner and U.S. Bank National Association, as trustee (hereinafter called the "Trustee"), to provide for certain public infrastructure purposes for the District, including for credit enhancement for the Second Series of Bonds.

- m. Pursuant to the Act, the District Board has also determined to enter into a Series 2016 Depository Agreement, to be dated as of the first day of the month of the dated date of the Second Series of Bonds determined as provided herein (hereinafter called the "Depository Agreement"), by and between the District and U.S. Bank National Association, as depository (hereinafter called the "Depository"), to provide for certain public infrastructure purposes for the District, including for credit enhancement for the Second Series of Bonds.

- n. Pursuant to the Act, the District Board has further determined to enter into a Series 2016 Indenture of Trust and Security Agreement, to be dated as of the first day of the month of the dated date of the Second Series of Bonds as provided herein (hereinafter called the "Indenture"), from the District to the Trustee to secure (including with amounts to be available pursuant to the Standby Contribution Agreement and the Depository Agreement), and process the issuance, registration, transfer and payment and the disbursement and investment of proceeds of, the Second Series of Bonds. (Capitalized terms not otherwise defined herein shall have the meaning ascribed to such terms in the Indenture.) The District Board has determined by this

Resolution to authorize the sale and issuance of the Second Series of Bonds and, in order to provide terms for, to secure, and to provide for authentication and delivery of the Second Series of Bonds by the Trustee, to authorize the execution and delivery of the Indenture.

- o. Pursuant to the Act, the District Board has further also determined to enter into a Series 2016 Continuing Disclosure Undertaking, to be dated even date with the delivery of the Second Series of Bonds (hereinafter called the "Undertaking") to provide for certain securities laws related, on-going, secondary market disclosure matters related to the Second Series of Bonds.
- p. There have been placed on file with the District Clerk of the District and presented to the District Board in connection with the amendment of the Development Agreement, the proposed form of the Development Agreement Amendment, and, the purposes described in paragraphs 1.1. through n. (1) the proposed form of the Standby Contribution Agreement, (2) the proposed form of the Depository Agreement, (3) the proposed form of the Indenture, (4) the proposed form of the Bond Purchase Agreement relating to the Bonds, to be dated even date with their sale (hereinafter called the "Bond Purchase Agreement"), by and between the District and Hilltop Securities, Inc. (hereinafter called the "Underwriter"), (5) the proposed form of the Undertaking and (6) the proposed form of the Preliminary Official Statement relating to the Bonds, to be dated the date of the mailing thereof (the "Preliminary Official Statement"). (The documents described in Clauses (1) through (5), both inclusive, are hereinafter referred to, collectively, as the "Bond Documents.")
- q. The District Board hereby finds and determines that (1) the amount of indebtedness evidenced by the Bonds Being Refunded does not exceed the estimated cost of the public infrastructure improvements financed with the proceeds of the sale thereof plus all costs connected with the public infrastructure purposes related thereto and sale and issuance of the Second Series of Bonds and (2) the total aggregate outstanding amount of the Second Series of Bonds will not exceed sixty percent (60%) of the aggregate of the estimated market value of the real property and improvements in the District, all as provided in the Act.
- r. The District Board hereby further finds and determines that, in order to have the Second Series of Bonds insured by Assured Guaranty Municipal Corp. (hereinafter called "AGM"), to the extent not otherwise prohibited by applicable law from resolving to do so, while any of the Second Series of Bonds remains outstanding and AGM is not in default with respect to its policy for the Second Series

of Bonds, additional amounts of the Bonds shall not be issued unless, at the time of issuance thereof, the principal amount of the Bonds and of any bonds issued to refund the Bonds then outstanding and to be outstanding is not more than fifty percent (50%) of the Net Assessed Property Value for Secondary Tax Purposes (as such term is defined in the Preliminary Official Statement) of the property within the boundaries of the District as of the last preceding tax levy.

- s. Pursuant to the Internal Revenue Code of 1986, as amended (hereinafter called the "Code"), and the regulations promulgated thereunder (hereinafter called the "Regulations"), issuers of obligations, the interest on which is intended to be excludable from the gross income of the owners thereof for federal income tax purposes (hereinafter called "Tax-Exempt Obligations"), are required to establish policies and procedures to ensure compliance with the applicable provisions of the Code and the Regulations, and the District Board has determined that procedures should be adopted in order to ensure that Tax-Exempt Obligations issued by the District comply with the provisions of the Code and the Regulations (hereinafter called the "Tax Compliance Procedures").
- t. Pursuant to Section 240.15c2-12, General Rules and Regulations, Securities Exchange Act of 1934, as amended (hereinafter referred to as the "Rule"), Participating Underwriters (as defined in the Rule) are required to reasonably determine that issuers have entered into written undertakings to make ongoing disclosure in connection with offerings of obligations to investors subject to the Rule and the District Board has determined that procedures should be adopted in order to document practices and describe various procedures for preparing and disseminating such ongoing disclosure for the benefit of the holders of the obligations of the District and to assist the Participating Underwriters in complying with the Rule and such written undertakings (hereinafter, together with the Tax Compliance Procedures, referred to as the "Procedures").
- u. There has also been placed on file with the District Clerk of the District and presented to the District Board the Procedures.
- v. All formal actions concerning and relating to the passage of this Resolution were taken in an open meeting, in compliance with all legal requirements, and all things required to be done preliminary to the authorization, sale and issuance of the Second Series of Bonds have been duly done and performed in the manner required by law, and the

District Board is now empowered to proceed with the sale and issuance of the Second Series of Bonds.

- w. All actions to refund the Bonds Being Refunded, whether taken before or after adoption of this Resolution, are ratified and confirmed and approved, respectively.
2. a. Approval of Sale and Issuance of Second Series of Bonds. The Second Series of Bonds are hereby authorized to be issued as a series of general obligation bonds of the District to be designated "General Obligation Refunding Bonds, Series 2016." The Second Series of Bonds shall be issued in the aggregate principal amount, be in fully registered form only and denominations, bear interest from their date, be numbered and mature and be subject to redemption prior to maturity, in each case as provided in the Indenture as determined by the District Manager as hereinafter provided. (The Bonds Being Refunded shall be paid at maturity or redeemed on the earliest redemption date.) The District Manager is hereby authorized and directed to determine on behalf of the District: (1) the dated date (but not later than December 31, 2016) and total principal amount of the Second Series of Bonds and whether the Second Series of Bonds shall be designated as "bank qualified" for purposes of Section 265(b)(3) of the Code; (2) the final principal and maturity schedule of the Second Series of Bonds; (3) the interest rate on each maturity of the Second Series of Bonds and the dates for payment of such interest; (4) the provisions for redemption in advance of maturity of the Second Series of Bonds; (5) the sales date, sales price and other terms of sale of the Second Series of Bonds and (6) the provisions for credit enhancement, if any, for the Second Series of Bonds upon the advice of the Underwriter including pursuant to the Standby Contribution Agreement and the Depository Agreement and purchasing bond insurance for the Bonds; provided, however, that the foregoing determinations must result in at least the savings indicated in the recitals hereto. The Second Series of Bonds shall be sold to the Underwriter in accordance with the terms of the Bond Purchase Agreement and at a price specified therein with original issue discount and underwriter's compensation in an amount approximately equal to the amount in each case as determined by the District Manager who is hereby authorized and directed to so determine such matters. (If the Second Series of Bonds is insured by AGM, it is further hereby resolved that the condition described in paragraph (r) of the Findings hereto is made effective with the limitations described therein.)
- b. Forms, Terms and Provisions, and Execution and Delivery, of Second Series of Bonds. The forms, terms and provisions of the Second Series of Bonds provided for in the Indenture

are hereby approved, with only such changes therein as are not inconsistent herewith and as are approved by the officers authorized in the Indenture to execute the Second Series of Bonds, and each is hereby authorized to execute and deliver them. (The persons who shall so execute and deliver the Second Series of Bonds shall be the persons holding such offices at the time of the initial issuance and delivery of the Second Series of Bonds.)

- c. Forms, Terms and Provisions, and Execution and Delivery, of Development Agreement Amendment and Bond Documents. The forms, terms and provisions of the Development Agreement Amendment and the Bond Documents in substantially the forms of such documents (including the exhibits thereto) presented at the meeting at which this Resolution is adopted, are hereby approved, with such insertions, deletions and changes as are not inconsistent herewith and as are approved by the officers authorized to execute the documents, which approval will be conclusively demonstrated by the execution thereof, and the District Manager and the District Clerk are hereby authorized to execute and attest, respectively, the Development Agreement Amendment and the Bond Documents.
- d. Authorization to Execute and Deliver Order to Trustee. The District Manager is hereby authorized to execute and deliver to the Trustee the written order of the District for the authentication and delivery of the Second Series of Bonds by the Trustee.
- e. Other Actions Necessary. The District Manager, the District Clerk and the other officers of the District shall take all action necessary or reasonably required to carry out, give effect to and consummate the transactions contemplated by the Bond Documents, including without limitation, the closing and other documents required to be delivered in connection with the sale and delivery of the Second Series of Bonds. (The persons who shall so take such actions shall be the persons holding such offices at the time of the initial issuance and delivery of the Second Series of Bonds.)
- f. Distribution of Disclosure Documents.
 - 1. The distribution by the Underwriter of the Preliminary Official Statement is hereby authorized and directed, and the District Manager is hereby authorized and directed to prepare, or cause the preparation of, and to execute the Final Official Statement for the Second Series of Bonds, to be dated even date with their sale, and the distribution of the Final Official Statement by the Underwriter is hereby approved.

2. The District Manager is hereby authorized to deem the Preliminary Official Statement "final" as of its date for purposes of Section 240.15c2-12, General Rules and Regulations, Securities Exchange Act of 1934, as amended. In that respect, the District Manager is further authorized to modify, or authorize the modification of, the Preliminary Official Statement.

g. Tax Levy.

1. For each year while any of the Second Series of Bonds are outstanding, the District Board shall, with the limitations described in the Recitals hereto, annually levy and cause to be collected an *ad valorem* tax, at the same time and in the same manner as other taxes are levied and collected on all taxable property in the District, sufficient, together with any moneys from any sources in the Enabling Act and under the Indenture, to pay Debt Service when due.

2. Moneys derived from the levy of the tax provided for in this Section with respect to the Second Series of Bonds when collected constitute funds to pay Debt Service and shall be kept in the Series 2016 Tax Account and separately from other funds of the District.

3. The District Board shall make annual statements and estimates of the amount to be raised to pay Debt Service on the Bonds. The District Board shall file the annual statements and estimates with the Clerk of the Municipality and shall publish a notice of the filing of the estimate. The District Board, on or before the date set by law for certifying the annual budget of the Municipality, shall fix, levy and assess the amounts to be raised by *ad valorem* taxes of the District and shall cause certified copies of the order to be delivered to the Board of Supervisors of Pima County, Arizona, and to the Department of Revenue of the State. All statutes relating to the levy and collection of State and county taxes, including the collection of delinquent taxes and sale of property for nonpayment of taxes, apply to the taxes provided for by this Section.

h. No Obligation of Municipality. Neither the full faith and credit nor the general taxing power of the Municipality is pledged to the payment of the Bonds. Nothing contained in this Resolution, the Bond Documents or any other instrument related to the Bonds shall be construed as obligating the Municipality, or as incurring a charge upon the general credit or any other credit or revenues of the Municipality nor shall the breach of any agreement contained in this

Resolution, the Bond Documents or any other instrument or documents executed in connection therewith impose any charge upon the general credit or any other credit or revenues of the Municipality.

- i. Appointment of Trustee and Depository. U.S. Bank National Association, Phoenix, Arizona, is hereby confirmed as Trustee, Registrar and Paying Agent and as Depository for the purposes of the Indenture and the Depository Agreement, respectively.
 - j. Implementation of Procedures. The Procedures are hereby adopted to establish policies and procedures related to the purposes set forth in the Recitals hereto. The right to use discretion as necessary and appropriate to make exceptions or request additional provisions with respect to the Procedures as may be determined is hereby reserved. The right to change the Procedures from time to time, without notice, is also reserved.
3. Repeal of Resolution. After any of the Second Series of Bonds are delivered by the Trustee to the Underwriter upon receipt of payment therefor, this Resolution shall be and remain irrevocable until the Bonds and the interest thereon shall have been fully paid, canceled and discharged.
4. Severability; Amendment; Effective Date.
- a. If any section, paragraph, clause or provision of this Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution.
 - b. This Resolution may only be amended as provided by the terms of the Indenture.
 - c. All resolutions or parts thereof inconsistent herewith are hereby waived to the extent only of such inconsistency.
 - d. This Resolution shall be effective immediately.

PASSED by the District Board of Quail Creek Community Facilities District this 24th day of October, 2016.

.....
Duane Blumberg
Chairman, District Board, Quail Creek
Community Facilities District

ATTEST:

.....
Lisa Cole, MMC
District Clerk, Quail Creek
Community Facilities District

APPROVED AS TO FORM:

.....
Daniel J. Hochuli
District Counsel, Quail Creek
Community Facilities District

* * *

DRAFT
09/12/16
10/19/16

When recorded, return to:

Michael Cafiso, Esq.
Greenberg Traurig, LLP
2375 East Camelback Road, Suite 700
Phoenix, Arizona 85016

FIRST AMENDMENT
TO
DISTRICT DEVELOPMENT, FINANCING PARTICIPATION AND
INTERGOVERNMENTAL AGREEMENT
(QUAIL CREEK COMMUNITY FACILITIES DISTRICT)

THIS FIRST AMENDMENT, dated as of _____ 1, 2016 (hereinafter referred to as this "*Amendment*"), TO THE DISTRICT DEVELOPMENT, FINANCING PARTICIPATION AND INTERGOVERNMENTAL AGREEMENT (QUAIL CREEK COMMUNITY FACILITIES DISTRICT), dated as of September 1, 2005, by and between Quail Creek Community Facilities District, a community facilities district formed by the Town of Sahuarita, Arizona, and duly organized and validly existing, pursuant to the laws of the State of Arizona (hereinafter referred to as the "*District*"), and Robson Ranch Quail Creek, LLC, a limited liability company duly organized and validly existing pursuant to the laws of the State of Delaware and having an interest in certain property in the District (hereinafter referred to as "*Quail Creek*");

W I T N E S S E T H:

WHEREAS, pursuant to Title 48, Chapter 4, Article 6, Arizona Revised Statutes (hereinafter referred to as the "*Act*"), and

Section 9-500.05, Arizona Revised Statutes, the Town of Sahuarita, Arizona, a municipality duly incorporated and validly existing pursuant to the laws of the State of Arizona (hereinafter referred to as the "*Municipality*"), the District and Quail Creek entered into a District Development, Financing Participation and Intergovernmental Agreement (Quail Creek Community Facilities District, dated as of September 1, 2005 (hereinafter referred to as the "*Agreement*"), as a "development agreement" to specify, among other things, conditions, terms, restrictions and requirements for "public infrastructure" (as such term is defined in the Act) and the financing of public infrastructure and subsequent reimbursements or repayments over time; and

WHEREAS, with regard to the real property described in the Exhibit hereto (hereinafter referred to as the "*Property*") which makes up the real property included within the District, the Municipality, the District and Quail Creek specified some of such matters in the Agreement, particularly matters relating to the construction or acquisition of certain public infrastructure by the District, the acceptance thereof by the Municipality and the reimbursement or repayment of certain of such entities with respect thereto, all pursuant to the Act, such public infrastructure being necessary for the Property to be developed prior to the time at which the District can itself pay for the construction or acquisition thereof; and

WHEREAS, the Agreement, including as amended by this Amendment, as a "development agreement" is consistent with the "general plan" of the Municipality, as defined in Section 9-461, Arizona

Revised Statutes, as amended, applicable to the Property on the date the Agreement and on the date this Amendment was and is, respectively, executed;

NOW, THEREFORE, in the joint and mutual exercise of their powers, in consideration of the above premises and of the mutual covenants herein contained and for other valuable consideration, and subject to the conditions set forth herein, the parties hereto agree that:

Section 1. (a) The definition of "Bonds" in Article I of the Agreement is amended to include the following immediately after the word "Agreement" therein: "and, for purposes of the definitions of "District Expenses", Sections 6.3, 8.1, 9.1, 10.2 and, after giving affect to any amendment hereto, 8.3 and 10.11, the bonds issued to refund the Bonds."

(b) The definition of "Letter of Credit" in Article I of the Agreement is deleted in its entirety and replaced with the following:

"Letter of Credit" means a standby letter of credit or substitute therefor issued under the terms provided herein in favor of the District issued by an institution, the deposits of which are federally insured and which is of a credit quality satisfactory to the District Manager, and drawable as provided herein, which includes a provision requiring sixty (60) days' notice to the District of any cancellation, terminations or non-renewal thereof and immediate notice to the District of a

material adverse change in the credit quality thereof and, without limiting the foregoing, otherwise shall be acceptable to the District Manager in the exercise of commercially reasonable standards. The face amount of the Letter of Credit, if any, for any series of the Bonds shall be determined at the time of approval thereof by the District Board.

(c) The last sentence of Section 6.2(a) of the Agreement is deleted in its entirety.

(d) The parenthetical in Section 6.1(a) of the Agreement is deleted in its entirety and replaced with the following:

(To the extent the District is not otherwise prohibited from agreeing pursuant to applicable law and subject to the last sentence of Section 2(a) of the Resolution of the District Board adopted on October 24, 2016, until the latter of such time as Quail Creek and its affiliates hold fee title to less than fifteen percent (15%) of the total acreage of the Property or any Standby Contribution has been released according to its terms, the District shall not undertake the issuance of any of the Bonds to finance costs of any public infrastructure other than the Infrastructure (for which the District may at any time in its sole and absolute discretion undertake such financing) without written approval of Quail Creek.)

(e) Section 6.2(f) of the Agreement is deleted in its entirety and replaced with the following:

Each of the Depository Agreements shall specifically provide in addition to the matters provided hereinabove that amounts held by the Depository pursuant to a Depository Agreement shall be applied to supplement *ad valorem* tax revenues of the District for the payment of Total Debt Service if amounts are not available for such purpose pursuant to the Standby Contribution Agreements and that the Letter of Credit shall be drawn to its full amount, payable to the District, upon the written demand of the District Manager or the District Treasurer to the institution supplying the Letter of Credit if any of the following occurs: (a) the nonpayment by Quail Creek of any amount due pursuant to the Standby Contribution Agreements by Quail Creek (after expiration of any applicable notice and cure periods thereunder); (b) the cancellation, termination or non-renewal of the Letter of Credit and a failure by Quail Creek to substitute the Letter of Credit not less than thirty (30) days before its cancellation, termination or expiration date or (c) an adverse change in the credit quality of the Letter of Credit as indicated in the Depository Agreement without the District having received within sixty (60) days after the date of such change a substitute for the Letter of Credit as indicated in the Depository Agreement. Each of the Depository Agreements shall specifically provide that any remaining cash amounts or security instrument *in lieu* thereof held

pursuant thereto shall be paid or released, respectively, to Quail Creek, upon the earlier of (1) payment in full of all of the outstanding Bonds or provision for such payment or (2) the first fiscal year of the District in which principal of that series of the Bonds has started to be amortized for which the District Manager has received evidence satisfactory to the District Manager that, for such Fiscal Year, a tax rate of \$3.00 per \$100 of limited assessed property valuation of property within the boundaries of the District would have been sufficient to pay the Maximum Annual Debt Service. Such evidence shall consist of a written projection, prepared by the financial advisor of the District, that is based upon the application of such secondary tax rate in light of the actual net limited assessed valuation of the property within the boundaries of the District for such Fiscal Year, assuming a delinquency factor equal to the greater of five percent (5%) and the historic, average, annual, percentage delinquency factor for the District as of such Fiscal Year and without credit for any fund balances or investment income accruing during such fiscal year. (After receipt of proof of satisfaction of such condition, the District Board shall approve in writing by affirmative action such termination and payment or release, as applicable, such approval not to be withheld unreasonably.) Prior to such payment or release, the face amount of the Letter of Credit

shall be subject to reduction as follows: on February 15 of each year, if the limited assessed property valuation of property within the boundaries of the District used to levy taxes during the preceding August exceeded that used in the prior August, the difference between the Maximum Annual Debt Service and the Discounted Tax Revenues shall be calculated and the face amount of the Letter of Credit shall be subject to automatic reduction to an amount equal to three (3) times such difference.

(f) Section 6.3 of the Agreement is deleted in its entirety and replaced with the following:

Other than (1) this Agreement, (2) the Bonds, (3) any refundings bonds issued pursuant to the Act so long as the related refunding results in a present value debt service savings, net of costs associated with such refunding bonds, of at least three percent (3%) and (4) any obligations necessary in connection with any of foregoing, the District shall not incur, or otherwise become obligated with respect to, any other obligations.

(g) Section 9.3 of the Agreement is deleted in its entirety.

(h) All references in the Agreement to "secondary assessed valuation" shall instead be to "limited assessed property valuation" for all purposes.

Section 2. The provisions of the Agreement are otherwise hereby ratified and confirmed in all respects, in particular the

indemnification provided by Article VIII thereof being effective in all respects as it relates to this Amendment.

Section 3. This Amendment shall be binding upon and shall inure to the benefit of the parties to this Amendment and their respective legal representatives, successors and assigns; provided, however, that none of the parties hereto shall be entitled to assign its right hereunder or under any document contemplated hereby without the prior written consent of the other parties to this Amendment, which consent shall not be unreasonably withheld.

Section 4. Each party hereto shall, promptly upon the request of any other, have acknowledged and delivered to the other any and all further instruments and assurances reasonably requested or appropriate to evidence or give effect to the provisions of this Amendment.

Section 5. This Amendment sets forth the entire understanding of the parties as to the matters set forth herein as of the date this Amendment is executed and cannot be altered or otherwise amended except pursuant to an instrument in writing signed by each of the parties hereto. This Amendment is intended to reflect the mutual intent of the parties with respect to the subject matter hereof, and no rule of strict construction shall be applied against any party.

Section 6. This Amendment shall be governed by and interpreted in accordance with the laws of the State of Arizona.

Section 7. The waiver by any party hereto of any right granted to it under this Amendment shall not be deemed to be a waiver of any other right granted in this Amendment nor shall the same be

deemed to be a waiver of a subsequent right obtained by reason of the continuation of any matter previously waived under or by this Amendment.

Section 8. This Amendment may be executed in any number of counterparts, each of which, when executed and delivered, shall be deemed to be an original, but all of which taken together shall constitute one of the same instrument.

Section 9. (a) Pursuant to Section 38-511, Arizona Revised Statutes, the District may, within three years after its execution, cancel this Amendment, without penalty or further obligation, if any person significantly involved in initiating, negotiating, securing, drafting or creating this Amendment on behalf of the District is, at any time while this Amendment is in effect, an employee or agent of Quail Creek in any capacity or a consultant to any other party of this Amendment with respect to the subject matter of this Amendment and may recoup any fee or commission paid or due any person significantly involved in initiating, negotiating, securing, drafting or creating this Amendment on behalf of the District from Quail Creek arising as the result of this Amendment. Quail Creek has not taken and shall not take any action which would cause any person described in the preceding sentence to be or become an employee or agent of Quail Creek in any capacity or a consultant to any party to this Amendment with respect to the subject matter of this Amendment.

(b) To the extent applicable under Section 41-4401, Arizona Revised Statutes, Quail Creek shall comply with all federal immigration laws and regulations that relate to their employees and

their compliance with the "e-verify" requirements under Section 23-214(A), Arizona Revised Statutes. The breach by any of them of the foregoing shall be deemed a material breach of this Amendment and may result in termination as this Amendment relates to the offender. The District retains the legal right to randomly inspect the papers and records of Quail Creek to ensure that they are complying with the above-mentioned warranty. Quail Creek shall keep such papers and records open for random inspection during normal business hours by the District. Quail Creek shall cooperate with the random inspections by the District including granting the District entry rights onto their property to perform such random inspections and waiving their respective rights to keep such papers and records confidential. In connection with such inspections, the District shall keep such papers and records confidential, except to the extent that disclosure may be required pursuant to applicable law.

(c) Pursuant to Section 35-393 et seq., Arizona Revised Statutes, Quail Creek certifies that it is not currently engaged in, and for the duration of this Amendment shall not engage in, a boycott of Israel. The term "boycott" has the meaning set forth in Section 35-393, Arizona Revised Statutes. If the Municipality or the District determines that Quail Creek's certification above is false or that either has breached such agreement, the Municipality or the District may impose remedies as provided by law.

Section 10. (a) If any provision of this Amendment shall be held invalid or unenforceable by any court of competent juris-

diction, such holding shall not invalidate or render unenforceable any other provision thereof.

(b) No later than ten (10) days after this Amendment is executed and delivered by each of the parties hereto, Quail Creek shall on behalf of the District record a copy of this Amendment with the County Recorder of Pima County, Arizona.

(c) Unless otherwise expressly provided, the agreements contained herein shall be deemed to be material and continuing, shall not be merged and shall survive any conveyance or transfer provided herein.

* * *

IN WITNESS WHEREOF, the officers of the District have duly affixed their signatures and attestations, and the officers of Quail Creek its signatures, all as of the day and year first written above.

QUAIL CREEK COMMUNITY FACILITIES
DISTRICT

By.....
Duane Blumberg, Chairperson,
District Board

ATTEST:

.....
Lisa Cole, District Clerk

ROBSON RANCH QUAIL CREEK, LLC, a Delaware
limited liability company

By: Arlington Property Management Company,
an Arizona corporation, its Manager

By
Printed Name:
Title:

STATE OF ARIZONA)
) ss
COUNTY OF PIMA)

The foregoing instrument was acknowledged before me this
..... day of, 2016, by Duane Blumberg, as
Chairperson of the Board of Quail Creek Community Facilities District,
an Arizona community facilities district.

.....
Notary Public

My commission expires:

.....

Notice required by A.R.S. Section 41-313: The foregoing
notarial certificate(s) relate(s) to the First Amendment To District
Development, Financing Participation and Intergovernmental Agreement,
dated as of _____ 1, 2016, executed by Quail Creek Community
Facilities District, an Arizona community facilities district and
Robson Ranch Quail Creek, LLC, an Arizona limited liability company
(the "Notarized Document"). The Notarized Document contains a total
of pages.

STATE OF ARIZONA)
) ss
COUNTY OF)

On this day, personally appeared before me
....., as of Arlington
Property Management Company, an Arizona corporation, the Manager in
Robson Ranch Quail Creek, LLC, an Arizona limited liability company,
who is known to me to be the person whose name is above subscribed,
and after being first duly sworn, acknowledged upon her/his oath that
she/he executed the foregoing for the purposes therein contained.

IN WITNESS WHEREOF, I hereunto set my hand and official
seal on, 2016.

.....
Notary Public

My commission expires:

.....

ATTACHMENTS:

EXHIBIT -- Legal Description Of Property To Be Included In The
District

Notice required by A.R.S. Section 41-313: The foregoing
notarial certificate(s) relate(s) to the First Amendment To District
Development, Financing Participation and Intergovernmental Agreement,
dated as of _____ 1, 2016, executed by Quail Creek Community
Facilities District, an Arizona community facilities district and
Robson Ranch Quail Creek, LLC, an Arizona limited liability company
(the "Notarized Document"). The Notarized Document contains a total
of pages.

EXHIBIT

**LEGAL DESCRIPTION OF PROPERTY
INCLUDED IN THE DISTRICT**

PARCEL 1

A parcel of land located in Sections 6, 7, and 8, T.18S., R.14E., and Sections 1 and 12, T.18S., R.13E., of the Gila and Salt River Meridian, Pima County, Arizona, more particularly described as follows:

COMMENCING at the Northwest corner of said Section 6, T.18S., R.14E., said point being a found aluminum cap marked "NORTHWEST CORNER SECTION 6";

THENCE along the North line of the Northwest quarter of said Section 6, S89°25'48"E, a distance of 689.37 feet to the POINT OF BEGINNING;

THENCE continuing along said North line, S89°25'48"E, a distance of 1,858.47 feet;

THENCE S89°25'26"E, a distance of 1620.62 feet;

THENCE S17°57'47"W a distance of 689.75 feet;

THENCE S12°46'24"W a distance of 115.96 feet,

THENCE S05°53'16"W a distance of 476.75 feet;

THENCE S79°12'27"W a distance of 496.86 feet;

THENCE N34°33'43"W, a distance of 297.82 feet;

THENCE S55°26'17"W a distance of 728.89 feet;

THENCE S17°46'29"E, a distance of 548.81 feet to the Northwesterly corner of lot 150 of Quail Creek Block 1, Lots 1-306 and Common Areas "B", "C", and "D" recorded in Book 43, Page 39, Pima County Recorder;

THENCE S17°46'29"E along the Westerly line of said Quail Creek Block 1, Lots 1-306, a distance of 744.94 feet, to an angle point in said Westerly line;

THENCE continuing along said Westerly line S12°52'00"E, a distance of 1037.57 feet, to the Southwesterly corner of lot 174M of said Quail Creek Block 1, Lots 1-306;

THENCE Southeasterly along the Southerly line of said Quail Creek Block 1, Lots 1-306 S85°16'22"E, a distance of 296.51 to the Southeasterly corner of lot 175M;

THENCE leaving said Southerly line S36°46'53"E, a distance of 1,354.26 feet;

THENCE S04°23'03"E, a distance of 866.39 feet;

THENCE S78°30'18"E, a distance of 1,177.70 feet to a point on the centerline of Quail View Loop per the Final Plat of Quail Creek 2, Blocks 1-64 recorded in Book 51, Page 58, Pima County Recorder;

THENCE along the centerline of Quail Range Loop S52°10'00"E, a distance of 476.65 feet to a point of curve to the left, having a radius of 600.00 feet and a central angle of 42°50'00";

THENCE Easterly along the arc of said centerline, a distance of 448.55 feet;

THENCE continuing along said centerline N85°00'00"E, a distance of 376.62 feet to a point of curve to the right, having a radius of 600.00 feet and a central angle of 34°00'00";

THENCE Easterly along the arc of said centerline, a distance of 356.05 feet;

THENCE continuing along said centerline S61°00'00"E, a distance of 522.00 feet to a point of curve to the left, having a radius of 600.00 feet and a central angle of 75°30'00";

THENCE Easterly along the arc of said centerline, a distance of 790.63 feet;

THENCE continuing along said centerline N43°30'00"E, a distance of 227.70 feet to point hereinafter referred to as POINT "B";

THENCE S46°30'00"E, a distance of 45.00 feet, to the beginning of a non-tangent curve, concave to the South, having a radius of 25.00 feet, the center of which bears S46°30'00"E;

THENCE Easterly along said curve through a central angle of 90°00'00", an arc distance of 39.27 feet;

THENCE S46°30'00"E, a distance of 151.15 feet to the beginning of a tangent curve, concave to the Southwest, having a radius of 970.00 feet;

THENCE Southeasterly along said curve, through a central angle of 01°49'57", an arc distance of 31.02 feet; to the beginning of a non-tangent curve, concave to the Southwest, having a radius of 25.00 feet, the center of which bears S45°19'57"W;

THENCE Northwesterly along said curve through a central angle of 38°42'09", an arc distance of 16.89 feet;

THENCE S43°30'00"W a distance of 109.65 feet;

THENCE S41°00'38"E a distance of 133.26 feet;
THENCE S32°03'46"E a distance of 133.52 feet;
THENCE S23°06'22"E a distance of 133.52 feet;
THENCE S08°02'24"W a distance of 90.35 feet;
THENCE S51°25'37"E. a distance of 65.18 feet;
THENCE N78°29'36"E, a distance of 110.00 feet;
THENCE S11°30'24"E. a distance of 193.54 feet to the beginning of a
tangent curve, concave to the Northeast, having a radius of 1,030.00
feet;
THENCE Southeasterly along said curve, through a central angle of
26°19'27", an arc distance of 473.23 feet;
THENCE N52°10'09"E, a distance of 60.00 feet, to the beginning of a
non-tangent curve, concave to the Northeast, having a radius of 970.00
feet, the center of which bears N52°10'09"E;
THENCE Southeasterly along said curve through a central angle of
06°06'27", an arc distance of 103.40 feet;
THENCE N46°03'43"E, a distance of 122.43 feet;
THENCE S43°56'17"E, a distance of 66.81 feet;
THENCE S47°11'51"E, a distance of 100.91 feet;
THENCE N52°28'40"E, a distance of 131.50 feet;
THENCE N63°52'30"E, a distance of 198.74 feet;
THENCE N45°58'06"E a distance of 186.86 feet;
THENCE N20°39'25"E a distance of 80.53 feet;
THENCE N03°23'52"W a distance of 82.36 feet;
THENCE N36°01'32"E a distance of 93.31 feet;
THENCE N19°30'26"W a distance of 43.06 feet;
THENCE N40°58'24"W a distance of 101.90 feet;
THENCE N50°51'33"W a distance of 59.43 feet;
THENCE N25°35'36"W a distance of 36.36 feet;
THENCE N03°28'22"E a distance of 60.07 feet;

THENCE N27°20'33"E a distance of 60.58 feet;

THENCE N41°10'36"E a distance of 212.18 feet to the beginning of a non-tangent curve, concave to the Southwest, having a radius of 1,427.50 feet, the center of which bears S48°54'23"W;

THENCE Northwesterly along said curve through a central angle of 04°10'24", an arc distance of 103.98 feet;

THENCE N44°43'59"E, a distance of 45.00 feet;

THENCE N45°26'32"W, a distance of 9.00 feet;

THENCE N44°22'58"E, a distance of 120.00 feet;

THENCE N37°57'52"E, a distance of 75.65 feet;

THENCE S36°52'18"E, a distance of 721.37 feet to a point on the East line of said Section 8;

THENCE S00°19'00"E, a distance of 811.56 feet;

THENCE S00°19'51"E, a distance of 651.86 feet;

THENCE S89°15'28"W, a distance of 2,642.16 feet;

THENCE S89°16'11"W, a distance of 1,319.79 feet;

THENCE N00°28'48"W, a distance of 655.34 feet;

THENCE S89°18'44"W, a distance of 1,197.28 feet;

THENCE N00°42'14"W, a distance of 72.65 feet;

THENCE N42°10'27"W, a distance of 342.88 feet to the beginning of a non-tangent curve, concave to the Northwest, having a radius of 845.00 feet, the center of which bears N46°55'34"W;

THENCE Southwesterly along said curve through a central angle of 46°57'01", an arc distance of 692.43 feet;

THENCE S00°01'30"W, a distance of 60.00 feet;

THENCE N89°58'30"W, a distance of 594.68 feet;

THENCE S00°31'37"E, a distance of 1,311.64 feet;

THENCE N89°55'51"W, a distance of 692.48 feet;

THENCE N22°54'16"E a distance of 810.76 feet;

THENCE N59°28'16"W a distance of 1,385.45 feet;

THENCE N59°30'41"W a distance of 2,662.66 feet;
THENCE N59°30'29"W a distance of 1,385.47 feet;
THENCE N30°29'31"E a distance of 407.54 feet;
THENCE N59°30'29"W a distance of 75.00 feet;
THENCE N80°03'48"W a distance of 150.96 feet;
THENCE N66°28'33"W a distance of 188.76 feet;
THENCE N42°42'29"W a distance of 137.40 feet;
THENCE N02°09'13"N a distance of 56.55 feet;
THENCE N14°57'58"E a distance of 85.47 feet;
THENCE N21°49'39"W a distance of 258.88 feet;
THENCE N28°55'06"E a distance of 254.73 feet;
THENCE N61°31'39"E a distance of 136.53 feet;
THENCE N72°52'39"E a distance of 422.49 feet;
THENCE N34°44'43"E a distance of 153.07 feet;
THENCE N71°28'23"E a distance of 111.45 feet;
THENCE N41°01'44"E a distance of 137.87 feet;
THENCE N58°21'09"E a distance of 292.98 feet;
THENCE S80°09'49"E a distance of 75.00 feet to the point of curve of a non-tangent curve to the left, of which the radius point lies N80°09'49"W, a radial distance of 2,000.00 feet;
THENCE Northerly along the arc, through a central angle of 05°14'33", a distance of 183.00 feet
THENCE N04°35'38"E, a distance of 1,046.83 feet;
THENCE S87°03'00"E, a distance of 1,101.85 feet;
THENCE N02°57'00"E, a distance of 99.08 feet;
THENCE N09°58'23"W, a distance of 1,861.54 feet;
THENCE N16°56'59"E, a distance of 280.91 feet;
THENCE N03°22'05"W, a distance of 633.45 feet to the POINT OF BEGINNING.

The above described parcel contains 929.49 acres, more or less.

PARCEL 2

A parcel of land located in Section 5, T.18S., R.14E., of the Gila and Salt River Meridian, Pima County, Arizona, more particularly described as follows:

COMMENCING at the Northwest corner of said Section 5, T18S., R.14E.;

THENCE along the North line of the Northwest quarter of said Section 5, S89°24'40"E, a distance of 919.94 feet to the POINT OF BEGINNING;

THENCE continuing S89°24'40"E, a distance of 1711.16 feet;

THENCE S89°26'12"E, a distance of 2,628.94 feet;

THENCE S00°33'46"E, a distance of 2,600.25 feet;

THENCE S00°29'09"E, a distance of 1,177.63 feet;

THENCE N63°51'17"W, a distance of 914.96 feet;

THENCE N31°25'45"W, a distance of 955.64 feet;

THENCE S69°24'01"W, a distance of 274.89 feet to a point on curve of a non-tangent curve to the left, said curve being on the centerline of Quail Range Loop per the Final Plat of Quail Creek 2 Unit 16 recorded in Book 55, Page 62, Pima County Recorder, of which the radius point lies S69°24'01"W, a radial distance of 1,300.00 feet;

THENCE Westerly along the arc of said centerline of Quail Range Loop, through a central angle of 110°10'10", a distance of 2,499.67 feet;

THENCE S49°13'51"W, a distance of 58.50 feet;

THENCE leaving said centerline of Quail Range Loop N34°50'20"W, a distance of 908.75 feet; THENCE N55°03'30"W, a distance of 470.74 feet;

THENCE N62°43'56"W, a distance of 376.71 feet to the beginning of a non-tangent curve, concave to the West, having a radius of 322.50 feet, the center of which bears N87°18'49"W;

THENCE Northerly along said curve through a central angle of 12°45'07", an arc distance of 71.78 feet;

THENCE N10°03'57"W, a distance of 68.46 feet;

THENCE N58°08'56"E, a distance of 165.49 feet;

THENCE N20°16'58"E, a distance of 196.06 feet;

THENCE N59°42'02"E, a distance of 233.09 feet;
THENCE S61°26'23"E, a distance of 178.00 feet;
THENCE N85°54'34"E, a distance of 287.29 feet;
THENCE N28°33'37"E, a distance of 45.00 feet;
THENCE N08°33'37"E, a distance of 174.61 feet;
THENCE N43°44'51"W, a distance of 480.23 feet to the POINT OF BEGINNING.

The above described parcel contains 244.58 acres, more or less.

PARCEL 3

A parcel of land located in Sections 5 and 8, T.18S., R.14E., of the Gila and Salt River Meridian, Pima County, Arizona, more particularly described as follows:

COMMENCING at the aforementioned POINT "B", described in the legal description of PARCEL 1;

THENCE N43°30'00"E, a distance of 222.29 feet to the beginning of a tangent curve, concave Northwesterly, having a radius of 2600.00 feet;

THENCE Northerly along said curve, through a central angle of 19°23'44", an arc distance of 880.14 feet to the POINT OF BEGINNING;

THENCE N65°53'43"W, a distance of 45.00 feet;

THENCE N17°19'29"W, a distance of 365.55 feet;

THENCE N28°38'24"W, a distance of 319.69 feet;

THENCE N34°52'48"W, a distance of 269.69 feet;

THENCE N41°04'54"W, a distance of 58.17 feet;

THENCE N72°59'01"W a distance of 888.47 feet;

THENCE S88°08'09"W a distance of 65.69 feet;

THENCE S22°49'31"W a distance of 84.90 feet;

THENCE S65°06'02"E a distance of 40.00 feet;

THENCE S58°18'20"E a distance of 93.52 feet;

THENCE S53°17'39"E a distance of 95.03 feet;

THENCE S52°09'00"E a distance of 127.17 feet;

THENCE S55°16'49"E a distance of 97.42 feet;
THENCE S31°51'34"W a distance of 60.44 feet;
THENCE N75°07'27"W a distance of 30.48 feet;
THENCE N67°08'11"W, a distance of 61.67 feet;
THENCE N41°41'08"W, a distance of 131.83 feet;
THENCE N58°19'02"W a distance of 73.33 feet;
THENCE N80°40'31"W a distance of 50.02 feet;
THENCE S75°58'19"W. a distance of 58.64 feet;
THENCE N88°06'15"W, a distance of 52.06 feet;
THENCE N69°07'01"W a distance of 48.36 feet;
THENCE N48°01'26"W a distance of 52.87 feet;
THENCE N18°06'05"W a distance of 74.56 feet;
THENCE N08°25'37"W a distance of 106.61 feet;
THENCE N09°49'57"W a distance of 74.86 feet;
THENCE N09°56'55"W, a distance of 186.01 feet;
THENCE N80°03'05"E, a distance of 46.69 feet;
THENCE S68°04'15"E, a distance of 196.72 feet;
THENCE N67°24'03"E, a distance of 64.98 feet;
THENCE N19°01'53"E, a distance of 178.30 feet;
THENCE S70°16'15"E, a distance of 206.75 feet;
THENCE N65°15'48"E, a distance of 101.24 feet;
THENCE S57°59'26"E a distance of 122.37 feet;
THENCE S52°51'17"E, a distance of 232,85 feet;
THENCE S52°34'38"E a distance of 213.67 feet;
THENCE S64°12'16"E, a distance of 191.58 feet;
THENCE S64°19'02"E a distance of 190.06 feet;
THENCE S36°16'11"E, a distance of 297.39 feet;

THENCE S61°27'59"E a distance of 161.28 feet;

THENCE S65°06'09"E a distance of 120.17 feet to the beginning of a non-tangent curve, concave to the West, having a radius of 2,600.00 feet, the center of which bears N81°16'35"W;

THENCE Southerly along said curve through a central angle of 15°22'51", an arc distance of 697.96 feet to the POINT OF BEGINNING.

The above described parcel contains 17.94 acres, more or less.

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER __, 2016**NEW ISSUE – BOOK-ENTRY-ONLY****RATING: See “RATING” herein.**

In the opinion of Greenberg Traurig, LLP, Bond Counsel, assuming continuing compliance with certain tax covenants and the accuracy of certain representations of the District, under existing statutes, regulations, rulings and court decisions, interest on the Bonds will be excludable from gross income for federal income tax purposes. Interest on the Bonds will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the Bonds will be taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations. Interest on the Bonds will be exempt from income taxation under the laws of the State of Arizona. See “TAX MATTERS” herein for a description of certain other federal tax consequences of ownership of the Bonds. See also “TAX MATTERS – Original Issue Discount and Original Issue Premium” herein.

The Bonds will be designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. See “QUALIFIED TAX-EXEMPT OBLIGATIONS” herein.

\$9,340,000*
QUAIL CREEK COMMUNITY FACILITIES DISTRICT
(SAHUARITA, ARIZONA)
GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2016
(BANK QUALIFIED)

DRAFT 10-17-16

Dated: Date of Initial Delivery**Due:** July 15, as shown on the inside front cover page

The Quail Creek Community Facilities District (Sahuarita, Arizona) General Obligation Refunding Bonds, Series 2016 (the “Bonds”) will be issued in the form of 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 in amounts of \$5,000 of principal amount due on a maturity date or integral multiples in excess thereof. Purchasers will not receive definitive certificates with respect to the Bonds. So long as any purchaser is the beneficial owner of a Bond, such purchaser must maintain an account with a broker or a dealer who is, or acts through, a “DTC Participant” to receive payment of principal of and interest on such Bond. Interest on the Bonds (except defaulted interest, if any) will be paid semiannually on each January 15 and July 15 of each year, commencing July 15, 2017. Payments of principal and interest will be paid by wire transfer to DTC for subsequent disbursements to DTC participants who will remit such payments to the beneficial owners of the Bonds. See APPENDIX F - “BOOK-ENTRY-ONLY SYSTEM.”

SEE MATURITY SCHEDULE ON INSIDE FRONT COVER PAGE

Principal of and interest on the Bonds will be payable from a continuing, direct, annual, ad valorem tax levied against all taxable property within the boundaries of the Quail Creek Community Facilities District (the “District”), unlimited as to rate, but subject to the limitation that the total aggregate amount of taxes levied to pay principal of and interest on the Bonds shall not exceed the total aggregate of principal of and interest on bonds of the District being refunded in advance of their respective maturities with proceeds of the sale of the Bonds (the “Bonds Being Refunded”), from the date of issuance of the Bonds to the final date of maturity of the Bonds Being Refunded. The application of such taxes to the payment of the Bonds will be subject to the rights vested in the owners of the Bonds Being Refunded to the payment of the Bonds Being Refunded from the same source in the event of a deficiency in the proceeds of the sale of the Bonds and amounts contributed by the District for such purpose held to pay principal of and interest on the Bonds Being Refunded. The owners of the Bonds must rely on the sufficiency of the moneys held for payment of the Bonds Being Refunded. Debt service with respect to the Bonds will, under certain circumstances, also be payable from amounts to be paid pursuant to a Series 2016 Standby Contribution Agreement, to be dated as of December 1, 2016* (the “Standby Contribution Agreement”), by and among the District, Robson Ranch Quail Creek, LLC (the “Developer”) and U.S. Bank National Association, as trustee (the “Trustee”), as described herein and may also be payable from amounts to be held under certain circumstances pursuant a Series 2016 Depository Agreement, to be dated as of December 1, 2016* (the “Depository Agreement”), between the District and the Trustee, which will not be subject to replenishment as described herein. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS” herein. The Standby Contribution Agreement and the Depository Agreement will be terminated, in each case, under certain circumstances described under “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS” and “RISK FACTORS” herein.

The Bonds will be subject to redemption by the District prior to maturity as described herein.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by **ASSURED GUARANTY MUNICIPAL CORP.**



Proceeds of the sale of the Bonds will be used: (i) to refund the Bonds Being Refunded, which were issued to pay costs of acquisition and construction of certain public infrastructure benefiting the District; and (ii) to pay costs of issuance relating to the Bonds.

Investment in the Bonds involves certain risks that each prospective investor should consider prior to investing. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS” and “RISK FACTORS” herein.

NEITHER THE FULL FAITH AND CREDIT NOR THE GENERAL TAXING POWER OF THE TOWN OF SAHUARITA, ARIZONA (THE “TOWN”), THE STATE OF ARIZONA (THE “STATE”) OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE DISTRICT) IS PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS WILL BE OBLIGATIONS OF THE DISTRICT ONLY. NONE OF THE TOWN, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE DISTRICT) WILL HAVE ANY OBLIGATION WITH RESPECT TO DEBT SERVICE FOR THE BONDS.

This cover page contains certain information for general reference only. It is not a summary of the issue of which the Bonds are a part. Investors are advised to read this Official Statement in its entirety to obtain information essential to the making of an informed investment decision with respect to the Bonds.

The Bonds are offered when, as and if issued and subject to the approval of Greenberg Traurig, LLP, Phoenix, Arizona, Bond Counsel. Certain matters will be passed upon for the Underwriter by its counsel, Squire Patton Boggs (US) LLP and the Developer by Maguire, Pearce & Storey, PLLC, Phoenix, Arizona. It is expected that delivery of the Bonds in book-entry-only form will be made through the facilities of DTC on or about December 6, 2016.*

MATURITY SCHEDULE

\$9,340,000*
QUAIL CREEK COMMUNITY FACILITIES DISTRICT
(SAHUARITA, ARIZONA)
GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2016
(BANK QUALIFIED)

<u>Maturity Date (July 15)</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>CUSIP®⁽¹⁾ No. 74732C</u>
2017	\$795,000	%	%	
2018	535,000			
2019	540,000			
2020	560,000			
2021	575,000			
2022	600,000			
2023	625,000			
2024	650,000			
2025	670,000			
2026	700,000			
2027	725,000			
2028	755,000			
2029	790,000			
2030	820,000			

\$ _____ Term Bond @ _____ % Due July 15, 20__ - Price _____ - CUSIP 74732C _____

* *Subject to change.*

⁽¹⁾ *CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services ("CGS") is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2016 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CGS. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the District, Bond Counsel, the Financial Advisor (as defined herein), the Underwriter or their agents or counsel assumes responsibility for the accuracy of such numbers.*

QUAIL CREEK COMMUNITY FACILITIES DISTRICT

DISTRICT BOARD

Duane Blumberg, *Chairperson*

Bill Bracco, *Vice Chairperson*

Gil Lusk, *Member*

Kara Egbert, *Member*

Tom Murphy, *Member*

Melissa Hicks, *Member*

Lynne Skelton, *Member*

DISTRICT ADMINISTRATIVE STAFF

L. Kelly Udall
District Manager

A.C. Marriotti
*District Treasurer and
District Finance Director*

Daniel Hochuli
District Counsel

Lisa Cole
District Clerk

FINANCIAL ADVISOR

Stifel, Nicolaus & Company, Incorporated
Phoenix, Arizona

BOND COUNSEL

Greenberg Traurig, LLP
Phoenix, Arizona

TRUSTEE

U.S. Bank National Association
Phoenix, Arizona

THIS OFFICIAL STATEMENT, WHICH INCLUDES THE COVER PAGE, THE INSIDE FRONT COVER PAGE AND THE APPENDICES HERETO, SHOULD BE CONSIDERED IN ITS ENTIRETY, AND NO ONE SUBJECT SHOULD BE CONSIDERED LESS IMPORTANT THAN ANOTHER BY REASON OF LOCATION IN THE TEXT. BRIEF DESCRIPTIONS OF THE BONDS, THE INDENTURE, THE STANDBY CONTRIBUTION AGREEMENT, THE DEPOSITORY AGREEMENT, THE BOND RESOLUTION, THE SECURITY FOR THE BONDS, THE DISTRICT AND THE DEVELOPER (AS SUCH TERMS ARE DEFINED HEREIN) AND OTHER INFORMATION ARE INCLUDED IN THIS OFFICIAL STATEMENT. SUCH DESCRIPTIONS DO NOT PURPORT TO BE COMPREHENSIVE OR DEFINITIVE. ALL REFERENCES HEREIN TO THE BONDS, THE INDENTURE, THE BOND RESOLUTION, THE STANDBY CONTRIBUTION AGREEMENT, THE DEPOSITORY AGREEMENT AND ANY OTHER DOCUMENTS ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO SUCH DOCUMENTS, COPIES OF WHICH MAY BE OBTAINED FROM HILLTOP SECURITIES INC. ("THE UNDERWRITER").

THE INFORMATION SET FORTH HEREIN HAS BEEN OBTAINED FROM THE DISTRICT, THE DEVELOPER AND OTHER SOURCES BELIEVED TO BE RELIABLE, BUT SUCH INFORMATION IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS AND IS NOT TO BE CONSTRUED AS THE PROMISE OR GUARANTEE OF THE UNDERWRITER. THIS OFFICIAL STATEMENT CONTAINS, IN PART, ESTIMATES AND MATTERS OF OPINION THAT ARE NOT INTENDED AS STATEMENTS OF FACT, AND NO REPRESENTATION IS MADE AS TO THE CORRECTNESS OF SUCH ESTIMATES AND OPINIONS OR THAT THEY WILL BE REALIZED. THE PRESENTATION OF INFORMATION, INCLUDING TABLES OF *AD VALOREM* PROPERTY TAX RATES AND BONDED GENERAL OBLIGATION INDEBTEDNESS, IN THIS OFFICIAL STATEMENT IS INTENDED TO SHOW RECENT HISTORICAL INFORMATION AND, EXCEPT AS EXPRESSLY STATED OTHERWISE, IS NOT INTENDED TO INDICATE FUTURE OR CONTINUING TRENDS. NO REPRESENTATION IS MADE THAT THE PAST EXPERIENCE SHOWN BY SUCH INFORMATION WILL NECESSARILY CONTINUE OR BE REPEATED IN THE FUTURE.

THE UNDERWRITER HAS PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT: "THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, ITS RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITER DOES NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION."

ANY STATEMENTS IN THIS OFFICIAL STATEMENT INVOLVING MATTERS OF OPINION, WHETHER OR NOT EXPRESSLY SO STATED, ARE INTENDED AS SUCH AND NOT AS REPRESENTATIONS OF FACT. THIS OFFICIAL STATEMENT IS NOT TO BE CONSTRUED AS A CONTRACT OR AGREEMENT BETWEEN THE DISTRICT OR THE UNDERWRITER AND THE PURCHASERS OR HOLDERS OF ANY OF THE BONDS.

THE INFORMATION AND EXPRESSIONS OF OPINION CONTAINED HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE, AND NEITHER THE 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 DISTRICT OR THE DEVELOPER WITH RESPECT TO THE STANDBY CONTRIBUTION AGREEMENT OR IN THE INFORMATION OR OPINIONS SET FORTH HEREIN SINCE THE DATE OF THIS OFFICIAL STATEMENT.

NO DEALER, BROKER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED BY THE DISTRICT OR THE UNDERWRITER TO GIVE INFORMATION OR TO MAKE ANY REPRESENTATION OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT, AND, IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY ANY OF THE FOREGOING.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE. THIS OFFICIAL STATEMENT, WHICH INCLUDES THE COVER PAGE AND THE APPENDICES HERETO, 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 ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH OFFER, SOLICITATION OR SALE.

THE DISTRICT AND THE DEVELOPER, AS THE OBLIGATED PERSONS PURSUANT TO THE CONTINUING DISCLOSURE UNDERTAKINGS, WILL COVENANT TO PROVIDE CONTINUING DISCLOSURE AS DESCRIBED IN THIS OFFICIAL STATEMENT UNDER THE HEADING "CONTINUING DISCLOSURE" AND IN APPENDIX D – "FORMS OF CONTINUING DISCLOSURE UNDERTAKINGS," PURSUANT TO RULE 15c2-12 OF THE SECURITIES AND EXCHANGE COMMISSION.

ASSURED GUARANTY MUNICIPAL CORP. ("AGM") MAKES NO REPRESENTATION REGARDING THE BONDS OR THE ADVISABILITY OF INVESTING IN THE BONDS. IN ADDITION, AGM HAS NOT INDEPENDENTLY VERIFIED, MAKES NO REPRESENTATION REGARDING, AND DOES NOT ACCEPT ANY RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT OR ANY INFORMATION OR DISCLOSURE CONTAINED HEREIN, OR OMITTED HEREFROM, OTHER THAN WITH RESPECT TO THE ACCURACY OF THE INFORMATION REGARDING AGM SUPPLIED BY AGM AND PRESENTED UNDER THE HEADING "BOND INSURANCE" AND APPENDIX G – "SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

TABLE OF CONTENTS

	<u>Page</u>
LAND USE MASTER PLAN OF DISTRICT	iii
MAP SHOWING LOCATION OF DISTRICT IN CONTEXT OF SURROUNDING METROPOLITAN AREA	ivv
INTRODUCTORY STATEMENT	1
THE BONDS	3
Authority	3
General Description	3
Redemption Provisions	4
PLAN OF REFUNDING	5
SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS	6
General	6
Ad Valorem Property Taxation in the District	7
The Standby Contribution Agreement	16
The Depository Agreement	17
OVERLAPPING, ADDITIONAL AND ADDITIONAL OVERLAPPING INDEBTEDNESS	18
Overlapping General Obligation Bonded Indebtedness	18
Additional General Obligation Bonded Indebtedness of the District	20
Additional Overlapping General Obligation Bonded Indebtedness	20
BOND INSURANCE	21
RISK FACTORS RELATED TO BOND INSURANCE	23
THE DISTRICT	23
General	23
District Board and Administrative Staff	24
PUBLIC INFRASTRUCTURE	24
LAND DEVELOPMENT BY THE DEVELOPER	24
Land Development	24
SOURCES AND USES OF FUNDS	28
RISK FACTORS	28
Assessed Valuation of Property	28
Concentration of Ownership; Subsequent Transfer	28
Failure or Inability to Complete Proposed Project	29
Direct and Overlapping Indebtedness	29
Bankruptcy and Foreclosure Delays	30
Projections	31
Forward-Looking Statements	31
Availability of Standby Contribution Agreement Amounts	31
Availability of Water	32
Tax Risks	32
Amendment of Documents Referenced	32
Environmental Matters	32
LITIGATION	33
The District	33
The Developer	34
TAX MATTERS	34
General	34
Original Issue Discount and Original Issue Premium	35
Information Reporting and Backup Withholding	36
QUALIFIED TAX-EXEMPT OBLIGATIONS	36
RATING	36
LEGAL MATTERS	36
UNDERWRITING	37

TABLE OF CONTENTS

FINANCIAL ADVISOR	37
CONTINUING DISCLOSURE.....	37
NO SEPARATELY AUDITED FINANCIAL STATEMENTS OF THE DISTRICT	38
RELATIONSHIPS AMONG PARTIES	38

APPENDIX A:	INFORMATION REGARDING THE TOWN OF SAHUARITA, ARIZONA
APPENDIX B:	SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE
APPENDIX C:	FORM OF LEGAL OPINION OF BOND COUNSEL
APPENDIX D:	FORMS OF CONTINUING DISCLOSURE UNDERTAKINGS
APPENDIX E:	AUDITED FINANCIAL STATEMENTS FOR ROBSON RANCH QUAIL CREEK, LLC
APPENDIX F:	BOOK-ENTRY-ONLY SYSTEM
APPENDIX G:	SPECIMEN MUNICIPAL BOND INSURANCE POLICY

LAND USE MASTER PLAN OF DISTRICT

[TO COME]

MAP SHOWING LOCATION OF DISTRICT IN CONTEXT OF SURROUNDING METROPOLITAN AREA



\$9,340,000*
QUAIL CREEK COMMUNITY FACILITIES DISTRICT
(SAHUARITA, ARIZONA)
GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2016
(BANK QUALIFIED)

INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page, the inside front cover page and the appendices hereto, provides certain information concerning the issuance of Quail Creek Community Facilities District (Sahuarita, Arizona) General Obligation Refunding Bonds, Series 2016 (the “Bonds”), in the aggregate principal amount of \$9,340,000*. **Certain capitalized terms not defined in the text of this Official Statement are defined in Appendix B – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Definitions of Certain Terms.”**

The Community Facilities District Act of 1988, constituting Title 48, Chapter 4, Article 6, Arizona Revised Statutes (the “Enabling Act”), was enacted to provide a method of financing (including through the issuance of general obligation bonds) certain “public infrastructure purposes” (as such term is defined in the Enabling Act) relating to a community facilities district. The Mayor and Council of the Town of Sahuarita, Arizona (the “Town”), formed Quail Creek Community Facilities District (the “District”) pursuant to a resolution adopted on September 12, 2005.

The Town and the District are separate and distinct legal entities, and neither entity is legally or otherwise liable for the obligations of the other. The District has the power to issue bonds (including refunding bonds) payable from ad valorem taxes levied on all taxable property within the District with the limitations described herein.

Robson Ranch Quail Creek, LLC, a Delaware limited liability company (the “Developer”) is the original developer with the District. See Appendix A – “INFORMATION REGARDING THE TOWN OF SAHUARITA, ARIZONA” for certain information about the Town, “THE DISTRICT” for a description of the District and “LAND DEVELOPMENT BY THE DEVELOPER” for a description of the Developer.

Pursuant to a District Development, Financing Participation and Intergovernmental Agreement, dated September 1, 2005, as amended by a First Amendment to District Development, Financing Participation and Intergovernmental Agreement, to be dated as of December 1, 2016* (as so amended, the “Development Agreement”), among the Town, the District and the Developer, the District has been and is intended to provide the vehicle for financing certain public infrastructure necessary for development of the land within the boundaries of the District. See “LAND DEVELOPMENT BY THE DEVELOPER.”

Pursuant to the results of a vote of the owners of land in the District at a special bond election held in and for the District on November 8, 2005 (the “Election”), the District has the authority to issue general obligation bonds in an aggregate principal amount of not to exceed \$30,000,000 (the “Authorized Bonds”) in order to finance, among other things, the costs of public infrastructure purposes within the District, including incidental costs and the costs of issuing bonds, in more than one series, payable from ad valorem taxes (without limitation as to rate or amount, provided that refunding bonds (including the Bonds) are subject to certain limitations as described below) levied on all taxable property within the boundaries of the District and may also secure such bonds from other sources described in the Enabling Act, including amounts

* *Subject to change.*

available from sources such as the hereinafter-described Standby Contribution Agreement and Depository Agreement. The District has previously issued \$12,660,000 in principal amount of Authorized Bonds so authorized at the Election pursuant to a resolution adopted by the Board of Directors of the District (the "Board") on May 8, 2006 (the "Series 2006 Bonds"). See "PLAN OF REFUNDING" herein. The District has \$17,340,000 of the Authorized Bonds remaining unissued, payable from ad valorem property taxes levied on all taxable property in the District. Additional amounts of general obligation bonds may be authorized at future elections held in and for the District.

The Bonds are being issued pursuant to the Enabling Act and Title 35 Chapter 3 Article 4 Arizona Revised Statutes (the "Refunding Act") in order to refund all outstanding Series 2006 Bonds (the "Bonds Being Refunded"), which were issued to finance the costs to acquire and construct certain public infrastructure within the boundaries of the District, and to pay costs of issuance relating to the Bonds. See "PLAN OF REFUNDING" and "SOURCES AND USES OF FUNDS."

After the Bonds are issued, the Enabling Act and Refunding Act require that the Board annually levy and cause an ad valorem tax to be collected on all taxable property in the boundaries of the District sufficient, together with moneys from the sources described in the Enabling Act and available pursuant to the Indenture, including the Standby Contribution Agreement and Depository Agreement, to pay Debt Service with respect to the Bonds (whether at maturity or prior redemption) when due; provided, however, that the total aggregate of taxes levied to pay principal of and interest on the Bonds in the aggregate shall not exceed the total aggregate principal and interest to become due on the Bonds Being Refunded from the date of issuance of the Bonds to the final date of maturity of the Bonds Being Refunded. Subject to such limitation, such taxes are to be levied, assessed and collected at the same time and in the same manner as other taxes are levied, assessed and collected. The proceeds of the taxes will be kept in the Tax Account of the Bond Fund (the "Tax Account") and will be used only for the payment of principal and interest as above-stated. Following collection and deposit of the taxes in the Tax Account, moneys credited to the Tax Account will be invested in accordance with the provisions of State law.

As described under the heading "PLAN OF REFUNDING," the net proceeds of the sale of the Bonds and certain amounts contributed by the District for such purpose will be transferred to Wells Fargo Bank, N.A. the trustee for the Bonds Being Refunded (the "Series 2006 Trustee"), to be applied to payment of principal of and premium, if any, and interest on the Bonds Being Refunded. The owners of the Bonds must rely upon the sufficiency of such amount for the payment of the Bonds Being Refunded. The issuance of the Bonds will in no way infringe upon the rights of the holders of the Bonds Being Refunded to rely upon a tax levy for the payment of principal of and interest on the Bonds Being Refunded if amounts held by the Series 2006 Trustee prove insufficient.

In addition to the levy of ad valorem property taxes for the payment of Debt Service, pursuant to the results of the Election, the District also is authorized to levy and collect, and currently levies and collects, an ad valorem tax at a tax rate of not to exceed \$0.30 per \$100 of Net Assessed Property Value for Secondary Tax Purposes (as defined herein) on all taxable property within the boundaries of the District for operation and maintenance expenses of the District (the "Operation and Maintenance Tax").

For each year until the Bonds are paid or otherwise provided for and subject to the limitation described above, the Board will levy and cause to be collected an ad valorem tax on all taxable property within the boundaries of the District (which does not include the Operation and Maintenance Tax), sufficient, with moneys, if any, available pursuant to the Series 2016 Standby Contribution Agreement, to be dated as of December 1, 2016* (the "Standby Contribution Agreement"), by and among the District, the Developer and U.S. Bank National Association, as trustee (the "Trustee"), to pay Debt Service. The Standby Contribution Agreement will be terminated under certain circumstances. See "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS – The Standby Contribution Agreement."

Simultaneously with the delivery of the Bonds, (a) the Developer will cause the Letter of Credit Bank to have issued the initial Letter of Credit (the "Letter of Credit") for the benefit of the District and in favor of U.S. Bank National Association, as depository (the "Depository"), in the stated amount of \$1,800,000* to be held pursuant to the Series 2016 Depository Agreement, to be dated as of December 1, 2016* (the "Depository Agreement"), by and between the District and the Depository. The draw upon the Letter of Credit in the then stated amount **may** be available under certain circumstances to pay Debt Service (but not debt service with respect to any subsequently issued bonds of the District) if there has been levied and assessed an ad valorem tax of at least \$3.00 per \$100 of Net Assessed Property Value for Secondary Tax Purposes (which does not include the Operation and Maintenance Tax) on all taxable property within the boundaries of the District and amounts to pay Debt Service are not available pursuant to the Standby Contribution Agreement. The amount to be held pursuant to the Depository Agreement as a result of the draw upon the Letter of Credit will not be subject to replenishment if applied as described hereinabove, and the Depository Agreement is subject to termination under certain circumstances. See "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS – The Depository Agreement."

NEITHER THE FULL FAITH AND CREDIT NOR THE GENERAL TAXING POWER OF THE TOWN, THE STATE OF ARIZONA (THE "STATE"), OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE DISTRICT) IS PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS WILL BE OBLIGATIONS OF THE DISTRICT ONLY. NONE OF THE TOWN, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE DISTRICT) WILL HAVE ANY OBLIGATION WITH RESPECT TO DEBT SERVICE FOR THE BONDS.

THE BONDS

Authority

The Bonds are authorized pursuant to the Enabling Act and the Refunding Act and will be issued pursuant to a resolution adopted by the Board on October 24, 2016 (the "Bond Resolution"), and the Series 2016 Indenture of Trust and Security Agreement, to be dated as of December 1, 2016* (the "Indenture"), from the District to the Trustee. See Appendix B – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE." See "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS- Ad Valorem Property Taxation in the District," TABLE 7 – "ESTIMATED DEBT SERVICE REQUIREMENTS" and "OVERLAPPING, ADDITIONAL AND ADDITIONAL OVERLAPPING INDEBTEDNESS - Additional General Obligation Bonded Indebtedness of the District." See specifically "OVERLAPPING, ADDITIONAL AND ADDITIONAL OVERLAPPING INDEBTEDNESS - Additional General Obligation Bonded Indebtedness of the District" for a limitation on the issuance of the Authorized Bonds remaining unissued and bonds issued to refund such bonds or the Bonds.

General Description

The Bonds will be dated the date of their initial delivery and will mature and bear interest as set forth on the inside front cover page of this Official Statement.

Interest on the Bonds will be paid semiannually on January 15 and July 15 of each year, commencing July 15, 2017 (each such date an "Interest Payment Date"). The Bonds will bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for or, if no interest has been paid, from the date of their initial delivery, calculated on the basis of a 360-day year of twelve 30 day months.

* *Subject to change.*

The Bonds will be issued in the form of fully registered bonds, without coupons, 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 in amounts of \$5,000 of principal due on a maturity date and any integral multiples thereof in excess thereof. Payments of principal and interest will be paid by wire transfer to DTC for subsequent disbursements to DTC participants who will remit such payments to the beneficial owners of the Bonds. No document of any nature whatsoever need be surrendered as a condition to payment of the principal and interest on the Bonds. See APPENDIX F “BOOK-ENTRY-ONLY SYSTEM.”

Redemption Provisions*

Optional Redemption. The Bonds maturing on or before July 15, 20__ will not be subject to redemption prior to maturity. The Bonds maturing on and after July 15, 20__ will be subject to redemption at the option of the District as a whole or from time to time in part on July 15, 20__ or any date thereafter (each a “Redemption Date”) upon payment of the Redemption Price, which shall consist of the principal amount of the Bonds so redeemed plus accrued interest, if any, on the Bonds so redeemed from the most recent Interest Payment Date to the Redemption Date, but without premium.

Mandatory Redemption. The Bonds maturing on July 15, 20__ and July 15, 20__ will be redeemed on the following Redemption Dates and in the following amounts upon payment of the Redemption Price, which shall consist of the principal amount of the Bonds so redeemed plus accrued interest, if any, on the Bonds so redeemed from the most recent Interest Payment Date to the Redemption Date, but without premium:

**Term Bond Maturing
July 15, 20__**

Redemption Date (July 15)	Principal Amount Redeemed
--------------------------------------	--------------------------------------

(maturity)

**Term Bond Maturing
July 15, 20__**

Redemption Date (July 15)	Principal Amount Redeemed
--------------------------------------	--------------------------------------

(maturity)

* *Subject to change.*

Selection of Bonds for Redemption. In case of any redemption at the election of the District of less than all of the Bonds Outstanding, the District will, at least 60 days prior to the Redemption Date (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee in writing of such Redemption Date and of the Stated Maturities and principal amounts of Bonds to be redeemed. If less than all the Bonds Outstanding of a Stated Maturity of the Bonds are to be redeemed, the particular Bonds of such Stated Maturity of the Bonds to be redeemed will be selected not more than 45 days prior to the Redemption Date by the Trustee from the Bonds Outstanding that have not previously been called for redemption, by such random method as the Trustee shall in its sole discretion deem appropriate and that may provide for the selection for redemption of portions (equal to \$5,000 of principal amount or an integral multiple thereof) of the principal of Bonds of a denomination larger than the authorized denomination of that Bond.

Notice of Redemption. Notice of redemption will be given by the Trustee, not less than 30 days nor more than 60 days prior to the Redemption Date, to DTC. Neither the failure to mail any such notice, nor any defect in any notice so mailed, will affect the sufficiency of such notice or the redemption otherwise effected by such notice.

Effect of Redemption. Notice of redemption having been given as aforesaid, the Bonds so to be redeemed will, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the District shall default in the payment of the Redemption Price) such Bonds will cease to bear interest. Upon surrender of any such Bond for redemption in accordance with said notice, such Bond will be paid by the District at the Redemption Price, but solely from the sources provided therein.

PLAN OF REFUNDING

The proceeds from the sale of the Bonds remaining after payment of the costs of issuance, along with certain amounts contributed by the District for such purpose, will be transferred to the Series 2006 Trustee and held in trust, to be applied to payment of principal of and interest on the Bonds Being Refunded described below, without premium.

Issue Series	Maturity Date	Coupon	Principal Amount Outstanding	Bonds Being Refunded*	Redemption Date	CUSIP ⁽¹⁾ No. 74732C
2006	2030(a)	5.550%	\$9,620,000	\$9,620,000	1/10/2017	AD5
			<u>\$9,620,000</u>	<u>\$9,620,000</u>		

* *Subject to change.*

(a) Term Bond with a final maturity of July 15, 2030.

If the moneys held by the Series 2006 Trustee are not sufficient to pay the principal of and interest on the Bonds Being Refunded, the District will remain liable for payment of the Bonds Being Refunded. The ad valorem property tax to be levied for the payment of the Bonds is unlimited as to rate, but limited in amount so that the aggregate of taxes levied to pay principal of and interest on the Bonds will not exceed the total aggregate principal and interest to become due on the Bonds Being Refunded from the date of issuance of the Bonds to the final date of maturity of the Bonds Being Refunded. The Refunding Act provides that the issuance of the Bonds in no way infringes upon the rights of holders of the Bonds Being Refunded to rely upon a tax levy for the payment of principal of and interest on the Bonds Being Refunded if the moneys held by the Series 2006 Trustee prove insufficient to refund the Bonds Being Refunded. The Refunding Act further provides that owners of the Bonds must rely upon the sufficiency of the moneys held by the Series

2006 Trustee for the Bonds Being Refunded. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS.”

SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS

General

After the Bonds are issued, the Enabling Act and Refunding Act require that the Board annually levy and cause an ad valorem tax to be collected on all taxable property in the boundaries of the District sufficient, together with moneys from the sources described in the Enabling Act and which may be available pursuant to the Indenture, including the Standby Contribution Agreement and the Depository Agreement, to pay Debt Service when due; provided, however, that the total aggregate of taxes levied to pay principal of and interest on the Bonds in the aggregate shall not exceed the total aggregate principal and interest to become due on the Bonds Being Refunded from the date of issuance of the Bonds to the final date of maturity of the Bonds Being Refunded. Subject to such limitation, such taxes are to be levied, assessed and collected at the same time and in the same manner as other taxes are levied, assessed and collected. The proceeds of the taxes will be kept in the Tax Account and will be used only for the payment of principal and interest as above-stated. Following collection and deposit of the taxes in the Tax Account, moneys credited to the Tax Account will be invested in accordance with the provisions of State law.

As described under the heading “PLAN OF REFUNDING,” the net proceeds of the sale of the Bonds and any amounts contributed by the District for such purpose will be transferred to the Series 2006 Trustee, to be applied to payment of principal of, premium, if any, and interest on the Bonds Being Refunded. The owners of the Bonds must rely upon the sufficiency of such amount for the payment of the Bonds Being Refunded. The issuance of the Bonds will in no way infringe upon the rights of the holders of the Bonds Being Refunded to rely upon a tax levy for the payment of principal of and interest on the Bonds Being Refunded if amounts held by the Series 2006 Trustee prove insufficient to refund the Bonds Being Refunded. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS – *Ad Valorem* Property Taxation in the District – General Obligation Bonded Indebtedness to be Outstanding” and “OVERLAPPING, ADDITIONAL OVERLAPPING AND OTHER INDEBTEDNESS – Additional General Obligation Bonded Indebtedness of the District.”

The District and the Trustee will acknowledge pursuant to the Indenture that, subject to the limitations of the Refunding Act with respect to the Bonds, the Bonds and any general obligation bonds and other general obligation refunding bonds of the District hereafter issued will be payable on a parity basis with respect to the collection and application of property tax revenues of the District and that such property taxes will be allocated to each series of bonds in accordance with any debt service then due and, in either case, taking into account other funds held by the District for such payment. Property tax revenues allocated for any series of bonds will be deposited into the applicable fund or account set aside for such series.

Debt Service on the Bonds also will be payable from amounts paid pursuant to the Standby Contribution Agreement, which amounts will be paid to the Trustee at the times and for the period set forth in the Standby Contribution Agreement. The Standby Contribution Agreement may be terminated under certain circumstances prior to the final maturity of the Bonds. See “The Standby Contribution Agreement” below. It is expected that, based on anticipated development as described herein under the heading “LAND DEVELOPMENT BY THE DEVELOPER – Land Development,” the amount of ad valorem taxes to be collected from year to year at a tax rate of \$3.00 per \$100 of Net Assessed Property Value for Secondary Tax Purposes on all taxable property then within the boundaries of the District may, each year, pay an increasing amount of Debt Service and ultimately may be sufficient alone to pay Debt Service.

In the event the Developer fails to pay amounts due pursuant to the Standby Contribution Agreement, Debt Service (but not debt service with respect to any subsequently issued bonds of the District) **may** also be payable from the stated amount of the Letter of Credit which will be drawn and held pursuant to the Depository Agreement and then, under certain circumstances, paid to the Trustee for such purpose at the times and in the amounts set forth in the Depository Agreement. The Depository Agreement may be terminated under certain circumstances prior to the final maturity of the Bonds. See “The Depository Agreement” below.

The amounts available to be held pursuant to the Depository Agreement will not be subject to replenishment from any sources if such amounts are applied as described hereinabove.

Investment in the Bonds involves certain risks that each prospective investor should consider prior to investing. See “RISK FACTORS.”

NEITHER THE FULL FAITH AND CREDIT NOR THE GENERAL TAXING POWER OF THE TOWN, THE STATE, OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE DISTRICT) IS PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS WILL BE OBLIGATIONS OF THE DISTRICT ONLY. NONE OF THE TOWN, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE DISTRICT) WILL HAVE ANY OBLIGATION WITH RESPECT TO DEBT SERVICE FOR THE BONDS.

Ad Valorem Property Taxation in the District

Taxes levied for the maintenance and operation of counties, cities, towns, school districts, community college districts and the State are “primary taxes.” The State does not currently levy ad valorem taxes. Taxes levied for payment of bonds, like the Bonds, voter-approved budget overrides and the maintenance and operation of special service districts such as the District, sanitary, fire, road improvement and joint technological education districts are “secondary taxes.” See “Primary Taxes” and “Secondary Taxes” below.

Taxable Property

Real property and improvements and personal property are either valued by the Assessor of Pima County, Arizona (the “County”) or the Arizona Department of Revenue. Property valued by the Assessor of the County is referred to as “locally assessed” property and generally encompasses residential, agricultural and traditional commercial and industrial property. Property valued by the Department of Revenue is referred to as “centrally valued” property and generally includes large mine and utility entities.

Locally assessed property is assigned two values: full cash value and limited property value. Centrally valued property is assigned one value: full cash value.

Full Cash Value

Full cash value (“Full Cash Value”) is statutorily defined to mean “that value determined as prescribed by statute” or if no statutory method is prescribed it is “synonymous with market value which means that estimate of value that is derived annually by using standard appraisal methods and techniques,” which generally include the market approach, the cost approach and the income approach. In valuing locally assessed property, the Assessor of the County generally uses a cost approach to value commercial/industrial property and a market approach to value residential property. In valuing centrally valued property, the Arizona Department of Revenue begins generally with information provided by taxpayers and then applies procedures provided by State law. State law allows taxpayers to appeal such Full Cash Values by providing evidence of a lower value, which may be based upon another valuation approach.

Full Cash Value is used as the basis for levying taxes (both primary and secondary) on centrally valued property and personal property (except mobile homes). Full Cash Value is also used as the ceiling for determining Limited Property Value (as defined below) and as the basis for determining constitutional and statutory debt limits for certain political subdivisions in Arizona. Unlike Limited Property Value, increases in Full Cash Value are not limited.

Limited Property Value

Limited property value (“Limited Property Value”) is a property value determined pursuant to the Arizona Constitution and the Arizona Revised Statutes. For locally assessed property in existence in the prior year that did not undergo modification through construction, destruction, split or change in use, including that for mobile homes, Limited Property Value is limited to the lesser of Full Cash Value or an amount 5% greater than Limited Property Value determined for the prior year.

Limited Property Value is used as the basis for levying taxes (both primary and secondary) on locally assessed property. Unlike Full Cash Value, increases in Limited Property Value are limited as described in the prior paragraph and under the heading “Primary Taxes” below.

Property Classification and Assessment Ratios

All property, both real and personal, is assigned a classification (defined by property use) and related assessment ratio that is multiplied by the Limited Property Value or Full Cash Value of the property, as applicable, to obtain the “Limited Assessed Property Value” and the “Full Cash Assessed Value,” respectively. Such values are then multiplied by the relevant taxing jurisdiction’s primary and secondary tax rates to determine each property owner’s property tax liability.

The assessment ratios for each property classification are set forth by tax year in the following table.

TABLE 1

Property Tax Assessment Ratios (Tax Year)

Property Classification ^(a)	2012	2013	2014	2015	2016
Mining, utilities, commercial and industrial	20%	19.5%	19%	18.5%	18%
Agriculture and vacant land	16	16	16	16	15
Owner occupied residential	10	10	10	10	10
Leased or rented residential	10	10	10	10	10
Railroad, private car company and airline flight property ^(b)	15	15	16	15	14

(a) Additional classes of property exist, but seldom amount to a significant portion of a municipal body’s total valuation.

(b) This percentage is determined annually pursuant to Section 42-15005, Arizona Revised Statutes.

Source: *State and County Abstract of the Assessment Roll*, Arizona Department of Revenue (the “Property Tax Abstract”). Note that Net Assessed Property Value for Secondary Tax Purposes (as defined herein) is described as “Net Assessed Value” in the Property Tax Abstract.

Primary Taxes

Primary taxes are levied against “Net Limited Assessed Property Value” of locally assessed property and against “Net Full Cash Assessed Value” of centrally valued property. Net Limited Assessed Property Value and Net Full Cash Assessed Value are determined by excluding the value of property exempt from taxation from Limited Assessed Property Value and Full Cash Assessed Value, respectively.

The primary taxes levied by each county, city, town and community college district are constitutionally limited to a maximum increase of 2% over the maximum allowable prior year’s levy limit plus any taxes on property not subject to taxation in the preceding year (e.g., new construction and property brought into the jurisdiction because of annexation). The 2% limitation does not apply to primary taxes levied on behalf of school districts.

Primary taxes on residential property only are constitutionally limited to 1% of the Limited Property Value of such property. This constitutional limitation on residential primary tax levies is implemented by reducing the school district’s taxes. To offset the effects of reduced school district property taxes, the State compensates the school district by providing additional State aid.

Secondary Taxes

Secondary taxes are levied against Net Limited Assessed Property Value of locally assessed property and against Net Full Cash Assessed Value of centrally valued property (together, “Net Assessed Property Value for Secondary Tax Purposes”). There is no constitutional or statutory limitation on annual levies for voter-approved bond indebtedness and overrides and certain special district assessments.

Tax Procedures

The State tax year has been defined as the calendar year, notwithstanding the fact that tax procedures begin prior to January 1 of the tax year and continue through May of the succeeding calendar year.

On or before the third Monday in August each year the Board of Supervisors of the County prepares the tax roll setting forth certain valuations by taxing district of all property in the County subject to taxation. The Assessor of the County is required to complete the assessment roll by December 15th of the year prior to the levy. This tax roll also shows the valuation and classification of each parcel of land located within the County for the tax year. The tax roll is then forwarded to the Treasurer of the County.

With the various budgetary procedures having been completed by the governmental entities, the appropriate tax rate for each jurisdiction is then applied to the parcel of property in order to determine the total tax owed by each property owner. Any subsequent decrease in the value of the tax roll as it existed on the date of the tax levy due to appeals or other reasons would reduce the amount of taxes received by each jurisdiction.

The property tax lien on real property attaches on January 1 of the year the tax is levied. Such lien is prior and superior to all other liens and encumbrances on the property subject to such tax except liens or encumbrances held by the State or liens for taxes accruing in any other years. Set forth below is a record of property taxes levied and collected in the District for a portion of the current fiscal year and all of the previous five fiscal years.

TABLE 2

Real and Secured Property Taxes Levied and Collected (a)

Fiscal Year	Real and Secured Personal Property Tax Levy	Collected to June 30 End of Fiscal Year		Total Collections as of August 30, 2016	
		Amount	Percent of Tax Levy	Amount	Percent of Tax Levy
2016-17	\$465,997	(b)	(b)	(b)	(b)
2015-16	409,091	\$405,405	99.10%	\$408,805	99.93%
2014-15	354,729	351,780	99.17	354,247	99.86
2013-14	299,920	295,973	98.68	299,462	99.85
2012-13	289,408	282,825	97.73	289,408	100.00
2011-12	289,751	288,227	99.47	289,751	100.00

- (a) Taxes are collected by the Treasurer of the County. Taxes in support of debt service are levied by the Board of Supervisors of the County as required by Arizona Revised Statutes. Delinquent taxes are subject to an interest and penalty charge of 16% per annum, which is prorated at a monthly rate of 1.33%. Interest and penalty collections for delinquent taxes are not included in the collection figures above, but are deposited in the County’s General Fund. Interest and penalties with respect to the first half tax collections (delinquent November 1) are waived if the full year’s taxes are paid by December 31.
- (b) 2016/17 taxes in course of collection:
 First installment due 10-01-16, delinquent 11-01-16;
 Second installment due 03-01-17, delinquent 05-01-17.

Source: Office of the Treasurer of the County.

Delinquent Tax Procedures

The property taxes due the District are billed, along with State and other taxes, each September and are due and payable in two installments on October 1 and March 1 and become delinquent on November 1 and May 1, respectively. Delinquent taxes are subject to an interest penalty of 16% per annum prorated monthly as of the first day of the month. (Delinquent interest is waived if a taxpayer, delinquent as to the November 1 payment, pays the entire year’s tax bill by December 31.) After the close of the tax collection period, the Treasurer of the County prepares a delinquent property tax list and the property so listed is subject to a tax lien sale in February of the succeeding year. In the event that there is no purchaser for the tax lien at the sale, the tax lien is assigned to the State, and the property is reoffered for sale from time to time until such time as it is sold, subject to redemption, for an amount sufficient to cover all delinquent taxes.

After three years from the sale of the tax lien, the tax lien certificate holder may bring an action in a court of competent jurisdiction to foreclose the right of redemption and, if the delinquent taxes plus accrued interest are not paid by the owner of record or any entity having a right to redeem, a judgment is entered ordering the Treasurer of the County to deliver a treasurer’s deed to the certificate holder as prescribed by law.

In the event of bankruptcy of a taxpayer pursuant to the United States Bankruptcy Code (the “Bankruptcy Code”), the law is currently unsettled as to whether a lien can attach against the taxpayer’s property for property taxes levied during the pendency of bankruptcy. Such taxes might constitute an unsecured and

possibly non-interest bearing administrative expense payable only to the extent that the secured creditors of a taxpayer are oversecured, and then possibly only on the prorated basis with other allowed administrative claims. It cannot be determined, therefore, what adverse impact bankruptcy might have on the ability to collect ad valorem taxes on property of a taxpayer within the District. Proceeds to pay such taxes come only from the taxpayer or from a sale of the tax lien on delinquent property.

When a debtor files or is forced into bankruptcy, any act to obtain possession of the debtor’s estate, any act to create or perfect any lien against the property of the debtor or any act to collect, assess or recover a claim against the debtor that arose before the commencement of the bankruptcy is stayed pursuant to the Bankruptcy Code. While the automatic stay of a bankruptcy court may not prevent the sale of tax liens against the real property of a bankrupt taxpayer, the judicial or administrative foreclosure of a tax lien against the real property of a debtor would be subject to the stay of bankruptcy court. It is reasonable to conclude that “tax sale investors” may be reluctant to purchase tax liens under such circumstances, and, therefore, the timeliness of the payment of post-bankruptcy petition tax collections becomes uncertain.

It cannot be determined what impact any deterioration of the financial conditions of any taxpayer, whether or not protection under the Bankruptcy Code is sought, may have on payment of or the secondary market for the Bonds. None of the District, the Underwriter, the Financial Advisor (each as defined herein) or their respective agents or consultants has undertaken any independent investigation of the operations and financial condition of any taxpayer, nor have they assumed responsibility for the same.

In the event the County is expressly enjoined or prohibited by law from collecting taxes due from any taxpayer, such as may result from the bankruptcy of a taxpayer, any resulting deficiency could be collected in subsequent tax years by adjusting the District’s tax rate charged to non-bankrupt taxpayers during such subsequent tax years. See “RISK FACTORS – Bankruptcy and Foreclosure Delays.”

TABLE 3A

**Net Assessed Property Value for Secondary Tax Purposes by Property Classification (a)
Quail Creek Community Facilities District**

Legal Class	Description	2016/17	2015/16
1	Commercial, industrial, utilities & mines	\$ 54,238	\$ 54,403
2	Agricultural and vacant	2,232,475	2,694,691
3	Residential (owner occupied)	7,924,184	6,719,541
4	Residential (rental)	3,910,241	2,920,077
	Totals (b)	<u>\$ 14,121,139</u>	<u>\$ 12,388,712</u>

(a) Determined by Net Assessed Property Value for Secondary Tax Purposes. See “Ad Valorem Property Taxation in the District – Limited Property Value” and – “Secondary Taxes” herein for a discussion of the use of Net Assessed Property Value for Secondary Tax Purposes for fiscal years 2015/16 and thereafter.

(b) Totals may not add up due to rounding.

Source: *The Property Tax Abstract*, Arizona Department of Revenue and *Property Tax Rates and Assessed Values*, Arizona Tax Research Association. Note that Net Assessed Property Value for Secondary Tax Purposes is described as “Net Assessed Value” in the Property Tax Abstract.

TABLE 3B

**Net Full Cash Assessed Value by Property Classification (a)
Quail Creek Community Facilities District**

Legal Class	Description	2014/15	2013/14	2012/13
1	Commercial, industrial, utilities & mines	\$ 48,207	\$ 49,334	\$ 49,789
2	Agricultural and vacant	2,584,269	2,194,207	2,760,737
3	Residential (owner occupied)	5,682,021	6,191,292	5,476,124
4	Residential (rental)	2,434,856	653,637	483,288
	Totals (b)	<u>\$10,749,352</u>	<u>\$ 9,088,470</u>	<u>\$ 8,769,938</u>

(a) Determined by Net Full Cash Assessed Value. See “*Ad Valorem Property Taxation in the District - Limited Property Value*” and – “*Secondary Taxes*” herein for a discussion of the use of Net Full Cash Assessed Value for fiscal years prior to 2015/16.

(b) Totals may not add up due to rounding.

Source: *The Property Tax Abstract*, Arizona Department of Revenue and *Property Tax Rates and Assessed Values*, Arizona Tax Research Association. Note that Net Assessed Property Value for Secondary Tax Purposes is described as “Net Assessed Value” in the Property Tax Abstract.

TABLE 4**Net Assessed Property Value for Secondary Tax Purposes of Major Taxpayers
Quail Creek Community Facilities District**

Taxpayer	2015-16 Net Assessed Property Value for Secondary Tax Purposes	As Percent of District's 2015-16 Net Assessed Property Value for Secondary Tax Purposes
Landmark Title Trust 7916-T (a)	\$2,530,071	20.42%
Private Owner	40,752	0.33
Private Owner	37,771	0.30
Private Owner	37,771	0.30
Delcour Revoc Tr	36,357	0.29
Elan Group LLC	35,864	0.29
Private Owner	35,712	0.29
Private Owner	35,395	0.29
Private Owner	34,961	0.28
Private Owner	34,781	0.29
Total	<u>\$2,859,436</u>	<u>23.08%</u>

Source: The Assessor of the County.

(a) The Developer is the sole beneficiary of the Trust.

TABLE 5A**Comparative Net Assessed Property Values for Secondary Tax Purposes (a)
Quail Creek Community Facilities District**

Fiscal Year	Quail Creek Community Facilities District	Town of Sahuarita	Pima County	State of Arizona
2016/17	\$14,121,139	\$212,465,281	\$7,816,826,920	\$56,573,588,295
2015/16	12,388,712	203,179,337	7,620,360,873	54,838,548,829

(a) Determined by Net Assessed Property Value for Secondary Tax Purposes. See “Ad Valorem Property Taxation in the District – Limited Property Value” and “Secondary Taxes” herein for a discussion of the use of Net Assessed Property Value for Secondary Tax Purposes for fiscal years 2015/16 and thereafter.

Source: *Property Tax Rates Assessed Values*, Arizona Tax Research Association and *the Property Tax Abstract*, Arizona Department of Revenue. Note that Net Assessed Property Value for Secondary Tax Purposes is described as “Net Assessed Value” in the Property Tax Abstract.

TABLE 5B

**Comparative Net Full Cash Assessed Values (a)
Quail Creek Community Facilities District**

<u>Fiscal Year</u>	<u>Quail Creek Community Facilities District</u>	<u>Town of Sahuarita</u>	<u>Pima County</u>	<u>State of Arizona</u>
2014/15	\$10,749,352	\$195,557,544	\$7,579,898,868	\$55,352,051,074
2013/14	9,088,470	190,268,870	7,623,691,280	52,594,377,492
2012/13	8,769,938	200,123,048	8,171,211,922	56,271,814,583

(a) *Determined by Net Full Cash Assessed Value. See “Ad Valorem Property Taxation in the District – Limited Property Value” and – “Secondary Taxes” herein for a discussion of the use of Net Full Cash Assessed Value for fiscal years prior to 2015/16.*

Source: *Property Tax Rates Assessed Values*, Arizona Tax Research Association and *the Property Tax Abstract*, Arizona Department of Revenue. Note that Net Assessed Property Value for Secondary Tax Purposes is described as “Net Assessed Value” in the Property Tax Abstract.

TABLE 6

**Estimated Net Full Cash Value History
Quail Creek Community Facilities District**

<u>Fiscal Year</u>	<u>Estimated Net Full Cash Value (a)</u>
2016/17	\$133,529,211
2015/16	113,605,911
2014/15	97,574,874
2013/14	82,416,206
2012/13	77,071,299

(a) Estimated Net Full Cash Value is the total market value of the property within the District less the estimated Full Cash Value of property exempt from taxation within the District.

Source: *The Property Tax Abstract*, Arizona Department of Revenue. Note that Net Assessed Property Value for Secondary Tax Purposes is described as “Net Assessed Value” in the Property Tax Abstract.

General Obligation Bonded Indebtedness to be Outstanding.

Following the issuance of the Bonds and application of the proceeds as described under “PLAN OF REFUNDING,” the District will have no general obligation bonds outstanding other than the Bonds. However, the owners of the Bonds must rely upon the sufficiency of the amount transferred to the Series 2006 Trustee for the payment of the Bonds Being Refunded. The Refunding Act provides that the issuance of the Bonds will in no way infringe upon the rights of the holders of the Bonds Being Refunded to rely upon a tax levy for the payment of principal of and interest on the Bonds Being Refunded if amounts held by the Series 2006 Trustee prove insufficient to refund the Bonds Being Refunded. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS.”

TABLE 7

ESTIMATED DEBT SERVICE REQUIREMENTS (a)

Fiscal Year Ending July 15	Bonds Outstanding* (b)		The Bonds*		Total Estimated Annual Debt Service Requirements*
	Principal	Interest	Principal	Interest (c)	
2017	\$ -	\$ -	\$ 795,000	\$ 231,424 (d)	\$ 1,026,424
2018	-	-	535,000	341,800	876,800
2019	-	-	540,000	320,400	860,400
2020	-	-	560,000	298,800	858,800
2021	-	-	575,000	276,400	851,400
2022	-	-	600,000	253,400	853,400
2023	-	-	625,000	229,400	854,400
2024	-	-	650,000	204,400	854,400
2025	-	-	670,000	178,400	848,400
2026	-	-	700,000	151,600	851,600
2027	-	-	725,000	123,600	848,600
2028	-	-	755,000	94,600	849,600
2029	-	-	790,000	64,400	854,400
2030	-	-	820,000	32,800	852,800
	<u>\$ -</u>		<u>\$ 9,340,000</u>		

* Subject to change.

(a) Prepared by Stifel, Nicolaus & Company, Incorporated (the “Financial Advisor”).

(b) Net of Bonds Being Refunded.

(c) Interest is estimated at 4.0%.

(d) The first interest payment on the Bonds will be due on July 15, 2017. Thereafter, interest payments will be made semiannually on January 15 and July 15 until maturity or prior redemption.

The Standby Contribution Agreement

Pursuant to the Standby Contribution Agreement, in any Fiscal Year prior to termination of the Standby Contribution Agreement, so long as the District has, with respect to any Interest Payment Date occurring on January 15, levied for that Fiscal Year a tax rate of at least \$3.00 per \$100 of Net Assessed Property Value for Secondary Tax Purposes and, with respect to any Interest Payment Date occurring on July 15, levied such tax rate for the immediately preceding Fiscal Year (provided, however, that the tax rate in any such Fiscal Year for such purpose may be less than \$3.00 if the Board expected that such lower rate would produce secondary ad valorem property tax revenues sufficient to pay in full Debt Service and the Depository Agreement has, or is in the process of being, terminated pursuant to its terms), the Developer will be obligated to pay to the Trustee on each October 12 prior to a January 15 Interest Payment Date and on each April 11 prior to a July 15 Interest Payment Date the amount equal to the amount estimated by the Trustee to be the difference between one-half of the aggregate amount due as Debt Service on the next January 15 and July 15 and one-half of the tax revenues for such year expected to be produced at such tax rate based on the then current Net Assessed Property Value for Secondary Tax Purposes of taxable property in the District (assuming a five percent delinquency factor) less the amount then held in the Tax Account of the Bond Fund for such purpose. As provided in the Indenture, the Trustee will submit a request for payment under the Standby Contribution Agreement for such moneys to be used to pay Debt Service. See Appendix B – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Bond Fund.” The Standby Contribution Agreement allows for submission of an additional request for payment under the Standby Contribution Agreement immediately before payment of Debt Service if any shortfall arises after the initial request.

The Standby Contribution Agreement will terminate upon the earlier of (i) the payment of or the provision for the payment in full of all of the Bonds Outstanding or (ii) receipt by the District Manager of evidence satisfactory to the District Manager that, for any consecutive three Fiscal Years (the first of which may not be sooner than the first Fiscal Year after the Depository Agreement is terminated), a tax rate of \$3.00 per \$100 of Net Assessed Property Value for Secondary Tax Purposes of property within the boundaries of the District for each such Fiscal Year would have been sufficient to pay maximum annual debt service with respect to the Bonds and any other general obligation or general obligation refunding bonds of the District hereafter issued for any subsequent Fiscal Year plus the historical, annual, average of amounts necessary for payment of administrative expenses relating to the Bonds as of such Fiscal Year. Such evidence will consist of a written projection, prepared by the District Manager upon a written request of the Developer, that is based upon the application of such secondary tax rate in light of the actual Net Assessed Property Value for Secondary Tax Purposes of the property within the boundaries of the District for each such Fiscal Year, assuming a delinquency factor equal to the greater of five percent or the historic, average, annual percentage delinquency factor for the District as of such Fiscal Year and without credit for any fund balances or investment income accruing during such Fiscal Year. After receipt of proof that such condition has been satisfied, the Board will approve in writing the termination of the Standby Contribution Agreement, such approval not to be withheld unreasonably. See “RISK FACTORS - Bankruptcy and Foreclosure Delays” and “ – Availability of Standby Contribution Agreement Amounts.”

Upon the occurrence of any failure to pay amounts due pursuant to the Standby Contribution Agreement, the Trustee will proceed directly against the Developer under the Standby Contribution Agreement without proceeding against or exhausting any other remedies which it may have against the District, or any other person, firm or corporation and without resorting to any other security held by the District or the Trustee. Before taking any such action, the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses and to protect against all liability, except liability that is adjudicated to have resulted from its negligence or willful default by reason of any action so taken.

The Depository Agreement

Simultaneously with the delivery of the Bonds, the Developer will cause the Letter of Credit Bank to issue the Initial Letter of Credit to be issued for the benefit of the District and in favor of the Depository in the stated amount of \$1,800,000*. On February 15 of each year, if the Net Assessed Property Value for Secondary Tax Purposes of property within the boundaries of the District used to levy taxes during the preceding August exceeded that used in the prior August, the difference between the maximum annual debt service for the Bonds and the general obligation or other general obligation refunding bonds of the District herein after issued and the Discounted Tax Revenues shall be calculated by the District Manager and the face amount of the Letter of Credit shall be subject to automatic reduction in the face amount to an amount equal to three (3) times such difference.

To the extent described in and pursuant to the terms of the Depository Agreement, the draw upon the Letter of Credit in the stated amount (the "Draw") will be made by the Depository pursuant to the Depository Agreement and **may** be paid over to the Trustee in amounts necessary to supplement ad valorem property tax revenues of the District for the payment of Debt Service if amounts are not available for such purpose pursuant to the Standby Contribution Agreement. See "The Standby Contribution Agreement" above. To be able to make the Draw to have such amounts available pursuant to the Depository Agreement for the payment of such Debt Service before the Depository Agreement is terminated according to its terms, the Board must have, with respect to any Interest Payment Date occurring on January 15, levied for that Fiscal Year a tax rate of at least \$3.00 per \$100 of Net Assessed Property Value for Secondary Tax Purposes and with respect to any Interest Payment Date occurring on July 15, levied such tax rate for the immediately preceding Fiscal Year.

If such taxes have been so levied, the Draw also will be made and the amount thereof held pursuant to the Depository Agreement upon (a) the failure to obtain and deliver to the Depository an Alternate Letter of Credit as hereafter described or (b) the Letter of Credit Bank (i) commencing a proceeding under any federal or state insolvency, reorganization or similar law, or having such a proceeding commenced against it and either having an order of insolvency or reorganization entered against it or having the proceeding remain undismissed and unstayed for 90 days or (ii) having a receiver, conservator, liquidator or trustee appointed for it or for the whole or any substantial part of its property. The Developer may, at its option, provide for the delivery to the Depository of an Alternate Letter of Credit to take effect on the Letter of Credit Termination Date of the then effective Letter of Credit. For an Alternate Letter of Credit to be effective, prior to 60 Business Days prior to the Letter of Credit Termination Date, the Depository and the District must have received the following, in form and substance acceptable to the District Manager: evidence that the Alternate Letter of Credit has a Tier 1 Leverage Ratio indicated in the definition of "Alternate Letter of Credit"; an opinion of counsel for the issuer of the Alternate Letter of Credit that it constitutes a legal, valid and binding obligation of the issuer in accordance with its terms; an opinion of nationally recognized bond counsel that such replacement is authorized pursuant to the Depository Agreement and will not cause interest on the Bonds to become includable in gross income for federal income tax purposes; and the Alternate Letter of Credit, meeting all of the other requirements provided in the definition of "Alternate Letter of Credit" and being unconditionally binding and effective as of the Letter of Credit Termination Date.

If the Draw has occurred because of the event described in clause (a) or (b) in the preceding paragraph, the District Manager may, in his sole and absolute discretion and pursuant to the same terms and conditions for provision of an Alternate Letter of Credit and whatever additional terms and conditions the District Manager deems appropriate, instruct the Depository to exchange the proceeds of the Draw for a new letter of credit

* *Subject to change.*

meeting the qualifications in the definition of “Alternate Letter of Credit.” After such exchange, such new letter of credit will be treated as the Letter of Credit for all purposes of the Depository Agreement.

After the Draw, on each July 2 and January 2, the Trustee will notify the Depository of the Debt Service coming due on the next succeeding July 15 or January 15, as the case may be, and state the amounts then on deposit in the Bond Fund and the accounts therein under the Indenture including amounts received pursuant to the Standby Contribution Agreement. Based on the amounts indicated to the Depository but subject to the next sentence, the Depository will pay to the Trustee for deposit in the Bond Fund, as described in Appendix B – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Bond Fund,” an amount sufficient to pay the remaining amount of Debt Service due on the Bonds on the next succeeding July 15 or January 15, as the case may be, such amount to be paid on July 8 and January 8, respectively. **Notwithstanding the foregoing, amounts held pursuant to the Depository Agreement shall be paid as otherwise directed in a request by the District Manager to enforce performance of the obligations of the parties to the Standby Contribution Agreement.**

Amounts held pursuant to the Depository Agreement after a Draw will be invested in certain Permitted Investments. Earnings on amounts held by the Depository pursuant to the Depository Agreement will be deposited with the Depository and held pursuant to the Depository Agreement.

The Depository Agreement will terminate upon the earliest of (i) the payment of or the provision for the payment in full of all of the Bonds Outstanding; (ii) expiration of the Letter of Credit because the face amount thereof has been reduced to \$50,000 or less, or (iii) receipt by the District Manager in any Fiscal Year of evidence satisfactory to the District Manager that, in any Fiscal Year after which principal of the Bonds has started to be amortized for such Fiscal Year, a tax rate of \$3.00 per \$100 of Net Assessed Property Value for Secondary Tax Purposes of property within the boundaries of the District would have been sufficient to pay maximum annual debt service with respect to the Bonds and any general obligation or other general obligation refunding bonds of the District hereafter issued for any subsequent Fiscal Year plus the historical, annual, average of amounts necessary for payment of administrative expenses relating to the Bonds as of such Fiscal Year. Such evidence will consist of a written projection, prepared by the District Manager, if the Letter of Credit has not been drawn, upon a written request of the Developer and otherwise at the discretion of the District Manager, that is based upon the application of such secondary tax rate in light of the actual Net Assessed Property Value for Secondary Tax Purposes of the property within the boundaries of the District for each such Fiscal Year, assuming a delinquency factor equal to the greater of five percent or the historic, average, annual percentage delinquency factor for the District as of such Fiscal Year and without credit for any fund balances or investment income accruing during such Fiscal Year. After receipt of proof of satisfaction of such condition, the Board will approve in writing the termination of the Letter of Credit, such approval not to be withheld unreasonably.

OVERLAPPING, ADDITIONAL AND ADDITIONAL OVERLAPPING INDEBTEDNESS

Overlapping General Obligation Bonded Indebtedness

Overlapping general obligation bonded indebtedness is shown on the following page including a breakdown of each overlapping jurisdiction’s applicable general obligation bonded indebtedness, Net Assessed Property Value for Secondary Tax Purposes and combined tax rate per \$100 Net Assessed Property Value for Secondary Tax Purposes. Outstanding bonded indebtedness is comprised of general obligation bonds outstanding and general obligation bonds scheduled for sale. See “RISK FACTORS - Direct and Overlapping Indebtedness.”

TABLE 8

OVERLAPPING GENERAL OBLIGATION BONDED INDEBTEDNESS

Direct and Overlapping Jurisdiction	2016/17 Net Assessed Property Value for Secondary Tax Purposes	General Obligation Bonded Debt Outstanding (a)	Proportion Applicable to the District Based on 2016/17 Net Assessed Property Value for Secondary Tax Purposes		2016/17 Combined Tax Rate Per \$100
			Approximate Percent	Net Debt Amount	Net Assessed Property Value for Secondary Tax Purposes (b)
State of Arizona	\$ 56,573,588,295	None	0.02%	None	None
Pima County (c)	7,816,826,920	\$ 341,300,000	0.18	None	\$6,5262
Pima County Community College District	7,816,826,920	None	0.18	None	1,3733
Continental Elementary School District No. 39	320,270,535	14,730,000	3.33	490,782	2.4626
Town of Sahuarita	212,465,281	None	5.02	None	None
Green Valley Fire Department	351,100,089	None	3.04	None	2.3804
The District (d)	14,121,139	9,340,000*	100.00	<u>9,340,000*</u>	3.3000
Total Net Direct and Overlapping General Obligation Bonded Debt				<u>\$ 9,830,782*</u>	

* Subject to change.

- (a) Does not include the obligation of the Central Arizona Water Conservation District (“CAWCD”) to the United States of America, Department of the Interior for repayment of certain capital costs of construction of the Central Arizona Project (“CAP”), a major reclamation project that has been substantially completed by the Bureau of Reclamation to deliver Colorado River water to central Arizona and Tucson. CAWCD’s obligation for substantially all of the CAP features that have been constructed is \$1.646 billion, which amount assumes (but does not mandate) that the United States will acquire a total of 667,724 acre feet of CAP water for federal purposes. Of the \$1.646 billion repayment obligation, 73 percent will be interest bearing and the remaining 27 percent will be non-interest bearing. These percentages will be fixed for the entire 50 year repayment period, which commenced October 1, 1993. CAWCD is a multi-county water conservation district having boundaries coterminous with the exterior boundaries of Maricopa, Pima and Pinal Counties. It was formed for the express purpose of paying payment administrative costs and expenses of CAP and to assist in repayment to the United States of the capital costs of CAP. Repayment will be made from a combination of power revenues, subcontract revenues (i.e., agreements with municipal, industrial, and agricultural water users for delivery of CAP water) and a tax levy against all taxable property in the CAWCD. At the date of this Official Statement, the tax levy is limited to 14 cents per \$100 of Net Assessed Property Value for Secondary Tax Purposes, of which 14 cents is being levied. (See Sections 48-3715 and 3715.02, Arizona Revised Statutes.) There can be no assurance that such levy limit will not be increased or removed at any time during the life of the contract.
- (b) The combined tax rate includes the tax rate for debt service payments and maintenance and operation outlay for the District and the tax rate for all other purposes such as capital and other maintenance and operation outlay, which is based on the Net Assessed Property Value for Secondary Tax Purposes of the entity.
- (c) The County’s tax rate includes the \$4.9896 tax rate of the County, the \$0.1400 tax rate of CAWCD, the \$0.3335 tax rate of the Pima County Flood Control District, the \$0.05153 tax rate of the County Free Library, the \$0.0468

tax rate of the County Fire District and the \$0.5010 “State Equalization Assistance Property Tax.” It should be noted that the County Flood Control District does not levy taxes on personal property. The State Equalization Assistance Property Tax is adjusted annually pursuant to Arizona Revised Statutes, Section 41-1276.

(d) Includes the Bonds.

Source: Individual jurisdictions and the Pima County Assessor’s Office.

Additional General Obligation Bonded Indebtedness of the District

In addition to the Bonds, the District retains the right to issue, subject to the authorization remaining from the Election or authorization from a future bond election, in accordance with the procedures set forth in the Enabling Act, additional series of bonds payable from *ad valorem* property taxes. See TABLE 7 – “ESTIMATED DEBT SERVICE REQUIREMENTS.” See also “RISK FACTORS - Direct and Overlapping Indebtedness.”

The Enabling Act provides that the total aggregate outstanding amount of bonds and any other indebtedness for which the full faith and credit of the District are pledged will not exceed 60 percent of the aggregate of the estimated market value of the real property and improvements in the District after the public infrastructure of the District is completed plus the value of the public infrastructure owned or to be acquired by the District with the proceeds of the bonds. (The District has made a finding that issuance of the Bonds will meet the test set forth above.)

To the extent no otherwise prohibited by applicable law from doing so, the Board has resolved in the Bonds Resolution that, while any of the Bonds remain outstanding and AGM (as defined herein) is not in default with respect to the Policy (as defined herein), additional amounts of Authorized Bonds shall not be issued unless, at the time of issuance thereof, the principal amount of the Bonds, the Authorized Bonds hereafter issued and any bonds issued to refund the Bonds and the Authorized Bonds then outstanding and to be outstanding is not more than fifty percent (50%) of the Net Assessed Property Value for Secondary Tax Purposes as of the last preceding tax levy of property within the boundaries of the District.

Pursuant to the Election, the District was authorized to incur general obligation bonded indebtedness in an amount not to exceed \$30,000,000 and \$17,340,000 of the Authorized Bonds remaining unissued. Additional indebtedness could be authorized for the District in the future pursuant to other elections.

Additional Overlapping General Obligation Bonded Indebtedness

The District has no control over the amount of additional indebtedness payable from taxes on all or a portion of the property within the District that may be issued in the future by other political subdivisions, including but not limited to the Town, Pima County, Arizona, Continental Unified School District No. 39 of Pima County Arizona, Pima County Community College District, or other entities having jurisdiction over all or a portion of the land within the District. Additional indebtedness could be authorized for such overlapping jurisdictions in the future. See “RISK FACTORS - Direct and Overlapping Indebtedness.”

The following overlapping entities of the District have the indicated authorized but unissued general obligation bonds available for future issuance:

**TABLE 9
AUTHORIZED BUT UNISSUED OVERLAPPING
GENERAL OBLIGATION BONDS**

Continental Elementary School District No. 39	\$ 14,730,000
-----------------------------------------------	---------------

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. (“AGM” or the “Bond Insurer”) will issue its Municipal Bond Insurance Policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO”. AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM’s financial strength is rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“KBRA”) and “A2” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of obligations insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On July 27, 2016, S&P issued a credit rating report in which it affirmed AGM’s financial strength rating of “AA” (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On August 8, 2016, Moody’s published a credit opinion affirming its existing insurance financial strength rating of “A2” (stable outlook) on AGM. AGM can give no assurance as to any further ratings action that Moody’s may take.

On December 10, 2015, KBRA issued a financial guaranty surveillance report in which it affirmed AGM’s insurance financial strength rating of “AA+” (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

Capitalization of AGM

At June 30, 2016, AGM's policyholders' surplus and contingency reserve were approximately \$3,841 million and its net unearned premium reserve was approximately \$1,459 million. Such amounts represent the combined surplus, contingency reserve and net unearned premium reserve of AGM, AGM's wholly owned subsidiary Assured Guaranty (Europe) Ltd. and 60.7% of AGM's indirect subsidiary Municipal Assurance Corp.; each amount of surplus, contingency reserve and net unearned premium reserve for each company was determined in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2015 (filed by AGL with the SEC on February 26, 2016);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2016 (filed by AGL with the SEC on May 5, 2016); and
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2016 (filed by AGL with the SEC on August 4, 2016).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure

contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “BOND INSURANCE”.

RISK FACTORS RELATED TO BOND INSURANCE

The following are risk factors relating to bond insurance generally. In the event of default of the payment of principal or interest with respect to any of the Bonds when all or some becomes due, any owner of the Bonds on which such principal or interest was not paid will have a claim under the Policy for such payments. In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds will remain payable as described under “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS.” In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance will be given that such event will not adversely affect the market price of the Bonds and the marketability (liquidity) of the Bonds.

The long-term ratings on the Bonds will be dependent in part on the financial strength of the Bond Insurer and its claims paying ability. The Bond Insurer’s financial strength and claims paying ability will be predicated upon a number of factors which could change over time. No assurance will be given that the long-term rating of the Bond Insurer and of the rating on the Bonds insured by the Bond Insurer will not be subject to downgrade, and such event could adversely affect the market price of the Bonds and the marketability (liquidity) of the Bonds.

The bonds of the Bond Insurer will be general obligations of the Bond Insurer, and in an event of default by the Bond Insurer, the remedies available may be limited by applicable bankruptcy law, state receivership or other similar laws related to insolvency of insurance companies.

None of the District, the Financial Advisor, the Underwriter, or their respective attorneys, agents or consultants has made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer will be given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal of and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment.

THE DISTRICT

General

The District encompasses approximately 1,192 acres (the “District Land”) located within the southern portion of the Town. The Town is located in the County and is considered part of the greater Tucson metropolitan area. See Appendix A – “INFORMATION REGARDING THE TOWN OF SAHUARITA, ARIZONA,” which includes certain information about the Town and surrounding area, and, generally, the information on pages (iii) and (iv).

The Town formed the District pursuant to a resolution adopted on September 12, 2005. The District is a special purpose, tax levying public improvement district for certain constitutional purposes and a municipal corporation for certain other statutory purposes. The District has the power to implement the District’s general plan for public infrastructure primarily through the issuance of general obligation, assessment or revenue bonds. The District has no current plans to issue assessment or revenue bonds.

District Board and Administrative Staff

In accordance with State law, the Mayor and Council of the Town serve as the Chairman and members of the District Board. Additionally, the District Board has appointed L. Kelly Udall, the Town Manager, as the District Manager, A.C. Marriotti, the Town’s Finance Director, as the District Treasurer and the District Finance Director, Daniel Hochuli, the Town Attorney, as the District Counsel and Lisa Cole, the Town Clerk, as the District Clerk.

PUBLIC INFRASTRUCTURE

The Series 2006 Bonds included the cost of constructing and acquiring the public infrastructure (the “Public Infrastructure”) within the District necessary for development. The total acquisition and construction cost of the Public Infrastructure for the Series 2006 Bonds was \$11,220,250, as follows:

Description	Cost	Year Acquired/Completed
Campbell Avenue (Public Arterial)	\$1,736,000	2008
Campbell Avenue Bridge	816,000	2008
South Boundary Roadway (Public Arterial)	2,135,000	2008
Landscaping Along Public Streets	246,000	2008
Drainage Improvements	418,000	2008
Public Sewer System	1,527,000	2008
Bridges at Wash Crossings	2,119,000	2008
Park	2,223,250	2009

The Public Infrastructure of the Series 2006 Bonds was publicly bid in compliance with the process required by State law and the District.

LAND DEVELOPMENT BY THE DEVELOPER

The information contained in this section relates to and has been obtained from the Developer, and none of the District, the Financial Advisor or the Underwriter assumes any responsibility for the accuracy or completeness thereof. None of the District, the Financial Advisor or the Underwriter make any representation regarding projected development plans within the District, the financial soundness of the Developer or other property owners and developers or the managerial ability of such persons and entities to complete development as planned. The development of the District Land may be affected by factors, such as governmental policies with respect to land development, the availability of utilities, the availability of energy, construction costs, interest rates, competition from other developments and other political, legal and economic conditions beyond the control of the District, property owners and developers. Further, the District Land may be subject to encumbrances as security for obligations payable to various parties, the default of which could adversely affect construction activity. See “RISK FACTORS.”

Land Development

General. The District Land, which consists of approximately 1,192 acres, is being developed by the Developer as part of an approximately 2,113-acre master-planned residential development known as “Quail Creek” (the “Project”). The portion of the Project located on District Land anticipated to include, and applicable zoning would permit, approximately 2,600 units consisting of single family dwellings, as well as related golf courses and amenities, within the District.

The District Land includes approximately 28 acres designated for public parks and open spaces, which, as part of subsequent phases of development of the Project, will include both passive and active recreational

amenities, including a softball field, small water features, shade ramadas and youth playground facilities. The park also will feature public restrooms. Later phases may include public meeting space.

Although the number of acres devoted to each particular land use may ultimately vary, the District is currently expected to include the following land uses:

**TABLE 10
EXPECTED LAND USES WITHIN THE DISTRICT**

<u>Type of Development</u>	<u>Approximate Acres of District Land</u>
Residential	1,122
Public Roadways/Rights-of-Way	42
Open Space/Parks	<u>28</u>
Total	1,192

Ownership of District Land. Title to the District Land is held in a trust (the “Trust”) and controlled by the Developer. Pursuant to the Trust Agreement, the Developer is responsible to pay all taxes and assessments levied and assessed upon and against the District Land held in the Trust.

Development of Quail Creek. The initial phases of development of the Project began prior to the purchase of the Project by the Developer in June 1999. At the time of the Developer’s acquisition, there were approximately 110 existing homes, a nine-hole golf course and some amenities. Shortly after assuming ownership of the Project, the Developer modified the product offerings with new floor plans and model homes. Since 1999, the Developer has made numerous improvements to the Project, including construction of an additional eighteen holes of golf, a new sales office, a new clubhouse, a new grille, a creative and technology center, a sixteen-court pickleball complex and improvements to existing amenities, including the pro shop, fitness center, aquatic facility and meeting space.

The following table sets forth the sales and closings of new homes (net of cancellations) for the years since 2005.

**TABLE 11
QUAIL CREEK HOME SALES AND CLOSINGS**

<u>Calendar Year</u>	<u>Total Sales</u>	<u>Total Closings</u>
2005	234	239
2006	138	279
2007	47	254
2008	48	50
2009	62	73
2010	49	76
2011	45	64
2012	53	51
2013	57	51
2014	82	70
2015	100	80
2016*	59	66
Totals	<u>974</u>	<u>1,353</u>

	<u>Not in District</u>	<u>In District</u>
Total Lots	1,638	2,679
Total Lots Closed	1,485	531
Lots Currently Sold, Not Closed	6	49
Total Lots Available	147	2,099

* Through August 31, 2016.

Source: The Developer.

Single family homes constructed by the Developer are anticipated to have an average price of \$325,000. The Developer's absorption projections for the portion of the Project included in the District are set forth below in Table 12. **Such projections are "forward looking" statements and should be considered with an abundance of caution.**

**TABLE 12
QUAIL CREEK ESTIMATED HOME CLOSING ABSORPTION SCHEDULE**

<u>Year</u>	<u>Not in District</u>	<u>In District</u>	<u>Annual Total</u>	<u>District Total</u>
2016	2	88	90	557
2017	2	107	109	664
2018	2	107	109	771
2019	2	107	109	878
2020	2	107	109	985
2021	2	107	109	1,092
2022	2	107	109	1,199
2023	2	107	109	1,306
2024	2	107	109	1,413
2025	2	107	109	1,520
2026	2	107	109	1,627
2027	2	107	109	1,734
2028	2	107	109	1,841
2029	2	107	109	1,948
2030	2	107	109	2,055
2031	2	107	109	2,162
2032	2	107	109	2,269
2033	2	107	109	2,376
2034	2	107	109	2,483
2035	2	117	119	2,600

Source: The Developer.

As stated above, there is no guarantee that the foregoing projections will occur. Additionally, the Developer anticipates that it will, and there are no restrictions on the ability of the Developer to, sell a portion of the District Land to individuals and other homebuilders, and there can be no assurance now or at the time the

Bonds are issued that any subsequent owners will have the financial capability to, or will, commence or complete development on any portion of the District Land so acquired. See **“RISK FACTORS – Concentration of Ownership; Subsequent Transfer” and “—Failure or Inability to Complete Proposed Project.”**

Other Project Infrastructure. In addition to the public infrastructure, the portion of the Project within the District will include construction of certain other infrastructure (the *“Project Infrastructure”*). None of the Project Infrastructure will be financed with proceeds from the sale of the Bonds, but instead will be financed by the Developer through a combination of equity and new debt.

Environmental, Cultural, and Biological. As part of the due diligence process associated with the acquisition of the Project site, outside consultants were employed to evaluate environmental, cultural, and biological impediments to the development of the site. See **“RISK FACTORS – Environmental”** herein.

Existing Indebtedness. There is currently a joint credit facility recorded on the Project, but there is no outstanding amount owed under this facility; there is only the existing letter of credit drawn against it in connection with the Bonds Being Refunded.

The Developer is currently in the process of replacing that joint credit facility with a new joint credit facility. Under the new credit facility, the Developer will be a debtor.

The Developer

The Developer is a Delaware limited liability company organized on June 23, 1999 to develop the Project. The Developer sells residences on improved lots and provides amenities for the homeowners, such as golf courses, country clubs, tennis courts and other recreational facilities within the adult community. In July 1999, the Developer purchased the Project from the original developer.

The Developer’s audited financial statements for the fiscal year ended December 31, 2015 are included as APPENDIX E.

SOURCES AND USES OF FUNDS

Shown below is the sources and uses of funds related to the Bonds.

Sources of Funds

Par Amount of Bonds
[Net] Original Issue Premium/(Discount) (a)

Total

Uses of Funds

Transfer to Series 2006 Trustee
Costs of Issuance (including Underwriter's Compensation) (b)

Total

* *Subject to change.*

- (a) *Net original issue premium consists of original issue premium on the Bonds, less original issue discount on the Bonds.*
- (b) *Will include bond insurance premium and compensation and costs of the Underwriter with respect to the Bonds.*

RISK FACTORS

THIS SECTION SETS FORTH A BRIEF SUMMARY OF SOME OF THE PRINCIPAL RISK FACTORS IN INVESTING IN THE BONDS. PROSPECTIVE INVESTORS SHOULD FULLY UNDERSTAND AND EVALUATE THESE RISKS, IN ADDITION TO THE OTHER FACTORS SET FORTH IN THIS OFFICIAL STATEMENT, BEFORE MAKING AN INVESTMENT DECISION. INVESTMENT IN THE BONDS SHOULD BE MADE ONLY AFTER CAREFUL EXAMINATION OF THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO.

Assessed Valuation of Property

Information is provided herein with respect to the assessed valuation of the District Land. See Table 3A – “Net Assessed Property Value for Secondary Tax Purposes by Property Classification.” It is anticipated that the assessed valuation of the District will increase as the development of the Project continues. However, less than expected increases in future assessed valuation or decreases in the future assessed valuation of the District may reduce the willingness of landowners to pay the ad valorem property taxes securing the Bonds or adversely affect the interest of potential buyers of such property at any foreclosure sale for purposes of paying such taxes. See “SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS – Ad Valorem Property Taxation in the District.”

Concentration of Ownership; Subsequent Transfer

There can be no assurance that the Developer has the financial capability to complete development within the Project. Because there can be no assurance that the members of the limited liability company that form the Developer will provide additional funds to the Developer, nor that bank loans will be available to the Developer sufficient to pay all costs attributable to the Project, the Developer may have to depend on revenues from sales of lots and parcels to generate cash flow and otherwise make funds available to pay all costs associated with the ownership, operation and development of the Project. If the Developer has to depend on sales of lots and parcels to generate cash flow, there can be no assurance that sufficient funds will be available to the Developer to pay all of its obligations and liabilities, including, without limitation, property taxes (including those relating to property then owned by the Developer to be applied to pay the Bonds), as such obligations and liabilities become due and payable.

See TABLE 4 with regard to the concentration of ownership of property in, and obligation for payment of property taxes of, the District in certain entities.

In addition, the Developer may transfer ownership of parcels (or portions thereof) designated for residential development within the District to homebuilders prior to completion of development therein. There are no restrictions on the ability of the Developer to sell parcels (or portions thereof). There can be no assurance that any builder will ultimately acquire and develop all of the lots, nor any assurance that any builder will be able to obtain the projected sales prices for any houses to be constructed on the lots.

Failure or Inability to Complete Proposed Project

The continuing development and successful completion of the Project by the Developer is contingent upon construction or acquisition of major public improvements such as arterial streets, water distribution facilities, sewage collection and transmission facilities, drainage facilities, telephone and electrical facilities, recreational facilities and street lighting, as well as local in-tract improvements, including site grading. If the Developer is unable to complete these additional improvements, the ability of the Developer to sell land would be affected adversely.

There are no assurances the Developer can obtain the necessary financing to pay for the required development costs. Cash generated from the sale of land within the District by the Developer is expected to fund a substantial portion of the costs of the development. The cost of these additional improvements plus the public and private in-tract, on-site and off-site improvements may increase the public and private debt for which the land within the District is security. The burden of additional debt would be placed on the land within the District to complete the necessary improvements. See "Direct and Overlapping Indebtedness" below.

Direct and Overlapping Indebtedness

The ability of an owner of land within the District to pay its ad valorem taxes could be affected by the existence of other taxes and assessments imposed upon the property, including special assessment bonds. The District and other political subdivisions whose boundaries overlap those of the District could, without the consent of the District and, in certain cases, without the consent of the owners of the land within the District, impose additional ad valorem taxes or assessment liens on the property within the District in order to finance public improvements to be located inside or outside of the District. (The existing public debt relating to the District is set forth in "OVERLAPPING, ADDITIONAL AND ADDITIONAL OVERLAPPING INDEBTEDNESS.") The lien created on the property within the District through the levy of ad valorem taxes would be on a parity with that for the ad valorem taxes securing the Bonds. The imposition of additional parity liens, junior liens, in the case of special assessments, or even private financing, may reduce the ability or willingness of the owners of land within the District to pay the ad

valorem property taxes securing the Bonds. In that event, there could be a default in the payment of the Bonds.

From time to time there are legislative proposals in the Arizona Legislature that, if enacted, could alter the basis on which ad valorem taxes (including those that secure the Bonds) are assessed, levied and collected and which could affect, among other things, the distribution of the amount of taxes various classifications of property may be obligated to pay. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would affect the Bonds or other obligations issued prior to enactment.

Bankruptcy and Foreclosure Delays

The payment of the ad valorem taxes securing the Bonds and the ability of the District to foreclose the lien of delinquent, unpaid, ad valorem taxes may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. Although bankruptcy proceedings would not extinguish the ad valorem taxes securing the Bonds, bankruptcy of a property owner could result in a delay in the foreclosure proceedings. Such delay would increase the likelihood of a delay or default in payment of the Bonds when due. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – *Ad Valorem* Taxation Process within the District."

It should be noted that in the event of a bankruptcy of a taxpayer pursuant to the United States Bankruptcy Code (the "Bankruptcy Code"), the law is currently unsettled as to whether a lien can be attached against the taxpayer's property for property taxes levied during the pendency of the bankruptcy proceedings. Such taxes might constitute an unsecured and possible non-interest bearing administrative expense payable only to the extent that the secured creditors of a taxpayer are over secured, and then possibly only on a pro rata basis with other allowed administrative claims. It cannot be determined, therefore, what adverse impact the bankruptcy of a property owner might have on the ability of the District to collect ad valorem taxes levied on that property before or during the bankruptcy proceedings. Proceeds to pay such taxes come only from the taxpayer or from a sale of the tax lien on the property.

When a debtor files or is forced into bankruptcy, any act to obtain possession of the debtor's estate, any act to create or perfect any lien against the property of the debtor or any act to collect, assess or recover any claim against the debtor or its estate that arose before the commencement of the bankruptcy is automatically stayed pursuant to the Bankruptcy Code. While the stay may not prevent the sale of tax liens against the real property of a bankrupt taxpayer, the judicial or administrative foreclosure of a tax lien against the real property of a debtor in bankruptcy would be subject to the stay of bankruptcy court. Furthermore, "tax sale investors" may be reluctant to purchase tax liens under such circumstances, and, therefore, the timeliness of post-bankruptcy petition tax collections become uncertain.

In the event the District is expressly enjoined or prohibited by law from collecting taxes due from any taxpayer, such as may result from the bankruptcy of a taxpayer, any resulting deficiency could be collected in subsequent tax years by adjusting the District's tax rate charged to non-bankrupt taxpayers during such subsequent years.

It cannot be determined what impact any deterioration of the financial condition of any taxpayer, whether or not protection under the Bankruptcy Code is sought, may have on payment of or the secondary market for the Bonds. None of the District, the Financial Advisor, the Underwriter or their respective agents or consultants have undertaken any independent investigation of the operations and financial condition of any of the property owners in the District, nor have they assumed responsibility for the same.

In addition, 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, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

Projections

Included in this Official Statement are various projections for lot sales, lot closings, completion dates, completion costs and other items. The projections for lot sales, lot closings, completion dates, completion costs and other items are based on assumptions concerning future events and should be viewed with an abundance of caution. Circumstances that may not yet be ascertainable, which are believed to be significant and which are not within the control of the District or the Developer may also exist. There are usually differences between projections for lot sales, lot closings, completion dates, completion costs and other items and actual lot sales, lot closings, completion dates, completion costs and other items, because the lot sales, lot closings, completion dates, completion costs and other items frequently do not occur as expected, and those differences may be material. There can be no assurances that the various projections set forth in this Official Statement can be achieved.

Forward-Looking Statements

This Official Statement contains certain “forward-looking” statements, that are “forward-looking” statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements should be considered in light of the information provided under this section and in the other portions of this Official Statement. Although it is believed that the forward-looking statements are reasonable, they could prove to be inaccurate.

The Underwriter makes no representation as to the accuracy of the projections contained herein nor as to the assumptions on which the projections are based.

The Bonds will be secured solely by ad valorem property taxes generated within the District, amounts available pursuant to the Standby Contribution Agreement and the Depository Agreement. Anyone considering investing in the Bonds should carefully examine this Official Statement, including the Appendices hereto.

Availability of Standby Contribution Agreement Amounts

If amounts to be available pursuant to the Standby Contribution Agreement are not available for any reason (including financial difficulties or bankruptcy of the Developer), the Bonds will be payable only from District ad valorem property taxes, resulting in increased District tax rates and increased reliance upon District tax revenues collected within the District to pay Debt Service.

The District’s ability to retire the indebtedness evidenced by the Bonds solely from ad valorem property taxes is dependent upon the development and maintenance of an adequate tax base from which the District may collect revenues. The District’s ability to achieve a tax base adequate to generate ad valorem property tax revenues for timely payment of the Bonds will depend upon the continued and successful development of the Project. The District faces some competition from other residential developments in surrounding areas within the Town. Such competition may adversely affect the rate of development within the District. Many unpredictable factors could influence the actual rate of construction within the District, including the prevailing interest rates, availability of funds, market and economic conditions generally, supply of housing in the greater Tucson metropolitan area, construction costs, labor conditions, access to building supplies, availability of water and water taps, availability and costs of fuel and transportation costs, among other things.

Availability of Water

The Developer's ability to develop the Project and to subdivide the real property constituting the District Land is dependent upon the Project having a 100-year assured water supply, as determined by the Arizona Department of Water Resources ("ADWR") and applicable law. The Developer has a certificate of assured water supply ("CAWS") from ADWR for the Project demonstrating that the Project has a 100-year water supply based on available ground water. ADWR may review a CAWS at any time and may modify it for good cause or revoke it if ADWR determines, after notice and opportunity for hearing, that an assured water supply no longer exists. In addition, it is the current policy of ADWR that a CAWS is valid for the project as initially certificated and that a CAWS is not valid for a project if there have been material changes to the project. By rule, a CAWS becomes irrevocable upon the sale of one lot within the subdivision for which the CAWS was issued. Ariz. Admin. Code R12-15-709. A number of lots within the area subject to the CAWS have been sold previously. The Developer does not believe that a revocation of the Project's CAWS is likely. If the CAWS for the Project were revoked, the sale of subdivided land within the Project would be halted until the situation could be resolved and a new CAWS issued for the Project.

Tax Risks

As discussed under "TAX MATTERS" below, interest on the Bonds could become includable in gross income of the owners thereof for purposes of federal income taxation retroactive to the date the Bonds were issued if the District acts or fails to act in a manner which violates its covenants in the Bond Resolution and the Indenture. In that event, the Bonds are not subject to special redemption and will remain outstanding on a taxable basis until maturity or until redeemed in accordance with the redemption provisions contained in the Bond Resolution.

Amendment of Documents Referenced

The reports, inspections and other documents described in this Official Statement may be modified, updated or amended (as new reports and/or inspections may be obtained), and such modifications may materially and adversely affect the development of the property (e.g., updating of environmental reports).

The development of the property within the District is in being pursued in phases. Circumstances could change as the development process continues and other issues are raised or new developers or owners become involved. Accordingly, the Developer anticipates that there may be significant changes to the agreements and contracts summarized in this Official Statement to address any such issues. Because the existing contracts and agreements are subject to change, the summaries of any contracts or agreements contained hereinabove may not accurately reflect the future conditions relating to the development of the District; however, the Developer does not presently anticipate that any modifications of the current contracts or agreements would materially affect the repayment of the Bonds.

Environmental Matters

The Project is subject to environmental requirements including but not limited to the potential obligation to take remedial action to address soil or water contamination under federal or state laws and the need to obtain environmental permits under various federal and state laws. Prior to acquiring the Project, the Developer conducted environmental due diligence and identified areas of soil contamination, which were addressed and do not, in the opinion of the Developer's consultants, require additional remedial action. In addition, portions of the Project were previously used for agricultural purposes and, as with any such areas, may contain residual levels of pesticides or herbicides.

The Project is located within the range of the cactus ferruginous pygmy-owl, a species formerly protected under the federal Endangered Species Act ("ESA"). At the time the species was listed, surveys were conducted and no

pygmy-owls were detected. Environmental groups have sued the U.S. Fish & Wildlife Service seeking to re-list the species. It is possible that, if the pygmy-owl is re-listed, and a pygmy-owl is discovered on the Project in the future, that development of the Project could be materially affected by requiring either avoidance of pygmy-owl habitat on the Project or mitigation through purchase of offsite habitat. Permitting requirements could result in a delay of housing sales or reduction in density or area of development that could materially affect the Project.

Surveys have been conducted for the Pima pineapple cactus (“PPC”) and have discovered PPC present on the Project. PPC is listed as endangered under the ESA, 58 Fed. Reg. 49875, 49880 (Sept. 23, 1993), and is also protected under the Arizona Native Plant Act, A.R.S. 3-901 et seq. Known plants have been replanted away from development areas in accordance with the requirements of the Arizona Native Plant Act, A.R.S. § 3-901 et seq. In the absence of federal permits, there are no additional ESA requirements applicable. If federal permits are required in the future for development of the Project, development of the Project could be materially affected by requiring either avoidance of known PPC plants or mitigation through replanting or purchase of offsite PPC habitat. Permitting requirements could also result in delay of housing sales that could materially affect the Project.

The Project has been surveyed for the presence of sites listed on or eligible for listing on the National Register of Historic Places pursuant to the requirements of the National Historic Preservation Act (“NHPA”). Surveys have identified no sites listed on the Register, but archaeological sites have been identified that, in the opinion of the Developer’s consultants, may be Register-eligible. The Developer believes these sites have been managed in accordance with the State laws governing human remains, A.R.S. § 41-865. In the absence of federal permits, there are no additional requirements applicable to Register-eligible sites under the NHPA. If federal permits are required in the future for development of the Project, development of the Project could be materially affected by requiring either avoidance of known Register eligible sites or mitigation of such sites through archaeological excavations and studies. Permitting requirements could also result in delay of housing sales that could materially affect the Project.

In addition, at some point in the future, a permit may be required under Section 404 of the Clean Water Act for filling of drainage areas considered waters of the United States. The timing and substantive requirements of the permit could materially affect the Project. In addition, if a Section 404 permit is required from the U.S. Army Corps of Engineers, additional requirements under the ESA and NHPA could be triggered that may materially affect the Project.

LITIGATION

The District

At the time of delivery and payment for the Bonds, appropriate representatives of the District will certify that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, overtly threatened against the District affecting the existence of the District, or the titles of its officers to their respective offices, or seeking to restrain or to enjoin the sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Indenture and the Bond Resolution, or the collection or application of any ad valorem taxes or other revenues providing for the payment of the Bonds, or in any way contesting or affecting the validity or enforceability of the Bonds, the Bond Resolution, any action of the District contemplated by any of the said documents, or the collection or application of the revenues provided for the payment of the Bonds, 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 District or its authority with respect to the Bonds or any action of the District contemplated by any of said documents.

The Developer

At the time of delivery and payment for the Bonds, an authorized representative of the Developer will certify that no litigation or administrative action or proceeding is pending or, to the knowledge of such authorized representative, threatened, restraining or enjoining, or seeking to restrain or enjoin, the effectiveness of the resolution authorizing the Developer to execute and deliver the documents executed by it in connection with issuance of the Bonds, or contesting or questioning the proceedings and authority under which such resolution or such documents have been authorized and are delivered and executed.

At the time of delivery and payment for the Bonds an authorized representative of the Developer also will certify that there are no legal proceedings to which the Developer is party or to which any of its properties are subject, other than routine litigation incident to its business which is covered by insurance or an indemnity or which are not expected to have a material adverse effect on the Developer. It is possible, however, that the Developer could incur claims for which it is not insured or that exceed the amount of its insurance coverage.

TAX MATTERS

General

The Internal Revenue Code of 1986, as amended (the "Code"), includes requirements which the District must continue to meet after the issuance of the Bonds in order that interest thereon be and remain excludable from gross income of the holders thereof for federal income tax purposes. The District's failure to meet these requirements may cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. The District has covenanted to take the actions required by the Code in order to maintain the excludability from gross income for federal income tax purposes of interest on the Bonds and not to take any actions that would adversely affect that excludability.

In the opinion of Bond Counsel, assuming continuing compliance by the District with the tax covenants referred to above and the accuracy of certain representations of the District, under existing statutes, regulations, rulings and court decisions, interest on the Bonds will be excludable from gross income for federal income tax purposes. Interest on the Bonds will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the Bonds will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. Bond Counsel is further of the opinion that interest on the Bonds will be exempt from income taxation under the laws of the State of Arizona.

Except as described above, Bond Counsel will express no opinion regarding the federal income tax consequences resulting from the receipt or accrual of interest on the Bonds or the ownership or disposition of the Bonds. Prospective purchasers of Bonds should be aware that the ownership of Bonds may result in other collateral federal tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry Bonds or, in the case of a financial institution, that portion of the owner's interest expense allocable to interest on the Bonds, (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by fifteen percent (15%) of certain items, including interest on the Bonds, (iii) the inclusion of interest on the Bonds in the earnings of certain foreign corporations doing business in the United States for purposes of a branch profits tax, (iv) the inclusion of interest on the Bonds in the passive income subject to federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year, and (v) recipients of certain Social Security and Railroad Retirement benefits being required to take into account receipts and accrual of interest on the Bonds in determining whether a portion of such benefits are included in gross income for federal income tax purposes.

From time to time, there are legislative proposals in Congress which, if enacted, could alter or amend one or more of the federal income tax matters referred to herein or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to obligations (such as the Bonds), executed and delivered prior to enactment.

The discussion of tax matters in this Official Statement applies only in the case of purchasers of the Bonds at their original issuance and at the respective prices indicated on the inside front cover page of this Official Statement. It does not address any other tax consequences, such as, among others, the consequence of the existence of any market discount to subsequent purchasers of the Bonds. Purchasers of the Bonds should consult their own tax advisers regarding their particular tax status or other tax considerations resulting from ownership of the Bonds.

Original Issue Discount and Original Issue Premium

Certain of the Bonds, as indicated on the inside front cover page of this Official Statement (“Discount Bonds”), were offered and will be sold to the public at an original issue discount (“Original Issue Discount”). Original Issue Discount is the excess of the stated redemption price at maturity (the principal amount) over the “issue price” of a Discount Bond. The issue price of a Discount Bond is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Discount Bonds of the same maturity will be sold pursuant to that offering. For federal income tax purposes, Original Issue Discount accrues to the owner of a Discount Bond over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of Original Issue Discount that accrues during the period of ownership of a Discount Bond (i) will be interest excludable from the owner’s gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as interest on the Bonds, and (ii) will be added to the owner’s tax basis for purposes of determining gain or loss on the maturity, prior sale or other disposition of that Discount Bond. A purchaser of a Discount Bond in the initial public offering at the price for that Discount Bond stated on the inside front cover of this Official Statement who holds that Discount Bond to maturity will realize no gain or loss upon the retirement of that Discount Bond.

Certain of the Bonds, as indicated on the inside front cover page of this Official Statement (the “Premium Bonds”), were offered and will be sold to the public at a price in excess of their stated redemption price at maturity. That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to the maturity of a Premium Bond, based on the yield to the maturity date of that Premium Bond, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). No portion of that bond premium is deductible by the owner of a Premium Bond. For purposes of determining the owner’s gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Bond, the owner’s tax basis in the Premium Bond is reduced by the amount of bond premium that accrues during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Bond for an amount equal to or less than the amount paid by the owner for that Premium Bond. A purchaser of a Premium Bond in the initial public offering at the price for that Premium Bond stated on the inside front cover of this Official Statement who holds that Premium Bond to maturity will realize no gain or loss upon the retirement of that Premium Bond.

Owners of Discount Bonds and Premium Bonds should consult their own tax advisers as to the determination for federal income tax purposes of the amount of Original Issue Discount or bond premium properly accruable or amortizable in any period with respect to the Discount Bond or Premium Bond and as to other federal tax consequences, and the treatment of Original Issue Discount and bond premium for purposes of state and local taxes on, or based on, income.

Information Reporting and Backup Withholding

Interest paid on tax-exempt obligations such as the Bonds is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the Bonds from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of Bonds, under certain circumstances, to “backup withholding” at the rates set forth in the Code, with respect to payments on the Bonds and proceeds from the sale of Bonds. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of Bonds. This withholding generally applies if the owner of Bonds (i) fails to furnish the payor such owner’s social security number or other taxpayer identification number (“TIN”), (ii) furnished the payor an incorrect TIN, (iii) fails to properly report interest, dividends, or other “reportable payments” as defined in the Code, or (iv) under certain circumstances, fails to provide the payor or such owner’s securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The Bonds will be designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code as the Board reasonably anticipates that the aggregate amount of qualified tax-exempt obligations (as defined in Section 265(b)(3) of the Code), which will be issued for or by the District in calendar year 2016, will not exceed \$10,000,000.

RATING

S&P is expected to assign the Bonds their long-term rating of “AA” (stable outlook) with the understanding that the Policy will be delivered by the Bond Insurer simultaneously with the issuance of the Bonds. The District is not aware of any rating assigned to the Bonds other than the rating of S&P.

Such rating reflects only the view of S&P. An explanation of the significance of any rating assigned by S&P may be obtained at 55 Water Street, New York, New York 10041. Such rating may be revised downward or withdrawn entirely at any time by S&P, if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of such rating may have an adverse effect on the market price or marketability of the Bonds.

LEGAL MATTERS

Legal matters incident to the issuance of the Bonds and with regard to the tax-exempt status of the interest thereon are subject to the legal opinion of Greenberg Traurig LLP, Bond Counsel, a form of which is included herein as Appendix C. See “TAX MATTERS.” Signed copies of the opinion, dated and speaking only as of the date of delivery of the Bonds, will be delivered upon the initial delivery of the Bonds. Certain legal matters will be passed upon with respect to the District by Greenberg Traurig, LLP; for the Underwriter by its counsel, Squire Patton Boggs (US) LLP; for the Developer by Maguire, Pearce & Storey, PLLC, Phoenix, Arizona. It is currently anticipated that District Counsel will not issue an opinion with respect to this or any other issuance of bonds by the District.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issue explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opened upon, or of the future performance of parties

to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

UNDERWRITING

The Bonds are being purchased by Hilltop Securities Inc. (the “Underwriter”). The Underwriter has agreed to purchase the Bonds at an aggregate purchase price of \$ _____ (reflecting the aggregate principal amount of the Bonds, plus net original issue premium of \$ _____ and less Underwriter’s compensation of \$ _____). The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing such Bonds into investment trusts) and others at prices lower than the public offering prices stated on the inside front cover page hereof. The offering prices set forth on the inside front cover page hereof may be changed after the initial offering by the Underwriter.

FINANCIAL ADVISOR

Stifel, Nicolaus & Company, Incorporated (the “Financial Advisor”) has been engaged by the District for the purpose of advising the District as to certain debt service structuring matters specific to the Bonds and on certain matters relative to the District’s overall debt financing program. The Financial Advisor has assisted in the assembly and preparation of this Official Statement at the direction and on behalf of the District. No person is entitled to rely on the Financial Advisor’s participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy and completeness of the information contained herein.

CONTINUING DISCLOSURE

The District and the Developer, have each separately covenanted for the benefit of certain beneficial owners of the Bonds to provide certain financial information and operating data relating to the District and development therein, as applicable, by not later than seven months after the end of their respective fiscal years (the “Annual Reports”) and to provide notices of the occurrence of certain enumerated events (the “Notices of Listed Events”). The Annual Reports will be filed by the District and the Developer with the Municipal Securities Rulemaking Board (the “MSRB”) through the MSRB’s Electronic Municipal Market Access system (“EMMA”), as described in APPENDIX D – “FORMS OF CONTINUING DISCLOSURE UNDERTAKINGS.” The specific nature of the information to be contained in the Annual Reports and the Notices of Listed Events is set forth in APPENDIX D. These covenants will be made in order to assist the Underwriter in complying with the Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”). Should the District or the Developer not comply with such covenants they have covenanted to provide notice of such fact to the MSRB in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. *Pursuant to Arizona law, the ability of the District to comply with such covenants will be subject to annual appropriation of funds sufficient to provide for the costs of compliance with such covenants. Should the District not comply with such covenants due to a failure to appropriate for such purpose, the District has covenanted to provide notice of such fact to the MSRB.* The District has no obligation to enforce the obligations of the Developer under their respective Continuing Disclosure Undertakings. Absence of continuing disclosure, due to non-appropriation or otherwise, could adversely affect the Bonds, specifically their market price and transferability.

The Developer, as an obligated person in connection with the Bonds Being Refunded, undertook to file certain operating data for each fiscal year on or before the succeeding May 1. The Developer did not file the operating data with respect to year ended December 31, 2015 on EMMA until May 11, 2016.

NO SEPARATELY AUDITED FINANCIAL STATEMENTS OF THE DISTRICT

The District is not required to, nor does it prepare, financial statements that are separately audited. However, as a “blended component unit” of the Town, certain information regarding the District is contained in the Town’s comprehensive annual financial reports. The Town’s comprehensive annual financial report for fiscal year ended June 30, 2015 is publicly available and is available upon request from the District Treasurer. Should the District decide to commence preparation of financial statements that are separately audited, the District’s undertaking, described under the heading “CONTINUING DISCLOSURE,” requires such audited financial statements to be filed with the MSRB through EMMA.

RELATIONSHIPS AMONG PARTIES

Greenberg Traurig, LLP, Phoenix, Arizona, Bond Counsel, and Squire Patton Boggs (US) LLP, Counsel to the Underwriter, have acted as bond counsel in other transactions underwritten by the Underwriter, and have acted as underwriter’s counsel to the Underwriter in other transactions. Greenberg Traurig, LLP, and Squire Patton Boggs (US) LLP have also acted as bond counsel and/or underwriter’s counsel with respect to bonds issued by the Town and other overlapping political subdivisions.

The Underwriter has underwritten or acted as financial advisor with respect to bonds issued by the Town and other overlapping political subdivisions.

QUAIL CREEK COMMUNITY FACILITIES DISTRICT

By _____
Chairperson, Board of Directors

APPENDIX A

INFORMATION REGARDING THE TOWN OF SAHUARITA, ARIZONA

The following information regarding the Town of Sahuarita, Arizona (the "Town") is provided for reference only. No attempt has been made to determine what part, if any, of the data presented is applicable to the District, and consequently no representation is made as to the relevance of the data to the District or to the Bonds. THE BONDS ARE NOT OBLIGATIONS OF THE TOWN. The Bonds are direct obligations of the District, payable solely from ad valorem taxes levied against all taxable property in the District, limited as described under the heading "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS" in this Official Statement.

General Information

The Town was incorporated in 1994 and is located in southern Pima County, Arizona ("Pima County"). The Town is approximately 18 miles south of the City of Tucson, Arizona ("Tucson") and approximately 40 miles north of the Mexican border. A farming area 30 years ago, it is now a part of the Tucson Metropolitan area. The Town covers an area of approximately 30 square miles and is located at an elevation of 2,600 feet at the base of the Santa Rita Mountains. The following table illustrates population statistics for the Town.

The table below illustrates population statistics for the Town.

POPULATION STATISTICS

<u>Calendar Year</u>	<u>Town of Sahuarita</u>
2015 Estimate (a)	27,637
2010 Census	25,347
2000 Census	3,242
1990 Census	1,629
1980 Census	N/A
1970 Census	N/A

(a) Estimate as of July 1, 2015.

Source: Arizona Department Commerce, Population Statistics Unit.

Municipal Government and Organization

The Town government operates under the Council-Manager form of government. Policymaking and legislative authority are vested in the Town Council, which consists of a Mayor, a Vice Mayor and five Councilmembers. Councilmembers are elected to four-year staggered terms. The Mayor is directly elected by the qualified voters of the Town and the Vice-Mayor is selected by the Council from among its members. The Town Council is responsible, among other things, for the adoption of local ordinances, budget adoption, the development of citizen advisory committees and the hiring of the Town Manager. The Town Manager is responsible for implementation of the policies of the Town Council. The Town Manager appoints all department heads except the Chief of Police, Town Attorney and Magistrate.

The elected officials of the Town currently in office are:

ELECTED OFFICIALS
Town of Sahuarita, Arizona

Elected Officials	Name
Mayor:	Duane Blumberg
Vice Mayor:	Bill Bracco
Council:	Kara Egbert
	Melissa Hicks
	Gil Lusk
	Tom Murphy
	Lynne Skelton

The Council fixes the duties and compensation of Town officials and employees and enacts ordinances and resolutions relating to Town services, tax levies, appropriating and borrowing monies, licensing and regulating business and trades and other municipal purposes. The Town Council appoints the Town Manager.

The Town's key administrative staff consists of the following appointed officials:

APPOINTED OFFICIALS
Town of Sahuarita, Arizona

Appointed Officials	Name
Town Manager	L. Kelly Udall
Finance Director	A.C. Marriotti
Town Attorney	Daniel Hochuli
Town Clerk	Lisa Cole

Employment

The Town's economy is linked closely with that of Tucson. Due to the Town's proximity to Tucson, the majority of the residents of the Town work in the Tucson metropolitan area. The table hereafter illustrates several of the major employers within the Town.

The following is a partial list of major employers in the Town.

**MAJOR EMPLOYERS
Town of Sahuarita, Arizona**

<u>Employer</u>	<u>Description</u>	<u>Approximate Number of Employees</u>
Sahuarita Unified School District	Education	770
Wal-Mart	Retail	380
Farmer's Investment Company	Crop Production	260
Fry's	Grocery	210
Town of Sahuarita	Government	140
Safeway	Grocery	115
Jim Click Ford	Automotive sales	60

Source: Town of Sahuarita Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015.

The following is the Town's sales tax revenue.

**SALES TAX REVENUE
Town of Sahuarita, Arizona**

<u>Fiscal Year</u>	<u>Amount</u>
2015/16	\$6,601,243
2014/15	6,916,291
2013/14	7,487,481
2012/13	6,279,863
2011/12	6,456,154

Source: Town of Sahuarita Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015.

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Indenture to which reference is hereby made for a more complete description of its terms.

Definitions of Certain Terms

The following are certain terms defined in the Indenture and used in this Official Statement.

“Alternate Letter of Credit” means an irrevocable, single-draw standby letter of credit authorizing a draw thereunder by the Depository issued by a bank, a trust company or other financial institution with a Minimum Tier 1 Leverage Ratio and which has a term of not less than one year from the date of its issuance, which Alternate Letter of Credit shall be the same in all other material respects (except as to expiration date) as the Letter of Credit and shall have the remaining face amount of the Letter of Credit.

“Bond Fund” means the fund with that name established pursuant to the Indenture.

“Business Day” means any day on which payments can be affected on the Fedwire System other than a Saturday; a Sunday; or a legal holiday or equivalent (other than a moratorium) for banking institutions generally in the place of payment or in the city where the principal corporate trust office of the Trustee or the office of the account bank of the Letter of Credit Bank is located. (If the specified date for any payment, submission, certification, determination or other action pursuant to the Indenture shall be other than a Business Day, then such payment, submission, certification, determination or other action may be made or done on the next succeeding day which is a Business Day without, in the case of any payment, additional interest (except in the event of a moratorium) and with the same force and effect as if made or done on the specified date.)

“Code” means the Internal Revenue Code of 1986, as amended and in force and effect on the Closing Date.

“Debt Service” means, collectively, (i) the principal of and interest and premium, if any, on the Bonds when due, subject to the limitations of the Refunding Act, (ii) expenses and costs of the District arising from the activities of the District (such activities being the financing of certain public infrastructure purposes including the issuance of the Bonds) including particularly, but not by way of limitation, expenses and costs for agents or third parties required to administer the Bonds, levy and collect taxes for payment of the Bonds, prepare annual audits, budgets and materials with respect to continuing disclosure and provide for any purposes otherwise related to such activities of the District and (iii) amounts due with regard to Rebate.

“Discounted Tax Revenues” means the amount of secondary ad valorem property tax revenues of the District that would be collected for the then current Fiscal Year of the District using the total net limited assessed valuation of property within the boundaries of the District for purposes of the tax roll used to levy taxes during the preceding August and applying a tax rate of \$3.00 per \$100 of limited assessed valuation and assuming a delinquency factor equal to the greater of the five percent (5%) and the historic, average, annual percentage delinquency factor for the District as of such Fiscal Year and no credit for any fund balances or investment income accruing during such Fiscal Year.

“*Fiscal Year*” means a period of twelve (12) consecutive months commencing on July 1 and ending on June 30 or any other consecutive 12-month period which may be established hereinafter as the fiscal year of the District for budgeting and appropriate purposes.

“*Governmental Obligations*” means obligations issued by or guaranteed by the United States government.

“*Holder*” when used with respect to any Bond means the person in whose name such Bond is registered in the bond register maintained by the Trustee.

“*Initial Letter of Credit*” means the irrevocable, single-draw, stand-by letter of credit issued by the Letter of Credit Bank and delivered to the Depository on the same date as the initial delivery of the Bonds, being an irrevocable obligation to make payment to the Depository of \$1,800,000*, which expires when the face amount thereof has been reduced to \$50,000 or less, provided on February 15 of each year, if the net limited assessed valuation of property within the boundaries of the District used to levy taxes during the preceding August exceeded that used in the prior August, the difference between the maximum annual debt service for the Bonds and any general obligation or other general obligation refunding bonds of the District herein after issued and the Discounted Tax Revenues shall be calculated by the District Manager and the face amount of the Letter of Credit shall be subject to automatic reduction in face amount to an amount equal to three (3) times such difference.

“*Letter of Credit*” means (a) the Initial Letter of Credit and (b) upon the issuance and effectiveness thereof, any Alternate Letter of Credit.

“*Letter of Credit Bank*” means Western Alliance Bank, an Arizona Corporation in its capacity as issuer of the Initial Letter of Credit and its successors and assigns. Upon issuance and effectiveness of any Alternate Letter of Credit, “*Letter of Credit Bank*” shall mean the issuer thereof and its successors and assigns.

“*Letter of Credit Termination Date*” means the earlier of thirty (30) days after the Letter of Credit Bank providing the Letter of Credit no longer has Minimum Tier 1 Leverage Ratio and the stated expiration date of the Letter of Credit, as extended by any applicable provisions thereof.

“*Maturity*” when used with respect to any Bond means the date on which the principal of such Bond becomes due and payable as therein or herein provided, whether at the Stated Maturity thereof or by call for redemption or otherwise.

“*Minimum Tier 1 Leverage Ratio*” means, for the entity supplying the Letter of Credit, a Tier-1 Leverage Ratio of eight percent. (8%)

“*Opinion of Counsel*” means a written opinion of counsel who may (except as otherwise expressly provided in the Indenture) be counsel for the District and shall be acceptable to the Trustee and, when given with respect to the status of interest on any Bond under federal income tax law, shall be counsel of nationally recognized standing in the field of municipal bond law and when given with respect to the status of any matter relating to the laws on bankruptcy, shall be counsel of nationally recognized standing in the field of bankruptcy law.

“*Outstanding*” when used with respect to Bonds means, as of the date of determination, all Bonds theretofore authenticated and delivered under the Indenture, except, without duplication:

* Subject to change.

1. Bonds theretofore canceled by the Trustee or delivered to the Trustee for cancellation;
2. Bonds for the payment or redemption of which money in the necessary amount is on deposit with the Trustee or any paying agent for the Holders of such Bonds at the Maturity thereof; provided, however, that if such Bonds are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture, or waived, or provision therefor satisfactory to the Trustee has been made;
3. Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered under the Indenture;
4. Bonds alleged to have been destroyed, lost, or stolen which have been paid as provided in the Indenture; and
5. Bonds for the payment of the principal of and interest on which money or Governmental Obligations or both are held by the Trustee or an escrow agent with the effect specified in under the heading "Defeasance" below.

"*Permitted Investments*" means certain investments described in the Indenture.

"*Rebate*" means the payment system established by Section 148 of the Code with respect to certain arbitrage earnings by a political subdivision on amounts treated as the proceeds of certain obligations of such political subdivision and shall include all costs and expenses incurred in connection with, and allocable to, determining the amount due pursuant to such system.

"*Redemption Date*" when used with respect to any Bond to be redeemed means the date fixed for such redemption pursuant to the terms thereof and the Indenture.

"*Redemption Price*" when used with respect to any Bond to be redeemed means the price at which it is to be redeemed pursuant to the Indenture, excluding installments of interest whose Stated Maturity is on or before the Redemption Date.

"*Stated Maturity*" when used with respect to any Bond or any installment of interest on any Bond means the date specified in such Bond as the fixed date on which the principal or such installment of interest on any such Bond is due and payable.

"*Tier 1 Leverage Ratio*" means the ratio at that name established by the Federal Reserve Board in 12 Code at Federal Regulations Part 225, Appendix D, and any replacement thereof acceptable to the Board.

Trust Estate Under the Indenture

The District has granted a security interest to the Trustee in all money and investments held for the credit of the "Tax Account" of the Bond Fund and the District's interest in the Standby Contribution Agreement and the Depository Agreement. The Trustee is required to hold all such property in trust for the benefit of all of the Holders of the Bonds.

Bond Fund

The money deposited to the Bond Fund is required to be held by the Trustee in trust and applied solely as provided in the Indenture. The District is required to deposit to the Tax Account of the Bond Fund, among other amounts, (i) amounts collected by or remitted to the District as *ad valorem* property

taxes to the extent provided in the Indenture, and (ii) amounts paid for deposit therein pursuant to the Standby Contribution Agreement and the Depository Agreement. The Tax Account of the Bond Fund is required to be applied by the Trustee solely to pay Debt Service in any form and in the order described below under “Application of Moneys Collected: Second.”

The Indenture provides that money held for the credit of (i) the Bond Fund will be invested by the Trustee in certain Trustee in Permitted Investments, and on each September 14 and March 10 of each Fiscal Year the resulting investment income will be transferred by the Trustee to the Tax Account of the Bond Fund. The Trustee will sell or present for redemption any obligations so purchased as an investment pursuant to the Indenture whenever it is necessary to do so in order to provide money to make any payment or transfer of money required thereby. Investments will mature, or will be subject to redemption by the holder thereof at the option of such holder without penalty, not later than the respective dates when such money is expected to be required for the purpose intended. Obligations so purchased as an investment of any money credited to any fund established pursuant to the Indenture will be deemed at all times to be a part of such fund. The investment income on obligations so purchased and any profit realized from such investment will be credited to such fund and any loss resulting from such investment will be charged to such fund. All money held by the Trustee pursuant to the Indenture will be continuously secured in the manner and to the fullest extent then required by applicable State or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds. The Trustee will not be liable for any loss resulting from any such investment excepting only such losses as may have resulted from disregard or negligent implementation of any permitted direction by the District.

Remedies under the Trust Indenture

The Trustee in its discretion, subject to the other provisions of the Indenture, may proceed to protect and enforce its rights and the rights of the Holders of the Bonds under the Indenture by a suit, action, or proceeding in equity or at law or otherwise, whether for the specific performance of any covenant or agreement contained in the Indenture, the Standby Contribution Agreement or the Depository Agreement or in aid of the execution of any power granted in the Indenture, the Standby Contribution Agreement, or the Depository Agreement or for the enforcement of any other legal, equitable, or other remedy, as the Trustee, being advised by counsel, deems most effectual to protect and enforce any of the rights of the Trustee or the Holders of the Bonds. The Indenture provides that, in addition to all rights and remedies of any Holder of a Bond provided therein, in the event the District defaults in the payment of the principal of or premium, if any, or interest on any of the Bonds when due, or defaults in the observance or performance or the causing of the observance or performance of any of the covenants, conditions, or obligations set forth in the Bond Resolution, the Indenture, the Standby Contribution Agreement or the Depository Agreement, the Trustee will be entitled, to the extent available pursuant to applicable law, to a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the members of the Board and other officers of the District to make such payment or to observe and perform or cause the observation or performance of any covenant, obligation, or condition prescribed in the Bond Resolution, the Indenture, the Standby Contribution Agreement or the Depository Agreement. (Notwithstanding the foregoing, if the Trustee is unwilling or unable to perform any of the foregoing with respect to the Standby Contribution Agreement or the Depository Agreement and the result will be an increase of the levy of property taxes for the next Fiscal Year, the Issuer may, independently, take whatever action is necessary in the judgment of the Board to mitigate the effect in future Fiscal Years.) The Indenture contains no provision for acceleration of maturity of principal of the Bonds in the event of default. The remedy of mandamus described above would have to be exercised upon each separate default and may, therefore, prove costly, time consuming, and difficult to enforce. The rights and remedies of Holders of the Bonds and the enforceability of the Bonds may also be limited by bankruptcy,

reorganization, and other similar laws affecting the enforcement of creditors' rights generally. See "RISK FACTORS."

If

1. default occurs in the payment of any interest on any Bond when such interest becomes due and payable, or
2. default occurs in the payment of the principal of (or premium, if any, on) any Bond at its Maturity,

then upon demand of the Trustee, the District will pay or cause to be paid to the Trustee for the benefit on the Holders of such Bonds the amount so due and payable on the Bonds for principal (and premium, if any), but not any such amounts due in the future, and interest and, in addition thereto, such further amount as will be sufficient to cover the costs and expenses of administration and collection, including the reason-able compensation, expenses, disbursements, and advances of the Trustee and its agents and counsel. If the District fails to pay or cause to be paid such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, will be entitled to sue for and recover judgment against the District for the amount then so due and unpaid.

The Trustee will be entitled to sue and recover judgment as aforesaid either before, after, or during the pendency of any proceedings for the enforcement of the lien of the Indenture, and in case of a sale of the trust estate established pursuant to the Indenture and the application of the proceeds of sale as aforesaid, the Trustee, in its own name and as trustee of an express trust, will be entitled to enforce payment of, and to receive, all amounts then remaining due and unpaid upon the Outstanding Bonds, for the benefit of the Holders thereof, and will be entitled to recover judgment for any portion of the same remaining unpaid, with interest as aforesaid. No recovery of any such judgment upon any property of the District will affect or impair the lien on the Indenture upon the trust estate or any rights, powers, or remedies of the Trustee thereunder, or any rights, powers, or remedies of the Holders of the Bonds.

Application of Money Collected

Any money collected by the Trustee pursuant to the "Remedies under the Trust Indenture" above, together with any other sums then held by the Trustee as part of the trust estate established pursuant to the Indenture, will be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal (or premium, if any) or interest upon presentation of the Bonds and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

- A. First: To the payment of all unpaid amounts due the Trustee under the applicable provisions of the Indenture;
- B. Second: To the payment of any amounts due for Rebate and then the whole amount then due and unpaid upon the Outstanding Bonds, for principal of and premium, if any, and interest on the Bonds and (to the extent that such interest has been collected by the Trustee or a sum sufficient therefor has been so collected and payment thereof is legally enforceable at the respective rate or rates prescribed therefor in the Bonds) on overdue principal (and premium, if any), and in case such proceeds will be sufficient to pay in full the whole amount so due and unpaid upon such Bonds, then to the payment of such principal and interest without any preference or priority, ratably according to the aggregate amount so due and

- C. Third: To the payment of the remainder, if any, to the District, or to whosoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

Control by Holders of the Bonds

The Holders of a majority in principal amount of the Outstanding Bonds affected thereby will have the right (subject to providing indemnity to the Trustee as described below)

1. to require the Trustee to proceed to enforce the Indenture, either by judicial proceedings for the enforcement of the payment of the Bonds and the foreclosure of the Indenture, the sale of the trust estate established pursuant to the Indenture, or otherwise; and
2. to direct the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture, provided that
 - a. such direction will not be in conflict with any rule of law or the Indenture,
 - b. the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction,
 - c. the Trustee has not determined that the action so directed would be unjustly prejudicial to the Holders not taking part in such direction, and
 - d. if the remedy requires the consent of a certain number of the Holders, such consent has been provided.

Before taking action pursuant to the Indenture, the Trustee may require that a satisfactory indemnity bond be furnished to it for the reimbursement of all expenses which it may incur and to protect it against all liability by reason of any action so taken, except liability which is adjudicated to have resulted from its negligence or willful misconduct. The Trustee may take action without that indemnity, and in that case, the District will reimburse the Trustee for all of the expenses of the Trustee pursuant to the Indenture.

Each Holder of any Bond by his acceptance thereof will be deemed to have agreed that any court may in its discretion require, in any suit for the enforcement of any right or remedy under the Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant. However, the provisions of the Indenture will not apply to any suit instituted by or against the Trustee, to any suit instituted by any Holder of a Bond or group of Holders of the Bonds affected thereby, holding in aggregate more than ten percent in principal amount of the Outstanding Bonds, or to any suit instituted by any Holder of a Bond for the enforcement of the payment of the principal of or interest on any Bond on or after the Stated Maturity expressed in such Bond (or, in the case of redemption, on or after the Redemption Date).

Supplemental Indentures and Amendments to Certain Documents

Without the consent of the Holders of any Bonds and, under certain circumstances described in the Indenture, the District and the Trustee may from time to time enter into indentures supplemental to the Indenture or adopt a resolution amending the Bond Resolution or amend the Standby Contribution

Agreement or the Depository Agreement (i) to correct or amplify the description of any property subject to the lien of the Indenture, or better to assure, convey, and confirm unto the Trustee any property subject or required to be subjected to the lien of the Indenture, or to subject to the lien of the Indenture additional property; (ii) to add to the conditions, limitations and restrictions on the authorized amount, terms, or purposes of issue, authentication and delivery of Bonds any additional conditions, limitations and restrictions thereafter to be observed; (iii) to evidence the succession of another entity to the District and the assumption by any such successor of the covenants of the District in the Bonds, the Indenture, the Bond Resolution, the Standby Contribution Agreement or the Depository Agreement; (iv) to add to the covenants of the District for the benefit of the Holders of all the Bonds; (v) to allow the replacement of the Letter of Credit with an amount of cash equal to the face amount thereof upon terms and conditions the Issuer Representative, in his sole and absolute discretion, deems appropriate including requirements for opinions of counsel on subjects he deems necessary; or (vi) to cure any ambiguity, to correct or supplement any provision in the Indenture, the Bond Resolution, the Standby Contribution Agreement or the Depository Agreement which may be inconsistent with any other provisions thereof, or to make any other provisions with respect to matters or questions arising thereunder which will not be inconsistent with the provisions thereof, if such actions will not adversely affect the interests of the Holders of the Bonds.

With the consent of the Holders of not less than a majority in principal amount of the Bonds affected by such supplemental Indenture or amendment to the Bond Resolution, the Standby Contribution Agreement or the Depository Agreement and, under certain circumstances described in the Indenture, the District and the Trustee may also enter into indentures supplemental to the Indenture or amendments to the Bond Resolution, the Standby Contribution Agreement or the Depository Agreement for the purpose of adding any other provisions to or changing in any other manner or eliminating any of the provisions of the Indenture, the Standby Contribution Agreement or the Depository Agreement or of modifying in another manner the rights of the Holders of the Bonds under the Indenture, the Bond Resolution, the Standby Contribution Agreement or the Depository Agreement. However, no supplemental indenture or amendment, without the consent of the Holder of each Outstanding Bond affected thereby, is permitted by the Indenture to (i) change the Stated Maturity of the principal of, or any installment of interest on, any Bond, or reduce the principal amount of or the interest on, any Bond, or change any place of payment where, or the coin or currency in which, any Bond or the interest on any Bond is payable, or impair the right to institute suit for the enforcement of any such payment on or after the stated maturity thereof (or, in the case of redemption, on or after the Redemption Date); (ii) reduce the percentage in principal amount of the Outstanding Bonds the consent of the Holders of which is required for any supplemental indenture or amendment to the Bond Resolution, the Standby Contribution Agreement or the Depository Agreement, or the consent of Holders of which is required for any waiver provided for in the Indenture of compliance with certain provisions of the Indenture or certain defaults under the Indenture and their consequences; (iii) modify or alter the provisions of the proviso to the definition of the term "Outstanding" in the Indenture; or (iv) modify any of the provisions of the Indenture concerning approval of supplemental indentures or amendments to the Bond Resolution, the Standby Contribution Agreement or the Depository Agreement except to increase any percentage of the Holders of Bonds necessary for approval or to provide that certain provisions of the Indenture cannot be modified or waived without the consent of the Holder of each Bond affected thereby. The Trustee may in its discretion determine whether or not any Bonds would be affected by any supplemental indenture or amendment to the Bond Resolution, the Standby Contribution Agreement or the Depository Agreement and any such determination will be conclusive upon each Holder of the Bonds, whether theretofore or thereafter authenticated and delivered under the Trust Indenture. The Trustee will not be liable for any such determination made in good faith.

Concerning the Trustee

The Trustee has undertaken to perform such duties and only such duties as are specifically set forth in the Indenture, and no implied covenants or obligations should be read into the Indenture against the Trustee. In the absence of bad faith on its part, the Trustee 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 Trustee and conforming to the requirements of the Indenture. However, in the case of any such certificates or opinions which by any provision of the Indenture are specifically required to be furnished to the Trustee, the Trustee will be under a duty to examine the same to determine whether or not they conform on their face to the requirements of the Indenture.

No provision of the Indenture will be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that

1. this paragraph will not be construed to limit the effect of the preceding paragraph;
2. the Trustee will not be liable for any error of judgment made in good faith by a responsible officer of the Trustee, unless it shall be proved that the Trustee was negligent;
3. the Trustee will not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of a majority in principal amount of the Outstanding Bonds or to the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under the Indenture; and
4. no provision of the Indenture will require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture, or in the exercise of any of its rights or powers, unless it is provided indemnity in connection therewith as provided in the Indenture.

Except as otherwise provided in the Indenture:

1. the Trustee may rely and will be protected in acting or refraining from acting upon:
 - a. any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, telex or other paper, document, or communication reasonably believed by it to be genuine and to have been signed or presented by the proper persons; and
 - b. failure of the Trustee to receive any such paper, document, or communication, if prior receipt thereof is required by the Indenture before the Trustee is to take or refrain from taking any action;
2. any request or direction of the District mentioned in the Indenture will be sufficiently evidenced by a request of the District, and any order or resolution of the District may be sufficiently evidenced by a resolution of the board of the District;
3. whenever in the administration of the Indenture the Trustee will deem it desirable that a matter be proved or established prior to taking, suffering, or omitting any action described hereunder, the Trustee (unless other evidence be herein specifically prescribed)

may, in the absence of bad faith on its part, rely upon a certificate of an officer of the District;

4. the Trustee may consult with legal counsel and the written advice of such counsel will be full and complete authorization and protection in respect of any action taken, suffered, or omitted by the Trustee under the Indenture in good faith and in reliance thereon;
5. the Trustee will be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the Holders of the Bonds pursuant to the Indenture, unless such Holders of the Bonds shall have offered to the Trustee reasonable security or indemnity against the costs, expenses, and liabilities which might be incurred by it in compliance with such request or direction;
6. the Trustee will not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee determines to make such further inquiry or investigation, it will be entitled to examine the books, records, and premises of the District, personally or by agent or attorney; and
7. the Trustee may execute any of the trusts or powers hereunder or perform any duties under the Indenture either directly or by or through agents or attorneys, and the Trustee will not be responsible for any misconduct or negligence on the part of any agent or attorney appointed, with due care by it.

There will at all times be a trustee under the Indenture which will be a bank or trust company organized and doing business under the laws of the United States or of any state, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$50,000,000, and subject to supervision or examination by federal or state authority. If such corporation publishes reports of condition at least annually, pursuant to law or to, the requirements of such supervising or examining authority, then for the purposes of the Indenture the combined capital and surplus of such corporation will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee ceases to be eligible in accordance with the provisions of the Indenture, it will resign immediately in the manner and with the effect specified in the Indenture.

The Trustee may resign at any time by giving written notice thereof to the District. If an instrument of acceptance by a successor Trustee will not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

The Trustee may be removed at any time by act of the Holders of a majority in principal amount of the Outstanding Bonds, delivered to the Trustee and the District.

If at any time:

1. the Trustee ceases to be eligible under the Indenture and fails to resign after written request therefor by the District or any such Holder of a Bond, or
2. the Trustee becomes incapable of acting or adjudged insolvent or a receiver of the Trustee or of its property is appointed or any public officer takes charge or control of the

Trustee or of its property or affairs for the purpose of rehabilitation, conservation, or liquidation,

then, in either such case, the District may remove the Trustee or subject to the provisions of the Indenture, any Holder of a Bond who has been a *bona fide* Holder of a Bond for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

If the Trustee resigns, is removed, or becomes incapable of acting, the District will promptly appoint a successor Trustee. In case all or substantially all of the trust estate held pursuant to the Indenture will be in the possession of a receiver or trustee lawfully appointed, such receiver or trustee, by written instrument, may similarly appoint a successor to fill such vacancy until a new Trustee is appointed by the Holders of the Bonds. If, within one year after such resignation, removal, or incapability, or the occurrence of such vacancy, a successor Trustee is appointed by act of the Holders of a majority in principal amount of the Outstanding Bonds and delivered to the District and the retiring Trustee, then the successor Trustee so appointed will, forthwith upon its acceptance of such appointment, become the successor Trustee and supersede the successor Trustee appointed by the District or by such receiver or trustee. If no successor Trustee is so appointed by the District or the Holders of the Bonds and has accepted appointment in the manner hereinafter provided, any Holder of a Bond who has been a *bona fide* Holder of a Bond for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

Defeasance

The Indenture, and the lien, rights, and interests created thereby, will terminate, at the request of the District, when the following conditions exist:

- I. all Bonds previously authenticated and delivered under the Indenture have been canceled by the Trustee or delivered to the Trustee for cancellation, excluding however:
 - a. Bonds for the payment of which money has been deposited with the Trustee or a paying agent, as provided by the provisions of the Indenture relating to redemption of the Bonds;
 - b. Bonds alleged to have been destroyed, lost, or stolen which have been replaced or paid as provided in the Indenture, except for any such Bond which prior to the satisfaction and discharge of the Indenture has been presented to the Trustee with a claim of ownership and enforceability by the Holder thereof and where enforceability has not been determined adversely against such Holder by a court of competent jurisdiction;
 - c. Bonds, other than those referred to in the foregoing clauses, for the payment or redemption of which there has been deposited with the Trustee in accordance with the provisions of the Indenture in trust for such purpose an amount sufficient to pay and discharge the entire indebtedness on such Bonds for principal and interest to the Stated Maturity or Redemption Date of such Bonds, as the case may be; and
 - d. Bonds deemed no longer outstanding as a result of the deposit or escrow or money or Governmental Obligations as described below; and

2. the District has paid or caused to be paid all other sums payable by the District under the Indenture.

Any Bond will be deemed to be no longer Outstanding when payment of the principal of such Bond, plus interest thereon to its Maturity (whether such Maturity is by reason of the Stated Maturity or by call for redemption, if notice of such call has been given or waived or irrevocable arrangements for such notice satisfactory to the Trustee have been made) has been provided by depositing (i) money sufficient to make such payment or (ii) subject to the Refunding Act, money and Governmental Obligations certified by an independent accountant of national reputation to mature as to principal and interest in such amounts and at such times as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment, provided that all necessary and proper fees, compensation and expenses of the Trustee and paying agents pertaining to the Bonds with respect to which such deposit is made have been paid or the payment thereof has been provided for to the satisfaction of the Trustee. Any deposit described above must be made either with the Trustee or, if notice of such deposit is given to the Trustee, or with a state or nationally chartered bank with a minimum combined capital surplus or \$50,000,000 as escrow agent, with irrevocable instructions to transfer the amounts so deposited and investment income therefrom to the Trustee or to the paying agents in the amounts and at the times required to pay principal of and interest on the Bonds with respect to which such deposit is made at the maturity thereof and of such interest or the Stated Maturity, as the case may be. In the event such deposit is made with respect to some but not all of the Bonds then outstanding, the Trustee is required to select the Outstanding Bonds with respect to which such deposit is made in the same manner as provided in the Trust Indenture for the selection of Bonds to be redeemed.

No such deposit will have the effect specified above, however, (i) if made during the existence of a default under the Trust Indenture, unless made with respect to all of the Bonds then Outstanding, and (ii) unless there is delivered to the Trustee an opinion of counsel to the effect that such deposit will not adversely affect any exemption from federal income taxation of interest on any Bond. Any money and Governmental Obligations deposited with the Trustee for such purpose is required to be held by the Trustee in a segregated account in trust for the Holders of the Bonds with respect to which such deposit is made and, together with any investment income therefrom, is required to be disbursed solely to pay the principal of and interest on such Bonds when due. No money or Governmental Obligations so deposited pursuant to this Section will be invested or reinvested unless in Governmental Obligations and unless such money not invested, such Governmental Obligations not reinvested, and such new investments are together certified by an independent accountant of national reputation to be of such amounts, maturities, and interest payment dates and to bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment. At such times as a Bond shall be deemed to be so paid, it will no longer be secured by or entitled to the benefits of the Indenture, except for purposes of any such payment from such money or Governmental Obligations.

Insurer's Control Rights

So long as the Policy is in effect or amounts are owed or owing to the Insurer and the Insurer is not in default or contesting its obligations thereunder the following shall apply; provided that to the extent the Insurer has made any payment of principal of or interest on the Bonds it shall retain its rights of subrogation under the Indenture and under the Policy:

- Any supplement or amendment provided by the Indenture which requires the consent of the Holders of the Bonds shall be subject to the prior written consent of the Insurer.
- The Insurer shall be deemed to be a third party beneficiary to the Indenture.

- The Insurer shall be deemed to be the Holder of all of the Bonds for purposes of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Holders insured by it are entitled to take pursuant to the Indenture pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Trustee. (In determining whether any amendment, consent, waiver or other action to be taken, or any failure to take action, under the Indenture would adversely affect the security for the Bonds or the rights of the Holders, the Trustee shall consider the effect of any such amendment, consent, waiver, action or inaction as if there was no Policy.)

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

[LETTERHEAD OF GREENBERG TRAURIG]

[Closing Date]

Board of Directors
Quail Creek Community Facilities District
c/o Town of Sahuarita, Arizona
375 W. Sahuarita Center Way
Sahuarita, Arizona 85629

Re: Quail Creek Community Facilities District (Sahuarita, Arizona) General
Obligation Refunding Bonds, Series 2016

We have acted as Bond Counsel in connection with the issuance by Quail Creek Community Facilities District (hereinafter referred to as the "Issuer") of the captioned bonds, dated the date hereof (hereinafter referred to as the "Bonds"). We have examined, and in rendering the opinions herein have relied upon, original or certified copies of the proceedings had in connection with issuance of the Bonds; certifications executed by officers of the Issuer relating to, among other things, the expected use of proceeds of the sale of the Bonds and certain other funds of the Issuer and to certain other facts within the knowledge and control of the Issuer and such other material and matters of law as we deem relevant to the matters discussed hereinbelow. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified or photostatic copies and the accuracy of the statements contained in such certifications and representations. As to any facts material to our opinion, we have, when relevant facts were not independently established, relied upon the aforesaid proceedings, certifications, representations, material and matters.

We are of the opinion, based upon such examination and subject to the reliances, assumptions and exceptions hereinabove and hereinafter set forth, that, under applicable law of the State of Arizona and federal law of the United States of America in force and effect on the date hereof:

1. The Bonds are valid and legally binding obligations of the Issuer payable from the sources, and enforceable in accordance with the terms and conditions, described therein and are secured by a Series 2016 Indenture of Trust and Security Agreement, dated as of _____ 1, 2016 (hereinafter referred to as the "Indenture"), from the Issuer to U.S. Bank National Association, as trustee (hereinafter referred to as the "Trustee"), except to the extent that the enforceability thereof and such provision of the security therefor may be affected by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity.

2. The Issuer is to annually levy and cause an *ad valorem* tax to be collected, at the same time and in the same manner as other taxes are levied and collected on all taxable property within the boundaries of the Issuer, sufficient, but subject to limitations hereinafter described, together with any moneys from the sources described in Section 48-717, Arizona Revised Statutes including amounts from a Series 2016 Standby Contribution Agreement, dated as of _____ 1, 2016, by and among the Issuer, the Trustee and Robson Ranch Quail Creek, LLC

(hereinafter referred to as “Robson”) and a Series 2016 Depository Agreement, dated as of _____ 1, 2016, by and between the Issuer and U.S. Bank National Association, as depository, if any, to pay debt service on the Bonds when due. All of the taxable property within the Issuer is subject to the levy of a tax, without limitation as to rate, to pay the principal of and interest on the Bonds, but limited to a total amount not greater than the total aggregate principal and interest to become due on the bonds being refunded with proceeds of the sale of the Bonds (the “Bonds Being Refunded”) from the date of issuance of the Bonds to the final date of maturity of the Bonds Being Refunded. The net proceeds of the Bonds have been transferred to the trustee for the Bonds Being Refunded to be held in trust so as to provide funds to pay when due, or called for redemption, the Bonds Being Refunded together with interest thereon, and such proceeds have been deposited in the respective principal and interest redemption funds, and shall be held in trust for the payment of, the Bonds Being Refunded with interest on maturity or upon an available redemption date. The owners of the Bonds must rely on the sufficiency of such funds held in trust for payment of the Bonds Being Refunded. The issuance of the Bonds shall in no way infringe upon the rights of the holders of the Bonds Being Refunded to rely upon a tax levy for the payment of principal and interest on the Bonds Being Refunded if such funds and securities prove insufficient.

3. Subject to the reliance and assumption stated in the last sentence of this paragraph, interest on the Bonds is excludible from the gross income of the owners thereof for federal income tax purposes. Furthermore, interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the Bonds is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations. (We express no opinion regarding other federal tax consequences resulting from the ownership, receipt or accrual of interest on, or disposition of, the Bonds.) The Internal Revenue Code of 1986, as amended (the “Code”), includes requirements which the Issuer and Robson must continue to meet after the issuance of the Bonds in order that interest on the Bonds not be included in gross income for federal income tax purposes. The failure of the Issuer or Robson to meet these requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to their date of issuance. The Issuer and Robson have either indicated their compliance with, or covenanted to take the actions required by, applicable provisions of the Code in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds. In rendering the opinion expressed above, we have relied on certifications of the Issuer with respect to certain matters necessary for, and have assumed continuing compliance with certain covenants by the Issuer and Robson included in, respectively, the Indenture and a District Development, Financing Participation and Intergovernmental Agreement (Quail Creek Community Facilities District), dated as of September 1, 2005, as amended by a First Amendment to District Development, Financing Participation and Intergovernmental Agreement (Quail Creek Community Facilities District), dated as of _____ 1, 2016, by and among, as applicable, the Issuer, the Town of Sahuarita, Arizona, and Robson (which are, as to their enforceability, subject to the same exceptions described in paragraph 1 hereinabove) that must be met after the issuance of the Bonds in order that, interest on the Bonds not be included in gross income for federal tax purposes.

4. The interest on the Bonds is exempt from income taxation under the laws of the State of Arizona. (We express no opinion regarding other State tax consequences resulting from the ownership, receipt or accrual of interest on, or disposition of, the Bonds.)

Respectfully submitted,

APPENDIX D

**FORMS OF CONTINUING
DISCLOSURE UNDERTAKINGS**

§ _____
QUAIL CREEK COMMUNITY FACILITIES DISTRICT
(SAHUARITA, ARIZONA)
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2016

SERIES 2016 CONTINUING DISCLOSURE UNDERTAKING

This Undertaking is executed and delivered by Quail Creek Community Facilities District (hereinafter referred to as the “Issuer”), in connection with the issuance of the captioned municipal securities (hereinafter referred to as the “Securities”) for the benefit of the owners of the Securities, being the registered owners thereof or any person that has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any of the Securities (including persons holding the Securities through nominees, depositories or other intermediaries) or is treated as the owner of any Securities for federal income tax purposes.

Section 1. Definitions.

“Annual Report” shall mean any annual report provided by the Issuer pursuant to, and as described in, Section 2.

“Dissemination Agent” shall mean any agent that has executed a dissemination agent agreement with the Issuer and such successors and assigns of such agent.

“EMMA” shall mean the Electronic Municipal Market Access system of the Municipal Securities Rulemaking Board. Information regarding submissions to EMMA is available at <http://emma.msrb.org/submission>.

“Listed Events” shall mean any of the events listed in Section 3(a).

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Notice of Listed Event” shall mean any notice provided by the Issuer pursuant to, and as described in, Section 3.

“Resolution” shall mean the resolution adopted by the Board of Directors of the District on _____, 2016, authorizing the issuance of the Securities.

“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.

Section 2. Contents and Provision of Annual Reports.

(a) (i) SUBJECT TO ANNUAL APPROPRIATION OF FUNDS SUFFICIENT TO PROVIDE FOR THE COSTS THEREOF, THE ISSUER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, NOT LATER THAN FEBRUARY 1 OF EACH YEAR, COMMENCING FEBRUARY 1, 2017, PROVIDE TO THE MSRB THROUGH EMMA AN ANNUAL

REPORT THAT IS CONSISTENT WITH THE REQUIREMENTS OF SUBSECTION (b) OF THIS SECTION.

(ii) IF THE ISSUER IS UNABLE OR FOR ANY OTHER REASON FAILS TO PROVIDE AN ANNUAL REPORT OR ANY PART THEREOF BY THE DATE REQUIRED IN SUBSECTION (a)(i) OF THIS SECTION AND SUBJECT TO ANNUAL APPROPRIATION OF FUNDS SUFFICIENT TO PROVIDE FOR THE COSTS THEREOF, THE ISSUER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, SEND A NOTICE TO THAT EFFECT NOT LATER THAN SUCH DATE TO THE MSRB THROUGH EMMA ALONG WITH THE OTHER PARTS, IF ANY, OF THE ANNUAL REPORT.

(b) (i) The Annual Reports shall contain or incorporate by reference the following:

(A) Information or operating data of the type in TABLES 2, 3A, 4, 5A and 6 (but as to any valuations required, only the actual amount of the current valuation) of the Official Statement, dated _____, 2016, with respect to the Securities.

(B) Audited financial statements of the Issuer for the preceding fiscal year, if any, such statements to be prepared on the basis of generally accepted accounting principles as applied to governmental units. (The Issuer does not currently prepare audited financial statements, and execution of this Undertaking shall not obligate the Issuer to prepare audited financial statements for any fiscal year.) IF AUDITED FINANCIAL STATEMENTS ARE PREPARED AND INCLUDED IN AN ANNUAL REPORT AND THEREAFTER THE FISCAL YEAR OF THE ISSUER CHANGES, THE ISSUER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, FILE A NOTICE OF SUCH CHANGE IN THE SAME MANNER AS FOR A NOTICE OF LISTED EVENT.

(ii) The Annual Report may be submitted as a single document or as separate documents comprising a package and may incorporate by reference from other documents other information, including final official statements of debt issues of the Issuer or related public entities that have been submitted to the MSRB. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so incorporated by reference.

(iii) If audited financial statements are being prepared and will be included in an Annual Report but are not available in time to satisfy the requirements of Subsection (a)(i) of this Section, unaudited financial statements must be provided at the requisite time as part of the Annual Report and as soon as possible (but not later than 30 days) after such audited financial statements become available, the audited financial statements shall be provided to the MSRB through EMMA.

Section 3. Reporting of Listed Events and Failure to Provide Annual Report.

(a) This Section shall govern the giving of notices of the occurrence of any of the following events (the "Listed Events") with respect to the Securities:

- (i) Principal and interest payment delinquencies.
- (ii) Non-payment related defaults, if material.

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties.

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties.

(v) Substitution of credit or liquidity providers, or their failure to perform.

(vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations, in each case, with respect to the tax status of the Securities, or other material events affecting the tax status of the Securities.

(vii) Modifications to rights of holders, if material.

(viii) Bond calls, if material, or tender offers.

(ix) Defeasances.

(x) Release, substitution or sale of property securing repayment of the Securities, if material.

(xi) Rating changes.

(xii) Bankruptcy, insolvency, receivership or similar events of the Issuer, being if any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

(xiii) The consummation of a merger, consolidation or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(xiv) Appointment of a successor trustee or an additional trustee or the change of the name of the trustee, if material.

(xv) Notice of a failure of the Issuer to provide or cause to be provided required annual financial information on or before the date specified in Section 2 above, including any non-appropriation to cover applicable costs.

(b) Whether events subject to the standard “material” would be material shall be determined under applicable federal securities laws.

(c) Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (ix) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Securities pursuant to the Resolution.

(d) SUBJECT TO ANNUAL APPROPRIATION OF FUNDS SUFFICIENT TO PROVIDE FOR THE COSTS THEREOF, THE ISSUER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, PROMPTLY, BUT NOT MORE THAN TEN (10) BUSINESS DAYS AFTER THE OCCURRENCE OF A LISTED EVENT, FILE A NOTICE OF LISTED EVENT TO THE MSRB THROUGH EMMA.

Section 4. Termination of Reporting Obligation.

The obligations of the Issuer pursuant to this Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Securities. SUBJECT TO ANNUAL APPROPRIATION OF FUNDS SUFFICIENT TO PROVIDE FOR THE COSTS THEREOF, THE ISSUER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, GIVE NOTICE OF SUCH TERMINATION TO THE MSRB THROUGH EMMA AS SOON AS PRACTICABLE, BUT NOT LATER THAN THE DATE AN ANNUAL REPORT WOULD OTHERWISE HAVE BEEN DUE.

Section 5. Amendment or Waiver.

(a) Notwithstanding any other provision of this Undertaking, the Issuer may amend this Undertaking, and any provision of this Undertaking may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, to the effect that (i) such amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the Issuer or type of business conducted; (ii) this Undertaking, as amended or affected by such waiver, would have complied with the requirements of the Rule at the time of the primary offering of the Securities, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances and (iii) such amendment or waiver does not materially impair the interests of the owners of the Securities, as determined either by parties (such as the bond counsel) unaffiliated with the Issuer or by an approving vote of the registered owners of the Securities pursuant to the terms of the Resolution at the time of the amendments.

(b) The Annual Report containing amended operating data or financial information resulting from such amendment or waiver, if any, shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of operating data or financial information being provided. If an amendment or waiver is made specifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the Issuer to meet its obligations. To the extent reasonably feasible, such comparison also shall be quantitative. IF AUDITED FINANCIAL STATEMENTS ARE PREPARED AND INCLUDED IN AN ANNUAL REPORT AND THEREAFTER THE ACCOUNTING PRINCIPLES OF THE ISSUER CHANGE, THE ISSUER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, FILE A NOTICE OF SUCH CHANGE IN THE SAME MANNER AS FOR A NOTICE OF LISTED EVENT.

Section 6. Additional Information. Nothing in this Undertaking shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this

Undertaking or any other means of communication, or including any other information in any Annual Report or Notice of Listed Event, in addition to that which is required by this Undertaking. If the Issuer chooses to include any information in any Annual Report or Notice of Listed Event in addition to that which is specifically required by this Undertaking, the Issuer shall have no obligation under this Undertaking to update such information or include it in any future Annual Report or Notice of Listed Event.

Section 7. Default. In the event of a failure of the Issuer to comply with any provision of this Undertaking, any owner of a Security for the benefit of which this Undertaking is being provided may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Undertaking. A default under this Undertaking shall not be deemed an event of default for other purposes of the Resolution, and the sole remedy under this Undertaking in the event of any failure of the Issuer to comply with this Undertaking shall be an action to compel performance.

Section 8. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist the Issuer in satisfying the obligations of the Owner hereunder and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Undertaking and the applicable, related agency agreement, and, to the extent permitted by applicable law, the Issuer shall indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless for, from and against any loss, expense and liabilities that the Dissemination Agent may incur arising out of or in the exercise or performance of the powers and duties of the Dissemination Agent pursuant to this Undertaking and the applicable, related agency agreement, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the gross negligence or willful misconduct of the Dissemination Agent. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Securities.

Dated: _____, 2016

QUAIL CREEK COMMUNITY FACILITIES
DISTRICT

By.....
District Manager

ATTEST:

.....
Clerk

APPROVED AS TO FORM:

.....
District Counsel

§ _____
QUAIL CREEK COMMUNITY FACILITIES DISTRICT
(SAHUARITA, ARIZONA)
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2016

SERIES 2016 CONTINUING DISCLOSURE UNDERTAKING

This Undertaking is executed and delivered by Robson Ranch Quail Creek, LLC, a limited liability company duly organized and validly existing pursuant to the laws of the State of Delaware (hereinafter referred to as the “Developer”), acting in its own capacity, in connection with the issuance of the captioned municipal securities (hereinafter referred to as the “Securities”) for the benefit of the owners of the Securities, being the registered owners thereof or any person that has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any of the Securities (including persons holding the Securities through nominees, depositories or other intermediaries) or is treated as the owner of any Securities for federal income tax purposes.

Section 9. Definitions.

“Dissemination Agent” shall mean any agent that has executed a dissemination agency agreement with the Developer and the successors and assigns of such agent.

“EMMA” shall mean the Electronic Municipal Market Access system of the Municipal Securities Rulemaking Board. Information regarding submissions to EMMA is available at <http://emma.msrb.org/submission>.

“Issuer” shall mean Quail Creek Community Facilities District, a community facilities district organized and existing pursuant to the laws of the State of Arizona.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Listed Events” shall mean any of the events listed in Section 3(a).

“Notice of Listed Event” shall mean any notice provided by the Developer pursuant to, and as described in, Section 3.

“Report” shall mean any annual report provided by the Developer pursuant to, and as described in, Section 2.

“Resolution” shall mean _____.

“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.

Section 10. Contents and Provision of Reports.

(a) Annual Reports.

(i) THE DEVELOPER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, NOT LATER THAN MAY 1 OF EACH YEAR, COMMENCING MAY 1, 2017, PROVIDE TO THE MSRB THROUGH EMMA A REPORT FOR THE DEVELOPER THAT IS CONSISTENT WITH THE REQUIREMENTS OF SUBSECTION (b) OF THIS SECTION. THE DEVELOPER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, PROVIDE A COPY OF SUCH REPORT TO THE ISSUER.

(ii) IF THE DEVELOPER IS UNABLE OR FOR ANY OTHER REASON FAILS TO PROVIDE A REPORT OR ANY PART THEREOF BY THE DATE REQUIRED IN SUBSECTION (a)(i) OF THIS SECTION, THE DEVELOPER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, SEND A NOTICE TO THAT EFFECT NOT LATER THAN SUCH DATE TO THE MSRB THROUGH EMMA ALONG WITH THE OTHER PARTS, IF ANY, OF THE ANNUAL REPORT. THE DEVELOPER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, PROVIDE A COPY OF SUCH NOTICE TO THE ISSUER.

(b) Contents of Annual Report.

(i) The Reports required to be provided pursuant to Subsection (a)(i) of this Section shall contain or incorporate by reference the following:

(A) Audited financial statements of the Developer for the preceding fiscal year, if any, such statements to be prepared on the basis of generally accepted accounting principles; provided, however, execution of this Undertaking shall not obligate the Developer to prepare audited financial statements for any fiscal year. IF AUDITED FINANCIAL STATEMENTS ARE PREPARED AND INCLUDED IN A REPORT REQUIRED TO BE PROVIDED PURSUANT TO SUBSECTION (a)(i) OF THIS SECTION AND THEREAFTER THE FISCAL YEAR OF THE DEVELOPER CHANGES, THE DEVELOPER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, FILE A NOTICE OF SUCH CHANGE IN THE SAME MANNER AS FOR A NOTICE OF LISTED EVENT. THE DEVELOPER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, PROVIDE A COPY OF SUCH NOTICE TO THE ISSUER.

(ii) The Report required to be provided pursuant to Subsection (a)(i) of this Section may be submitted as a single document or as separate documents comprising a package and may incorporate by reference from other documents other information, including official statements of debt issues of the Issuer or related public entities that have been submitted to the MSRB. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Developer shall clearly identify each such other document so incorporated by reference.

(iii) If audited financial statements are being prepared and will be included in a Report required to be provided pursuant to Subsection (a)(i) of this Section but are not available in time to satisfy the requirements of Subsection (a)(i) of this Section, unaudited financial statements must be provided at the requisite time as part of the Report and as soon as possible

(but not later than 30 days) after such audited financial statements become available, the audited financial statements shall be provided to the MSRB through EMMA.

Section 11. Reporting of Listed Events.

(a) This Section shall govern the giving of notices of the occurrence of the following Listed Events with respect to the Securities: (i) any change of ownership or control of the Developer; or (ii) any failure by the Developer to pay, prior to delinquency, general property taxes, special taxes or assessments with respect to property of the Developer within the boundaries of the Issuer or any amount due pursuant to the Standby Contribution Agreement (described in the Official Statement, dated _____, 2016, with respect to the Securities).

(b) THE DEVELOPER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, PROMPTLY FILE A NOTICE OF LISTED EVENT OF THE OCCURRENCE OF A LISTED EVENT WITH THE MSRB THROUGH EMMA. THE DEVELOPER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, PROVIDE A COPY OF SUCH NOTICE OF LISTED EVENT TO THE ISSUER.

Section 12. Termination of Reporting Obligation.

The obligations of the Developer pursuant to this Undertaking shall terminate upon (i) the legal defeasance, prior redemption or payment in full of all of the Securities, or (ii) the release of the Standby Contribution Agreement. THE DEVELOPER, OR SHALL CAUSE THE DISSEMINATION AGENT TO, GIVE NOTICE OF SUCH TERMINATION TO THE MSRB THROUGH EMMA AS SOON AS PRACTICABLE, BUT NOT LATER THAN THE DATE AN ANNUAL REPORT WOULD OTHERWISE HAVE BEEN DUE. THE DEVELOPER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, PROVIDE A COPY OF SUCH NOTICE TO THE ISSUER.

Section 13. Amendment or Waiver.

(a) Notwithstanding any other provision of this Undertaking, the Developer may amend this Undertaking, and any provision of this Undertaking may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, to the effect that (i) such amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the Developer or type of business conducted; (ii) this Undertaking, as amended or affected by such waiver, would have complied with the requirements of the Rule at the time of the primary offering of the Securities, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances and (iii) such amendment or waiver does not materially impair the interests of the owners of the Securities, as determined either by parties (such as the bond counsel) unaffiliated with the Developer or by an approving vote of the registered owners of the Securities pursuant to the terms of the Resolution at the time of the amendments.

(b) The Report containing amended operating data or financial information resulting from such amendment or waiver, if any, shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of operating data or financial information being provided. If an amendment or waiver is made specifying the accounting principles to be followed in preparing financial statements, the Report required to be provided pursuant to Subsection (a)(i) of Section 2 hereof for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative discussion of the differences in

the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to provide information to investors to enable them to evaluate the ability of the Developer to meet its obligations. To the extent reasonably feasible, such comparison also shall be quantitative. IF AUDITED FINANCIAL STATEMENTS ARE PREPARED AND INCLUDED IN A REPORT REQUIRED TO BE PROVIDED PURSUANT TO SUBSECTION (a)(i) OF SECTION 2 HEREOF AND THEREAFTER THE ACCOUNTING PRINCIPLES OF THE DEVELOPER CHANGE, THE DEVELOPER SHALL, OR SHALL CAUSE THE DISSEMINATION AGENT TO, FILE A NOTICE OF SUCH CHANGE IN THE SAME MANNER AS FOR A NOTICE OF LISTED EVENT.

Section 14. Additional Information. Nothing in this Undertaking shall be deemed to prevent the Developer from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Report or Notice of Listed Event, in addition to that which is required by this Undertaking. If the Developer chooses to include any information in any Report or Notice of Listed Event in addition to that which is specifically required by this Undertaking, the Developer shall have no obligation under this Undertaking to update such information or include it in any future Report or Notice of Listed Event.

Section 15. Default. In the event of a failure of the Developer to comply with any provision of this Undertaking, any owner of a Security for the benefit of which this Undertaking is being provided may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Developer to comply with its obligations under this Undertaking. A default under this Undertaking shall not be deemed an event of default for other purposes of the Resolution, and the sole remedy under this Undertaking in the event of any failure of the Developer to comply with this Undertaking shall be an action to compel performance.

Section 16. Dissemination Agent. The Developer may, from time to time, appoint or engage a Dissemination Agent to assist it in satisfying the obligations of the Developer hereunder and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

Section 17. Recordkeeping. The Developer shall maintain copies of each Report and Notice Listed Event as well as the names of the entities with whom the same was filed and the date of filing thereof.

Section 18. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Undertaking and the applicable, related agency agreement, and the Developer shall indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless for, from and against any loss, expense and liabilities that the Dissemination Agent may incur arising out of or in the exercise or performance of the powers and duties of the Dissemination Agent pursuant to this Undertaking and the applicable, related agency agreement, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the gross negligence or willful misconduct of the Dissemination Agent. The obligations of the Developer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Securities.

Section 19. Copies for Issuer. Any copy provided by this Undertaking to be given or furnished to the Issuer by the Developer shall be sufficient for every purpose hereunder if in writing and mailed, first-class postage prepaid to the Issuer addressed to it at c/o _____, Attention: District Clerk or at any other address furnished previously in writing to the Developer by the Issuer.

Section 20. Subsequent Transfers of Land. Upon any sale of land within the boundaries of the Issuer such that the acquiring owner (hereinafter referred to as the "Transferee") shall become an owner of land within the boundaries of the Issuer, the limited assessed valuation of which (as of the date on which the Transferee becomes an owner) equals or exceeds 20 percent of the limited assessed valuation of all land within the boundaries of the Issuer, the Developer shall require the Transferee to execute an Undertaking substantially similar to this Undertaking and in compliance with the Rule prior to the conveyance of title to the Transferee.

Dated: _____, 2016

ROBSON RANCH QUAIL CREEK, LLC,
a Delaware limited liability company

By: Arlington Property Management Company,
an Arizona corporation

Its: Member

By:
Its:

APPENDIX E

AUDITED FINANCIAL STATEMENTS FOR ROBSON RANCH QUAIL CREEK LLC

APPENDIX F

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 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, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Securities Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants” and together with the Direct Participants, the “Participants”). DTC has Standard & Poor’s rating of: “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of 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. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 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 Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any 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 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. 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. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of principal of and interest on the Bonds and the redemption price of any Bond will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of and interest on the Bonds and the redemption price of any Bonds will be made to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

THE DISTRICT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT, ANY BENEFICIAL OWNER OR ANY OTHER PERSON CLAIMING A

BENEFICIAL OWNERSHIP INTEREST IN THE BONDS UNDER OR THROUGH DTC OR ANY DTC PARTICIPANT, INDIRECT PARTICIPANT, OR ANY OTHER PERSON WITH RESPECT TO: THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS; THE GIVING OF ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO OWNERS OF THE BONDS UNDER THE INDENTURE; OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS AN OWNER.

APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

WRITTEN POLICIES AND PROCEDURES FOR TAX-ADVANTAGED OBLIGATIONS

Quail Creek Community Facilities District (the “Issuer”), has issued and may in the future issue tax-exempt obligations (including, without limitation, bonds, notes, loans, leases and certificates) (together, “tax-advantaged obligations”) that are subject to certain requirements under the Internal Revenue Code of 1986, as amended (the “Code”).

The Issuer has established the policies and procedures contained herein (the “Procedures”) as of October 24, 2016, in order to ensure that the Issuer complies with the requirements of the Code that are applicable to its tax-advantaged obligations. The Procedures, coupled with requirements contained in the arbitrage and tax certificate or other operative documents (the “Tax Certificate”) executed at the time of issuance of the tax-advantaged obligations, are intended to constitute written procedures for ongoing compliance with the federal tax requirements applicable to the tax-advantaged obligations and for timely identification and remediation of violations of such requirements.

A. GENERAL MATTERS.

1. Responsible Officer. The District Treasurer of the Issuer will have overall responsibility for ensuring that the ongoing requirements described in the Procedures are met with respect to tax-advantaged obligations (the “Responsible Officer”).
2. Establishment of Procedures. The Procedures will be included with other written procedures of the Issuer.
3. Identify Additional Responsible Employees. The Responsible Officer shall identify any additional persons who will be responsible for each section of the Procedures, notify the current holder of that office of the responsibilities, and provide that person a copy of the Procedures. (For each section of the Procedures, this may be the Responsible Officer or another person who is assigned the particular responsibility.)
 - a. Upon employee or officer transitions, new personnel should be advised of responsibilities under the Procedures and ensure they understand the importance of the Procedures.
 - b. If employee or officer positions are restructured or eliminated, responsibilities should be reassigned as necessary to ensure that all Procedures have been appropriately assigned.
4. Training Required. The Responsible Officer and other responsible persons shall receive appropriate training that includes the review of and familiarity with the contents of the Procedures, review of the requirements contained in the Code

applicable to each tax-advantaged obligation, identification of all tax-advantaged obligations that must be monitored, identification of all facilities (or portions thereof) financed with proceeds of tax-advantaged obligations, familiarity with the requirements contained in the Tax Certificate or other operative documents contained in the transcript, and familiarity with the procedures that must be taken in order to correct noncompliance with the requirements of the Code in a timely manner.

5. Periodic Review. The Responsible Officer or other responsible person shall periodically review compliance with the Procedures and with the terms of the Tax Certificate to determine whether any violations have occurred so that such violations can be timely remedied through the “remedial action” regulations or the Voluntary Closing Agreement Program available through the Internal Revenue Service (“IRS”) (or successor guidance). Such periodic review shall occur at least annually.
6. Change in Terms. If any changes to the terms of the tax-advantaged obligations are contemplated, bond counsel should be consulted. Such modifications could jeopardize the status of tax-advantaged obligations.

B. IRS INFORMATION RETURN FILING. The Responsible Officer will confirm that bond counsel has filed the applicable information reports (such as Form 8038-G) for such issue with the IRS on a timely basis, and maintain copies of such form including evidence of timely filing as part of the transcript of the issue. The Responsible Officer shall file the IRS Form 8038-T relating to the payment of rebate or yield reduction payments in a timely manner as discussed in Section G.12. below. The Responsible Officer shall also monitor the extent to which the Issuer is eligible to receive a refund of prior rebate payments and provide for the timely filing for such refunds using an IRS Form 8038-R.

C. USE OF PROCEEDS. The Responsible Officer or other responsible person shall:

1. Consistent Accounting Procedures. Maintain or confirm maintenance of clear and consistent accounting procedures for tracking the investment and expenditures of proceeds, including investment earnings on proceeds.
2. Reimbursement Allocations at Closing. At or shortly after closing of an issue, ensure that any allocations for reimbursement expenditures comply with the Tax Certificate.
3. Timely Expenditure of Proceeds. Monitor that sale proceeds and investment earnings on sale proceeds of tax-advantaged obligations are spent in a timely fashion consistent with the requirements of the Tax Certificate.
4. Requisitions. Utilize or confirm the utilization of requisitions to draw down proceeds, and ensure that each requisition contains (or has attached to it) detailed information in order to establish when and how proceeds were spent; review

requisitions carefully before submission to ensure proper use of proceeds to minimize the need for reallocations.

5. Final Allocation. Ensure that a final allocation of proceeds (including investment earnings) to qualifying expenditures is made if proceeds are to be allocated to project expenditures on a basis other than “direct tracing” (direct tracing means treating the proceeds as spent as shown in the accounting records for draws and project expenditures). An allocation other than on the basis of “direct tracing” is often made to reduce the private business use of bond proceeds that would otherwise result from “direct tracing” of proceeds to project expenditures. *This allocation must be made within 18 months after the later of the date the expenditure was made or the date the project was placed in service, but not later than five years and 60 days after the date the tax-advantaged obligations are issued (or 60 days after the issue is retired, if earlier).* Bond counsel can assist with the final allocation of proceeds to project costs. Maintain a copy of the final allocation in the records for the tax-advantaged obligation.
6. Maintenance and Retention of Records Relating to Proceeds. Maintain or confirm the maintenance of careful records of all project and other costs (e.g., costs of issuance, credit enhancement and capitalized interest) and uses (e.g., deposits to a reserve fund) for which proceeds were spent or used. These records should be maintained separately for each issue of tax-advantaged obligations for the period indicated under Section H. below.

D. MONITORING PRIVATE BUSINESS USE. The Responsible Officer or other responsible person shall:

1. Identify Financed Facilities. Identify or “map” which outstanding issues financed which facilities and in what amounts.
2. Review of Contracts with Private Persons. Review all of the following contracts or arrangements with non-governmental persons or organizations or the federal government (collectively referred to as “private persons”) with respect to the financed facilities which could result in private business use of the facilities:
 - a. Sales of financed facilities;
 - b. Leases of financed facilities;
 - c. Management or service contracts relating to financed facilities;
 - d. Research contracts under which a private person sponsors research in financed facilities; and
 - e. Any other contracts involving “special legal entitlements” (such as naming rights or exclusive provider arrangements) granted to a private person with respect to financed facilities.

3. Bond Counsel Review of New Contracts or Amendments. Before amending an existing agreement with a private person or entering into any new lease, management, service, or research agreement with a private person, consult bond counsel to review such amendment or agreement to determine whether it results in private business use.
 4. Establish Procedures to Ensure Proper Use and Ownership. Establish procedures to ensure that financed facilities are not used for private use without written approval of the Responsible Officer or other responsible person.
 5. Analyze Use. Analyze any private business use of financed facilities and, for each issue of tax-advantaged obligations, determine whether the 10 percent limit on private business use (5 percent in the case of “unrelated or disproportionate” private business use) is exceeded, and contact bond counsel or other tax advisors if either of these limits appears to be exceeded.
 6. Remediation if Limits Exceeded. If it appears that private business use limits are exceeded, immediately consult with bond counsel to determine if a remedial action is required with respect to nonqualified tax-advantaged obligations of the issue or if the IRS should be contacted under its Voluntary Closing Agreement Program. If tax-advantaged obligations are required to be redeemed or defeased in order to comply with remedial action rules, such redemption or defeasance must occur within 90 days of the date a deliberate action is taken that results in a violation of the private business use limits.
 7. Maintenance and Retention of Records Relating to Private Use. Retain copies of all of the above contracts or arrangements (or, if no written contract exists, detailed records of the contracts or arrangements) with private persons for the period indicated under Section H. below.
- E. LOAN OF BOND PROCEEDS.** Consult bond counsel if a loan of proceeds of tax-advantaged obligations is contemplated. If proceeds of tax-advantaged obligations are permitted under the Code to be loaned to other entities and are in fact so loaned, require that the entities receiving a loan of proceeds institute policies and procedures similar to the Procedures to ensure that the proceeds of the loan and the facilities financed with proceeds of the loan comply with the limitations provided in the Code. Require the recipients of such loans to annually report to the Issuer ongoing compliance with the Procedures and the requirements of the Code.
- F. ARBITRAGE AND REBATE COMPLIANCE.** The Responsible Officer or other responsible person shall:
1. Review Tax Certificate. Review each Tax Certificate to understand the specific requirements that are applicable to each tax-advantaged obligation issue.
 2. Arbitrage Yield. Record the arbitrage yield of the issue, as shown on IRS Form 8038-G or other applicable form. If the tax-advantaged obligations are variable

rate, yield must be determined on an ongoing basis over the life of the tax-advantaged obligations as described in the Tax Certificate.

3. Temporary Periods. Review the Tax Certificate to determine the “temporary periods” for each issue, which are the periods during which proceeds of tax-advantaged obligations may be invested without yield restriction.
4. Post-Temporary Period Investments. Ensure that any investment of proceeds after applicable temporary periods is at a yield that does not exceed the applicable yield, unless yield reduction payments can be made pursuant to the Tax Certificate.
5. Monitor Temporary Period Compliance. Monitor that proceeds (including investment earnings) are expended promptly after the tax-advantaged obligations are issued in accordance with the expectations for satisfaction of three-year or five-year temporary periods for investment of proceeds and to avoid “hedge bond” status.
6. Monitor Yield Restriction Limitations. Identify situations in which compliance with applicable yield restrictions depends upon later investments (e.g., the purchase of 0 percent State and Local Government Securities from the U.S. Treasury for an advance refunding escrow). Monitor and verify that these purchases are made as contemplated.
7. Establish Fair Market Value of Investments. Ensure that investments acquired with proceeds satisfy IRS regulatory safe harbors for establishing fair market value (e.g., through the use of bidding procedures), and maintaining records to demonstrate satisfaction of such safe harbors. Consult the Tax Certificate for a description of applicable rules.
8. Credit Enhancement, Hedging and Sinking Funds. Consult with bond counsel before engaging in credit enhancement or hedging transactions relating to an issue, and before creating separate funds that are reasonably expected to be used to pay debt service. Maintain copies of all contracts and certificates relating to credit enhancement and hedging transactions that are entered into relating to an issue.
9. Grants/Donations to Governmental Entities. Before beginning a capital campaign or grant application that may result in gifts that are restricted to financed projects (or, in the absence of such a campaign, upon the receipt of such restricted gifts), consult bond counsel to determine whether replacement proceeds may result that are required to be yield restricted.
10. Bona Fide Debt Service Fund. Even after all proceeds of a given issue have been spent, ensure that debt service funds, if any, meet the requirements of a “bona fide debt service fund,” i.e., one used primarily to achieve a proper matching of revenues with debt service that is depleted at least once each bond year, except for

a reasonable carryover amount not to exceed the greater of: (i) the earnings on the fund for the immediately preceding bond year; or (ii) one-twelfth of the debt service on the issue for the immediately preceding bond year. To the extent that a debt service fund qualifies as a bona fide debt service fund for a given bond year, the investment of amounts held in that fund is not subject to yield restriction for that year.

11. Debt Service Reserve Funds. Ensure that amounts invested in reasonably required debt service reserve funds, if any, do not exceed the least of: (i) 10 percent of the stated principal amount of the tax-advantaged obligations (or the sale proceeds of the issue if the issue has original issue discount or original issue premium that exceeds 2 percent of the stated principal amount of the issue plus, in the case of premium, reasonable underwriter's compensation); (ii) maximum annual debt service on the issue; or (iii) 125% of average annual debt service on the issue.

12. Rebate and Yield Reduction Payment Compliance. Review the arbitrage rebate covenants contained in the Tax Certificate. Subject to certain rebate exceptions described below, investment earnings on proceeds at a yield in excess of the yield (i.e., positive arbitrage) generally must be rebated to the U.S. Treasury, even if a temporary period exception from yield restriction allowed the earning of positive arbitrage.
 - a. Ensure that rebate and yield reduction payment calculations will be timely performed and payment of such amounts, if any, will be timely made. Such payments are generally due 60 days after the fifth anniversary of the date of issue, then in succeeding installments every five years. The final rebate payment for an issue is due 60 days after retirement of the last obligation of the issue. The Issuer should hire a rebate consultant if necessary.
 - b. Review the rebate section of the Tax Certificate to determine whether the "small issuer" rebate exception applies to the issue.
 - c. If the 6-month, 18-month, or 24-month spending exceptions from the rebate requirement (as described in the Tax Certificate) may apply to the tax-advantaged obligations, ensure that the spending of proceeds is monitored prior to semiannual spending dates for the applicable exception.
 - d. Make rebate and yield reduction payments and file Form 8038-T in a timely manner.
 - e. Even after all other proceeds of a given issue have been spent, ensure compliance with rebate requirements for any debt service reserve fund and any debt service fund that is not exempt from the rebate requirement (see the Arbitrage Rebate covenants contained in the Tax Certificate).

13. Maintenance and Retention of Arbitrage and Rebate Records. Maintain records of investments and expenditures of proceeds, rebate exception analyses, rebate calculations, Forms 8038-T, and rebate and yield reduction payments, and any other records relevant to compliance with the arbitrage restrictions for the period indicated in Section H. below.

G. RECORD RETENTION. The Responsible Officer or other responsible person shall ensure that for each issue of obligations, the transcript and all records and documents described in these Procedures will be maintained while any of the obligations are outstanding and during the three-year period following the final maturity or redemption of that issue, or if the obligations are refunded (or re-refunded), while any of the refunding obligations are outstanding and during the three-year period following the final maturity or redemption of the refunding obligations.

**ATTACHMENT I TO
WRITTEN PROCEDURES**

REMEDIAL ACTION PROCEDURES

Capitalized terms used herein but not defined have the meaning assigned thereto in Section 5 below and in the Written Policies and Procedures for Tax-Advantaged Obligations to which these Remedial Action Procedures are attached. This attachment describes written procedures that may be required to be taken by, or on behalf of, an issuer of Obligations.

1. **Background.** The maintenance of the tax status of the Obligations (*e.g.*, as tax-exempt obligations under federal tax law) depends on the compliance with the requirements set forth in the Internal Revenue Code of 1986, as amended (the “Code”). *The purpose of this attachment is to set forth written procedures to be used in the event that any deliberate actions are taken that are not in compliance with the tax requirements of the Code (each, a “Deliberate Action”) with respect to the Obligations, the proceeds thereof, or the property financed or refinanced by the Obligations (the “Financed Property”).*

2. **Consultation with bond counsel.** If a Deliberate Action is taken with respect to the Obligations and the Financed Property subsequent to the issuance or execution and delivery of the Obligations, then the Town must consult with Greenberg Traurig, LLP or other nationally recognized bond counsel (“bond counsel”) regarding permissible Remedial Actions that may be taken to remediate the effect of any such Deliberate Action upon the federal tax status of the Obligations. Note that remedial actions or corrective actions other than those described in this attachment may be available with respect to the Obligations and the Financed Property, including remedial actions or corrective actions that may be permitted by the Commissioner through the voluntary closing agreement programs (VCAP) provided by the Internal Revenue Service from time to time.

3. **Conditions to Availability of Remedial Actions.** None of the Remedial Actions described in this attachment are available to remediate the effect of any Deliberate Action with respect to the Obligations and the Financed Property unless the following conditions have been satisfied and unless bond counsel advises otherwise:

(a) The issuer of the Obligations reasonably expected on the date the Obligations were originally issued or executed and delivered that the Obligations would meet neither the Private Business Tests nor the Private Loan Financing Test of Section 141 of the Code and the Treasury Regulations thereunder for the entire term of the Obligations (such expectations may be based on the representations and expectations of the applicable conduit borrower, if there is one);

(b) The weighted average maturity of the Obligations did not, as of such date, exceed 120 percent of the Average Economic Life of the Financed Property;

(c) Unless otherwise excepted under the Treasury Regulations, the Town delivers a certificate, instrument, or other written records satisfactory to bond counsel

demonstrating that the terms of the arrangement pursuant to which the Deliberate Action is taken is *bona fide* and arm's-length, and that the non-exempt Person using either the Financed Property or the proceeds of the Obligations as a result of the relevant Deliberate Action will pay fair market value for the use thereof;

(d) Any disposition must be made at fair market value and any Disposition Proceeds actually or constructively received by the Town as a result of the Deliberate Action must be treated as gross proceeds of the Obligations and may not be invested in obligations bearing a yield in excess of the yield on the Obligations subsequent to the date of the Deliberate Action; and

(e) Proceeds of the Obligations affected by the Remedial Action must have been allocated to expenditures for the Financed Property or other allowable governmental purposes before the date on which the Deliberate Action occurs (except to the extent that redemption or defeasance, if permitted, is undertaken, as further described in Section 4(A) below).

4. **Types of Remedial Action.** Subject to the conditions described above, and only if the Town obtains an opinion of bond counsel prior to taking any of the actions below to the effect that such actions will not affect the federal tax status of the Obligations, the following types of Remedial Actions may be available to remediate a Deliberate Action subsequent to the issuance of the Obligations:

(a) Redemption or Defeasance of Obligations.

(i) If the Deliberate Action causing either the Private Business Use Test or the Private Loan Financing Test to be satisfied consists of a fair market value disposition of any portion of the Financed Property exclusively for cash, then the Town may allocate the Disposition Proceeds to the redemption of Nonqualified Obligations pro rata across all of the then-outstanding maturities of the Obligations at the earliest call date of such maturities of the Obligations after the taking of the Deliberate Action. If any of the maturities of the Obligations outstanding at the time of the taking of the Deliberate Action are not callable within 90 days of the date of the Deliberate Action, the Town may (subject generally to the limitations described in (iii) below) allocate the Disposition Proceeds to the establishment of a Defeasance Escrow for any such maturities of the Obligations within 90 days of the taking of such Deliberate Action.

(ii) If the Deliberate Action consists of a fair market value disposition of any portion of the Financed Property for other than exclusively cash, then the Town may use any funds (other than proceeds of the Obligations or proceeds of any obligation the interest on which is excludable from the gross income of the registered owners thereof for federal income tax purposes) for the redemption of all Nonqualified Obligations within 90 days of the date that such Deliberate Action was taken. In the event that insufficient maturities of the Obligations are callable by the date which is within 90 days after the date of the Deliberate Action, then such funds may be used for the establishment of a Defeasance

Escrow within 90 days of the date of the Deliberate Action for all of the maturities of the Nonqualified Obligations not callable within 90 days of the date of the Deliberate Action.

(iii) If a Defeasance Escrow is established for any maturities of Nonqualified Obligations that are not callable within 90 days of the date of the Deliberate Action, written notice must be provided to the Commissioner of Internal Revenue Service at the times and places as may be specified by applicable regulations, rulings, or other guidance issued by the Department of the Treasury or the Internal Revenue Service. Note that the ability to create a Defeasance Escrow applies only if the Obligations to be defeased and redeemed all mature or are callable within ten and one-half (10.5) years of the date the Obligations are originally issued or executed and delivered. If the Obligations are not callable within ten and one-half years, and none of the other remedial actions described below are applicable, the remainder of this attachment is for general information only, and bond counsel must be contacted to discuss other available options.

(b) Alternative Use of Disposition Proceeds. Use of any Disposition Proceeds in accordance with the following requirements may be treated as a Remedial Action with respect to the Obligations:

(i) the Deliberate Action consists of a disposition of all or any portion of the Financed Property for not less than the fair market value thereof for cash;

(ii) the Town reasonably expects to expend the Disposition Proceeds resulting from the Deliberate Action within two years of the date of the Deliberate Action;

(iii) the Disposition Proceeds are treated as Proceeds of the Obligations for purposes of Section 141 of the Code and the Regulations thereunder, and the use of the Disposition Proceeds in the manner in which such Disposition Proceeds are in fact so used would not cause the Disposition Proceeds to satisfy the Private Activity Bond Tests;

(iv) no action is taken after the date of the Deliberate Action to cause the Private Activity Bond Tests to be satisfied with respect to the Obligations, the Financed Property, or the Disposition Proceeds (other than any such use that may be permitted in accordance with the Treasury Regulations);

(v) Disposition Proceeds used in a manner that satisfies the Private Activity Bond Tests or that are not expended within two years of the date of the Deliberate Action must be used to redeem or defease Nonqualified Obligations in accordance with the requirements set forth in Section 4(a) hereof; and

(c) Alternative Use of Financed Property. The Town may be considered to have taken sufficient Remedial Actions to cause the Obligations to continue their

applicable treatment under federal tax law if, subsequent to taking any Deliberate Action with respect to all or any portion of the Financed Property:

(i) the portion of the Financed Property subject to the Deliberate Action is used for a purpose that would be permitted for qualified tax-exempt obligations;

(ii) the disposition of the portion of the Financed Property subject to the Deliberate Action is not financed by a person acquiring the Financed Property with proceeds of any obligation the interest on which is exempt from the gross income of the registered owners thereof under Section 103 of the Code for purposes of federal income taxation or an obligation described in Sections 54A-54F, 54AA, or 6431 of the Code; and

(iii) any Disposition Proceeds other than those arising from an agreement to provide services (including Disposition Proceeds arising from an installment sale) resulting from the Deliberate Action are used to pay the debt service on the Obligations on the next available payment date or, within 90 days of receipt thereof, are deposited into an escrow that is restricted as to the investment thereof to the yield on the Obligations to pay debt service on the Obligations on the next available payment date.

Absent an opinion of bond counsel, no Remedial Actions are available to remediate the satisfaction of the Private Security or Payment Test regarding the same with respect to the Obligations. Nothing herein is intended to prohibit Remedial Actions not described herein that may become available subsequent to the date the Obligations are originally issued or executed and delivered to remediate the effect of a Deliberate Action taken with respect to the Obligations, the proceeds thereof or the Financed Property.

5. **Additional Defined Terms.** For purposes of this attachment, the following terms have the following meanings:

“*Commissioner*” means the Commissioner of Internal Revenue, including any successor person or body.

“*Defeasance Escrow*” means an irrevocable escrow established to redeem obligations on their earliest call date in an amount that, together with investment earnings thereon, is sufficient to pay the entire principal of, and interest and call premium on, obligations from the date the escrow is established to the earliest call date. A Defeasance Escrow may not be invested in higher yielding investments or in any investment under which the obligor is a user of the proceeds of the obligations.

“*Deliberate Action*” means any action, occurrence, or omission by the Town (or, if applicable, by a conduit borrower) that is within the control of the Town (or, if applicable, by such conduit borrower) that causes either (1) the Private Business Use Test to be satisfied with respect to the Obligations or the Financed Property (without regard to the Private Security or Payment Test), or (2) the Private Loan Financing Test to be satisfied with respect to the

Obligations or the proceeds thereof. An action, occurrence, or omission is not a Deliberate Action if (1) the action, occurrence, or omission would be treated as an involuntary or compulsory conversion under Section 1033 of the Code, or (2) the action, occurrence, or omission is in response to a regulatory directive made by the government of the United States.

“*Disposition Proceeds*” means any amounts (including property, such as an agreement to provide services) derived from the sale, exchange, or other disposition of property (other than Investments) financed with the proceeds of the Obligations.

“*Nonqualified Obligations*” means that portion of the Obligations outstanding at the time of a Deliberate Action in an amount that, if the outstanding Obligations were issued or executed and delivered on the date on which the Deliberate Action occurs, the outstanding Obligations would not satisfy the Private Business Use Test or the Private Loan Financing Test, as applicable. For this purpose, the amount of private business use is the greatest percentage of private business use in any one-year period commencing with the Deliberate Action.

“*Private Activity Bond Tests*” means, collectively, the Private Business Use Test, the Private Security or Payment Test, and the Private Loan Financing Test.

“*Private Business Tests*” means the Private Business Use Test and the Private Security or Payment Test.

“*Private Business Use Test*” has the meaning set forth in Section 141(b)(1) of the Code.

“*Private Loan Financing Test*” has the meaning set forth in Section 141(c) of the Code.

“*Private Security or Payment Test*” has the meaning set forth in Section 141(b)(2) of the Code.

“*Remedial Action*” means any of the applicable actions described in Section 4 hereof, or such other actions as may be prescribed from time to time by the Department of the Treasury or the Internal Revenue Service, which generally have the effect of rectifying noncompliance by the Town with certain provisions of Section 141 of the Code and the Regulations thereunder and are undertaken by the Town to maintain the federal tax status of the Obligations.

6. **Change in Law.** This attachment is based on law in effect as of this date. Statutory or regulatory changes, including but not limited to clarifying Treasury Regulations, may affect the matters set forth in this attachment.

PROCEDURES FOR COMPLIANCE WITH OBLIGATIONS UNDER CONTINUING DISCLOSURE UNDERTAKINGS

These Procedures for Compliance with Obligations under Continuing Disclosure Undertakings (these “Procedures”) are established as of October 24, 2016, and set forth specific procedures of Quail Creek Community Facilities District (the “Issuer”), designed to assist in compliance with applicable requirements set forth in undertakings (“Continuing Disclosure Undertakings”) providing for ongoing disclosure in connection with the offering of obligations to investors for obligations (whether or not tax-exempt/tax-advantaged) subject to the continuing disclosure requirements of Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

These Procedures document practices and describe various procedures for preparing and disseminating related reports and information and reporting “listed events” for the benefit of the holders of the Issuer’s obligations and to assist the Participating Underwriters (within the meaning of the Rule) in complying with the Rule and the Continuing Disclosure Undertaking.

The Issuer recognizes that compliance with pertinent law is an ongoing process; necessary during the entire term of any obligations issued by the Issuer, and is an integral component of the Issuer’s debt management. Accordingly, implementation of these Procedures will require ongoing monitoring and consultation with bond counsel and the Issuer’s accountants and advisors.

General Policies and Procedures

The following policies relate to procedures and systems for monitoring post-issuance compliance generally.

1. The District Treasurer (the “Compliance Officer”) shall be responsible for monitoring post-issuance compliance issues.
2. The Compliance Officer will coordinate procedures for record retention and review of such records.
3. All documents and other records relating to obligations issued by the Issuer shall be maintained by or at the direction of the Compliance Officer.
4. The Compliance Officer will review post-issuance compliance procedures and systems on a periodic basis, but not less than annually.
5. The Compliance Officer will review the annual information required to be filed pursuant to each Continuing Disclosure Undertaking.

Continuing Disclosure

Under the provisions of the Rule, Participating Underwriters are required to reasonably determine that issuers (such as the Issuer) have entered into written Continuing Disclosure Undertakings to make ongoing disclosure in connection with offerings of obligations to investors subject to the Rule. Unless the Issuer is exempt from compliance with the Rule or the continuing disclosure provisions of the Rule as a result of certain permitted exemptions, a Continuing Disclosure Undertaking executed by the Issuer will be required.

In order to monitor compliance by the Issuer with its Continuing Disclosure Undertakings, the Compliance Officer will take the actions listed below, if and as required by such Continuing Disclosure Undertakings. The Compliance Officer may coordinate with staff, and may engage a dissemination agent, counsel, and/or other professionals to assist in discharging the Compliance Officer's duties under these Procedures as the Compliance Officer deems necessary.

A. Compilation of Currently Effective Continuing Disclosure Undertakings

The Compliance Officer shall compile and maintain a set of all currently effective Continuing Disclosure Undertakings of the Issuer. Such agreements are included in the transcript of proceedings for the Issuer's respective obligation issue. Continuing Disclosure Undertakings are "Currently Effective" for purposes of these Procedures (and hence shall be included in the set of Currently Effective Continuing Disclosure Undertakings) for so long as the obligations to which they relate are outstanding. As obligations are completely repaid or redeemed, the Compliance Officer shall remove the related Continuing Disclosure Undertakings from the set of Currently Effective Continuing Disclosure Undertakings.

B. Annual Review and Annual Reporting Requirements

The Compliance Officer shall ensure that all necessary financial statements, financial information and operating data is filed in the manner and by the filing dates set forth in the Currently Effective Continuing Disclosure Undertakings. The Compliance Officer shall review the set of Currently Effective Continuing Disclosure Undertakings annually, prior to each annual filing, keeping in mind:

- The financial information and operating data required to be reported under a particular Continuing Disclosure Undertaking may differ from the financial information and operating data required to be reported under another Continuing Disclosure Undertaking; and
- The timing requirements for reporting under a particular Continuing Disclosure Undertaking may differ from the timing requirements for filing under another Continuing Disclosure Undertaking.

C. Calendar; EMMA Notification System

The Compliance Officer shall keep a calendar of all pertinent filing dates required under the Issuer's Currently Effective Continuing Disclosure Undertakings. The Compliance Officer shall also subscribe to notification services made available through the Electronic Municipal Market Access system of the Municipal Securities Rulemaking Board.

D. Annual Review of Prior Filings

As part of the annual review process, the Compliance Officer shall also review prior filings made within the past five years subsequent to the last such review of prior filings. If the Compliance Officer discovers any late or missing filings, the Compliance Officer (after discussing the circumstances with the Issuer's dissemination agent, counsel or other agents as necessary) shall file the missing information.

E. Monitoring of Listed events

The Compliance Officer shall monitor the occurrence of any of the following events and/or other events set forth in the Currently Effective Continuing Disclosure Undertakings and shall provide notice of the same in the required manner and by the relevant reporting deadline (generally within 10 days of the occurrence):

- Principal and interest payment delinquencies;
- Non-payment related defaults, if material;
- Unscheduled draws on debt service reserves reflecting financial difficulties;
- Unscheduled draws on credit enhancements reflecting financial difficulties;
- Substitution of credit or liquidity providers, or their failure to perform;
- Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Issuer's obligations, or other material events affecting the tax status of the Issuer's obligations;
- Modification to rights of holders of the Issuer's obligations, if material;
- Calls of the Issuer's obligations, if material, and tender offers;
- Defeasances of the Issuer's obligations;
- Release, substitution or sale of property securing repayment of the Issuer's obligations, if material;
- Rating changes;

- Bankruptcy, insolvency, receivership or similar event of the Issuer;
- The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- Appointment of a successor or additional trustee or the change of name of a trustee, if material.

F. Review of Official Statements

The Compliance Officer shall review drafts of any offering document for a new offering of obligations, with assistance from its dissemination agent, counsel or other agents of the Issuer as necessary, and shall determine that the offering document accurately and completely describes the Issuer’s continuing disclosure compliance history within the five years prior to the date of the respective Official Statement. This compliance review is not meant to limit the Issuer’s other reviews of or diligence procedures relating to its offering documents.

G. Record Retention

The Compliance Officer shall retain documentation evidencing the Issuer’s annual reviews and its reviews of offering documents in connection with new offerings as set forth above. This Issuer shall retain this documentation, for each Continuing Disclosure Undertaking, for the period that the related obligations are outstanding.

H. Annual Review Checklist

The Compliance Officer may (or may not) choose to use and retain the attached Annual Review Checklist to assist in implementing these Procedures.

CONTINUING DISCLOSURE ANNUAL REVIEW CHECKLIST

- 1. Fiscal Year Ending:** _____
- 2. Compliance Officer:** _____
- 3. Checklist Completion Date:** _____

4. Obligations for which there are Currently Effective Continuing Disclosure Undertakings - Attach Agreements:

\$ _____, _____, dated _____, 20__

5. Have any new Obligations subject to Continuing Disclosure Been Issued this Year?

_____ No

_____ Yes (Add Agreement to Currently Effective Continuing Disclosure Undertakings) If Yes, did the Compliance Officer review the Offering Document's Description of the Issuer's Continuing Disclosure Compliance History within the Prior 5 Years?

Circle: Y/ N (If N, review and discuss any issues with counsel.)

6. Have any Obligations subject to Continuing Disclosure Been Completely Paid or Redeemed this Year?

_____ No

_____ Yes (Remove Agreement from Currently Effective Continuing Disclosure Undertakings)

7. (a) Has the Compliance Officer Reviewed the Annual Continuing Disclosure Filing to Ensure that all Necessary Financial Statements, Financial Information and Operating Data is Included?

_____ Yes

_____ No (Compliance Officer must review the Annual Continuing Disclosure Filing)

(b) For purposes of this review, please keep in mind:

Different Continuing Disclosure Undertakings may require different information to be file (so check each one)	Checked? Y / N
Different Continuing Disclosure Undertakings may have different filing timing requirements (so check each one).	Y / N

Have any of the Following Events Occurred this Year?

Event	Circle
1. Principal and interest payment delinquencies	Y / N
2. Non-payment related defaults, if material	Y / N
3. Unscheduled draws on debt service reserves reflecting financial difficulties	Y / N
4. Unscheduled draws on credit enhancements reflecting financial difficulties	Y / N
5. Substitution of credit or liquidity providers, or their failure to perform	Y / N
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Issuer's obligations, or other material events affecting the tax status of the Issuer's obligations	Y / N
7. Modification to rights of holders of the Issuer's obligations, if material	Y / N
8. Calls of the Issuer's obligations, if material, and tender offers	Y / N
9. Defeasances of the Issuer's obligations	Y / N
10. Release, substitution or sale of property securing repayment of the Issuer's obligations, if material	Y / N
11. Rating changes	Y / N
12. Bankruptcy, insolvency, receivership or similar event of the Issuer	Y / N
13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material	Y / N
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material	Y / N

If any such Event Occurred, was Proper Notice Provided?

_____ Yes

_____ No (Call your dissemination agent or counsel immediately to discuss)

_____ N/A

Has the Issuer Retained a Dissemination Agent? (i.e., a Paid Third Party that Assists with Filings)

_____ Yes: Name/Contact: _____

_____ No

\$ _____
 QUAIL CREEK COMMUNITY FACILITIES DISTRICT
 (SAHUARITA, ARIZONA)
 GENERAL OBLIGATION REFUNDING BONDS, SERIES 2016

BOND PURCHASE AGREEMENT

_____, 2016

QUAIL CREEK COMMUNITY
 FACILITIES DISTRICT
 Quail Creek Community Facilities District
 375 W. Sahuarita Center Way
 Sahuarita, Arizona 85629

The undersigned, Hilltop Securities Inc., acting on its own behalf (the “Underwriter”), offers to enter into the following agreement with the Quail Creek Community Facilities District (the “Issuer”), which, upon the Issuer’s written acceptance of this offer, will be binding upon the Issuer and upon the Underwriter. This offer is made subject to the Issuer’s written acceptance hereof on or before 11:59 p.m., Arizona time, on the date first written above, and, if not so accepted, this offer will be subject to withdrawal by the Underwriter upon notice delivered to the Issuer at any time prior to the acceptance hereof by the Issuer. The offer of the Underwriter is made by signing the signature line provided and delivering the signed page to the Issuer. The acceptance is made by the Issuer signing the signature line provided and delivering the signed page to the Underwriter. Delivery includes sending in the form of a facsimile or telecopy or via the internet as a portable document format (PDF) file or other replicating image attached to an electronic message. Terms not otherwise defined in this Bond Purchase Agreement (this “Agreement”) shall have the same meanings set forth in the Bond Resolution or the Official Statement (both as defined herein).

In addition to acceptance of this Agreement by the Issuer, as provided above, the obligations of the Underwriter under this Agreement shall be conditioned on receipt of a fully-executed Indemnity Letter (the “Indemnity Letter”), dated the date hereof, from Robson Ranch Quail Creek, LLC (the “Developer”), the form of which is attached hereto as Attachment I.

1. Purchase and Sale of the Bonds. 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 Issuer, and the Issuer hereby agrees to sell and deliver to the Underwriter, all, but not less than all, of the Issuer’s General Obligation Refunding Bonds, Series 2016 (the “Bonds”). The Bonds shall be as described in, and shall be issued and secured under the provisions of, the Series 2016 Indenture of Trust and Security Agreement, dated as of _____ 1, 2016 (the “Indenture”), between the Issuer and U.S. Bank National Association, as

trustee (the "Trustee") and authorized by a resolution adopted by the District Board (the "Board") on _____, 2016 (the "Bond Resolution"), under authority of Title 48, Chapter 4, Article 6, Arizona Revised Statutes (the "Enabling Act") and Title 35, Chapter 3, Article 4, Arizona Revised Statutes (the "Refunding Act"). The Bonds are being issued to (a) refund and redeem the Issuer's outstanding General Obligation Bonds, Series 2006 (the "Bonds Being Refunded"), issued pursuant to a Series 2006 Indenture of Trust and Security Agreement, dated as of June 1, 2006 (the "Prior Indenture"), between the Issuer and Wells Fargo Bank, N.A., as trustee (the "Prior Trustee"), and (b) pay the costs of issuance of the Bonds.

Inasmuch as this purchase and sale represents a negotiated transaction, the Issuer acknowledges and agrees that (i) the Underwriter is not acting as an agent or fiduciary of the Issuer, but rather is acting solely in its capacity as underwriter for itself and its own account; (ii) the transaction contemplated by this Agreement is an "arm's length," commercial transaction between the Issuer and the Underwriter in which the Underwriter is acting solely as a principal and is not acting as a municipal advisor, financial advisor or fiduciary to the Issuer; (iii) the Underwriter has not assumed any advisory or fiduciary responsibility to the Issuer with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the Issuer on other matters); (iv) the only obligations the Underwriter has to the Issuer with respect to the transaction contemplated hereby expressly are set forth in this Agreement; and (v) the Issuer has consulted its own legal, accounting, tax, and other advisors, as applicable, to the extent it has deemed appropriate.

The principal amount, the maturities, the redemption provisions and the interest rates per annum and resulting yields for the Bonds are set forth in the Schedule hereto.

The Bonds will be dated as of the date of the initial authentication and delivery thereof.

The Bonds will be purchased by the Underwriter at the net purchase price of \$_____, consisting of the par amount of the Bonds, plus net original issue premium of \$_____ and less the Underwriter's discount of \$_____. For convenience, the Underwriter shall pay by the Closing (as defined herein), on behalf of the Issuer, \$_____ from the proceeds of the Bonds to the Insurer (as such term is hereinafter defined) as payment of the bond insurance premium for the Policy (as such term is hereinafter defined).

2. Public Offering. The Underwriter agrees to make a bona fide public offering of all of the Bonds at a price not to exceed the public offering price set forth on the inside front cover page of the Official Statement and may subsequently change such offering price without any requirement of prior notice. The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower or higher than the public offering price stated on the inside front cover page of the Official Statement.

3. The Official Statement.

(a) The Preliminary Official Statement, dated _____, 2016 (including the cover page, the inside front cover page and Appendices thereto, the "Preliminary Official Statement"), of the Issuer relating to the Bonds, as to be subsequently revised to

reflect the changes resulting from the sale of the Bonds and including amendments or supplements thereto, is hereinafter called the “Official Statement.”

(b) The Preliminary Official Statement has been prepared by the Issuer for use by the Underwriter in connection with the public offering, sale and distribution of the Bonds by the Underwriter. The Issuer hereby deems the Preliminary Official Statement “final” as of its date, except for the omission of such information which is dependent upon the final pricing of the Bonds for completion, all as permitted to be excluded by Section (b)(1) of Rule 15c2-12 under the Securities Exchange Act of 1934 (the “Rule”).

(c) The Issuer represents that the Board has reviewed and approved the information in the Official Statement and hereby authorizes the Official Statement and the information therein contained to be used by the Underwriter in connection with the public offering and the sale of the Bonds. The Issuer ratifies the use by the Underwriter prior to the date hereof of the Preliminary Official Statement in connection with the public offering of the Bonds. The Issuer shall provide, or cause to be provided, to the Underwriter as soon as practicable after the date of the Issuer’s acceptance of this Agreement (but, in any event, not later than within seven business days after the Issuer’s acceptance of this Agreement and in sufficient time to accompany any confirmation that requests payment from any customer) copies of the Official Statement which is complete as of the date of its delivery to the Underwriter in such quantity as the Underwriter shall request in order for the Underwriter to comply with Section (b)(4) of the Rule and the rules of the Municipal Securities Rulemaking Board (the “MSRB”).

(d) If, after the date of this Agreement to and including the date the Underwriter is no longer required to provide an Official Statement to potential customers who request the same pursuant to the Rule (the earlier of (i) 90 days from the “end of the underwriting period” (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from the MSRB, but in no case less than 25 days after the “end of the underwriting period” for the Bonds), the Issuer becomes aware of any fact or event which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or if it is necessary to amend or supplement the Official Statement to comply with law, the Issuer will notify the Underwriter (and for the purposes of this clause provide the Underwriter with such information as it may from time to time request), and if, in the opinion of the Issuer or the Underwriter, such fact or event requires preparation and publication of a supplement or amendment to the Official Statement, the Issuer will forthwith prepare and furnish, at the Issuer’s own expense (in a form and manner approved by the Underwriter), a reasonable number of copies of either amendments or supplements to the Official Statement so that the statements in the Official Statement as so amended and supplemented 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 not misleading or so that the Official Statement will comply with law. If such notification shall be subsequent to the Closing, the Issuer shall furnish such legal opinions, certificates, instruments and other documents as the

Underwriter may deem necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement.

(e) The Underwriter hereby agrees to file the Official Statement with the MSRB. Unless otherwise notified in writing by the Underwriter, the Issuer can assume that the “end of the underwriting period” for purposes of the Rule is the Closing Date (as defined herein).

4. Representations, Warranties, and Covenants of the Issuer. The undersigned, on behalf of the Issuer, but not individually, hereby represents and warrants to and covenants with the Underwriter that:

(a) The Issuer is a community facilities district duly organized and validly existing pursuant to the Enabling Act, and has full legal right, power and authority under the Enabling Act and the Refunding Act and the Bond Resolution to (i) authorize, execute, deliver and issue, as applicable (A) this Agreement, (B) the Bonds, (C) the Indenture, (D) a Series 2016 Standby Contribution Agreement, dated as of _____ 1, 2016 (the “Standby Contribution Agreement”), among the Issuer, the Trustee and the Developer, (E) a Series 2016 Credit Depository Agreement, dated as of _____ 1, 2016 (the “Depository Agreement”), by and between the Issuer and U.S. Bank National Association, as depository (the “Depository”), (F) an Undertaking and, together with this Agreement, the Indenture, the Standby Contribution Agreement and the Depository Agreement, the “Issuer Documents”) which satisfies the requirements of Section (b)(5)(i) of the Rule (the “Undertaking”); (ii) to sell, issue and deliver the Bonds to the Underwriter as provided herein and; (iii) to refund the Bonds Being Refunded and to carry out and consummate the transactions contemplated by the Bond Resolution, the Issuer Documents and the Official Statement, and the Issuer has complied, and will at the Closing be in compliance in all respects, with the terms of the Enabling Act, the Refunding Act, the Bond Resolution and the Issuer Documents as they pertain to such transactions;

(b) By all necessary official action of the Issuer prior to or concurrently with the acceptance hereof, the Issuer has duly authorized all necessary action to be taken by it for (i) the adoption of the Bond Resolution and the issuance and sale of the Bonds, (ii) the approval, execution and delivery of, and the performance by the Issuer of the obligations on its part contained in, the Bonds and the Issuer Documents and (iii) the consummation by it of all other transactions contemplated by the Official Statement and the Issuer Documents and any and all such other agreements and documents as may be required to be executed, delivered and/or received by the Issuer in order to carry out, give effect to, and consummate the transactions contemplated herein and in the Official Statement;

(c) The Issuer Documents constitute legal, valid and binding obligations of the Issuer, enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting the enforcement of creditors’ rights and, in the case of the Undertaking, annual appropriation of amounts to pay for compliance therewith, and the Bonds, when issued, delivered and paid for, in accordance with the Bond Resolution and

this Agreement, will constitute legal, valid and binding general obligations of the Issuer, entitled to the benefits of the Bond Resolution and enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights and all actions necessary to create a legal, valid and binding levy on all of the taxable property in the Issuer of a direct, annual, ad valorem tax, unlimited as to rate, sufficient to pay all the principal of and interest on the Bonds as the same become due; provided, however, that the total aggregate of taxes levied to pay the principal of and interest on the Bonds in the aggregate shall not exceed the total aggregate principal and interest to become due on the Bonds Being Refunded from the date of issuance of the Bonds to the final maturity date of the Bonds Being Refunded, shall have been or shall be taken to the extent such action may be taken at or prior to the Closing;

(d) The Issuer is not in material breach of or default in any material respect under any applicable constitutional provision, law or administrative regulation of the State of Arizona (the "State") or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Issuer is a party or to which the Issuer is or any of its property or assets are otherwise subject, no event has occurred and is continuing which constitutes or with the passage of time or the giving of notice, or both, would constitute a material default or event of default by the Issuer under any of the foregoing, and the execution and delivery of the Bonds and the Issuer Documents and the adoption of the Bond Resolution, and compliance with the provisions on the Issuer's part contained therein, will not conflict materially with or constitute a material breach of or default under any constitutional provision, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Issuer is a party or to which the Issuer is or to which any of its property or assets are otherwise subject;

(e) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization of, which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the Issuer of its obligations under the Bond Resolution, the Issuer Documents and the Bonds have been duly obtained, except for such approvals, consents and orders as may be required under the "blue sky" or securities laws of any jurisdiction in connection with the offering and sale of the Bonds;

(f) The Bonds, the Bond Resolution and the application of the proceeds of the sale of the Bonds conform to the descriptions thereof contained in the Official Statement under the caption "THE BONDS" and "PLAN OF REFUNDING" and the Undertaking conforms to the description thereof contained in the Official Statement under the caption "CONTINUING DISCLOSURE";

(g) There is no litigation, action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or overtly threatened against the Issuer, affecting the existence of the Issuer or the titles of its officers to their respective offices, or affecting or seeking to prohibit,

restrain or enjoin the sale, issuance or delivery of the Bonds or the refunding of the Bonds Being Refunded or the levying, assessment or collection of the property taxes for the payment of the Bonds pursuant to the Bond Resolution or in any way contesting or affecting the adoption of the Bond Resolution or the validity or enforceability of the Bonds or the Issuer Documents, or contesting the exclusion from gross income of interest on the Bonds for federal income tax purposes or State income tax purposes, or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto, or contesting the powers of the Issuer or any authority for the issuance of the Bonds, the adoption of the Bond Resolution or the execution and delivery of the Issuer Documents, nor, to the best knowledge of the Issuer, is there any basis therefor, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Bonds or the Issuer Documents;

(h) As of the date thereof, the Preliminary Official Statement did 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, provided that, as to information provided by the Developer relating to the Developer or the Project (as defined in the Official Statement), the Issuer is relying solely on the information provided;

(i) At the time of the Issuer's acceptance hereof and (unless the Official Statement is amended or supplemented pursuant to paragraph (d) of Section 3 of this Agreement) at all times subsequent thereto during the period up to and including the Closing Date, the Official Statement does not and will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, provided that, as to information provided by the Developer relating to the Developer or the Project, the Issuer is relying solely on the information provided;

(j) If the Official Statement is supplemented or amended pursuant to paragraph (d) of Section 3 of this Agreement, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto during the period up to and including the Closing Date, the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which made, not misleading, provided that, as to information provided by the Developer relating to the Developer or the Project, the Issuer is relying solely on the information provided;

(k) The Issuer will apply, or cause to be applied, the proceeds from the sale of the Bonds as provided in and subject to all of the terms and provisions of the Bond Resolution and will not take or omit to take any action which action or omission will

adversely affect the exclusion from gross income for federal income tax purposes or State income tax purposes of the interest on the Bonds;

(l) The Issuer will furnish such information and execute such instruments and take such action in cooperation with the Underwriter as the Underwriter may reasonably request (A) to (y) qualify the Bonds for offer and sale under the “blue sky” or other securities laws and regulations of such states and other jurisdictions in the United States as the Underwriter may designate and (z) determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions and (B) to continue such qualifications in effect so long as required for the distribution of the Bonds (provided, however, that the Issuer will not be required to qualify as a foreign corporation or to file any general or special consents to service of process under the laws of any jurisdiction) and will advise the Underwriter immediately of receipt by the Issuer of any notification with respect to the suspension of the qualification of the Bonds for sale in any jurisdiction or the initiation or threat of any proceeding for that purpose;

(m) The Issuer has fully submitted to the Arizona Department of Revenue and the Arizona State Treasurer’s Office, as applicable, the information required with respect to previous issuances of bonds, securities and lease-purchase agreements of the Issuer pursuant to Section 35-501(B), Arizona Revised Statutes, as amended, and will file the information relating to the Bonds required to be submitted to the Arizona State Treasurer’s Office pursuant thereto within 60 days of the Closing Date;

(n) The Issuer has executed and delivered or shall execute and deliver prior to the Closing, and in time for the Closing to occur at its specified time, the documents required to cause the Bonds to be eligible for deposit with DTC (as herein defined) or other securities depositories;

(o) Except as otherwise indicated in the Official Statement, the Issuer has been and is in material compliance during the previous five years with the terms of all continuing disclosure undertakings previously executed by the Issuer pursuant to the Rule;

(p) Prior to the Closing, the Issuer will not offer or issue any bonds, notes or other obligations for borrowed money or incur any material liabilities, direct or contingent, in each case payable from the same source as the Bonds, without the prior approval of the Underwriter and

(q) Any certificate, signed by any official of the Issuer authorized to do so in connection with the transactions contemplated by this Agreement shall be deemed a representation and warranty by the Issuer to the Underwriter as to the statements made therein.

5. Closing.

(a) Before 10:00 a.m., Arizona time, on _____, 2016 (the “Closing Date”), or at such other time and date as shall have been mutually agreed upon by the Issuer and the Underwriter, the Issuer will, subject to the terms and conditions hereof,

deliver the Bonds to the Underwriter duly executed and authenticated, together with the other documents hereinafter mentioned, and the Underwriter will, subject to the terms and conditions hereof, accept such delivery and pay the purchase price of the Bonds as set forth in Section 1 of this Agreement by wire transfer payable in immediately available funds to the order of the Issuer (the “Closing”). Payment for the Bonds as aforesaid shall be made at the offices of Greenberg Traurig, LLP (“Bond Counsel”) or such other place as shall have been mutually agreed upon by the Issuer and the Underwriter.

(b) Delivery of the Bonds shall be made through the facilities of The Depository Trust Company, New York, New York (“DTC”), or, in the case of a “Fast Automated Securities Transfer” with the bond registrar and paying agent for purposes of the Bond Registrar and Paying Agent Agreement or by such other means as shall have been mutually agreed upon by the Issuer and the Underwriter. The Bonds shall be prepared in definitive fully registered form, bearing CUSIP numbers without coupons, with one Bond for each maturity of the Bonds, registered in the name of Cede & Co., all as provided in the Bond Resolution, and shall be made available to the Underwriter at least one business day before the Closing for purposes of inspection.

6. Closing Conditions. The Underwriter has entered into this Agreement in reliance upon the representations, warranties and agreements of the Issuer contained herein and of the Developer contained in the Indemnity Letter, and in reliance upon the representations, warranties and agreements to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the Issuer of its obligations hereunder, both as of the date hereof and as of the Closing Date. Accordingly, the Underwriter’s obligations under this Agreement to purchase, to accept delivery of and to pay for the Bonds shall be conditioned upon the performance by the Issuer of its obligations to be performed hereunder and by the Developer of its obligations pursuant to the Indemnity Letter and under such documents and instruments at or prior to the Closing, and shall also be subject to the following additional conditions, including the delivery by the Issuer of such documents as are enumerated herein, in form and substance reasonably satisfactory to the Underwriter:

(a) The representations and warranties of the Issuer contained herein and the representations and warranties of the Developer in the Indemnity Letter shall be true, complete and correct on the date hereof and on and as of the Closing Date, as if made on the Closing Date;

(b) The Issuer shall have performed and complied with all agreements and conditions required by this Agreement to be performed or complied with by it prior to or at the Closing;

(c) At the time of the Closing, (i) the Bond Resolution, the Issuer Documents and the Bonds shall be in full force and effect in the form heretofore approved by the Underwriter and shall not have been amended, modified or supplemented, and the Official Statement shall not have been supplemented or amended, except in any such case as may have been agreed to by the Underwriter and (ii) all actions of the Issuer required to be taken by the Issuer shall be performed in order for Bond Counsel and counsel to the Underwriter to deliver their respective opinions referred to hereafter;

(d) At the time of the Closing, all official action of the Issuer relating to the Bonds, the Bond Resolution and the Issuer Documents shall be in full force and effect and shall not have been amended, modified or supplemented;

(e) At or prior to the Closing, the Bond Resolution shall have been duly executed and delivered by the Issuer and the Issuer shall have duly executed and delivered and the registrar for the Bonds shall have duly authenticated the Bonds;

(f) At the time of the Closing, there shall not have occurred any change or any development involving a prospective change in the condition, financial or otherwise, or operations of the Issuer or the Developer from that set forth in the Official Statement that, in the judgment of the Underwriter, is material and adverse and that makes it, in the judgment of the Underwriter, impracticable to market the Bonds on the terms and in the manner contemplated in the Official Statement;

(g) The Issuer shall not have failed to pay principal or interest when due on any of its outstanding obligations for borrowed money;

(h) All steps to be taken and all instruments and other documents to be executed, and all other legal matters in connection with the transactions contemplated by this Agreement shall be reasonably satisfactory in legal form and effect to the Underwriter;

(i) At or prior to the Closing, the Underwriter shall have received copies of each of the following documents:

(1) The Official Statement, executed on behalf of the Issuer by the Chairman of the Board or such other official as may have been agreed to by the Underwriter, and the reports and audits referred to or appearing in the Official Statement;

(2) The Bond Resolution with such supplements or amendments as may have been agreed to by the Underwriter;

(3) The Issuer Documents;

(4) The approving opinion of Bond Counsel, dated the Closing Date, with respect to the Bonds, in substantially the form attached to the Official Statement along with a reliance letter with respect thereto, dated the Closing Date and addressed to the Underwriter;

(5) A supplemental opinion of Bond Counsel, dated the Closing Date, addressed to the Underwriter and in substantially the form attached hereto as Exhibit A;

(6) An opinion of Maguire Pearce & Storey, PLLC, as counsel to the Developer, dated the Closing Date, addressed to the Underwriter and the Issuer and in substantially the form attached hereto as Exhibit B;

(7) An opinion of counsel to the Underwriter, dated the Closing Date, addressed to the Underwriter and in substantially the form attached hereto as Exhibit C;

(8) A certificate from the Developer, dated the Closing Date, to the effect that the representations and warranties contained in the Indemnity Letter and in the documents executed by the Developer in connection with the issuance of the Bonds are true and correct in all material respects as of the Closing Date;

(9) A certificate, dated the Closing Date, of appropriate representatives of the Issuer substantially to the effect that:

(i) the representations and warranties of the Issuer contained herein are true and correct in all material respects on and as of the Closing Date as if made on the Closing Date;

(ii) no litigation or proceeding against it is pending or, to the best of such representatives' knowledge, threatened in any court or administrative body which would (a) contest the right of the members or officials of the Issuer to hold and exercise their respective positions, (b) contest the due organization and valid existence of the Issuer, (c) contest the validity, due authorization and execution of the Bonds or the Issuer Documents or (d) attempt to limit, enjoin or otherwise restrict or prevent the Issuer from functioning and levying, assessing and collecting the property taxes from which the Bonds are payable pursuant to the Bond Resolution, nor, to the best of such representatives' knowledge, is there any basis therefor, wherein an unfavorable decision, ruling or finding would materially, adversely affect the validity or enforceability of the Bonds or the Issuer Documents or have a material, adverse effect on the financial condition of the Issuer;

(iii) the Bond Resolution has been duly adopted by the Board of Directors of the Issuer, is in full force and effect and has not been modified, amended or repealed;

(iv) to the best of such representative's knowledge and belief, no event affecting the Issuer 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, in light of the circumstances under which made, not misleading in any respect as of the Closing, and the information contained in the Official Statement is correct in all material respects and, as of the date of the Official Statement did not, and as of the Closing does not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading in any

material respect, provided that, as to information provided by the Developer relating to the Developer or the Project, the Issuer is relying solely on the information provided.

(10) A certificate, dated the Closing Date, of appropriate representatives of the Issuer in form and substance satisfactory to Bond Counsel (i) setting forth the facts, estimates and circumstances in existence on the date of the Closing, which establish that it is not expected that the proceeds of the Bonds will be used in a manner that would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the “Code”), and any applicable regulations (whether final, temporary or proposed), issued pursuant to the Code, and (ii) certifying that to the best of their knowledge and belief, there are no other facts, estimates or circumstances that would materially change the conclusions, representations and expectations contained in such certificate;

(11) Any other certificates and opinions required by the Bond Resolution for the issuance thereunder of the Bonds;

(12) Evidence that Assured Guaranty Municipal Corp. (the “Insurer”) has issued its municipal bond insurance policy (the “Policy”) with respect to the Bonds as well as appropriate opinions and certifications from the Insurer relating to the Policy;

(13) Letter from Standard & Poor’s Financial Services LLC, confirming that the Bonds have been rated “AA”, based on issuance of the Policy, which rating shall be in effect on the date of Closing;

(14) A certificate of the Depository, to the effect that the Letter of Credit (the “Letter of Credit”) issued by Western Alliance Bank (the “Bank”) meeting the requirements contained in the Depository Agreement and as described in the Official Statement have been received and are held by the Depository under the Depository Agreement, together with the opinion of counsel to the Bank, dated the date of the Closing, addressed to the Underwriter and the Issuer, regarding the due execution, delivery and enforceability of the Letter of Credit against the Bank;

(15) A certificate of the Prior Trustee, to the effect that moneys sufficient to effectuate the refunding of the Bonds Being Refunded have been received and that such moneys or obligations have been deposited under the Prior Indenture;

(16) Such other opinions of counsel as are required in connection with the refunding of the Bonds Being Refunded;

(17) The filing copy of the Information Return Form 8038-G (IRS) for the Bonds;

(18) The filing copy of the Report of Bond and Security Issuance for the Arizona State Treasurer's Office pursuant to Section 35-501(B), Arizona Revised Statutes, as amended, and

(19) 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 representations and warranties of the Issuer and the Developer, contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the Issuer and the Developer on or prior to the Closing Date of all the respective agreements then to be performed and conditions then to be satisfied by the Issuer and the Developer, respectively.

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

If the Issuer or the Developer shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds contained in this Agreement, or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Agreement, this Agreement shall terminate and neither the Underwriter nor the Issuer shall be under any further obligation hereunder, except that the respective obligations of the Issuer and the Underwriter set forth in Sections 4 and 8(c) hereof shall continue in full force and effect.

7. Termination. The Underwriter shall have the right to cancel its obligation to purchase the Bonds if, between the date of this Agreement and the Closing, the market price or marketability of the Bonds shall be materially adversely affected, in the sole judgment of the Underwriter, by the occurrence of any of the following:

(a) legislation shall be enacted by or introduced in the Congress of the United States or recommended to the Congress for passage by the President of the United States, or the Treasury Department of the United States or the Internal Revenue Service or any member of the Congress or the State legislature or favorably reported for passage to either House of the Congress by any committee of such House to which such legislation has been referred for consideration, a decision by a court of the United States or of the State or the United States Tax Court shall be rendered, or an order, ruling, regulation (final, temporary or proposed), press release, statement or other form of notice by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made or proposed, the effect of any or all of which would be to impose, directly or indirectly, federal income taxation or State income taxation upon income of the general character to be derived by the Issuer pursuant to the Bond Resolution, or upon interest received on obligations of the general character of the Bonds or, with respect to State taxation, of the interest on the Bonds as described in the Official Statement, or other action or events shall have transpired which may have the

purpose or effect, directly or indirectly, of changing the federal income tax consequences or State income tax consequences of any of the transactions contemplated herein;

(b) 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 1933 Act, or that the Bond Resolution is not exempt from qualification under or other requirements of the Trust Indenture Act, 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 law as amended and then in effect;

(c) any state “blue sky” or securities commission or other governmental agency or body shall have withheld registration, exemption or clearance of the offering of the Bonds as described herein, or issued a stop order or similar ruling relating thereto;

(d) a general suspension of trading in securities on the New York Stock Exchange or the American Stock Exchange, the establishment of minimum prices on either such exchange, the establishment of material restrictions (not in force as of the date hereof) upon trading securities generally by any governmental authority or any national securities exchange, a general banking moratorium declared by federal, State of New York, or State officials authorized to do so;

(e) the New York Stock Exchange or other national securities exchange or any governmental authority, shall impose, as to the Bonds or as to obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriter;

(f) any amendment to the federal or State Constitution or action by any federal or state court, legislative body, regulatory body, or other authority materially adversely affecting the tax status of the Issuer, its property or income securities (or interest thereon);

(g) 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 Official Statement, or has the effect that the Official Statement contains any untrue statement of 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;

(h) there shall have occurred since the date of this Agreement any materially adverse change in the affairs or financial condition of the Issuer or the Developer;

(i) the United States shall have become engaged in hostilities which have resulted in a declaration of war or a national emergency or there shall have occurred any other outbreak or escalation of hostilities or a national or international calamity or crisis, financial or otherwise;

(j) any fact or event shall exist or have existed that, in the Underwriter's judgment, requires or has required an amendment of or supplement to the Official Statement;

(k) there shall have occurred or any notice shall have been given of any intended review, downgrading, suspension, withdrawal, or negative change in credit watch status by any national rating service to any of the Issuer's obligations;

(l) the purchase of and payment for the Bonds by the Underwriter, or the resale of the Bonds by the Underwriter, on the terms and conditions herein provided shall be prohibited by any applicable law, governmental authority, board, agency or commission.

8. Expenses.

(a) The Underwriter shall be under no obligation to pay, and the Issuer shall pay, any expenses incident to the performance of the Issuer's obligations hereunder, including, but not limited to (i) the cost of the preparation and printing of the Bond Resolution, the Issuer Documents, the Preliminary Official Statement and the Official Statement (including any amendments or supplements thereto); (ii) the cost of preparation and printing of the Bonds, (iii) the fees and disbursements of Bond Counsel and counsel to the Underwriter; (iv) the fees and disbursements of any other engineers, accountants, and other experts, consultants or advisers retained by the Issuer and (v) the fees for bond ratings and credit enhancement fees or premiums, if any. The Issuer shall also pay for any expenses (included in the expense component of the Underwriter's discount) incurred by the Underwriter which are incidental to implementing this Agreement, including, but not limited to, meals, transportation and lodging, if any, and any other miscellaneous closing costs.

(b) The Underwriter shall pay (i) all advertising expenses in connection with the public offering of the Bonds; and (ii) all other expenses incurred by it in connection with the public offering of the Bonds.

(c) If this Agreement shall be terminated by the Underwriter because of any failure or refusal on the part of the Issuer to comply with the terms or to fulfill any of the conditions of this Agreement, or if for any reason the Issuer shall be unable to perform its obligations under this Agreement, the Issuer will reimburse the Underwriter for all "out-of-pocket" expenses (including the fees and disbursements of counsel to the Underwriter) reasonably incurred by the Underwriter in connection with this Agreement or the offering contemplated hereunder.

(d) The Issuer acknowledges that it has had an opportunity to evaluate and consider the fees and expenses being incurred as part of the issuance of the Bonds.

9. Notices. Any notice or other communication to be given to the Issuer under this Agreement may be given by delivering the same in writing to the address set forth on the first page of this Agreement, and any notice or other communication to be given to the Underwriter under this Agreement may be given by delivering the same in writing to Hilltop Securities Inc., 2398 E. Camelback Road, Suite 340, Phoenix, AZ 85016, Attention: Janelle Gold.

10. Parties in Interest. This Agreement as heretofore specified shall constitute the entire agreement between us and is made solely for the benefit of the Issuer and the Underwriter (including successors or assigns of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof. This Agreement may not be assigned by the Issuer. All of the Issuer's representations, warranties and agreements contained in this Agreement shall remain operative and in full force and effect, regardless of (i) any investigations made by or on behalf of any of the Underwriter; (ii) delivery of and payment for the Bonds pursuant to this Agreement and (iii) any termination of this Agreement.

11. Effectiveness. This Agreement shall become effective upon the acceptance hereof by the Issuer and shall be valid and enforceable at the time of such acceptance.

12. Choice of Law. This Agreement shall be governed by and construed in accordance with the law of the State.

13. Severability. If any provision of this Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any Constitution, statute, rule of public policy, or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Agreement invalid, inoperative or unenforceable to any extent whatever.

14. Business Day. For purposes of this Agreement, "business day" means any day on which the New York Stock Exchange is open for trading.

15. Section Headings. Section headings have been inserted in this Agreement as a matter of convenience of reference only, and it is agreed that such section headings are not a part of this Agreement and will not be used in the interpretation of any provisions of this Agreement.

16. Counterparts. This Agreement may be executed in several counterparts each of which shall be regarded as an original (with the same effect as if the signatures thereto and hereto were upon the same document) and all of which shall constitute one and the same document.

17. Notice Concerning Cancellation of Contracts. As required by the provisions of Arizona Revised Statutes, Section 38-511, notice is hereby given that the State, its political subdivisions (including the Issuer) or any department or agency of either may, within three years after its execution, cancel any contract, without penalty or further obligation, made by the State, its political subdivisions, or any of the departments or agencies of either if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the State, its political subdivisions, or any of the departments or agencies of either is, at

any time while the contract or any extension of the contract is in effect, an employee or agent of any other party to the contract in any capacity or a consultant to any other party of the contract with respect to the subject matter of the contract. The cancellation shall be effective when written notice from the Governor or the chief executive officer or governing body of the political subdivision is received by all other parties to the contract unless the notice specifies a later time. The State, its political subdivisions or any department or agency of either may recoup any fee or commission paid or due to any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the State, its political subdivisions or any department or agency of either from any other party to the contract arising as the result of the contract. This section is not intended to expand or enlarge the rights of the Issuer hereunder except as required by such Section 38-511. Each of the parties hereto hereby certifies that it is not presently aware of any violation of such Section 38-511 which would adversely affect the enforceability of this Agreement and covenants that it shall take no action which would result in a violation of such Section.

[Remainder of page left blank intentionally]

If you agree with the foregoing, please sign the enclosed counterpart of this Agreement and return it to the Underwriter. This Agreement shall become a binding agreement between you and the Underwriter when at least the counterpart of this letter shall have been signed by or on behalf of each of the parties hereto.

Very truly yours,

HILLTOP SECURITIES INC.

By _____

ACCEPTED AND AGREED AT
__:___.M., M.S.T., THIS ___ DAY
OF _____, 2016:

QUAIL CREEK COMMUNITY
FACILITIES DISTRICT

By _____
Chairman

[Signature page of Bond Purchase Agreement]

SCHEDULE

\$ _____
QUAIL CREEK COMMUNITY FACILITIES DISTRICT
(SAHUARITA, ARIZONA)
GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2016

DATED DATE: CLOSING DATE

<u>Maturity Date</u> <u>(July 15)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>
------------------------------------------	-----------------------------------	--------------------------------	--------------

* Yield calculated to first optional redemption date.

** Term Bond.

Redemption

Optional Redemption. The Bonds maturing on or before July 15, 20__ will not be subject to redemption prior to their stated maturity date. The Bonds maturing on and after July 15, 20__ will be subject to optional redemption prior to maturity, at the direction of the Issuer, in whole or in part in denominations of \$5,000 or integral multiples thereof from maturities selected by the Issuer, on July 15, 20__ and on any date thereafter, at a redemption price equal to the principal amount of Bonds being redeemed plus accrued interest to the date fixed for redemption, without premium.

Mandatory Redemption. The Bonds maturing on July 15 of the following years will be redeemed from funds of the Issuer prior to maturity on the following redemption dates and in the following amounts, upon payment of the Redemption Price which consists of the principal amount of the Bonds so redeemed plus accrued interest, if any, on the Bonds so redeemed from the most recent Interest Payment Date to the redemption date, but without premium:

Term Bond Maturing July 15, 20__

Redemption Date (July 15)	Principal Amount Redeemed
------------------------------	------------------------------

(Maturity)

Term Bond Maturing July 15, 20__

Redemption Date (July 15)	Principal Amount Redeemed
------------------------------	------------------------------

(Maturity)

ATTACHMENT I
INDEMNITY LETTER

_____, 2016

Hilltop Securities Inc.
2398 E. Camelback Road, Suite 340
Phoenix, AZ 85016

Quail Creek Community Facilities District
c/o Town of Sahuarita, Arizona
375 W. Sahuarita Center Way
Sahuarita, Arizona 85629

Re: \$_____ Quail Creek Community Facilities District (Sahuarita, Arizona) General Obligation Refunding Bonds, Series 2016

This Indemnity Letter is delivered by Robson Ranch Quail Creek, LLC, a Delaware limited liability company (the "Owner"), in order to induce Hilltop Securities Inc. (the "Underwriter") and Quail Creek Community Facilities District (the "District") to enter into the Bond Purchase Agreement, dated _____, 2016 (the "Bond Purchase Agreement"), related to the purchase by the Underwriter of the captioned bonds (the "Bonds"). Terms that are defined in the Bond Purchase Agreement have the meanings ascribed to them therein when used herein.

1. In consideration of the execution and delivery of the Bond Purchase Agreement, the Developer represents and warrants to the Underwriter and the District that:

(a) The Developer is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware and is qualified to transact business in the State of Arizona.

(b) The information in the Official Statement under the headings "THE PUBLIC INFRASTRUCTURE," "LAND DEVELOPMENT BY THE DEVELOPER," "RISK FACTORS" (except the information under the subheadings "Direct and Overlapping Indebtedness") and "LITIGATION – The Developer" is true and correct in all material respects for the purposes for which its use is or was authorized, and such information does not include any untrue statement of a material fact or omit to state any material fact necessary to make the statements made therein in light of the circumstances under which they are or were made, not misleading.

(c) Neither the execution or delivery of this Indemnity Letter, the Series 2016 Standby Contribution Agreement, to be dated as of _____ 1, 2016, among the District, the Developer and U.S. Bank National Association, as trustee, the Continuing Disclosure Undertaking, to be dated as of the date of initial delivery of the Bonds, from the

Developer, the Dissemination Agency Agreement, to be dated as of _____ 1, 2016, between the Developer and _____ or the First Amendment to District Development, Financing Participation and Intergovernmental Agreement (Quail Creek Community Facilities District), dated as of _____ 1, 2016, by and among the District, the Developer and the Town of Sahuarita, Arizona (the "Development Agreement") (collectively, hereinafter referred to as the "Documents"), nor the consummation of any other of the transactions herein and therein contemplated, nor the fulfillment of, or compliance with, the terms hereof or thereof, shall contravene the organizational documents of the Developer or conflict with or result in a breach by the Developer of any of the terms, conditions or provisions of, or constitute a default by the Developer under, any bond, debenture, note, mortgage, indenture, agreement or other instrument to which the Developer is a party or by which it is or may be bound or to which any of the property or assets of the Developer is or may be subject, or any law or any order, rule or regulation applicable to the Developer of any court, federal or state regulatory body, administrative agency or other governmental body having jurisdiction over the Developer or any of its properties or operations, or (except as contemplated by the Documents) will result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Developer under the terms of any such restriction, bond, debenture, note, mortgage, indenture, agreement, instrument, law, order, rule or regulation.

(d) There is no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending and served or, to the best knowledge of the Developer, threatened against the Developer wherein an adverse decision, ruling or finding would (i) result in any material adverse change in the condition (financial or otherwise), results of operations, business or prospects of the Developer, or materially and adversely affect the properties (taken as a whole) of the Developer, and that has not been disclosed in the Official Statement, (ii) materially adversely affect the transactions contemplated by the Bond Purchase Agreement or the Documents or (iii) adversely affect the validity or enforceability of the Documents against the Developer..

(e) The Developer has the full power and authority to execute and deliver the Documents and perform its obligations hereunder and thereunder and engage in the transactions contemplated by the Bond Purchase Agreement and the Documents, and the Documents have been duly authorized by the Developer and, when executed by all applicable parties thereto will constitute valid, binding and enforceable obligations of the Developer except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting enforcement of creditors' rights and/or by general principles of equity and except as the indemnification provisions hereof may be limited by applicable securities laws or public policy.

(f) No consent, approval, authorization or other action by any governmental or regulatory authority that has not been obtained is or will be required for the consummation of the transactions contemplated by the Purchase Contract and the Documents, other than the permits and licenses for construction of the Project (as defined in the Official Statement) contemplated by the Development Agreement, which have not yet been issued.

2. To the extent permitted by law, the Developer shall indemnify and hold harmless the Underwriter and the District and each director, trustee, partner, member, officer,

official or employee thereof and each person, if any, who controls the Underwriter within the meaning of the Securities Act of 1933, as amended (the "Securities Act") (any such person being herein sometimes called an "Indemnified Party"), for, from and against any and all losses, claims, damages or liabilities (i) to which any such Indemnified Party may become subject, under any statute or regulation at law or in equity or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact set forth in the sections identified in Section 1(b) above in the Official Statement or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated in such section(s) or that is necessary to make the statements made therein, in light of the circumstances in which they were made, not misleading in any material respect, except such indemnification shall not extend to any other statements in the Official Statement and (ii) to the extent of the aggregate amount paid in any settlement of any litigation commenced or threatened arising from a claim based upon any such untrue statement or alleged untrue statement or omission or alleged omission if such settlement is effected with the written consent of the Developer (which consent shall not be unreasonably withheld).

An Indemnified Party shall, promptly after the receipt of notice of a written threat of the commencement of any action against such Indemnified Party in respect of which indemnification may be sought against the Developer, notify the Developer in writing of the commencement thereof. Failure of the Indemnified Party to give such notice will reduce the liability of the Developer by the amount of damages attributable to the failure of the Indemnified Party to give such notice to the Developer but the omission to notify the Developer of any such action shall not relieve the Developer from any liability that it may have to such Indemnified Party otherwise than under this Section. In case any such action shall be brought against an Indemnified Party and such Indemnified Party shall notify the Developer of the commencement thereof, the Developer may, or if so requested by such Indemnified Party shall, participate therein or assume the defenses thereof, with counsel satisfactory to such Indemnified Party and the Developer (it being understood that, except as hereinafter provided, the Developer shall not be liable for the expenses of more than one counsel representing the Indemnified Parties in such action), and after notice from the Developer to such Indemnified Party of an election so to assume the defenses thereof, the Developer will not be liable to such Indemnified Party under this Section for any legal or other expenses subsequently incurred by such Indemnified Party in connection with the defense thereof other than reasonable costs of investigation; provided, however, that unless and until the Developer assumes the defense of any such action at the request of such Indemnified Party, the Developer shall have the right to participate at its own expense in the defense of any such action. If within a reasonable time after receipt of notice of any such action the Developer shall not have employed counsel to have charge of the defense of any such action or if an Indemnified Party shall have reasonably concluded (and shall have notified the Developer) that there may be defenses available to it and/or other Indemnified Parties that are different from or additional to those available to the Developer (in which case the Developer shall not have the right to direct the defense of such action on behalf of such Indemnified Party) or to other Indemnified Parties, reasonable legal and other necessary expenses, including the expense of separate counsel, incurred by such Indemnified Party shall be borne by the Developer.

3. All of the representations, warranties, and agreements of the Developer contained in the Documents shall remain operative and in full force and effect, regardless of (i) any investigation made by or on behalf of the Underwriter, any controlling person referred to in paragraph 2 hereof or the Developer or (ii) delivery of and payment for the Bonds.

4. This letter is solely for the benefit of the Underwriter, the District and their successors or assigns, and, to the extent provided in paragraph 2 hereof, each Indemnified Party, and no other person shall acquire or have any right under or by virtue hereof. The terms “successors” and “assigns” as used in this letter shall not include any purchaser, as such purchaser, from the Underwriter of the Bonds.

5. This letter shall be governed by the laws of the State of Arizona.

6. The Developer consents to the references to the Developer in the Official Statement.

7. The Developer shall pay all costs and expenses of its counsel with respect to the issuance and delivery of the Bonds.

[Remainder of page intentionally left blank.]

Respectfully submitted,

ROBSON RANCH QUAIL CREEK, LLC,
a Delaware limited liability company

By: Arlington Property Management Company,
an Arizona corporation
Its: Manager

By: _____

Its: _____

EXHIBIT A

FORM OF SUPPLEMENTAL OPINION OF BOND COUNSEL

[LETTERHEAD OF GREENBERG TRAURIG LLP]

_____, 2016

Hilltop Securities Inc.
2398 E. Camelback Road, Suite 340
Phoenix, AZ 85016

Assured Guaranty Municipal Corp.
New York, New York

Re: \$_____ Quail Creek Community Facilities District (Sahuarita, Arizona)
General Obligation Refunding Bonds, Series 2016

This supplemental opinion is rendered pursuant to Section 6(i)(5) of the Bond Purchase Agreement, dated _____, 2016 (the “Bond Purchase Agreement”), between Quail Creek Community Facilities District (the “Issuer”) and Hilltop Securities Inc., as underwriter (the “Underwriter”), and is given in connection with the issuance on this date by the Issuer of bonds designated its General Obligation Refunding Bonds, Series 2016, in the aggregate principal amount of \$_____ (the “Bonds”). The Bonds are issued and secured by a Series 2016 Indenture of Trust and Security Agreement, dated as of _____ 1, 2016 (the “Indenture”), from the Issuer to U.S. Bank National Association, as trustee (the “Trustee”), are the subject of an Official Statement, dated _____, 2016 (the “Official Statement”), and are being sold pursuant to the Bond Purchase Agreement, in each case in accordance with a resolution authorizing the issuance of, and certain other matters relating to, the Bonds, adopted by the governing board of the Issuer on _____, 2016 (the “Resolution”), including a Series 2016 Standby Contribution Agreement, dated as of _____ 1, 2016 (the “Standby Contribution Agreement”), by and among the Issuer, the Trustee and Robson Ranch Quail Creek, LLC (the “Owner”), a Series 2016 Depository Agreement, dated as of _____ 1, 2016 (the “Depository Agreement”), by and between the Issuer and U.S. Bank National Association, as depository (the “Depository”). A portion of the proceeds of Bonds will be deposited with Wells Fargo Bank, N.A., as trustee (the “Prior Trustee”), pursuant to a Series 2006 Indenture of Trust and Security Agreement, dated as of June 1, 2006 (the “Prior Indenture”). In connection with the issuance and sale of the Bonds, the Issuer will execute and deliver a Series 2016 Continuing Disclosure Undertaking, dated of even date herewith (the “Undertaking”). (The Indenture, the Bond Purchase Agreement, the Standby Contribution Agreement, the Depository Agreement, the Resolution and the Undertaking are hereinafter collectively referred to as the “Issuer

Documents”). (You may rely on our opinion as Bond Counsel, dated of even date herewith, with regard to the Bonds as if addressed to you.)

In connection with such issuance, we have examined and relied upon:

- (i) An execution copy of the Indenture;
- (ii) An executed copy of the Official Statement;
- (iii) An executed copy of the Bond Purchase Agreement;
- (iv) An executed copy of the Standby Contribution Agreement;
- (v) Executed copies of the Depository Agreement;
- (vi) A certified copy of the Resolution (which authorized, among other matters, execution and delivery of the Bond Purchase Agreement);
- (vii) An executed copy of the Undertaking;
- (viii) Such other agreements, certificates (including particularly, but not by way of limitation, a certificate of Robson Ranch Quail Creek, LLC (the “Developer”), dated of even date herewith, opinions, letters and other documents, including all documents delivered or distributed at the closing of the sale of the Bonds, as we have deemed necessary or appropriate in rendering the opinions set forth herein; and
- (x) Such provisions of the Constitution and laws of the State of Arizona and the United States of America as we believe necessary to enable us to render the opinions set forth herein.

In our examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified or photostatic copies, the authenticity of the originals of such latter documents and the accuracy of the statements contained in such certificates. In connection with our representation of the Issuer, we have also participated in conferences from time to time with representatives of and counsel to the Issuer, the Underwriter, the Developer and the Trustee relating to the Issuer Documents.

We are of the opinion, based upon the foregoing and subject to the reliance hereinabove indicated and the qualifications hereinafter set forth, that under applicable law of the State of Arizona and federal law of the United States of America in force and effect on the date hereof:

1. The Issuer is a duly organized and validly existing special purpose district, a tax levying public improvement district and a municipal corporation for purposes set forth in Section 48-708(B), Arizona Revised Statutes, pursuant to the Constitution and laws of the State of Arizona and has all requisite power and

authority thereunder (a) to cause the adoption of the Resolution, (b) to authorize, execute, deliver and issue, as applicable, the Issuer Documents and the Bonds, (c) to approve, execute and authorize the use and distribution of the Official Statement (including, as applicable, the Preliminary Official Statement, dated _____, 2016 (the “Preliminary Official Statement”), with respect to the Bonds), and (d) to carry out and consummate the transactions contemplated by the Official Statement, the Resolution, the Issuer Documents and the Bonds (including performing the applicable obligations thereunder).

2. To our actual knowledge, adoption of the Resolution; authorization, execution, delivery and issuance, as applicable, of, and the due performance of the obligations of the Issuer under, the Issuer Documents and the Bonds and the approval, execution and authorization of the use and distribution of the Official Statement (including, as applicable, the Preliminary Official Statement) by the Issuer under the circumstances contemplated thereby do not and will not in any material respect conflict with or constitute on the part of the Issuer a breach of or default under any agreement or other instrument to which the Issuer is a party or of any existing law, ordinance, administration regulation, court order or consent decree to which the Issuer is subject.

3. To our actual knowledge, no consent of any other party, and no consent, license, approval or authorization of, exemption by or registration with any governmental body, authority, bureau or agency (other than those that have been obtained or will be obtained prior to the delivery of the Bonds), is required in connection with the adoption by the Issuer of the Resolution or the authorization, execution, delivery, issuance and performance, as applicable, by the Issuer of the Issuer Documents and the Bonds and the consummation of the transactions contemplated by the Official Statement.

4. The Issuer has duly (a) caused the adoption of the Resolution and (b) authorized (i) the authorization, execution, delivery and issuance, as applicable of, and the performance of its obligations under, the Issuer Documents and the Bonds and (ii) the taking of the actions required on the part of the Issuer to carry out, give effect to and consummate the transactions contemplated by the Official Statement, the Resolution, the Issuer Documents and the Bonds. The Issuer has complied with all applicable provisions of law and has taken all actions required to be taken by it to the date hereof in connection with the transactions contemplated by the aforesaid documents.

5. The Issuer Documents have been duly authorized, executed and delivered by the Issuer and, in the case of the Indenture, the Bond Purchase Agreement, the Standby Contribution Agreement, the Depository Agreements and the Escrow Trust Agreement assuming due and valid authorization, execution and delivery by the other party thereto, and, in the case of the Undertaking, subject to annual appropriation to cover the costs of compliance therewith, constitute legal, valid and binding obligations of the Issuer enforceable in accordance with their terms.

6. Based solely upon a search of the computerized docket records available for review on _____, 2016, in the office of the Pima County Superior Court and U.S. District Court, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or overtly threatened against or affecting the Issuer, and there is no basis therefor, (i) that in any way questions the powers of the Issuer referred hereinabove or the validity of the proceedings taken by the Issuer in connection with the issuance and sale of the Bonds, (ii) wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Official Statement, the Resolution, the Issuer Documents or the Bonds or would in any way adversely affect the validity or enforceability of the Resolution, the Issuer Documents or the Bonds (or of any other instrument required or contemplated for use in consummating the transactions contemplated thereby or hereby or by the Official Statement), (iii) contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement or (iv) that questions the right of the Issuer to levy, receive and pledge special assessments or taxes, nor lawsuits pending or overtly threatened against the Issuer that, if decided adversely to the Issuer, would, individually or in the aggregate, have a material adverse effect on the financial condition of the Issuer or impair the ability of the Issuer to comply with all the requirements set forth in the Official Statement, the Resolution, the Issuer Documents or the Bonds.

7. The information contained in the Official Statement under the headings "INTRODUCTORY STATEMENT," "THE BONDS" (except the information incorporated by reference to other headings or the appendices not otherwise included hereinbelow as to which we express no opinion), "PLAN OF REFUNDING" (except the information incorporated by reference to other headings not otherwise included hereinabove as to which we express no opinion), "SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS" (except under the subheading "Ad Valorem Taxation in the District" as to which we express no opinion), "TAX MATTERS," "QUALIFIED TAX-EXEMPT OBLIGATIONS" and "CONTINUING DISCLOSURE" (but only as it relates to the Issuer and except for the information incorporated by reference to the appendices and the status of the Issuer with respect to compliance with its previous undertakings as to which we express no opinion) therein and in Appendix B - "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" and Appendix C - "FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL" fairly summarizes the information that it purports to summarize. Otherwise, we have not undertaken to determine independently the accuracy, completeness or fairness of the information contained in the Official Statement, and the knowledge available to us is such that we are unable to assume, and do not assume, any responsibility for the accuracy, completeness, or fairness of such information.

8. It is not necessary in connection with the issuance and sale of the Bonds to the public to register the Bonds or the Standby Contribution Agreement

under the Securities Act of 1933, as amended, or to qualify the Resolution or Indenture under the Trust Indenture Act of 1939, as amended.

Our opinions expressed in paragraph 5 hereof are qualified to the extent that the enforceability of the Issuer Documents is dependent upon the due authorization, execution and delivery of (and authority to perform lawfully) the Issuer Documents by the other party or parties thereto and to the extent that the enforceability of the Issuer Documents may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights and the exercise of judicial discretion in accordance with general principles of equity, including possible refusal by a particular court to grant certain equitable remedies such as specific performance with respect to the enforcement of any provision of such documents. We express no opinion as to the enforceability of any provisions of the Issuer Documents (i) restricting access to legal or equitable remedies, (ii) purporting to establish evidentiary standards or waiving or otherwise affecting any rights to notice, demand or exhaustion of collateral, (iii) relating to self-help, subrogation, indemnification, delay or omission to enforce rights or remedies, severability or marshalling of assets, or (iv) purporting to grant to the Developer or to any party to the Issuer Documents (other than the Issuer) any rights or remedies not specifically set forth therein.

This opinion may be relied upon only by you and by persons to whom we grant written permission to do so.

Respectfully submitted,

EXHIBIT B

FORM OF OPINION OF COUNSEL TO DEVELOPER

[LETTERHEAD OF MAGUIRE, PEARCE & STOREY, PLLC]

[Closing Date]

Hilltop Securities Inc.
2398 E. Camelback Road, Suite 340
Phoenix, AZ 85016

Quail Creek Community Facilities District
c/o Town of Sahuarita, Arizona
375 W. Sahuarita Center Way
Sahuarita, Arizona 85629

Assured Guaranty Municipal Corp.
New York, New York

Re: \$_____ Quail Creek Community Facilities District (Sahuarita, Arizona)
 General Obligation Refunding Bonds, Series 2016 (the “Bonds”)

We have acted as counsel to Robson Ranch Quail Creek, LLC, a Delaware limited liability company (hereinafter referred to as the “Developer”), in connection with the transactions provided for by the documents referred to herein, including the issuance and sale of the Bonds, sold pursuant to a Bond Purchase Agreement, dated _____, 2016 (hereinafter referred to as the “Bond Purchase Agreement”), by and between Hilltop Securities Inc. (hereinafter referred to as the “Purchaser”) and Quail Creek Community Facilities District (hereinafter referred to as the “District”). Any capitalized term used and not defined herein shall have the meaning assigned to it in the Bond Purchase Agreement.

For purposes of this opinion, we have examined the following documents and instruments:

1. The District Development, Financing Participation and Intergovernmental Agreement (Quail Creek Community Facilities District), dated September 1, 2005 and recorded December 20, 2005, at Sequence No. 20052450633, official records of Pima County, Arizona, (hereinafter referred to as the “Development Agreement”), executed by the Town of Sahuarita, Arizona, the District and the Developer;
2. The First Amendment to District Development, Financing Participation and Intergovernmental Agreement (Quail Creek Community Facilities District), dated _____, 2016, to be recorded in the official records of Pima County,

Arizona (hereinafter referred to as the “First Amendment”), executed by the Town of Sahuarita, Arizona, the District and the Developer;

3. Official Statement, dated _____, 2016 (hereinafter referred to as the “Official Statement”), executed by the District;
4. The executed Series 2016 Standby Contribution Agreement, dated as of _____ 1, 2016, by and among the District, U.S. Bank National Association, as trustee (hereinafter referred to as the “Trustee”) and the Developer (hereinafter referred to as the “Standby Contribution Agreement”);
5. The executed Series 2016 Continuing Disclosure Undertaking, dated as of _____, 2016, by the Developer (hereinafter referred to as the “Undertaking”);
6. The executed Dissemination Agency Agreement, dated as of _____ 1, 2016, by and between the Developer and _____ (hereinafter referred to as the “Agency Agreement”);
7. The executed Indemnity Letter, dated as of _____, 2016, by the Developer to the Purchaser and the District (hereinafter referred to as the “Indemnity Letter”);
8. The executed Closing Certificate of the Developer, dated _____, 2016;
9. Certificate of _____, the _____ of Arlington Property Management Company, an Arizona corporation (“Arlington”), the Manager of the Developer (hereinafter referred to as the “Developer Certificate”);
10. Certificate of Formation of the Developer, dated June 23, 1999, as filed with the Delaware Secretary of State on June 23, 1999, in File No. 3060780, and Application for Registration of a Foreign Limited Liability Company for the Developer, dated July 27, 1999, and filed with the Arizona Corporation Commission on July 27, 1999, in File No. R-0882973-8;
11. Operating Agreement of the Developer, dated June 23, 1999, as amended by Assignment of Membership Interest and First Amendment to Operating Agreement of the Developer, dated January 1, 2001, by Assignment of Membership Interest and Second Amendment to Operating Agreement of the Developer, dated July 1, 2004, and by Third Amendment to the Operating Agreement of the Developer, dated September 25, 2007;
12. Certificate of Good Standing of the Developer, issued by the Delaware Secretary of State on _____, 2016;
13. Certificate of Good Standing of the Developer, issued by the Arizona Corporation Commission on _____, 2016;
14. Limited Liability Company Authorization of the Developer, dated _____, 2016, authorizing this transaction;

15. Articles of Incorporation of Arlington, dated June 13, 1994, and filed with the Arizona Corporation Commission on June 14, 1994, in File No. 0720154-3;
16. Bylaws of Arlington, adopted on June 15, 1994;
17. Joint Consent to Resolutions of the Board of Directors and the Sole Shareholder of Arlington Property Management Company in Lieu of Annual Meeting, dated September 17, 2015, naming the current officers and current members of the Board of Directors of Arlington;
18. Unanimous Written Consent of the Sole Director and the Sole Shareholder of Arlington, dated _____, 2016, authorizing this transaction;
19. Certificate of Incumbency of Arlington, dated _____, 2016; and
20. Such other documents and instruments as we have considered necessary or appropriate for the purposes of this opinion.

In addition, we have received such other information from representatives of the Developer as we have deemed necessary for the purposes of this opinion (hereinafter referred to, collectively, as “due inquiry”). The First Amendment, Official Statement, Standby Contribution Agreement, Undertaking, Agency Agreement, and Indemnity Letter are hereinafter collectively referred to as the “Bond Documents.” The documents listed in paragraphs 8 through 20 above are hereinafter collectively referred to as the “Developer Documents.” Whenever any portion of this opinion is limited to the existence or absence of fact based upon our knowledge, it is limited to our actual knowledge of the existence or absence of such fact after due inquiry.

In rendering the following opinions, we have assumed:

(a) The genuineness of all signatures to the Bond Documents and the Developer Documents (except for the signatures of the Developer on the Bond Documents) and the legal capacity of each natural person executing any of the Bond Documents or the Developer Documents;

(b) The authenticity and completeness of the documents submitted as originals and the conformity to originals of documents submitted as copies;

(c) The due authorization, execution, acknowledgment where necessary, and delivery, and the validity and binding effect, of the Bond Documents with regard to the parties to those agreements other than the Developer;

(d) The Bond Documents accurately describe and contain the agreement and mutual understanding of the parties thereto and that there are no oral or written statements or agreements that modify, amend or vary, or purport to modify, amend or vary, any of the terms of the Bond Documents;

(e) That all parties to the Bond Documents will enforce their respective rights thereunder in circumstances and in a manner which is commercially reasonable and in accordance with applicable law; and

(f) That, with respect to the enforceability of the Bond Documents by a court of another jurisdiction, such court would apply Arizona law (except for applicable Delaware limited liability company law), and would determine that the application of Arizona substantive law is not contrary to a fundamental policy of the law of such other jurisdiction.

Based on the foregoing, and subject to the limitations, qualifications and assumptions set forth herein, it is our opinion that:

1. The Developer is a limited liability company, duly organized and existing under the laws of the State of Delaware, and is qualified to do business in the State of Arizona.

2. The Developer has the requisite limited liability company power and authority under the laws of the State of Delaware: (i) to execute and deliver the Bond Documents, and carry out the terms and conditions applicable to it under, and consummate all transactions contemplated by, the Bond Documents; and (ii) to own and operate its properties and assets as described in the Official Statement and (iii) to carry out its business as such business is currently being conducted as described in the Official Statement.

3. The execution, delivery and performance of the Bond Documents by the Developer and the carrying out, giving effect to and consummation of the transactions contemplated thereby have been duly authorized by all necessary limited liability company and corporate action on the part of the Developer and its Manager, and the Bond Documents have been duly executed and delivered by the Developer.

4. The Bond Documents are in full force and effect as of the date hereof and constitute legal, valid and binding obligations of the Developer, enforceable in accordance with their terms.

5. The execution and delivery of the Bond Documents by the Developer, and the performance of its obligations thereunder, do not and will not conflict with or result in a violation of, or a default pursuant to, the Developer Documents.

6. The execution and delivery of the Bond Documents by the Developer will not conflict with or result in a violation of (i) any contract, indenture, instrument or other agreement of which we have knowledge and to which the Developer is a party or by which it or its properties are bound, or (ii) the laws of the State of Arizona or any court order by which the Developer or its properties are bound.

7. To our knowledge no consent, approval, authorization, or other action by, or filing with, any federal, State or local governmental authority is required in connection with the execution and delivery by the Developer of the Bond Documents, or consummation of the transaction contemplated thereby and, to our knowledge, the Developer has obtained all consents, approvals and authorizations, and has made all filings, required by applicable federal, state and/or local governmental authorities in order to own and operate its properties and assets

as described in the Official Statement and to carry out its business as such business is currently being conducted as described in the Official Statement.

8. To our knowledge the Developer is not in violation of any provision of, or in default under, its organizational documents or any other agreement or instrument, the violation of which or default under which would materially and adversely affect the execution, delivery and/or performance of the agreements and obligations of the Developer under the Bond Documents.

9. To our knowledge there are no legal or governmental actions, proceedings, inquiries or investigations pending or overtly threatened by any governmental authorities or to which the Developer is a party or of which any property of the Developer is subject, which would materially and adversely affect (i) the execution, delivery and/or performance of the agreements and obligations of the Developer under the Bond Documents, or (ii) the financial condition or operations of the Developer as described in the Official Statement.

10. To our knowledge the information contained in the Official Statement under the headings "THE PUBLIC INFRASTRUCTURE," "LAND DEVELOPMENT BY THE DEVELOPER," "LITIGATION – The Developer" does not contain any untrue statement of material fact or omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which such statements were made, not misleading. In connection with our participation with the Official Statement, we have not undertaken to independently determine the accuracy, completeness or fairness of the statements contained therein, except as and to the extent provided in this paragraph, and the knowledge available to us is such that we are unable to assume, and do not assume, any responsibility for the accuracy, completeness or fairness of such information. However, on the basis of such participation, we have acquired no knowledge that the information contained in the Official Statement (except for the financial information and notes thereto and the schedules and other financial or statistical data included therein or in any appendix thereto, as to which we express no opinion) contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

The opinions set forth above are subject to the following qualifications and limitations: (i) enforceability of the Bond Documents may be limited by bankruptcy, insolvency, fraudulent transfer or conveyance, reorganization, moratorium, arrangement or laws or court decisions affecting the enforcement of creditors' rights generally; (ii) enforceability of the Bond Documents is subject to general principles of equity, whether remedies are sought in equity or at law; (iii) enforceability of the Bond Documents is further subject to the qualification that certain waivers, procedures, remedies, indemnities and other provisions thereof may be unenforceable under or limited by Arizona law; however, such law does not, in our opinion, substantially prevent the practical realization of the benefits intended by the Bond Documents (except that the principles of guaranty and suretyship may present the practical realization of the benefits intended by indemnity and guarantee provisions in the Bond Documents); (iv) we are expressing no opinion as to the enforceability of any indemnity provision with respect to any claims or other matters that result from the negligence or misconduct of any indemnitee or the failure of any indemnitee to act in a commercially reasonable manner; (v) we are expressing no opinion as to the compliance of the Bond Documents or the offer and sale of the Bonds with any securities law

or regulation; (vi) with the sole exception of those matters addressed in our opinion to our knowledge, we are expressing no opinion as to any federal or state securities laws, any environmental or health or safety laws, rules or regulations, or any county or municipal ordinances; and (vii) the term “knowledge” as used herein means solely the knowledge of attorneys in this firm who have performed services in respect of the transactions provided for by the documents referred to herein, including knowledge ascertained from our due inquiry including review of the Bond Documents, the Developer Documents, including the Developer Certificate, as well as the results of third-party searches of the records of the Arizona Federal District Court and the Pima County Superior Court concerning the Developer.

We are qualified to practice law only in the State of Arizona and, except for applicable Delaware limited liability company law, we do not purport to express any opinion herein concerning any law other than the laws of the State of Arizona. With respect to the laws of the State of Arizona, our opinions are as to what the law is or might reasonably be expected to be at the date hereof, and we assume no obligation to revise or supplement this opinion due to any change in the law by legislative action, judicial decision or otherwise. Any opinion as to the enforceability of any document is limited to enforceability as between the original parties thereto. We do not render any opinion with respect to any matters other than those expressly set forth above.

This opinion is being furnished to you solely for your benefit and only with respect to the Bonds. Accordingly, it may not be relied upon or quoted to any person or entity without, in each instance, our prior written consent.

Respectfully submitted,

EXHIBIT C

FORM OF OPINION OF COUNSEL TO UNDERWRITER

[LETTERHEAD OF SQUIRE PATTON BOGGS (US) LLP]

[Closing Date]

Hilltop Securities Inc.
2398 E. Camelback Road, Suite 340
Phoenix, AZ 85016

Ladies and Gentlemen:

We have acted as counsel to you (the “Underwriter”) in connection with your purchase from Quail Creek Community Facilities District (the “Issuer”) of its \$_____ General Obligation Refunding Bonds, Series 2016 (the “Bonds”), dated as of the date of this letter, pursuant to the Bond Purchase Agreement, dated _____, 2016 (the “Purchase Agreement”), between you and the Issuer. This letter is provided pursuant to Section 6(i)(7) of the Purchase Agreement in connection with your purchase of the Bonds. Capitalized terms not otherwise defined in this letter are used as defined in the Purchase Agreement.

In our capacity as counsel to the Underwriter, we have reviewed: (a) the Preliminary Official Statement, dated _____, 2016 (the “Preliminary Official Statement”) and the Official Statement, dated _____, 2016 (the “Final Official Statement” and together with the Preliminary Official Statement, the “Official Statement”), each relating to the Bonds; (b) the Bond Resolution; (c) executed counterparts of the Purchase Agreement; and (d) such other proceedings, documents, matters and law as we deem necessary to provide this letter in accordance with the terms of our engagement. In accordance with the terms of our engagement, we have not reviewed any minutes of the meetings of the Issuer or the Town of Sahuarita, Arizona (the “Town”) other than those included in the transcript of proceedings for the Bonds.

In providing this letter we assume, without independent verification, and rely upon (i) the accuracy of the factual matters represented, warranted or certified in the proceedings and documents we have examined, (ii) the due and legal authorization, execution and delivery of those documents by, and the valid, binding and enforceable nature of those documents upon, the parties thereto and (iii) the correctness of the legal conclusions contained in all legal opinion letters of other counsel delivered in connection with this matter.

Based upon the foregoing and subject to the limitations contained in this letter, we are of the opinion that, under existing law, the Bonds are exempt from registration under the Securities Act of 1933, as amended, and the Bond Resolution is exempt from qualification under the Trust Indenture Act of 1939, as amended.

In accordance with the terms of our engagement, we have provided certain legal advice and assistance to the Underwriter in connection with the Underwriter’s responsibilities with respect to the Official Statement. We have not been engaged to pass upon, and we do not

assume any responsibility for and have not independently verified, the accuracy, completeness or fairness of any of the statements contained in the Official Statement. As part of our engagement, however, certain of our lawyers participated in telephone conferences with your representatives, representatives of the Issuer, the Town, Robson Ranch Quail Creek, LLC, financial consultants to the Town and the Issuer, Maguire, Pearce & Storey, PLLC., as counsel to Robson Ranch Quail Creek, LLC, Greenberg Traurig, LLP, as Bond Counsel, and others, during which telephone conferences the contents of the Official Statement and related matters were discussed. In reliance on those discussions and the proceedings, documents, matters and assumptions described above and subject to the qualifications set forth herein, we advise you that, during the course of our engagement on this matter, no facts came to the attention of the lawyers in our firm responsible for this matter that cause us to believe that the information and statements in the Preliminary Official Statement (except for any information listed in the following sentence, as to which we express no view) and the Final Official Statement (except for any information listed in the following sentence, as to which we express no view), as of its date and as of this date, contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. We express no view as to: (a) the information under the caption "TAX MATTERS," in the Official Statement; (b) any financial, technical, statistical or demographic data or forecasts included or incorporated by reference in the Official Statement or the Appendices thereto; (c) any information about the book-entry system and The Depository Trust Company; (d) the information in Appendices B, and C; and (e) any information regarding the Insurer or the Policy.

We also have rendered legal advice and assistance to you as to the requirements of Rule 15c2-12 prescribed under the Securities Exchange Act of 1934, as amended (the "Rule"), in connection with your review, for purposes of the Rule, of the Continuing Disclosure Undertaking, dated as of the date of this letter (the "Continuing Disclosure Undertaking"). Based upon our examination of the items referenced in this letter, including the Continuing Disclosure Undertaking and the Rule, and subject to the limitations expressed above, we are of the opinion that, under existing law, the Continuing Disclosure Undertaking satisfies paragraph (b)(5)(i) of the Rule, which requires an undertaking for the benefit of the holders, including beneficial owners, of the Bonds to provide certain annual financial information and event notices at the time and in the manner required by the Rule. For purposes of rendering the foregoing opinion, we have relied upon the legal conclusions of Greenberg Traurig, LLP, as Bond Counsel, as to the validity and enforceability against the Issuer of the Continuing Disclosure Undertaking.

Reference in this letter to "the lawyers in our firm responsible for this matter" includes only those lawyers now with this firm who rendered legal services in connection with this matter. This letter is delivered to you for your benefit in connection with the original issuance of the Bonds and may not be relied upon for any other purpose or by any other person, including the holders, owners or beneficial owners of the Bonds. The opinions and advice set forth in this letter are stated only as of this date, and no other opinion or statements shall be implied or inferred as a result of anything contained in or omitted from this letter. Our engagement with respect to this matter has concluded on this date.

Respectfully submitted,

Exhibit C, Page 2

DRAFT
09/12/16
10/19/16

QUAIL CREEK COMMUNITY FACILITIES DISTRICT,

U.S. BANK NATIONAL ASSOCIATION,
as Trustee,

and

ROBSON RANCH QUAIL CREEK, LLC

SERIES 2016 STANDBY CONTRIBUTION AGREEMENT

Dated as of _____ 1, 2016

TABLE OF CONTENTS

Page

PARTIES 1

ARTICLE ONE
DEFINITIONS AND OTHER PROVISIONS
OF GENERAL APPLICATION

SECTION 1.01. Definitions..... 2
SECTION 1.02. Notices, etc..... 2
SECTION 1.03. Effect of Headings and Table of Contents..... 3
SECTION 1.04. Successors and Assigns..... 3
SECTION 1.05. Severability Clause..... 3
SECTION 1.06. Benefits of Agreement..... 3
SECTION 1.07. Governing Law..... 3
SECTION 1.08. Incorporation of State Statutes..... 3
SECTION 1.09. Further Assurances..... 4
SECTION 1.10. Amendments..... 5
SECTION 1.11. Business Days..... 5
SECTION 1.12. Termination..... 5
SECTION 1.13. Beneficiaries..... 5
SECTION 1.14. Integration..... 6

ARTICLE TWO
PAYMENTS; RELATED MATTERS

SECTION 2.01. Payments..... 7
SECTION 2.02. Nature of the Owner's Obligations..... 8
SECTION 2.03. No Set-Off..... 10
SECTION 2.04. Remedies..... 10
SECTION 2.05. Waiver of Notice; Payment of Expenses..... 10

ARTICLE THREE
THE TRUSTEE

SECTION 3.01. Certain Duties and Responsibilities..... 11
SECTION 3.02. Certain Rights of Trustee..... 11
SECTION 3.03. Not Responsible for Recitals or Application of
Proceeds..... 12
SECTION 3.04. Compensation and Reimbursement..... 13
SECTION 3.05. Corporate Trustee Required; Eligibility..... 13
SECTION 3.06. Resignation and Removal; Appointment of Successor... 14
SECTION 3.07. Acceptance of Appointment by Successor..... 14
SECTION 3.08. Merger, Conversion, Consolidation or Succession to
Business..... 15

SIGNATURES 16

* * *

THIS SERIES 2016 STANDBY CONTRIBUTION AGREEMENT, dated as of _____ 1, 2016 (hereinafter referred to as this "Agreement"), by and among Quail Creek Community Facilities District, a community facilities district duly organized and validly existing pursuant to the laws of the State of Arizona (hereinafter together with its successors referred to as the "Issuer"); U.S. Bank National Association, a national banking association with trust powers having a corporate trust office in the City of Phoenix, Maricopa County, Arizona, as trustee (hereinafter together with its successors referred to as the "Trustee"), and Robson Ranch Quail Creek, LLC, a limited liability company duly organized and validly existing pursuant to the laws of the State of Delaware (hereinafter referred to as the "Owner"),

W I T N E S S E T H:

WHEREAS, pursuant to the Bond Resolution (as such term and all other initially capitalized, undefined terms used in these recitals are defined in the hereinafter defined Series 2016 Indenture), the Board has authorized, among other things, the sale and issuance of the Series 2016 Bonds and, in order to provide terms for, to secure and to provide for authentication and delivery of the Series 2016 Bonds, has duly authorized the execution and delivery of a Series 2016 Indenture of Trust and Security Agreement, dated as of even date herewith (hereinafter referred to as the "Series 2016 Indenture"), from the Issuer to U.S. Bank National Association, as trustee; and

WHEREAS, in consideration for the issuance of the Series 2016 Bonds, and the actions taken and to be taken in the Development Agreement and the Series 2016 Indenture, by the Issuer and as a condition precedent to the execution and delivery of this Agreement and the issuance of the Series 2016 Bonds, the Owner shall be obligated to contribute certain amounts for the benefit of the Issuer which shall, pursuant to, and for purposes of, the Enabling Act, be considered by the Issuer in levying taxes to pay principal of and interest on the Series 2016 Bonds when due; and

WHEREAS, the Issuer may enter into, and expend moneys pursuant to, this Agreement for the public infrastructure purposes provided for by this Agreement with respect to the Issuer;

NOW, THEREFORE, in the joint and mutual exercise of their powers, and in consideration of the above premises and of the mutual covenants herein contained and for other valuable consideration, the parties hereto recite and agree that:

ARTICLE ONE

DEFINITIONS AND OTHER PROVISIONS
OF GENERAL APPLICATION

SECTION 1.01. *Definitions.*

For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

1. The terms defined hereinabove, hereinafter and in the Series 2016 Indenture have the meanings assigned to them hereinabove, hereinafter and in Article One of the Series 2016 Indenture and include the plural as well as the singular.

2. All references in this instrument to designated "Articles," "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of this instrument as originally executed.

3. The words "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section, or other subdivision.

SECTION 1.02. *Notices, etc.*

A. Unless otherwise specifically provided herein, any request, demand, authorization, direction, notice, consent, waiver, payment or other document provided or permitted by this Agreement by the Issuer, the Trustee or the Owner to be made upon, given or furnished to, or filed with,

1. the Issuer shall be sufficient for every purpose hereunder if in writing and mailed, first-class postage prepaid, to the Issuer addressed to the Issuer at c/o Town of Sahuarita, Arizona, Box 879, Sahuarita, Arizona 85629, Attention: District Clerk, or at any other address previously furnished in writing to such Person by the Issuer,

2. the Trustee shall be sufficient for every purpose hereunder if made, given, furnished, or filed in writing to or with the Trustee at its corporate trust office in Phoenix, Arizona, or if in writing and mailed, first-class postage prepaid, to the Trustee addressed to it at U.S. Bank National Association, 101 North First Avenue, Suite 1600, Phoenix, Arizona 85003, Attention: Global Corporate Trust Services, or at any other address furnished in writing to such Person by the Trustee, or

3. The Owner shall be sufficient for every purpose hereunder if in writing and mailed, first class mail post-

age prepaid, to the Owner addressed to the Owner at c/o Robson Communities, 9532 East Riggs Road, Sun Lakes, Arizona 85248, Attention: Steven M. Soriano, or at any other address previously furnished in writing to such Person by the Owner, with a copy to Peter Gerstman at the same address.

B. Where this Agreement provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice.

SECTION 1.03. *Effect of Headings and Table of Contents.*

The Article and Section headings herein and in the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 1.04. *Successors and Assigns.*

All covenants and agreements in this Agreement by the Issuer, the Trustee and the Owner shall bind their successors and assigns, whether so expressed or not.

SECTION 1.05. *Severability Clause.*

In case any provision in this Agreement or any application thereof shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions and applications shall not in any way be affected or impaired thereby.

SECTION 1.06. *Benefits of Agreement.*

Nothing in this Agreement, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any benefit or any legal or equitable right, remedy or claim pursuant to this Agreement.

SECTION 1.07. *Governing Law.*

This Agreement shall be construed in accordance with and governed by the laws of the State and the federal laws of the United States of America.

SECTION 1.08. *Incorporation of State Statutes.*

(A) The Issuer may, within three (3) years after its execution, cancel this Agreement, without penalty(s) or further obligation, if any person significantly involved in initiating, negotiating, securing, drafting or creating this Agreement on behalf of the Issuer is, at any time while this Agreement is in effect, an employee or agent of either of the Trustee or the Owner in any capacity or a consultant to either of the Trustee or the Owner with

respect to the subject matter of this Agreement and may recoup any fee or commission paid or due any person significantly involved in initiating, negotiating, securing, drafting or creating this Agreement on behalf of the Issuer from either of the Trustee or the Owner arising as the result of this Agreement. Neither the Trustee or the Owner has taken nor shall take any action which could cause any person described in the preceding sentence to be or become an employee or agent of either of the Trustee or the Owner in any capacity or a consultant to any of the Trustee or the Owner with respect to the subject matter of this Agreement.

(B) To the extent applicable under Section 41-4401, Arizona Revised Statutes, the Trustee and the Owner shall comply with all federal immigration laws and regulations that relate to its employees and its compliance with the "e-verify" requirements under Section 23-214(A), Arizona Revised Statutes. The breach by any of the Trustee or the Owner of the foregoing shall be deemed a material breach of this Agreement and may result in the termination of the services of the Trustee or the Owner, as applicable. The Issuer retains the legal right to randomly inspect the papers and records of the Trustee and the Owner to ensure that the Trustee and the Owner are complying with the above-mentioned warranty. The Trustee and the Owner shall keep such papers and records open for random inspection during normal business hours by the Issuer. The Trustee and the Owner shall cooperate with the random inspections by the Issuer including granting the Issuer entry rights onto its property to perform such random inspections and waiving its respective rights to keep such papers and records confidential.

(C) Pursuant to Section 35-393 et seq., Arizona Revised Statutes, the Trustee and the Owner hereby severally, and not jointly, certify that it is not currently engaged in, and for the duration of this Agreement shall not engage in, a boycott of Israel. The term "boycott" has the meaning set forth in Section 35-393, Arizona Revised Statutes. If the Issuer determines that either's certification above is false or that either has breached such agreement, the Issuer may impose remedies as provided by law.

SECTION 1.09. *Further Assurances.*

A. The Issuer, the Trustee and the Owner shall do, execute, acknowledge, and deliver all and every such further acts, conveyances and assurances as shall be reasonably required for accomplishing the purposes of this Agreement.

B. The Owner shall cause this instrument and any instruments of further assurance, including financing statements, if any, to be promptly registered and filed, and to be kept registered and filed, and, when necessary, to re-register, and re-file the same, all in such manner and in such places as may be required by law, fully to preserve and protect the rights of the Issuer hereunder, and the Owner shall execute any financing statement, continuation statement or other document required for such purposes.

SECTION 1.10. *Amendments.*

Pursuant to the provisions established in the Series 2016 Indenture, this Agreement may be amended by an instrument in writing executed and delivered by each of the Issuer, the Trustee and the Owner.

SECTION 1.11. *Business Days.*

For purposes of this Agreement, if any date for any certification, payment, submission or determination is not a Business Day, the applicable certification, payment, submission or determination shall be made or done on the next succeeding day which is a Business Day.

SECTION 1.12. *Termination.*

Subject to the last sentence of this Section, this Agreement shall terminate upon the earlier of (A) the payment or the provision for the payment in full of all of the outstanding Series 2016 Bonds or (B) receipt by the Issuer Representative of evidence satisfactory to the Issuer Representative that, for any consecutive three (3) Fiscal Years (the first of which shall be no sooner than the first Fiscal Year after the Series 2016 Depository Agreement has been terminated), a tax rate of \$3.00 per \$100 of limited assessed property valuation of property within the boundaries of the Issuer **[owned by other than the Owner, or any entity owned or controlled (as such term is used in the federal Securities Act of 1993, as amended) by, or which owns or controls, the Owner ???]** for each such Fiscal Year would have been sufficient to pay Maximum Annual Debt Service for any subsequent Fiscal Year plus the historical, annual, average of amounts necessary for payment of amounts described in Section 9.1 of the Development Agreement as of such Fiscal Year. Such evidence shall consist of a written projection, prepared by the Issuer Representative upon a written request of the Owner, that is based upon the application of such secondary tax rate in light of the actual net limited assessed valuation of the property within the boundaries of the Issuer for each such Fiscal Year, assuming a delinquency factor equal to the greater of five percent (5%) and the historic, average, annual percentage delinquency factor for the Issuer as of such Fiscal Year and no credit for any fund balances or investment income accruing during such Fiscal Year. After receipt of proof of satisfaction of such condition, the Board shall approve in writing such termination, such approval not to be withheld unreasonably.

SECTION 1.13. *Beneficiaries.*

This Agreement is entered into by the Owner with the Trustee and the Issuer for the benefit of the Issuer, the Trustee and the Holders, from time to time, of the Series 2016 Bonds, all of whom shall be entitled to enforce performance and observance of this Agreement to the same extent provided for the enforcement of remedies pursuant to the Series 2016 Indenture.

SECTION 1.14. *Integration.*

This Agreement, when executed and delivered by the parties hereto, shall constitute the entire agreement among them with respect to the matters provided herein and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof.

* * *

ARTICLE TWO

PAYMENTS; RELATED MATTERS

SECTION 2.01. *Payments.*

A. [Reserved to Preserve Section Numbering]

B. 1. On September 1 of each Fiscal Year commencing the Fiscal Year ending in 2017, the Issuer shall certify to the Trustee the amount of property taxes which would be produced based upon (a) the current limited assessed property valuation of taxable property within the boundaries of the Issuer and (b) a tax rate of \$3.00 per \$100 (or such lower rate as may be permitted as hereinafter provided) of limited assessed property valuation (assuming a five percent (5%) delinquency factor) (the "Tax Year Tax Amount").

2. On September 15 of each Fiscal Year commencing the Fiscal Year ending in 2017, the Trustee shall determine (a) Debt Service (without regard to any optional redemption) due on the next succeeding January 15 plus Debt Service due on the next succeeding July 15 (the "Total Debt Service"), (b) the amount in the Series 2016 Tax Account available to pay Debt Service (collectively the "September Available Moneys"), and (c) the difference, if any, between (x) one-half (1/2) of the Total Debt Service and (y) the sum of (A) the September Available Moneys and (B) one-half (1/2) of the Tax Year Tax Amount (such difference being the "October Payment").

3. On March 11 of each Fiscal Year commencing the Fiscal Year ending in 2017, the Trustee shall determine (a) the amount in the Series 2017 Tax Account available to pay Debt Service (collectively the "March Available Moneys"), and (b) the difference, if any, between (x) one-half (1/2) of the Total Debt Service and (y) the sum of (A) the March Available Moneys and (B) one-half (1/2) of the Tax Year Tax Amount (such difference being the "April Payment").

4. On September 15 of each Fiscal Year commencing the Fiscal Year ending in 2017 and March 11 of each Fiscal Year commencing the Fiscal Year ending in 2018, the Trustee shall submit a written request to the Owner for, and on October 12 and April 11, respectively, the Owner shall be obligated to pay and shall pay to the Trustee, the October Payment and the April Payment, respectively.

C. 1. On December 15 of each Fiscal Year commencing the Fiscal Year ending in 2016, the Trustee shall determine the difference between the amount in the Series 2016 Tax Account on such date and the amount necessary to pay Debt Service (without regard to any optional redemption) on the next succeeding January 15 (such difference being the "December Payment").

2. On June 15 of each Fiscal Year commencing the Fiscal Year ending in 2017, the Trustee shall determine the difference

between the amount in the Series 2016 Tax Account on such date and the amount necessary to pay Debt Service on the next succeeding July 15 (such difference being the "June Payment").

3. On December 21 and June 20 of each Fiscal Year commencing the Fiscal Year ending 2017, the Trustee shall submit a written request to the Owner for, and on the next succeeding December 31 and June 30, respectively, the Owner shall be obligated to pay and shall pay to the Trustee, the December Payment and the June Payment, respectively.

D. The Owner shall be liable and obligated pursuant to Sections 2.01(B)(4) and (C)(3) only if the Issuer has with respect to any Interest Payment Date occurring on January 15 levied for Debt Service for that Fiscal Year a tax rate pursuant to Section 10.01(A) of the Series 2016 Indenture of at least \$3.00 per \$100 of limited assessed property valuation and with respect to any Interest Payment Date occurring on July 15 levied such tax rate for the immediately preceding Fiscal Year; provided, however that the tax rate in any such Fiscal Year for such purpose may be less than \$3.00 if the Board expected that such lower rate would produce secondary ad valorem tax revenues sufficient to pay in full Debt Service and the Series 2016 Depository Agreement has been, or is in the process of being, terminated pursuant to its terms.

E. All payments by the Owner pursuant to the preceding subsections of this Section shall be paid to the Trustee or the Issuer, as the case may be, in immediately available funds composed of lawful money of the United States of America.

SECTION 2.02. *Nature of the Owner's Obligations.*

The obligations of the Owner pursuant to this Agreement shall be absolute and unconditional (except as set forth in Section 2.01 hereof) and shall remain in full force and effect until this Agreement is terminated. Such obligations shall not be affected, modified or impaired upon the happening from time to time of any event, including, without limitation, any of the following, whether or not with notice to, or the consent of the Owner:

A. the compromise, settlement, release or termination of any or all of the obligations, covenants or agreements of the Issuer or the Owner pursuant to the Series 2016 Indenture, the Series 2016 Depository Agreement or the Development Agreement; or

B. the failure to give notice to the Owner of the occurrence of an event of default pursuant to the terms and provisions of the Series 2016 Indenture, the Series 2016 Depository Agreement, the Development Agreement or this Agreement; or

C. the waiver of the payment, performance or observance by the Issuer or the Owner of any of the obligations, covenants or agreements of any of them contained in the Series 2016 Indenture, the

Series 2016 Depository Agreement, the Development Agreement or this Agreement; or

D. the extension of the time for payment of any principal of or premium, if any, or interest on any Series 2016 Bond or the extension or renewal of the time for performance of any other obligations, covenants or agreements pursuant to or arising out of the Series 2016 Indenture, the Series 2016 Depository Agreement, the Development Agreement or this Agreement; or

E. the modification or amendment (whether material or otherwise) of any obligation, covenant or agreement set forth in the Series 2016 Indenture, the Series 2016 Depository Agreement, the Development Agreement or this Agreement; or

F. the taking or the omission of any of the actions referred to in the Series 2016 Indenture, the Series 2016 Depository Agreement, the Development Agreement or this Agreement (other than as set forth in Section 2.01 hereof); or

G. any failure, omission, delay or lack on the part of the Issuer, the Trustee or the Owner to enforce, assert or exercise any right, power or remedy conferred on the Issuer or the Trustee in the Series 2016 Indenture, the Series 2016 Depository Agreement, the Development Agreement or this Agreement (except as set forth in Section 2.01 hereof), or any other act or acts on the part of the Issuer, the Trustee or any of the owners from time to time of the Series 2016 Bonds; or

H. the voluntary or involuntary liquidation, dissolution, sale or other disposition of all or substantially all the assets, marshaling of assets and liabilities, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition with creditors or re-adjustment of, or other similar proceedings affecting the Issuer or the Owner or any of the assets of any of them or any allegation or contest of the validity of the Series 2016 Indenture, the Series 2016 Depository Agreement, the Development Agreement or this Agreement in any such proceeding; or

I. the release or discharge of the Issuer or the Owner from the performance or observance of any obligations, covenant or agreement contained in the Series 2016 Indenture, the Series 2016 Depository Agreement, the Development Agreement or this Agreement by operation of law; or

J. the default or failure of the Owner fully to perform any of its obligations set forth in the Series 2016 Depository Agreement, the Development Agreement or this Agreement; or

K. the invalidity of the Series 2016 Indenture, the Series 2016 Depository Agreement, Development Agreement, this Agreement or the Series 2016 Bonds.

SECTION 2.03. *No Set-Off.*

Except as otherwise provided herein, no monetary set-off, reduction or diminution of any obligation or any defense of any kind or nature which the Owner has or may have against the Issuer or the Trustee or which the Issuer may have against the Trustee shall be available hereunder to the Owner against the Trustee.

SECTION 2.04. *Remedies.*

Upon the occurrence of any failure to pay amounts due hereunder, the Trustee shall proceed directly against the Owner pursuant to this Agreement without proceeding against or exhausting any other remedies which it may have against the Issuer or any other person, firm or corporation and without resorting to any other security held by the Issuer or the Trustee for the amounts so due. Before taking any action hereunder, the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses and to protect against all liability, except liability which is adjudicated to have resulted from its negligence or willful default by reason of any action so taken.

SECTION 2.05. *Waiver of Notice; Payment of Expenses.*

The Owner hereby expressly waives notice from the Trustee or the owners from time to time of any of the Series 2016 Bonds of their acceptance and reliance on this Agreement. The Owner shall be liable and obligated to pay and shall pay all costs, expenses and fees, including all reasonable attorneys' fees, which may be incurred by the Trustee in enforcing or attempting to enforce this Agreement following any default on the part of the Owner hereunder, whether the same shall be enforce by suit or otherwise.

* * *

ARTICLE THREE

THE TRUSTEE

SECTION 3.01. *Certain Duties and Responsibilities.*

A. The Trustee 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 Trustee. In the absence of bad faith on its part, the Trustee 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 Trustee and conforming to the requirements of this Agreement; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be pursuant to a duty to examine the same to determine whether or not they conform on their face to the requirements of this Agreement.

B. No provision of this Agreement shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that

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

2. the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Trustee was negligent and

3. no provision of this Agreement shall require the Trustee 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, unless it is provided indemnity in connection therewith as provided in Sections 2.04 and 3.04A(3).

C. Whether or not therein expressly so provided, every provision of this Agreement relating to the conduct, affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

SECTION 3.02. *Certain Rights of Trustee.*

Except as otherwise provided in Section 3.01 hereof the Trustee may rely and shall be protected in acting or refraining from acting upon:

A. any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, telex or other paper, document or communication reasonably believed by

it to be genuine and to have been signed or presented by the proper Persons;

B. failure of the Trustee to receive any such paper, document, or communication, if prior receipt thereof is required by this Agreement before the Trustee is to take or refrain from taking any action;

C. any request or direction of the Issuer mentioned herein shall be sufficiently evidenced by an Issuer Request, and any order or resolution of the Board may be sufficiently evidenced by a Board Resolution;

D. whenever in the administration of this Agreement the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate;

E. the Trustee may consult with legal counsel and the written advice of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by the Trustee hereunder in good faith and in reliance thereon;

F. the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records, and premises of the Issuer, personally or by agent or attorney and

G. the Trustee may perform any duties hereunder either directly or by or through agents or attorneys, and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed, with due care by it hereunder.

SECTION 3.03. *Not Responsible for Recitals or Application of Proceeds.*

The recitals contained herein shall be taken as the statements of the other parties hereto, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the amounts held hereunder or as to the security afforded thereby or hereby, or as to the validity or genuineness of any securities at any time pledged and deposited with the Trustee hereunder, or as to the validity or sufficiency of this Agreement.

SECTION 3.04. *Compensation and Reimbursement.*

A. The Issuer shall

1. pay to the Trustee from time to time reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

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

3. indemnify, to the extent permitted by applicable law, the Trustee for, and to hold it harmless against, any loss, liability, or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

B. The Trustee shall not have the right to set off against or to appropriate or apply any of the amount deposited pursuant to Section 2.01 or any of the investment income therefrom to any unpaid obligation of the Issuer to the Trustee hereunder or as a result of any other matter between the Issuer and the Trustee.

SECTION 3.05. *Corporate Trustee Required; Eligibility.*

There shall at all times be a Trustee hereunder which shall be a bank or trust company organized and doing business pursuant to the laws of the United States or of any State, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$50,000,000, subject to supervision or examination by federal or State authority, and having a corporate trust office in the City of Phoenix, Arizona. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of such supervising or examining authority, then for the purposes of this Section the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

SECTION 3.06. *Resignation and Removal; Appointment of Successor.*

A. No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee pursuant to Section 3.07.

B. The Trustee may resign at any time by giving written notice thereof to the Issuer. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within thirty (30) days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

C. If at any time:

1. the Trustee shall cease to be eligible pursuant to Section 3.05 and shall fail to resign after written request therefor by the Issuer or

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

then, in any such case, the Issuer by Board Resolution may remove the Trustee.

D. If the Trustee shall resign, be removed, or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, the Issuer by Board Resolution, shall promptly appoint a successor Trustee. In case all or substantially all of the amounts held hereunder shall be in the possession of a receiver or trustee lawfully appointed, such receiver or trustee, by written instrument, may similarly appoint a successor to fill such vacancy until a new Trustee shall be so appointed. If, within one year after such resignation, removal, or incapability, or the occurrence of such vacancy, a successor Trustee shall be so appointed, then the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee and supersede the successor Trustee appointed by the Issuer or by such receiver or trustee. If no successor Trustee shall have been so appointed and accepted appointment in the manner hereinafter provided, either the Issuer or the Owner may petition any court of competent jurisdiction for the appointment of a successor Trustee.

SECTION 3.07. *Acceptance of Appointment by Successor.*

A. Every successor Trustee appointed hereunder shall execute, acknowledge, and deliver to the Issuer and the retiring Trustee an instrument accepting such appointment, and thereupon the

resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed, or conveyance, shall become vested with all the estates, properties, rights, powers, trusts and duties of the retiring Trustee; but, on request of the Issuer or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument conveying and transferring to such successor Trustee upon the trusts herein expressed all the estates, properties, rights, powers and trusts of the retiring Trustee, and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder, subject nevertheless to its lien, if any, provided for in Section 3.04. Upon request of any such successor Trustee, the Issuer and the Owner shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such estates, properties, rights, powers and trusts.

B. No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible pursuant to this Article.

SECTION 3.08. *Merger, Conversion, Consolidation or Succession to Business.*

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion, or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible pursuant to this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto.

* * *

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed, and to be effective as of the day and year first above written, which date shall be deemed the date hereof for all purposes.

QUAIL CREEK COMMUNITY FACILITIES DISTRICT

By.....
District Manager

ATTEST:

.....
District Clerk

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By.....
Authorized Officer

ROBSON RANCH QUAIL CREEK, LLC, a Delaware
limited liability company

By: Arlington Property Management
Company, an Arizona corporation, its
Manager

By.....
Printed Name:.....
Title:.....

DRAFT
09/12/16
10/19/16

QUAIL CREEK COMMUNITY FACILITIES DISTRICT

and

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

SERIES 2016

INDENTURE OF TRUST

AND

SECURITY AGREEMENT

Dated as of _____ 1, 2016

QUAIL CREEK COMMUNITY FACILITIES DISTRICT
(SAHUARITA, ARIZONA)
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2016

TABLE OF CONTENTS

	<u>Page</u>
PARTIES.....	1
RECITALS.....	1
GRANTING CLAUSES.....	3
HABENDUM.....	4
DEFEASANCE CLAUSE.....	4
ARTICLE ONE DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION..	5
SECTION 1.01. Definitions.	5
SECTION 1.02. Acts of Bondholders.	19
SECTION 1.03. Notices, etc.	19
SECTION 1.04. Form and Contents of Documents Delivered to the Trustee.....	20
SECTION 1.05. Effect of Headings and Table of Contents.	21
SECTION 1.06. Successors and Assigns.	21
SECTION 1.07. Severability Clause.	21
SECTION 1.08. Benefits of Indenture.	22
SECTION 1.09. Governing Law.	22
SECTION 1.10. Incorporation of State Statutes.	22
SECTION 1.11. Business Days.	23
ARTICLE TWO FORM OF BONDS.....	24
SECTION 2.01. Forms Generally.	24
SECTION 2.02. Forms of Bonds and Matters Relating to Certain Necessary Documentation.....	24
SECTION 2.03. Form of Certificate of Authentication.	32
SECTION 2.04. Form of Assignment.	32
ARTICLE THREE TERMS AND ISSUANCE OF THE BONDS.....	34
SECTION 3.01. Title and Terms.	34
SECTION 3.02. Redemption of Bonds.	34
SECTION 3.03. Execution, Authentication, Delivery and Dating.....	35
SECTION 3.04. Registration, Transfer and Exchange.	37
SECTION 3.05. Temporary Bonds.	38
SECTION 3.06. Mutilated, Destroyed, Lost and Stolen Bonds.	39
SECTION 3.07. Payment of Interest on Bonds; Interest Rights Preserved.....	40
SECTION 3.08. Cancellation.	41
SECTION 3.09. Persons Deemed Owners.	41

	<u>Page</u>
ARTICLE FOUR REDEMPTION OF BONDS.....	42
SECTION 4.01. General Applicability of Article.	42
SECTION 4.02. Election to Redeem; Notice to Trustee.	42
SECTION 4.03. Selection of Bonds to be Redeemed.	42
SECTION 4.04. Notice of Redemption.	42
SECTION 4.05. Deposit of Redemption Price.	43
SECTION 4.06. Bonds Payable on Redemption Date.	43
SECTION 4.07. Bonds Redeemed in Part.	44
ARTICLE FIVE FUNDS.....	45
SECTION 5.01. Bond Fund.	45
SECTION 5.02. Deposits to and Application of Bond Fund; Reports from Trustee with Respect Thereeto.	45
SECTION 5.03. Costs of Issuance Fund.	47
SECTION 5.04. Deposits to and Application of Costs of Issuance Fund.	47
SECTION 5.05. Disposition of Proceeds of Bonds.	47
SECTION 5.06. Investment of and Security for Funds.	47
ARTICLE SIX DEFEASANCE AND RELEASES.....	49
SECTION 6.01. Payment of Indebtedness; Satisfaction and Discharge of Indenture.	49
SECTION 6.02. Defeasance.	50
SECTION 6.03. Application of Deposited Money.	51
ARTICLE SEVEN REMEDIES.....	52
SECTION 7.01. Suits for Enforcement; Mandamus.	52
SECTION 7.02. Covenant to Pay Trustee Amounts Due on Bonds and Right of Trustee to Judgment.	53
SECTION 7.03. Application of Money Collected.	53
SECTION 7.04. Trustee May File Proofs of Claim.	54
SECTION 7.05. Trustee May Enforce Claims Without Possession of Bonds.	55
SECTION 7.06. Unconditional Right of Bondholders to Receive Principal, Premium and Interest.	55
SECTION 7.07. Rights and Remedies Cumulative.	55
SECTION 7.08. Delay or Omission Not Waiver.	56
SECTION 7.09. Control by Bondholders.	56
SECTION 7.10. Waiver of Past Defaults.	57
SECTION 7.11. Undertaking for Costs.	57
SECTION 7.12. Remedies Subject to Applicable Law.	57
ARTICLE EIGHT THE TRUSTEE.....	59
SECTION 8.01. Certain Duties and Responsibilities.	59

	<u>Page</u>
SECTION 8.02. Certain Rights of Trustee.	60
SECTION 8.03. Not Responsible for Recitals or Application of Proceeds.	61
SECTION 8.04. May Hold Bonds.	61
SECTION 8.05. Money Held in Trust.	61
SECTION 8.06. Compensation and Reimbursement.	61
SECTION 8.07. Corporate Trustee Required; Eligibility.	62
SECTION 8.08. Resignation and Removal; Appointment of Successor.	62
SECTION 8.09. Acceptance of Appointment by Successor.	63
SECTION 8.10. Merger, Conversion, Consolidation or Succession to Business.	64
ARTICLE NINE SUPPLEMENTAL INDENTURES; AMENDMENTS TO BOND RESOLUTION, SERIES 2016 STANDBY CONTRIBUTION AGREEMENT AND SERIES 2016 DEPOSITORY AGREEMENT.	65
SECTION 9.01. Supplemental Indentures or Amendments to Bond Resolution, Series 2016 Standby Contribution Agreement and Series 2016 Depository Agreement Without Consent of Bondholders.	65
SECTION 9.02. Supplemental Indentures or Amendments to the Bond Resolution or Series 2016 Standby Contribution Agreement or Series 2016 Depository Agreement With Consent of Bondholders.	66
SECTION 9.03. Execution of Supplemental Indentures and Amendments to Bond Resolution, Series 2016 Standby Contribution Agreement Series 2016 Depository Agreement.	67
SECTION 9.04. Effect of Supplemental Indentures and Amendments to Bond Resolution, Series 2016 Standby Contribution Agreement or Series 2016 Depository Agreement.	68
SECTION 9.05. Reference in Bonds to Supplemental Indentures or Amendments to Bond Resolution, Series 2016 Depository Agreement and Series 2016 Standby Contribution Agreement.	68
ARTICLE TEN COVENANTS.	69
SECTION 10.01. Pledge and Levy of Taxes.	69
SECTION 10.02. Maintenance of Agency.	70
SECTION 10.03. Money for Bond Payments to be Held in Trust; Repayment of Unclaimed Money.	70
SECTION 10.04. Further Assurances; Recording.	71
SECTION 10.05. Covenants as to Arbitrage and Other Tax Matters.	72
SECTION 10.06. Specific Covenants as to Rebate.	73

	<u>Page</u>
ARTICLE ELEVEN PROVISIONS RELATING TO POLICY AND INSURER.....	77
SECTION 11.01. Applicability of this Article.	77
SECTION 11.02. Reporting Requirements.	77
SECTION 11.03. Amendments and Supplements.	78
SECTION 11.04. Insurer as Third Party Beneficiary.	78
SECTION 11.05. Control Rights.	79
SECTION 11.06. Payment Under the Policy.	80

* * *

THIS SERIES 2016 INDENTURE OF TRUST AND SECURITY AGREEMENT, dated as of _____ 1, 2016 (hereinafter referred to as this "*Indenture*"), from Quail Creek Community Facilities District, a community facilities district duly organized and validly existing pursuant to the laws of the State of Arizona (hereinafter together with its successors referred to as the "*Issuer*"), to U.S. Bank National Association, a national banking association with a corporate trust office in the City of Phoenix, Maricopa County, Arizona, as trustee (hereinafter together with any successor to the trust herein granted referred to as the "*Trustee*"),

W I T N E S S E T H:

WHEREAS, pursuant to Title 48, Chapter 4, Article 6, Arizona Revised Statutes (hereinafter referred to as the "*Enabling Act*"), a general obligation bond election was held on November 8, 2005 (hereinafter referred to as the "*Election*"), submitting to those persons who were qualified to vote pursuant to the Enabling Act the question of authorizing the district board of Issuer (hereafter referred to as the "*Board*") to issue general obligation bonds of the Issuer to provide moneys for any "public infrastructure purposes" (as such term is defined in the Enabling Act) consistent with the General Plan for the Proposed Quail Creek Community Facilities District filed with the Clerk of the Town of Sahuarita, Arizona, before or on September 9, 2005; and

WHEREAS, the issuance of such general obligation bonds was approved at the Election; and

WHEREAS, pursuant to a Resolution of the Board adopted on May 8, 2006, the Board (1) authorized the sale and issuance of the general obligation bonds in the aggregate principal amount of \$12,660,000 (hereinafter referred to as the "*Bonds Being Refunded*") to provide funds for all or a portion of the public infrastructure purposes provided for in the Enabling Act and in the hereinafter described Development Agreement to the extent authorized by the Election and (2) entered in its minutes a record of the Bonds sold and their numbers and dates and will levy and cause an ad valorem tax to be collected, at the same time and in the same manner as other taxes are levied and collected on all taxable property in the boundaries of the Issuer sufficient, together with moneys from the sources described herein, to pay Debt Service (as such term is hereinafter defined) when due; and

WHEREAS, pursuant to a Resolution of the Board adopted on October 24, 2016 (hereinafter referred to as the "*Bond Resolution*"), the Board has determined (1) that it is expedient to refund all of the Bonds Being Refunded and that the issuance of general obligation refunding bonds (hereinafter referred to as the "*Bonds*") and the application of the net proceeds thereof to pay at maturity or earlier redemption the Bonds Being Refunded are necessary and advisable and in the best interests of the Issuer and shall result in a present value debt service savings, net of costs associated with the Bonds, of not

less than three percent (3%) and (2) has entered in its minutes a record of the Bonds sold and their numbers and dates and will levy and cause an ad valorem tax to be collected, at the same time and in the same manner as other taxes are levied and collected on all taxable property in the boundaries of the Issuer sufficient, together with moneys from the sources described herein, to pay Debt Service (as such term is hereinafter defined) when due with the limitations provided in the Bonds and specifically provided that the total aggregate of taxes levied to pay principal of and interest on the Bonds in the aggregate shall not exceed the total aggregate principal and interest to become due on the Bonds Being Refunded from the date of issuance of the Bonds to the final date of maturity of the Bonds Being Refunded; and

WHEREAS, pursuant to (1) the Enabling Act and (2) Section 9-500.05, Arizona Revised Statutes, the Town of Sahuarita, Arizona, a municipality incorporated and existing pursuant to the laws of the State of Arizona, the Issuer and Robson Ranch Quail Creek, LLC, a limited liability company duly organized and validly existing pursuant to the laws of the State of Delaware and having an interest in real property within the boundaries of the District (hereinafter referred to as the "Owner"), have entered into a District Development, Financing Participation and Intergovernmental Agreement (Quail Creek Community Facilities District), dated as of September 1, 2005, as amended by a First Amendment to District Development, Financing Participation and Intergovernmental Agreement (Quail Creek Community Facilities District), dated as of _____ 1, 2016, (hereinafter referred to, as so amended, as the "*Development Agreement*"), as a "development agreement" to specify, among other things, conditions, terms, restrictions and requirements for "public infrastructure" (as such term is defined in the Enabling Act) and the financing of public infrastructure and, with regard to the property which makes up the real property included within the boundaries of the Issuer, particularly matters relating to the acquisition of certain public infrastructure by the Issuer and the acceptance thereof by the Municipality, all pursuant to the Enabling Act; and

WHEREAS, pursuant to the Enabling Act, the Issuer has also entered into a Series 2016 Standby Contribution Agreement, dated as of even date herewith (hereinafter referred to as the "*Series 2016 Standby Contribution Agreement*"), by and among the Issuer, the Trustee and the Owner to provide for certain public infrastructure purposes for the Issuer; and

WHEREAS, pursuant to the Enabling Act, the Issuer has also entered into a Series 2016 Depository Agreement, dated as of even date herewith (hereinafter referred to as the "*Series 2016 Depository Agreement*"), by and between the Issuer and U.S. Bank National Association, as depository, to provide for certain moneys to be available to the Issuer; and

WHEREAS, pursuant to the Enabling Act, the Issuer has entered into this Indenture to secure, and process the issuance,

registration, transfer and payment and the disbursement and investment of proceeds of, the Bonds; and

WHEREAS, the Board has by the Bond Resolution duly authorized the issuance of the Bonds and, in order to provide terms for, to secure, and to provide for authentication and delivery of the Bonds by the Trustee, has duly authorized the execution and delivery of this Indenture; and

WHEREAS, all things have been done which are necessary to make the Bonds, when executed by the Issuer (or, as to any Bonds issued in exchange therefor or in lieu or upon transfer thereof, authenticated and delivered by the Trustee hereunder), valid obligations of the Issuer, and to constitute this Indenture a valid security agreement, collateral assignment and contract for the security of the Bonds, in accordance with the terms thereof and of this Indenture;

GRANTING CLAUSES

NOW, THEREFORE, THIS INDENTURE WITNESSETH that, to secure, except as otherwise provided herein, the payment of the principal of and interest on the Outstanding Secured Bonds (as such term and all other undefined terms are hereinafter defined) and the performance of the covenants therein and herein contained and the rights of the Holders and the Insurer and to declare the terms and conditions on which the Outstanding Secured Bonds are secured, and in consideration of the premises and of the purchase of the Bonds by the holders thereof, the Issuer by these presents does grant, bargain, sell, remise, release, convey, collaterally assign, transfer, mortgage, hypothecate, pledge, set over and confirm to the Trustee, forever, all and singular the following described properties, and grants a security interest therein for the purposes herein expressed, to-wit:

GRANTING CLAUSE FIRST

All money and investments held for the credit of the Series 2016 Tax Account established with the Trustee as herein-after described, unless necessary to pay Rebate (herein-after defined);

GRANTING CLAUSE SECOND

Any and all interest of the Issuer in and to the Series 2016 Standby Contribution Agreement and the Series 2016 Depository Agreement and

GRANTING CLAUSE THIRD

Any and all property that may, from time to time hereafter, by delivery or by writing of any kind, be subjected to the lien and security interest hereof by the Issuer or by anyone in its behalf (and the Trustee is hereby authorized to receive the same at any time as additional security

hereunder), which subjection to the lien and security interest hereof of any such property as additional security may be made subject to any reservations, limitations, or conditions which shall be set forth in a written instrument executed by the Issuer or the person so acting in its behalf or by the Trustee respecting the use and disposition of such property or the proceeds thereof;

TO HAVE AND TO HOLD all said property of every kind and description, real, personal, or mixed, hereby and hereafter (by supplemental indenture or otherwise) granted, bargained, sold, aligned, remised, released, conveyed, collaterally assigned, transferred, mortgaged, hypothecated, pledged, set over or confirmed as aforesaid, or intended, agreed or covenanted so to be, together with all the appurtenances thereto appertaining (said properties together with any cash and securities hereafter deposited or required to be deposited with the Trustee (other than any such cash which is specifically stated herein not to be deemed part of the Trust Estate) being hereinafter collectively referred to as the "*Trust Estate*"), unto the Trustee and its successors and assigns forever;

BUT IN TRUST, NEVERTHELESS, for the equal and proportionate benefit and security of the holders from time to time of all the Outstanding Secured Bonds without any priority of any such Bond over any other such Bond and to secure the observance and performance of all terms, covenants, conditions, agreements and obligations of the Issuer hereunder, except as herein otherwise expressly provided;

UPON CONDITION that, if the Issuer, its successors or assigns shall well and truly pay the principal of and interest on the Outstanding Secured Bonds according to the true intent and meaning thereof, or there shall be deposited with the Trustee or an escrow agent such amounts in such form in order that none of the Bonds shall remain Outstanding as herein defined and provided, and shall pay or cause to be paid to the Issuer and the Trustee all sums of money due or to become due to each of them in accordance with the terms and provisions hereof and the observance or performance of all terms, covenants, conditions, agreements and obligations hereunder, then upon the full and final payment of all such sums and amounts secured hereby, or upon such deposit, this Indenture and the rights, titles, liens, security interests and assignments herein granted shall cease, determine, and be void and this Indenture shall be released by the Trustee in due form at the expense of the Issuer, except only as herein provided and otherwise this Indenture to be and remain in full force and effect;

AND IT IS HEREBY COVENANTED AND DECLARED that all the Bonds are to be authenticated and delivered and the Trust Estate is to be held and applied by the Trustee, subject to the further covenants, conditions, and trust hereinafter set forth, and the Issuer hereby covenants and agrees to and with the Trustee, for the equal and proportionate benefit of all Holders of the Outstanding Secured Bonds except as herein otherwise expressly provided, as follows:

ARTICLE ONE

DEFINITIONS AND OTHER PROVISIONS
OF GENERAL APPLICATION

SECTION 1.01. *Definitions.*

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

1. The terms defined in this Article, except when used in the forms set forth in Article Two, have the meanings assigned to them in this Article and include the plural as well as the singular.

2. All references in this instrument to designated "Articles," "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of this instrument as originally executed.

3. The words "herein," "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

"Act" when used with respect to any Bondholder or Bondholders has the meaning stated in Section 1.02.

"*Alternate Letter of Credit*" means an irrevocable, single-draw, standby letter of credit authorizing a draw thereunder by the Depository issued by a bank, a trust company or other financial institution with a Minimum Tier 1 Leverage Ratio and which has a term of not less than one year from the date of its issuance, which Alternate Letter of Credit shall be the same in all other material respects (except as to expiration date) as the Letter of Credit and shall have the remaining face amount of the Letter of Credit.

"*Annual Debt Service Requirement*" means, for any Fiscal Year, the amount to be paid in such Fiscal Year with respect to the Bonds and any outstanding general obligation bonds or other outstanding general obligation refunding bonds of the Issuer hereafter issued for payment of principal of and interest on the Bonds and such other bonds during such Fiscal Year.

"*Board*" means the District Board of the Issuer.

"*Board Resolution*" means a resolution of the Board certified by the District Clerk to be in full force and effect on the date of such certification and delivered to the Trustee.

"*Bond Counsel's Opinion*" means an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal bonds selected by the Issuer.

"*Bond Fund*" means the fund of the Issuer so defined in Section 5.01.

"*Bond Register*" and "*Bond Registrar*" have the respective meanings stated in Section 3.04.

"*Bond Resolution*" means the Board Resolution adopted on October 24, 2016, which, among other things provided for the issuance of the Bonds.

"*Bond Year*" means each one-year period beginning on the day after the expiration of the preceding Bond Year. The first Bond Year shall begin on the date of issue of the Bonds and shall end on the date selected by the Issuer, provided that the first Bond Year shall not exceed one calendar year. The last Bond Year shall end on the date of retirement of the last Bond.

"*Bond Yield*" is as indicated in the Tax Certificate. Bond Yield shall be recomputed if required by Regulations section 1.148-4(b)(4) or 4(h)(3). Bond Yield shall mean the discount rate that produces a present value equal to the Issue Price of all unconditionally payable payments of principal, interest and fees for qualified guarantees within the meaning of Regulations section 1.148-4(f) and amounts reasonably expected to be paid as fees for qualified guarantees in connection with the Bonds as determined under Regulations section 1.148-4(b). The present value of all such payments shall be computed as of the date of issue of the Bonds and using semiannual compounding on the basis of a 360-day year.

"*Bondholder*" means a Holder of a Bond.

"*Bonds*" means all bonds authenticated and delivered hereunder.

"*Bonds Being Refunded*" means the remaining, outstanding of the Issuer's General Obligation Bonds, Series 2006, dated June 21, 2006.

"*Business Day*" means any day on which payment can be effected on the Fedwire System other than a Saturday; a Sunday; or a legal holiday or equivalent (other than a moratorium) for banking institutions generally in the city where the designated corporate trust office of the Trustee or the office of the account bank of the Letter of Credit Bank is located.

"*Claim*" means any claim or enforcement proceeding in connection with an Insolvency Proceeding.

"*Closing Date*" means the date of the initial authentication and delivery of the Bonds to DTC.

"Code" means the Internal Revenue Code of 1986, as amended and in force and effect on the Closing Date.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the Issuer relating to the execution, sale and delivery of the Bonds and the execution and delivery of this Indenture, the Series 2016 Standby Contribution Agreement and the Series 2016 Depository Agreement, including, but not limited to, filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee, legal fees and charges, insurance fees and charges, financial and other professional consultant fees, costs of rating agencies for credit ratings, fees for execution, transportation and safekeeping of the Bonds and charges and fees in connection with the foregoing as well as costs relating to the Election.

"Costs of Issuance Fund" means the fund of the Issuer so defined in Section 5.03.

"DTC" means The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York, and its successors and assigns.

"Debt Service" means, collectively, (i) the principal of and interest and premium, if any, on the Bonds when due, subject to the limitations in the Refunding Act; (ii) expenses and costs of the Issuer arising from the activities of the Issuer (such activities being the financing of the "Infrastructure" described in the Development Agreement including the issuance of the Bonds Being Refunded and the refunding of the Bonds Being Refunded) including particularly, but not by way of limitation, expenses and costs for agents or third parties required to administer the Bonds, levy and collect taxes for payment of the Bonds, prepare annual audits, budgets and materials with respect to continuing disclosure and provide for any purposes otherwise related to such activities of the Issuer and (iii) amounts due with respect to Rebate.

"Defaulted Interest" has the meaning stated in Section 3.07.

"Defeasance Obligations" means obligations issued by or guaranteed by the United States government.

"Depository" means the Person named as "Depository" in the first paragraph of the Series 2016 Depository Agreement until a successor Depository shall have become such pursuant to the applicable provisions of the Series 2016 Depository Agreement, and thereafter "Depository" shall mean such successor Depository.

"Development Agreement" means that certain District Development, Financing Participation and Intergovernmental Agreement (Quail Creek Community Facilities District), dated as of September 1, 2005,

by and among the Municipality, the Issuer and the Owner, as amended by the Development Agreement Amendment.

"*Development Agreement Amendment*" means that certain First Amendment to District Development, Financing Participation and Intergovernmental Agreement (Quail Creek Community Facilities District), dated as of _____ 1, 2016, with respect to the District.

"*Discounted Tax Revenues*" means the amount of secondary ad valorem property tax revenues of the Issuer that would be collected for the then current Fiscal Year of the Issuer using the total net limited assessed valuation of property within the boundaries of the Issuer for purposes of the tax roll used to levy taxes during the preceding August and applying a tax rate of \$3.00 per \$100 of limited assessed property valuation and assuming a delinquency factor equal to the greater of five percent (5%) and the historic, average, annual percentage delinquency factor for the Issuer as of such Fiscal Year and no credit for any fund balances or investment income accruing during such Fiscal Year.

"*Draw*" means the single drawing by the Depository against the Letter of Credit in the full amount of the Letter of Credit.

"*Election*" means the election of the Issuer held on November 8, 2005, to authorize the issuance of the Bonds.

"*Enabling Act*" means Title 48, Chapter 4, Article 6, Arizona Revised Statutes.

"*Facilities*" means improvements refinanced with proceeds of the sale of the Bonds.

"*Fiscal Year*" means a period of twelve (12) consecutive months commencing on July 1 and ending on June 30 or any other consecutive 12-month period which may be established hereinafter as the fiscal year of the Issuer for budgeting and appropriate purposes.

"*Governmental Obligations*" means (1) direct obligations of, or obligations the timely payment of principal of is fully and unconditionally guaranteed by, the United States of America, (2) obligations described in Section 103(a) of the Internal Revenue Code of 1954 or the Code, provision for the payment of the principal of and premium, if any, and interest on which shall have been made by the irrevocable deposit with a bank or trust company acting as a trustee or escrow agent for holders of such obligations of securities described in Clause (1) the maturing principal of and interest on which, when due and payable, will provide sufficient moneys to pay when due the principal of and premium, if any, and interest on such obligations, and which securities described in Clause (1) are not available to satisfy any other claim, including any claim of the trustee or escrow agent, or any claim of one to whom the trustee or escrow agent may be obligated which, at the time of deposit pursuant to Section 6.02, have

been assigned ratings in the highest rating category of S&P, but in the case of both Clause (1) and Clause (2) of this paragraph, for purposes of Section 6.02, only if such obligations are non-callable prior to the Maturity of the Bonds or (3) obligations, representing interest on obligations of the Resolution Funding Corporation, the payment of such interest, if other revenues are insufficient, is required to be paid from the United States Treasury, which interest obligations are stripped by the Federal Reserve Bank of New York. Governmental Obligations also includes for purposes other than Section 6.02, a "no load," open-end management investment company or trust (mutual fund), registered with the federal Securities and Exchange Commission (SEC), meeting the requirements of Rule 2a-7 under the Investment Company Act of 1940, and which money market fund invests in short term United States Treasury obligations, agencies guaranteed by the United States, and repurchase agreements secured by the same and which money market fund is rated by S&P at least "AAAm-G;" "AAAm" or "AAM" and by Moody's at least "VMIG-1."

"*Gross Proceeds*" means:

(i) any amounts actually or constructively received by the Issuer from the sale of the Bonds but excluding amounts used to pay accrued interest on the Bonds within one year of the date of issuance of the Bonds;

(ii) transferred proceeds of the Bonds under Regulations section 1.148-9;

(iii) any amounts actually or constructively received from investing amounts described in (i), (ii) or this (iii); and

(iv) replacement proceeds of the Bonds within the meaning of Regulations section 1.148-1(c). Replacement proceeds include amounts reasonably expected to be used directly or indirectly to pay debt service on the Bonds, pledged amounts where there is reasonable assurance that such amounts will be available to pay principal or interest on the Bonds in the event the Issuer encounters financial difficulties and other replacement proceeds within the meaning of Regulations section 1.148-1(c)(4). Whether an amount is Gross Proceeds is determined without regard to whether the amount is held in any fund or account established under the Indenture.

"*Holder*" when used with respect to any Bond, as the context may require, means the Person in whose name such Bond is registered in the Bond Register.

"*Indenture*" means this instrument as originally executed or as it may from time to time be supplemented, modified, or amended by one or more indentures or other instruments supplemental hereto entered into pursuant to the applicable provisions hereof.

"*Initial Letter of Credit*" means the irrevocable, single-draw, standby letter of credit issued by the Letter of Credit Bank and

delivered to the Depository on the same date as the initial delivery of the Bonds, being an irrevocable obligation to make payment to the Depository of \$1,800,000 which expires when the face amount thereof has been reduced to \$50,000 or less, provided that on February 15 of each year, if the net limited assessed valuation of property within the boundaries of the Issuer used to levy taxes during the preceding August exceeded that used in the prior August, the difference between the Maximum Annual Debt Service and the Discounted Tax Revenues shall be calculated by the Issuer Representative and such face amount of the Letter of Credit shall be subject to automatic reduction in face amount to an amount equal to three (3) times such difference by providing a written certification of the foregoing from the Issuer Representative and an authorized representative of the Owner to the Trustee which shall then provide a reduction certificate for such purpose to the issuer of the Letter of Credit then in effect. (If the Trustee fails to provide such reduction certificate upon receipt of such certification, the Draw shall be limited to the amount which would have otherwise been available if such reduction certificate was given its proper effect and if any amount is drawn in excess of the foregoing limit, it shall be immediately returned to the Owner.)

"*Insolvency Proceeding*" means any proceeding by or against the County under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law.

"*Insurer*" means Assured Guaranty Municipal Corp., a New York stock insurance company, or any successor thereto or assignee thereof.

"*Insurer's Fiscal Agent*" means the Insurer's designated Agent.

"*Interest Payment Date*" means each January 15 and July 15 commencing July 15, 2017.

"*Investment Property*" means any security, obligation (other than a tax-exempt bond within the meaning of Code section 148(b)(3)(A)), annuity contract or investment-type property within the meaning of Regulations section 1.148-1(b).

"*Issue Price*" is as indicated in the Tax Certificate, which is the initial offering price to the public (not including bond houses and brokers, or similar persons or organizations acting in the capacity of underwriters of wholesalers) at which price a substantial amount of the Bonds was sold, less any bond insurance premium and reserve surety bond premium. Issue price shall be determined as provided in Regulations section 1.148-1(b).

"*Issuer*" means Quail Creek Community Facilities District, a community facilities district duly organized and validly existing pursuant to the laws of the State.

"*Issuer Representative*" means the District Manager or any designee appointed by him in writing.

"*Issuer Request*" means a written request signed in the name of the Issuer by the Issuer Representative or by the District Clerk and delivered to the Trustee.

"*Letter of Credit*" means (a) the Initial Letter of Credit and (b) upon the issuance and effectiveness thereof, any Alternate Letter of Credit.

"*Letter of Credit Bank*" means Western Alliance Bank, an Arizona corporation in its capacity as issuer of the Initial Letter of Credit, and its successors and assigns. Upon issuance and effectiveness of any Alternate Letter of Credit, "Letter of Credit Bank" shall mean the issuer thereof and its successors and assigns.

"*Letter of Credit Termination Date*" means the earlier of thirty (30) days after the Letter of Credit Bank providing the Letter of Credit no longer has a Minimum Tier 1 Leverage Ratio and the stated expiration date of the Letter of Credit, as extended by any applicable provisions thereof.

"*Maturity*" when used with respect to any Bond means the date on which the principal of such Bond becomes due and payable as therein or herein provided, whether at the Stated Maturity thereof or by call for redemption or otherwise.

"*Maximum Annual Debt Service*" means, at the time of computation, the greatest Annual Debt Service Requirement for the then current or any succeeding Fiscal Year.

"*Minimum Tier 1 Leverage Ratio*" means, for the entity supplying the Letter of Credit, a Tier 1 Leverage Ratio of eight percent (8%).

"*Moody's*" means Moody's Investor Services or any entity succeeding to the duties and obligations thereof.

"*Municipality*" means the Town of Sahuarita, Arizona, a municipal corporation incorporated and existing pursuant to the laws of the State.

"*Nonpurpose Investment*" means any Investment Property acquired with Gross Proceeds, and which is not acquired to carry out the governmental purposes of the Bonds.

"*Officers' Certificate*" means a certificate signed by the Issuer Representative and delivered to the Trustee.

"*Opinion of Counsel*" means a written opinion of counsel who may (except as otherwise expressly provided in this Indenture) be counsel for the Issuer and shall be acceptable to the Trustee and,

when given with respect to the status of interest on any Bond under federal income tax law, shall be counsel of nationally recognized standing in the field of municipal bond law and when given with respect to the status of any matter relating to the laws on bankruptcy, shall be counsel of nationally recognized standing in the field of bankruptcy law.

"*Original Purchaser*" means Hilltop Securities, Inc.

"*Outstanding*" when used with respect to Bonds means, as of the date of determination, all Bonds theretofore authenticated and delivered under this Indenture, except, without duplication:

(1) Bonds theretofore canceled by the Trustee or delivered to the Trustee for cancellation;

(2) Bonds for the payment or redemption of which money in the necessary amount is on deposit with the Trustee or any Paying Agent for the Holders of such Bonds at the Maturity thereof; provided, however, that if such Bonds are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture, or waived, or provision therefor satisfactory to the Trustee has been made;

(3) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered under this Indenture;

(4) Bonds alleged to have been destroyed, lost, or stolen which have been paid as provided in Section 3.06 and

(5) Bonds for the payment of the principal of and interest on which money or Defeasance Obligations or both are held by the Trustee or an escrow agent with the effect specified in Section 6.02.

"*Outstanding Secured Bonds*" means, as of the date of determination, (1) all Bonds then Outstanding and (2) all Bonds, if any, alleged to have been destroyed, lost, or stolen which have been replaced or paid as provided in Section 3.06 but whose ownership and enforceability by the Holder thereof have been established by a court of competent jurisdiction or other competent tribunal or otherwise established to the satisfaction of the Issuer and the Trustee.

"*Owner*" means Robson Ranch Quail Creek, LLC, a limited liability company duly organized and validly existing pursuant to the laws of the State of Delaware.

"*Parity Debt Service*" means, for any Fiscal Year and subject to the limitations of the Refunding Act with respect thereto, principal of and interest on all outstanding general obligation bonds

and general obligation refunding bonds of the Issuer heretofore or hereafter issued.

"*Paying Agent*" means any Person authorized by the Issuer to pay the principal of and interest and premium, if any, on any Bonds on behalf of the Issuer.

"*Payment*" means any payment within the meaning of Regulations section 1.148-3(d)(1) with respect to a Nonpurpose Investment.

"*Payment Date*" means a scheduled interest payment date or principal payment date.

"*Permitted Investments*" means:

- A. Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury) or obligations the principal of and interest on which are unconditionally guaranteed by the United States.
- B. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States:
 - 1. Small Business Administration
Guaranteed participation certificates
 - 2. Farmers Home Administration
Certificates of beneficial ownership
 - 3. Federal Housing Administration
Debentures
 - 4. General Services Administration
Participation certificates
 - 5. Government National Mortgage Association ("GNMA")
Guaranteed mortgage-backed bonds
Guaranteed pass-through obligations
 - 6. U.S. Maritime Administration
Guaranteed Title XI financing
 - 7. Washington Metropolitan Transit Authority
Guaranteed transit bonds
 - 8. Veteran Administration
Guaranteed REMIC pass-through certificates

9. U.S. Department of Housing and Urban Development
Local authority bonds
- C. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following United States government agencies (non-full faith and credit agencies):
1. Federal Home Loan Bank System
Consolidated debt obligations
 2. Federal Home Loan Mortgage Corporation
Debt obligations
 3. Federal National Mortgage Association ("FNMA")
Debt obligations
 4. Student Loan Marketing Association
Debt obligations
 5. Farm Credit System (formerly Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives)
Debt obligations
 6. Financing Corp.
Debt obligations
 7. Resolution Funding Corp.
Debt obligations
 8. U.S. Agency for International Development
Guaranteed notes which mature at least four Business Days before the appropriate payment date
- D. Money market funds registered with the federal Securities and Exchange Commission (SEC), meeting the requirements of Rule 2a-7 under the Investment Company Act of 1940, and having a rating by S&P of "AAAm-G" including, if the foregoing are met, funds for which the Trustee acts as an investment advisor or custodian; "AAAm"; or "AAm" or better and having a rating by Moody's of "VMIG-1 or better including, if the foregoing are met, funds for which the Trustee acts as an investment advisor or custodian.
- E. Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by the Federal Deposit Insurance Company.
- F. Investment agreements provided by entities with ratings on their long term obligations or claims paying ability of "AA" or better by S&P and "Aa" or better by

Moody's and required to be collateralized to the then current requirements of S&P to always have a rating of at least "A" and to the then current requirements of Moody's to have a rating of at least "A," which shall not be amended and for which no investment agreement shall be entered into in substitution therefor unless S&P and Moody's has confirmed that any rating on the Bonds will not be withdrawn or lowered upon the effective date of such amendment or substitute investment agreement.

- G. Commercial paper rated, at the time of purchase, "A-1" or better by S&P and Moody's.
- H. Bonds or notes issued by any state or municipality which are rated by S&P and Moody's in one of the two highest rating categories assigned by S&P or Moody's, as applicable.
- I. Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "A-1" or "A" or better by S&P and "P-1" or better by Moody's.
- J. Repurchase agreements ("Repos") providing for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the issuer (buyer/lender), and the transfer of cash from the issuer to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Issuer in exchange for the securities at a specified date.

Repos must satisfy the following criteria:

- 1. Repos must be between the Issuer and a dealer bank or securities firm
 - a. Primary dealers on the Federal Reserve reporting dealer list or
 - b. Banks rated "A" or above by S&P or "A" or above by Moody's.
- 2. The written repo contract must include the following:
 - a. Securities which are acceptable for transfer are:
 - (1) Direct U.S. government or

- (2) Federal agencies backed by the full faith and credit of the U.S. government.
 - b. The term of the repo may be up to 30 days.
 - c. The collateral must be delivered to the Issuer, the Trustee (if the Trustee is not supplying the collateral) or third party acting as agent for the Trustee (if the Trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities).
 - d. The securities must be valued weekly, marked-to market at current market price plus accrued interest and the value of collateral must be equal to 103% of the amount of cash transferred by the Issuer to the dealer bank or security firm under the repo plus accrued interest. If the value of securities held as collateral slips below 103% of the value of the cash transferred by the Issuer, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA, then the value of collateral must equal 105%.
3. Legal opinion which must be delivered to the municipal entity:
 - a. Repo meets guidelines under state law for legal investment of public funds.

K. Governmental Obligations.

(If any security for which a rating level is required is on "credit watch," "negative outlook" or similar status indicating possible reduction in rating, it shall be treated as not having the rating required.)

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Policy" means the insurance policy issued by the Insurer guaranteeing the scheduled payment of principal of and interest on the Bonds when due.

"Predecessor Bonds" of any particular Bond means every previous Bond evidencing all or a portion of the same debt as that

evidenced by such particular Bond, and, for purposes of this definition, any Bond authenticated and delivered under Section 3.06 in lieu of a mutilated, lost, destroyed or stolen Bond shall be deemed to evidence the same debt as the mutilated, lost, destroyed or stolen Bond.

"*Rebate*" means the payment system established by Section 148 of the Code with respect to certain arbitrage earnings by a political subdivision on amounts treated as the proceeds of certain obligations of such political subdivision and shall include all costs and expenses incurred in connection with, and allocable to, determining the amount due pursuant to such system including those provided for in Section 10.06 hereof.

"*Rebate Requirement*" means at any time the excess of the future value of all Receipts over the future value of all Payments. For purposes of calculating the Rebate Requirement the Bond Yield shall be used to determine the future value of Receipts and Payments in accordance with Regulations section 1.148-3(c). The Rebate Requirement is zero for any Nonpurpose Investment meeting the requirements of a rebate exception under section 148(f)(4) of the Code or Regulations section 1.148-7.

"*Receipt*" means any receipt within the meaning of Regulations section 1.148-3(d)(2) with respect to a Nonpurpose Investment.

"*Redemption Date*" when used with respect to any Bond to be redeemed means the date fixed for such redemption pursuant to the terms thereof and this Indenture.

"*Redemption Price*" when used with respect to any Bond to be redeemed means the price at which it is to be redeemed pursuant to this Indenture, excluding installments of interest whose Stated Maturity is on or before the Redemption Date.

"*Refunding Act*" means Title 35, Chapter 3, Article 4, Arizona Revised Statutes.

"*Regular Record Date*" for the interest payable on the Bonds on any Interest Payment Date means the first (1st) day (whether or not a Business Day) of the calendar month of such Interest Payment Date.

"*Regulations*" means the sections 1.148-1 through 1.148-11 and section 1.150-1 of the regulations of the United States Department of the Treasury promulgated under the Code, including and any amendments thereto or successor regulations.

"*Responsible Officer*" means the chairman or vice chairman of the board of directors of the relevant entity, the chairman or vice chairman of the executive committee of said board, the president, any vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, the cashier, any assistant cashier, any trust

officer or assistant trust officer, the controller, any assistant controller or any other officer or authorized Person of the relevant entity customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer of the relevant entity to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"S&P" means Standard & Poor's Financial Services, LLC, or any entity succeeding to the duties and obligations thereof.

"*Series 2016 Depository Agreement*" means that certain Series 2016 Depository Agreement, dated as of even date herewith, by and between the Issuer and the Depository.

"*Series 2016 Expenses Account*" means the account of the Bond Fund so defined in Section 5.01.

"*Series 2016 Standby Contribution Agreement*" means that certain Series 2016 Standby Contribution Agreement, dated as of even date herewith, by and among the Issuer, the Trustee and the Owner.

"*Series 2016 Tax Account*" means the account of the Bond Fund so defined in Section 5.01.

"*Special Record Date*" has the meaning stated in Section 3.07.

"*State*" means the State of Arizona.

"*Stated Maturity*" when used with respect to any Bond or any installment of interest on any Bond means the date specified in such Bond as the fixed date on which the principal or such installment of interest on any such Bond is due and payable.

"*Tax Certificate*" means the Certificate As To Federal Tax Matters delivered by the Issuer on the Closing Date.

"*Tier 1 Leverage Ratio*" means the ratio of that name established by the Federal Reserve Board in 12 Code of Federal Regulations Part 225, Appendix D, and any replacement thereof acceptable to the District Board.

"*Trustee*" the Person named as the "Trustee" in the first paragraph of this instrument until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean such successor Trustee.

"*Trust Estate*" has the meaning stated in the habendum to the Granting Clauses.

SECTION 1.02. *Acts of Bondholders.*

A. Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Bondholders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Bondholders in person or by an agent duly appointed in writing, and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Bondholders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and conclusive in favor of the Issuer and (subject to Section 8.01) the Trustee, if made in the manner provided in this Section.

B. The fact and date of the execution by any Bondholder of any such instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Whenever such execution is by an officer of a corporation or a member of a partnership on behalf of such corporation or partnership, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of execution of any such instrument or writing and the authority of any Person executing as or on behalf of any Bondholder may also be proved in any other manner which the Trustee deems sufficient.

C. The owner of any Bond shall be proved by the Bond Register for such Bonds.

D. Any request, demand, authorization, direction, notice, consent, waiver or other action by the Holder of any Bond shall bind every future Holder of the same Bond and the Holder of every Bond issued upon the transfer thereof or in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Issuer, whether or not notation of such action is made upon such Bond.

SECTION 1.03. *Notices, etc.*

A. Unless otherwise specifically provided herein, any request, demand, authorization, direction, notice, consent, waiver or Act of Bondholders or other document provided or permitted by this Indenture by any Bondholder, the Issuer, or the Trustee to be made upon, given or furnished to, or filed with,

1. the Trustee shall be sufficient for every purpose hereunder if made, given, furnished, or filed in writing to or with the Trustee at its principal corporate trust office or if in writing and mailed, first-class postage prepaid,

to the Trustee addressed to it at U.S. Bank National Association, 101 North First Avenue, Suite 1600, Phoenix, Arizona 85003, Attention: Corporate Trust Services, or at any other address furnished in writing to such Person by the Trustee, or

2. the Issuer shall be sufficient for every purpose hereunder if in writing and mailed, first-class postage prepaid, to the Issuer addressed to the Issuer at c/o Town of Sahuarita, Arizona, Box 879, Sahuarita, Arizona 85629, Attention: District Clerk, or at any other address previously furnished in writing to such Person by the Issuer.

3. the Original Purchaser shall be sufficient for every purpose hereunder if in writing and mailed, first-class postage prepaid, to the Original Purchaser addressed to the Original Purchaser at Suite 340, 2398 East Camelback Road, Phoenix, Arizona 85016, Attention: Vice President, or at any other address furnished previously in writing to such Person by the Original Purchaser, or

4. The Owner shall be sufficient for every purpose hereunder if in writing and mailed, first-class postage prepaid to the Owner addressed to the Owner at c/o Robson Communities, 9532 East Riggs Road, Sun Lakes, Arizona 85248, Attention: Steven M. Soriano or at any other address furnished previously in writing to such Person by the Owner, with a copy to Peter Gerstman at the same address.

B. Where this Indenture provides for notice to Bondholders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each Bondholder affected by such event, at the address of such Bondholder as it appears in the Bond Register for the Bonds. Neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Bondholder shall affect the sufficiency of such notice with respect to other Bondholders.

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

SECTION 1.04. *Form and Contents of Documents Delivered to the Trustee.*

A. Whenever several matters are required to be certified by, or covered by an opinion of, any specified type of person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such person, or that they be so certified or

covered by only one document, but one such person may certify or give an opinion with respect to some matters and one or more other such persons as to other matters, and any such person may certify or give an opinion as to such matters in one or several documents.

B. Any certificate or opinion of an officer of the Issuer may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that such certificate or opinion or representations are erroneous. Any Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Issuer stating that the information with respect to such factual matters is in the possession of the Issuer unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

C. Whenever any Person is required to make, give, or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

D. Wherever in this Indenture, in connection with any application or certificate or report to the Trustee, it is provided that the Issuer shall deliver any document as a condition of the granting of such application, or as evidence of compliance by the Issuer with any term hereof, it is intended that the truth and accuracy, at the time of the granting of such application or at the effective date of such certificate or report (as the case may be), of the facts and opinions stated in such document shall in such case be conditions precedent to the right of the Issuer to have such application granted or to the sufficiency of such certificate or report.

SECTION 1.05. *Effect of Headings and Table of Contents.*

The Article and Section headings herein and in the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 1.06. *Successors and Assigns.*

All covenants and agreements in this Indenture by the Issuer shall bind its successors and assigns, whether so expressed or not.

SECTION 1.07. *Severability Clause.*

In case any provision in this Indenture or in the Bonds or any application thereof shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions and applications shall not in any way be affected or impaired thereby.

SECTION 1.08. *Benefits of Indenture.*

Nothing in this Indenture or in the Bonds, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, and the Holders of Outstanding Secured Bonds, any benefit or any legal or equitable right, remedy, or claim under this Indenture.

SECTION 1.09. *Governing Law.*

This Indenture shall be construed in accordance with and governed by the laws of the State and the federal laws of the United States of America.

SECTION 1.10. *Incorporation of State Statutes.*

A. The Issuer may, within three (3) years after its execution, cancel this Indenture, without penalty or further obligation, if any person significantly involved in initiating, negotiating, securing, drafting or creating this Indenture on behalf of the Issuer is, at any time while this Indenture is in effect, an employee or agent of the Trustee in any capacity or a consultant to the Trustee with respect to the subject matter of this Indenture and may recoup any fee or commission paid or due any person significantly involved in initiating, negotiating, securing, drafting or creating this Indenture on behalf of the Issuer from the Trustee arising as the result of this Indenture. The Trustee has not taken and shall not take any action which would cause any person described in the preceding sentence to be or become an employee or agent of the Trustee in any capacity or a consultant to the Trustee with respect to the subject matter of the Indenture.

B. To the extent applicable under Section 41-4401, Arizona Revised Statutes, the Trustee shall comply with all federal immigration laws and regulations that relate to its employees and its compliance with the "e-verify" requirements under Section 23-214(A), Arizona Revised Statutes. The breach by the Trustee of the foregoing shall be deemed a material breach of this Indenture and may result in the termination of the services of the Trustee. The Issuer retains the legal right to randomly inspect the papers and records of the Trustee to ensure that the Trustee is complying with the above-mentioned warranty. The Trustee shall keep such papers and records open for random inspection during normal business hours by the Issuer. The Trustee shall cooperate with the random inspections by the Issuer including granting the Issuer entry rights onto its property to perform such random inspections and waiving its respective rights to keep such papers and records confidential.

C. Pursuant to Section 35-393 et seq., Arizona Revised Statutes, the Trustee hereby certifies that it is not currently engaged in, and for the duration of this Indenture shall not engage in, a boycott of Israel. The term "boycott" has the meaning set forth in Section 35-393, Arizona Revised Statutes. If the Issuer determines

that the Trustee's certification above is false or that it has breached such agreement, the Issuer may impose remedies as provided by law.

SECTION 1.11. *Business Days.*

If the specified date for any payment, submission, certification, determination or other action shall be other than a Business Day, then such payment, submission, certification, determination or other action may be made or done on the next succeeding day which is a Business Day without, in the case of any payment, additional interest (except in the event of a moratorium) and with the same force and effect as if made or done on the specified date.

* * *

ARTICLE TWO

FORM OF BONDS

SECTION 2.01. *Forms Generally.*

A. The Bonds, including the form of Certificate of Authentication and the form of Assignment to be reproduced on each of the Bonds, shall be substantially in the forms set forth in this Article with such appropriate insertions, omissions, substitutions, and other variations as are permitted or required by this Indenture, and may have such letters, numbers or other marks of identification (including identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Bankers Association) and such legends and endorsements (including any reproduction of an Opinion of Counsel) placed thereon (or attached thereto) as may, consistently herewith, be determined by the officers executing such Bonds as evidenced by their execution thereof. Any portion of the text of any Bonds may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Bond.

B. The definitive Bonds shall be printed, lithographed, or engraved, produced by any combination of these methods, or produced in any other manner, all as determined by the officers executing such Bonds as evidenced by their execution thereof.

SECTION 2.02. *Forms of Bonds and Matters Relating to Certain Necessary Documentation.*

The Bonds shall be in the following form:

[FORM OF BOND]

REGISTERED

REGISTERED

NO.

\$.....

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY ("DTC") TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

United States of America
State of Arizona

QUAIL CREEK COMMUNITY FACILITIES DISTRICT
(SAHUARITA, ARIZONA)
GENERAL OBLIGATION REFUNDING BOND, SERIES 2016

Interest Rate Maturity Date Original Issue Date CUSIP NO.:
..... July 15,, 2016

REGISTERED OWNER

PRINCIPAL AMOUNTDOLLARS

Quail Creek Community Facilities District, a community facilities district duly organized and validly existing pursuant to the laws of the State of Arizona (hereinafter referred to as the "Issuer"), for value received, hereby promises to pay to the "Registered Owner" specified above or registered assigns (hereinafter referred to as the "Holder"), on the "Maturity Date" specified above, the "Principal Amount" specified above and to pay interest (calculated on the basis of a 360-day year of twelve 30-day months) on the unpaid portion thereof from the "Original Issue Date" specified above, or from the most recent "Interest Payment Date" (as such term is hereinafter defined) to which interest has been paid or duly provided for, until paid or the payment thereof is duly provided for at Maturity (as such term is defined in the hereinafter described "Indenture"), semiannually on each January 15 and July 15 commencing July 15, 2017 (each an "Interest Payment Date"), at the per annum "Interest Rate" specified above.

As provided in the Indenture hereinafter referred to, the interest so payable on any Interest Payment Date shall be paid to the Person (as such term is defined in the Indenture) in whose name this Bond (or one or more Predecessor Bonds evidencing the same debt) is registered in the Bond Register (as such term is defined in the Indenture) of the Issuer at the close of business on the "Regular

Record Date" therefor, which shall be the 1st day (whether or not a Business Day as such term is defined in the Indenture) of the calendar month of such Interest Payment Date. Any such interest not so punctually paid or duly provided for within 15 days after such Interest Payment Date shall forthwith cease to be payable to the Holder on such Regular Record Date and shall be paid to the Person in whose name this Bond (or one or more such Predecessor Bonds) is registered at the close of business on a "Special Record Date" for the payment of such defaulted interest to be fixed by the hereinafter referred to "Trustee" in accordance with the Indenture, notice whereof being given to the Holder hereof not less than 10 days prior to such Special Record Date. All such interest shall be payable at the agency of the Issuer for such purpose (hereinafter referred to as the "Paying Agent") which shall initially be the designated corporate trust office of U.S. Bank National Association, by check mailed to the Holder as of the relevant record date at the address specified in the Bond Register or pursuant to customary arrangements made by such Holder acceptable to the Paying Agent. The principal and Redemption Price (as such term is defined in the Indenture) of this Bond are payable at the designated corporate trust office of the Paying Agent, upon presentation and surrender of this Bond.

If the specified date for any such payment shall be a Saturday, a Sunday or a legal holiday or equivalent (other than a moratorium) for banking institutions generally in the city where such designated corporate trust office of the Trustee is located, then such payment may be made on the next succeeding day which is not one of the foregoing days without additional interest and with the same force and effect as if made on the specified date for such payment, except that in the event of a moratorium for banking institutions generally in the city where such designated corporate trust office of the Trustee is located, such payment may be made on such next succeeding day except that the Bonds on which such payment is due shall continue to accrue interest until such payment is made or duly provided for.

This Bond is one of a duly authorized issue of bonds of the Issuer having the designation specified in its title (hereinafter referred to as the "Bonds"), issued and to be issued in one series under, and all equally and ratably secured by, a Series 2016 Indenture of Trust and Security Agreement, dated as of _____ 1, 2016 (hereinafter, together with all indentures supplemental thereto, referred to as the "Indenture"), from the Issuer to U.S. Bank National Association, as trustee (hereinafter referred to as the "Trustee," which term includes any successor trustee under the Indenture), to which Indenture reference is hereby made for a description of the amounts thereby pledged and assigned, the nature and extent of the lien and security, the respective rights thereunder of the Holders of the Bonds, the Trustee and the Issuer and the terms upon which the Bonds are, and are to be, authenticated and delivered and by this reference to the terms of which each Holder of this Bond hereby consents. The Bonds are authorized to be issued by a Resolution of the District Board of the Issuer adopted on October 24, 2016 (hereinafter referred to as the "Bond Resolution"), for the purposes

therein described and in strict conformity with Title 48, Chapter 4, Article 6, Arizona Revised Statutes, as amended (hereinafter referred to as the "Enabling Act").

The Bonds are payable, equally and ratably with, with the limitations described herein, such other general obligation and general obligation refunding bonds of the Issuer from the proceeds of an ad valorem tax to be collected, at the same time and in the same manner as other taxes are levied and collected on all taxable property within the boundaries of the Issuer, sufficient together with any other moneys from sources available pursuant to the Enabling Act (including the Standby Contribution Agreement described hereinbelow) to pay debt service on the Bonds when due; provided, however, that the issuance of the Bonds shall in no way infringe upon the rights of the owners of the bonds being refunded with the proceeds of the sale of the Bonds (hereinafter referred to as the "*Bonds Being Refunded*") to rely upon a tax levy for payment of the principal and interest on the Bonds Being Refunded if the obligations of the United States government in which net proceeds of the Bonds are held to provide funds to pay when due, or called for redemption, the Bonds Being Refunded together with interest thereon, and with other funds legally available for such purposes deposited in the respective principal and interest redemption funds and held for the payment of such Bonds Being Refunded with interest on maturity or upon an available redemption date prove insufficient and further that the total aggregate of taxes levied to pay principal and interest on the Bonds in the aggregate shall not exceed the total aggregate principal and interest to become due on the Bonds Being Refunded from the date of issuance of the Bonds to the final date of maturity of the Bonds Being Refunded. The owners of the Bonds must rely on the sufficiency of the funds and securities held irrevocably in trust for payment of the Bonds Being Refunded. Robson Ranch Quail Creek, LLC, a Delaware limited liability company (the "Owner"), has entered into a Series 2016 Standby Contribution Agreement, dated as of _____ 1, 2016 (the "Standby Contribution Agreement"), with the Issuer and the Trustee pursuant to which the Owner will make payments to the Trustee to supplement tax revenues to pay principal and interest with respect to the Bonds. The Issuer and U.S. Bank National Association, as depository, have entered into a Series 2016 Depository Agreement, dated as of _____ 1, 2016 (hereinafter referred to as the "Depository Agreement"), pursuant to which certain other amounts will be available to the Trustee for payment of principal and interest with respect to the Bonds to the extent moneys are not otherwise available. THE STANDBY CONTRIBUTION AGREEMENT AND THE DEPOSITORY AGREEMENT MAY BE TERMINATED PRIOR TO THE MATURITY OF THE BONDS BY THE ISSUER UPON SATISFACTION OF CERTAIN CONDITIONS SET FORTH THEREIN.

Notwithstanding any provision hereof or of the Bond Resolution, however, the Indenture may be released and the obligation of the Issuer to make money available to pay this Bond may be defeased by the deposit of money and/or Defeasance Obligations (as such term is defined in the Indenture) sufficient for such purpose as described in the Indenture.

Bonds of a denomination larger than \$5,000 may be redeemed in part (\$5,000 of principal amount or an integral multiple thereof) and upon any partial redemption of any such Bond the same shall, except as otherwise permitted by the Indenture, be surrendered in exchange for one or more new Bonds of the same Stated Maturity (as such term is defined in the Indenture) in authorized form for the unredeemed portion of principal. Bonds (or portions thereof) for whose redemption and payment provision is made in accordance with the Indenture and the Bond Resolution shall thereupon cease to be entitled to the benefits of the Indenture and shall cease to bear interest from and after the date fixed for redemption.

If less than all the Outstanding Bonds of a Stated Maturity are to be redeemed, the particular Bonds of that Stated Maturity to be redeemed shall be selected not more than forty-five (45) days prior to the Redemption Date by the Trustee from the Outstanding Bonds which have not previously been called for redemption, by such random method as the Trustee shall in its sole discretion deem appropriate and which may provide for the selection for redemption of portions (equal to \$5,000 of principal amount or a multiple thereof) of the principal of Bonds of a denomination larger than \$5,000. The Trustee shall promptly notify the Issuer in writing of the Bonds selected for redemption and, in the case of any Bond selected for partial redemption, the principal amount thereof to be redeemed.

The Bond Resolution and the Indenture permit, with certain exceptions as therein provided, the amendment thereof and of the Standby Contribution Agreement and the Depository Agreement and the modification of the rights and obligations of the Issuer and the rights of the Holders of the Bonds under the Bond Resolution, the Indenture, the Standby Contribution Agreement and the Depository Agreement at any time by the Issuer with the consent of the Holders of a majority in principal amount of the Bonds at the time Outstanding (as such term is defined in the Indenture) affected by such modification. The Bond Resolution and Indenture also contain provisions permitting the Holders of specified percentages in original aggregate principal amount of the Bonds and in aggregate principal amount of the Bonds at the time Outstanding, on behalf of the Holders of all the Bonds, to waive compliance by the Issuer with certain past defaults under the Bond Resolution or the Indenture and their consequences. Any such consent or waiver by the Holder of this Bond or any Predecessor Bond (as such term is defined in the Indenture) evidencing the same debt shall be conclusive and binding upon such Holder and upon all future Holders thereof and of any Bond issued upon the transfer thereof or in exchange therefor or in lieu thereof, whether or not notation of such consent or waiver is made upon this Bond.

As provided in the Indenture and subject to certain limitations therein set forth, this Bond is transferable on the Bond Register of the Issuer, upon surrender of this Bond for transfer to the Paying Agent at the designated corporate trust office thereof duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Issuer and the Paying Agent duly executed by,

the registered Holder hereof or his attorney duly authorized in writing, and thereupon one or more new fully registered Bonds of authorized denominations and for the same Stated Maturity and aggregate principal amount shall be issued to the designated transferee or transferees.

As provided in the Indenture and subject to certain limitations therein set forth, Bonds are exchangeable for a like Stated Maturity and original aggregate principal amount of Bonds in authorized denominations, as requested by the Holder, upon surrender of the Bonds to be exchanged to the Paying Agent at the designated corporate trust office thereof.

The Issuer, the Trustee, and any agent of either of them may treat the Person in whose name this Bond is registered as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Bond be overdue, and none of the Issuer, the Trustee, and any such agent shall be affected by notice to the contrary.

NEITHER THE FULL FAITH AND CREDIT NOR THE GENERAL TAXING POWER OF THE TOWN OF SAHUARITA, ARIZONA, OR THE STATE OF ARIZONA OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE ISSUER) IS PLEDGED TO THE PAYMENT OF THE BONDS.

Unless the Certificate of Authentication hereon has been executed by the Trustee, by manual signature, this Bond shall not be entitled to any benefit under the hereinafter described Bond Resolution or the Indenture or be valid or obligatory for any purpose.

It is hereby certified, covenanted and represented that all acts, conditions and things required to be performed, exist and be done precedent to or in the issuance of this Bond in order to render the same a legal, valid and binding general obligation refunding bond of the Issuer have been performed, exist and have been done, in regular and due time, form and manner, as required by law, and that issuance of the Bonds does not exceed any constitutional or statutory limitation. In case any provision in this Bond or any application thereof shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions and applications shall not in any way be affected or impaired thereby. This Bond shall be construed in accordance with and governed by the laws of the State of Arizona and the federal laws of the United States of America.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be duly executed.

QUAIL CREEK COMMUNITY FACILITIES DISTRICT

By.....
.....

ATTEST:

.....
.....

COUNTERSIGNED:

.....
.....

STATEMENT OF INSURANCE

Assured Guaranty Municipal Corp. ("AGM"), New York, New York, has delivered its municipal bond insurance policy with respect to the scheduled payments due of principal of and interest on this Bond to U.S. Bank National Association, Phoenix, Arizona, or its successor, as trustee for the Bonds (the "Trustee"). Said Policy is on file and available for inspection at the principal office of the Trustee and a copy thereof may be obtained from AGM or the Trustee. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this obligation acknowledges and consent to the subrogation rights of AGM as more fully set forth in the Policy.

[END OF FORM OF BOND]

SECTION 2.03. *Form of Certificate of Authentication.*

Each of the Bonds shall also include the following form:

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds referred to in the within-mentioned Indenture.

[Name of Trustee], as Trustee

By.....
Authorized Representative

DATE:

SECTION 2.04. *Form of Assignment.*

Each of the Bonds shall further include the following form:

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns, and transfers unto (Print or typewrite name, address and zip code of transferee)

.....
.....
.....

(Print or typewrite Social Security or other identifying number of transferee:) the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints (Print or typewrite name of attorney:), attorney, to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

DATED:

Signature(s) guaranteed:
[Insert proper legend]

.....
NOTICE: The signature(s) on this assignment must correspond with the name(s) of the registered owner(s) appearing on the face of the within Bond in every particular.

The following abbreviations, when used in the inscription on the face of the within Bond or Assignment, shall be construed as though they were written out in full according to applicable laws or regulations:

UNIF GIFT MIN ACT

TEN COM	-- as tenants in common Custodian
TEN ENT	-- as tenants by the	(Cust.) (Minor)
	Entireties under Uniform	
	Gifts to Minors Act
JT TEN	-- as joint tenants with	State
	Right of survivorship	
	and not as tenants in	
	common	

Additional abbreviations may also be used though not in the above list.

* * *

ARTICLE THREE

TERMS AND ISSUANCE OF THE BONDS

SECTION 3.01. *Title and Terms.*

A. There shall be one series of bonds, dated the date of initial delivery thereof, issued and secured hereunder entitled

"QUAIL CREEK COMMUNITY FACILITIES DISTRICT
(SAHUARITA, ARIZONA)
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2016"

(hereinafter referred to as the "Bonds")

B. Except as provided in Section 3.04(B)(2), the Bonds shall be issued in denominations of \$100,000 of principal amount and integral multiples of \$5,000 in excess thereof.

C. The aggregate principal amount of the Bonds which may be authenticated and delivered and Outstanding is limited to \$12,660,000, and the Stated Maturities, the principal amounts thereof maturing thereon and the rates of interest the Bonds so maturing shall bear shall be as follows:

<u>Year</u> <u>(July 15)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
20	\$,000	%
20	,000	
20	,000	

D. The Bonds shall bear interest from and including the date of initial delivery thereof, or from and including the most recent Interest Payment Date to which interest has been paid or duly provided for, payable on each January 15 and July 15 commencing _____ 15, 20__ (hereinafter each referred to as an "Interest Payment Date").

E. The principal of, Redemption Price for and premium, if any, on the Bonds shall be payable upon surrender of the Bonds to the Paying Agent at the designated corporate trust office thereof when due. Interest on the Bonds payable on any Interest Payment Date shall be payable as provided in Section 3.07.

SECTION 3.02. *Redemption of Bonds.*

A. The Bonds shall be redeemable from funds of the Issuer at the option of the Issuer prior to their Stated Maturity in accordance with Article Four in whole or from time to time in part on July 15, 20__, and any date thereafter, upon not more than sixty (60)

nor less than thirty (30) days prior notice given as provided in Section 4.04, upon payment of the Redemption Price which shall consist of the principal amount of the Bonds so redeemed plus accrued interest, if any, on the Bonds so redeemed from the most recent Interest Payment Date to the Redemption Date without a premium.

B. The Bonds maturing on July 15 of the following years shall be redeemed from funds of the Issuer prior to their Stated Maturities in accordance with Article Four on the following Redemption Dates and in the following amounts upon not less than sixty (60) nor more than thirty (30) days prior notice given as provided in Section 4.04, upon payment of the Redemption Price which consists of the principal amount of the Bonds so redeemed plus accrued interest, if any, on the Bonds so redeemed from the most recent Interest Payment Date to the Redemption Date:

<u>Redemption Date</u> <u>(July 15)</u>	<u>Principal Amount</u>
MATURING 20__	
20	\$,000
20	,000
20__	____,000
MATURING 20__	
20	\$,000
20	,000
20__	____,000
MATURING 20__	
20	\$,000
20	,000
20	,000
20	,000
20	,000
20	,000
20	,000
20	,000
20	,000
20	,000
20	,000
20	,000
20	,000

SECTION 3.03. *Execution, Authentication, Delivery and Dating.*

A. The Bonds shall be executed on behalf of the Issuer by the Chairman or Vice Chairman of the Board and attested by the District Clerk and countersigned by the District Treasurer. The signature of any of these officers on the Bonds may be manual or

facsimile. Bonds bearing the manual or facsimile signatures of individuals who were at the time the proper officers of the Issuer shall bind the Issuer, notwithstanding that such individuals or any of them shall cease to hold such offices prior to the certification or authentication and delivery of such Bonds or shall not have held such offices at the date of such Bonds.

B. Forthwith upon the execution and delivery of this Indenture, the Issuer shall deliver to the Trustee the Bonds, executed by the Issuer, and the Trustee shall thereupon authenticate the Bonds and deliver the Bonds to the Persons and in the principal amounts designated in writing to the Trustee not less than seven (7) days in advance thereof upon receipt by the Trustee of:

1. the Bond Resolution, duly and validly adopted by the Board, authorizing the execution and delivery of this Indenture and the authentication and delivery of the Bonds,

2. the Series 2016 Standby Contribution Agreement, duly and validly executed and delivered by the parties thereto, and evidence satisfactory to the Trustee of performance of the obligations of the Owner and the Issuer thereunder to be performed by the Owner and the Issuer prior to or simultaneously with the delivery of the Bonds,

3. the Series 2016 Depository Agreement, duly and validly executed and delivered by the parties thereto, and evidence satisfactory to the Trustee of the performance of the obligations of the Owner and the Issuer thereunder to be performed by the Owner and the Issuer prior to or simultaneously with the delivery of the Bonds,

4. the Initial Letter of Credit, along with necessary legal opinions relating to the validity and enforceability thereof and

5. the purchase price for the Bonds specified in the Bond Resolution.

C. At any time and from time to time after the execution and delivery of this Indenture, the Issuer may deliver Bonds executed by the Issuer to the Trustee for authentication, and the Trustee shall authenticate and deliver such Bonds as provided in this Indenture.

D. No Bond shall be entitled to any right or benefit under this Indenture, or be valid or obligatory for any purpose, unless there appears on such Bond a certificate of authentication substantially in the form provided in Section 2.03, executed by the Trustee by manual signature, and such certificate upon any Bond shall be conclusive evidence, and the only evidence, that such Bond has been duly certified or authenticated and delivered.

E. All Bonds authenticated and delivered by the Trustee hereunder shall be dated the date of their authentication.

SECTION 3.04. *Registration, Transfer and Exchange.*

A. The Issuer shall cause to be kept (at its agency for payment of the Bonds) at the designated corporate trust office of the Registrar a register (hereinafter referred to as the "Bond Register") for the Bonds in which, subject to such reasonable regulations as it may prescribe, the Issuer shall provide for the registration of the Bonds and registration of transfers of Bonds as herein provided. The Trustee is hereby appointed "Bond Registrar" for the purpose of registering Bonds and transfer of Bonds as herein provided.

B. 1. Upon surrender for transfer of any Bond to a Paying Agent therefor at the designated corporate trust office thereof, accompanied by such other documents as are required in the form of Bond in Section 2.02 in connection with the transfer thereof, the Issuer shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new fully registered Bonds of the same Stated Maturity, of any authorized denominations (provided, however, that no Bond shall ever be issued in a denomination less than the minimum applicable authorized denomination of such Bond) and of a like aggregate principal amount as requested by the transferor.

2. The restrictions on transfer of beneficial interests in the Bonds included in the form of Bond prescribed in Section 2.02 shall be eliminated after receipt by the Trustee of (a)(i) proof of a rating on the Bonds of one of the four highest investment grade ratings from a Rating Agency and (ii) written approval of the Board to the deletion thereof or (b) defeasance of the Bonds pursuant to this Indenture. Thereafter, the Bonds shall be issued in denominations of \$5,000 of principal amount and integral multiples thereof.

C. At the option of the Holder, Bonds may be exchanged for other Bonds of the same Stated Maturity, of any authorized denominations (provided, however, that no Bond shall ever be issued in a denomination less than the minimum applicable authorized denomination of such Bond) and of like aggregate principal amount upon surrender of the Bonds to a Paying Agent therefor at the designated corporate trust office thereof. Whenever any Bonds are so surrendered for exchange, the Issuer shall execute, and the Trustee shall authenticate and deliver, the Bonds which the Holder of Bonds making the exchange is entitled to receive.

D. All Bonds issued upon any transfer or exchange of Bonds shall be the valid obligations of the Issuer, evidencing the same debt, and entitled to the same security and benefits hereunder and under the Bond Resolution, as the Bonds surrendered upon such transfer or exchange.

E. Every Bond presented or surrendered for transfer or exchange shall be duly endorsed (if so required by the Trustee), or be accompanied by a written instrument of transfer in form satisfactory to the Trustee duly executed, by the Holder thereof or his attorney duly authorized in writing.

F. The Bond Registrar may require payment of a sum sufficient to cover any tax or other charges that may be imposed in connection with any transfer or exchange of Bonds.

G. Neither the Issuer nor the Trustee shall be required (1) to issue, transfer, or exchange any Bond during a period beginning at the opening of business fifteen (15) days before the day of the first mailing of a notice of redemption of Bonds under Section 4.04 and ending at the close of business on the day of such mailing or (2) thereafter to transfer or exchange any Bond to be redeemed in whole or in part pursuant to such notice. The Trustee shall give notice of any such redemption with each delivery of Bonds to be redeemed upon transfer pursuant to any such mandatory tender.

H. 1. The Trustee and the Issuer shall at all times have an arrangement with a "clearing agency" (securities depository) registered under Section 17A of the Securities Exchange Act of 1934, as amended, which is the owner of the Bonds, to establish procedures with respect to the Bonds not inconsistent with the provisions of this Indenture; provided, that, notwithstanding any other provisions of this Indenture, any such agreement may provide that different provisions for notice to such securities depository may be set forth herein and that a legend shall appear on each Bond so long as the Bonds are subject to such agreement.

2. With respect to Bonds registered in the name of such securities depository (or its nominee), neither the Trustee nor the Issuer shall have any obligation to any of its members or participants or to any person on behalf of whom an interest is held in the Bonds.

3. It is hereby acknowledged that the Issuer and the Trustee intend to enter into an agreement (the "Letter of Representations") with DTC in connection with the issuance of the Bonds, and while the Letter of Representations is in effect, the procedures established therein shall apply to the Bonds notwithstanding any other provisions of this Indenture to the contrary. As long as DTC is such a securities depository with respect to the Bonds, the Trustee shall be a "DTC Direct Participant."

SECTION 3.05. *Temporary Bonds.*

A. Pending the preparation of definitive Bonds, the Issuer may execute, and upon Issuer Request the Trustee shall authenticate and deliver, temporary Bonds which are printed, lithographed, typewritten, mimeographed or otherwise produced, any denomination and Stated Maturities, substantially of the tenor of the definitive Bonds

in lieu of which they are issued, in fully registered form, and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Bonds may determine, as evidenced by their execution of such Bonds.

B. If temporary Bonds are issued, the Issuer shall cause definitive Bonds to be prepared without unreasonable delay. After the preparation of definitive Bonds, the temporary Bonds shall be exchangeable for definitive Bonds upon surrender of the temporary Bonds to the Trustee without charge to the Holder. Upon surrender for cancellation of any one or more temporary Bonds the Issuer shall execute and the Trustee shall authenticate and deliver in exchange therefor a like principal amount of definitive Bonds of the same Stated Maturities and of authorized denominations. Until so exchanged, temporary Outstanding Secured Bonds shall in all respects be entitled to the security and benefits of this Indenture.

SECTION 3.06. *Mutilated, Destroyed, Lost and Stolen Bonds.*

A. If (1) any mutilated Bond is surrendered to the Trustee, or the Trustee receives evidence to its satisfaction of the destruction, loss or theft of any Bond, and (2) there is delivered to the Trustee such security or indemnity as may be required by it to save each of the Issuer and Trustee harmless, then, in the absence of notice to the Issuer or the Trustee that such Bond has been acquired by a bona fide purchaser, the Issuer shall execute and, upon a request of the Issuer Representative, the Trustee shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Bond, a new Bond of like tenor, Stated Maturity and aggregate principal amount bearing a number not contemporaneously outstanding. If, after the delivery of such new Bond, a bona fide purchaser of the original Bond in lieu of which such new Bond was issued presents for payment such original Bond, the Issuer and the Trustee shall be entitled to recover such new Bond from the Person to whom it was delivered or any Person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expenses incurred by the Issuer or the Trustee in connection therewith.

B. In case any such mutilated, destroyed, lost, or stolen Bond has become or is about to become due and payable, the Issuer or the Trustee in its discretion may pay such Bond instead of issuing a new Bond.

C. Upon the issuance of any new Bond under this Section, the Issuer or the Trustee may require the payment of a sum sufficient to cover any tax or other charges that may be imposed in relation thereto and any other expenses connected therewith.

D. Every new Bond issued pursuant to this Indenture in lieu of any mutilated, destroyed, lost, or stolen Bond shall constitute an original additional contractual obligation of the Issuer,

whether or not the mutilated, destroyed, lost or stolen Bond shall be at any time enforceable by anyone, and shall be entitled to all the benefits of the Board Resolution authorizing the Bonds and of this Indenture equally and ratably with all other Outstanding Bonds.

E. The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement and payment of mutilated, destroyed, lost or stolen Bonds.

SECTION 3.07. *Payment of Interest on Bonds; Interest Rights Preserved.*

A. Interest on any Bond which is payable on, and is punctually paid or duly provided for on, any Interest Payment Date shall be paid to the Person in whose name that Bond (or one or more Predecessor Bonds) is registered at the close of business on the Regular Record Date for such interest. Such interest, in the absence of other arrangements acceptable to the Paying Agent made by the Holder as of such date, shall be paid by check payable to the order and mailed to the address of such Holder as the same appears on the Bond Register and such payment shall be deemed to be at the designated corporate trust office of the Paying Agent.

B. Any interest on any Bond which is payable on, but is not punctually paid or duly provided for on, any Interest Payment Date (hereinafter referred to as "Defaulted Interest") shall forthwith cease to be payable to the Holder on the relevant Regular Record Date solely by virtue of such Holder having been such Holder. Such Defaulted Interest shall thereupon be paid by the Issuer to the Persons in whose names such Bonds (or their respective Predecessor Bonds) are registered at the close of business on a Special Record Date for the payment of such portion of Defaulted Interest as may then be paid from the sources herein provided. The Issuer shall promptly notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment (which date shall be such as will enable the Trustee to comply with the next sentence hereof), and at the same time the Issuer shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Holders entitled to such Defaulted Interest as in this Subsection provided and not to be deemed part of the Trust Estate for the other than Outstanding Secured Bonds. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than fifteen (15) nor less than ten (10) days prior to the date of the proposed payment by the Trustee and not less than ten (10) days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Issuer of such Special Record Date and, in the name and at the expense of the Issuer, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record

Date therefor to be mailed, first-class postage prepaid, to each Holder of a Bond at his or her address as it appears in the Bond Register not less than ten (10) days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the Persons in whose names the Bonds (or their respective Predecessor Bonds) are registered on such Special Record Date.

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

SECTION 3.08. *Cancellation.*

All Bonds surrendered for payment, redemption, transfer, exchange, replacement or conversion, and all Bonds, if surrendered to the Trustee, shall be promptly canceled by it and, if surrendered to the Issuer or any Paying Agent, shall be delivered to the Trustee and, if not already canceled, shall be promptly canceled by the Trustee. The Issuer may at any time deliver to the Trustee for cancellation any Bonds previously certified or authenticated and delivered which the Issuer may have acquired in any manner whatsoever, and all Bonds so delivered shall be promptly canceled by the Trustee. No Bond shall be authenticated in lieu of or in exchange for any Bond canceled as provided in this Section, except as expressly provided by this Indenture.

SECTION 3.09. *Persons Deemed Owners.*

The Issuer, the Trustee, and their agents may treat the Person in whose name any Bond is registered as the owner of such bond for the purpose of receiving payment of the principal (and Redemption Price) of and interest on such Bond as provided herein and for all other purposes whatsoever, whether or not such Bond be overdue, and, to the extent permitted by law, none of the Issuer, the Trustee and any such agent shall be affected by notice to the contrary.

* * *

ARTICLE FOUR

REDEMPTION OF BONDS

SECTION 4.01. *General Applicability of Article.*

The Bonds shall be redeemable before their Stated Maturity in accordance with Section 3.02 and this Article.

SECTION 4.02. *Election to Redeem; Notice to Trustee.*

The exercise by the Issuer of its option to redeem any Bonds shall be evidenced by a Board Resolution. In case of any redemption at the election of the Issuer of less than all of the Outstanding Bonds, the Issuer shall, at least sixty (60) days prior to the Redemption Date (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee in writing of such Redemption Date and of the Stated Maturities and principal amounts of Bonds to be redeemed.

SECTION 4.03. *Selection of Bonds to be Redeemed.*

A. If less than all the Outstanding Bonds of a Stated Maturity of the Bonds are to be redeemed, the particular Bonds of such Stated Maturity of the Bonds to be redeemed shall be selected not more than forty-five (45) days prior to the Redemption Date by the Trustee from the Outstanding Bonds which have not previously been called for redemption, by such random method as the Trustee shall in its sole discretion deem appropriate and which may provide for the selection for redemption of portions (equal to \$5,000 of principal amount or an integral multiple thereof) of the principal of Bonds of a denomination larger than the authorized denomination of that Bond.

B. The Trustee shall promptly notify the Issuer in writing of Bonds selected for redemption and, in the case of any Bond selected for partial redemption, the principal amount thereof to be redeemed.

SECTION 4.04. *Notice of Redemption.*

A. Notice of redemption shall be given by the Trustee in the name and at the expense of the Issuer, not less than thirty (30) nor more than sixty (60) days prior to the Redemption Date, to each Holder of Bonds to be redeemed, at his address appearing in the Bond Register.

B. All notices of redemption shall include a statement as to

1. the Redemption Date,
2. the Redemption Price,

3. the Stated Maturity and principal amount of Bonds to be redeemed and, if less than all Outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of Bonds to be redeemed,

4. that on the Redemption Date, the Redemption Price of each of the Bonds to be redeemed will become due and payable and that the interest thereon shall cease to accrue from and after said date and

5. that Bonds to be redeemed are to be surrendered for payment of the Redemption Price to the Paying Agent at the designated corporate trust office thereof and the address of such Paying Agent.

C. Notices of redemption shall also be sent pursuant to this Section to the entities, on the date and by the means required for such matters pursuant to Rule 15c2-12 promulgated pursuant to the Securities Exchange Act of 1934, as amended.

D. Neither the failure to mail any notice required by Subsection C hereof, nor any defect in any notice so mailed, shall affect the sufficiency of such notice or the redemption otherwise effected by such notice.

SECTION 4.05. *Deposit of Redemption Price.*

On or before the Business Day preceding the earliest date for mailing of the notice required by Section 4.04 with regard to any Redemption Date relating to Sections 3.02(A)(1), the Issuer shall deposit or cause to be deposited with the Trustee an amount of money which, together with any amounts in the Bond Fund available for such purpose, is sufficient to pay the Redemption Price of all the Bonds then to be redeemed and interest, if any, accrued thereon to the Redemption Date. Such money and amounts shall be segregated and shall be held in trust, uninvested, for the benefit of the Holders entitled to such Redemption Price and shall not be deemed to be part of the Trust Estate.

SECTION 4.06. *Bonds Payable on Redemption Date.*

A. Notice of redemption having been given as aforesaid, the Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption Price) such Bonds shall cease to bear interest. Upon surrender of any such Bond for redemption in accordance with said notice, such Bond shall be paid by the Issuer at the Redemption Price, but solely from the sources therein provided. Installments of interest with a Stated Maturity on or prior to the Redemption Date shall be payable to the Holders of the Bonds registered as such on the relevant

Record Dates according to the terms of such Bonds and the provisions of Section 3.07.

B. If any Bond to be redeemed shall not be so paid upon surrender thereof for redemption, the principal shall, until paid, bear interest from the Redemption Date at the rate prescribed therefor in such Bond.

SECTION 4.07. *Bonds Redeemed in Part.*

Any Bond which is to be redeemed only in part shall be surrendered at the designated corporate trust office of the Trustee, and the Issuer shall execute and the Trustee shall authenticate and deliver to the Holder of such Bond, without service charge, a new Bond or Bonds of any authorized denomination or denominations as requested by such Holder in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bond so surrendered.

* * *

ARTICLE FIVE

FUNDS

SECTION 5.01. *Bond Fund.*

There is hereby created by the Issuer and established with the Trustee the special fund of the Issuer designated its "General Obligation Refunding Bonds, Series 2016 Bond Fund" (hereinafter referred to as the "*Bond Fund*") and within the Bond Fund (1) a special account designated the Series 2016 Tax Account" and (2) a special account separate and apart from the Trust Estate and designated the "*Series 2016 Expenses Account.*" The money deposited to the Series 2016 Tax Account and the Series 2016 Expenses Account, together with all investments thereof and investment income therefrom, shall be held in trust by the Trustee and applied solely as provided in Sections 5.02 and 7.03.

SECTION 5.02. *Deposits to and Application of Bond Fund; Reports from Trustee with Respect Thereto.*

A. The Issuer shall, upon receipt, deposit to the credit of

1. the Series 2016 Tax Account the proceeds of the sale of the Bonds described in Section 5.05 and then:

a. amounts collected by or remitted to the Issuer as ad valorem taxes to the extent provided in Section 10.01(A) which are allocated in the budget of the Issuer for the applicable Fiscal Year for the payment of either (i) principal of or interest or premium on the Bonds with respect to Debt Service or (ii) for the payment of Rebate and the expenses described in Clause (ii) of the definition of Debt Service (but not any amounts from such source which are to be applied to pay amounts due with respect to any bonds issued on a parity with the Bonds),

b. amounts paid to the Trustee pursuant to Sections 2.01(A), (B)(4) and (C)(3) of the Series 2016 Standby Contribution Agreement for which the Trustee shall submit written requests as required by such sections of the Series 2016 Standby Contribution Agreement;

c. amounts paid to the Trustee pursuant to Section 2.02(A) of the Series 2016 Depository Agreement for which the Trustee shall submit written requests as provided by Section 5.02(C)(1);

d. amounts transferred from the Costs of Issuance Fund to the extent provided in Sections 5.04(B) and 5.06(B) and

e. such other funds as the Issuer shall, at the option of the Board, deem advisable.

2. the Series 2016 Expenses Account, amounts transferred from the Series 2016 Tax Account to the extent provided in Section 5.02(B)(1)(b).

B. 1. a. Amounts deposited in the Series 2016 Tax Account shall be applied, first, to pay principal, interest or premium with respect to Debt Service on the dates due and in the amounts and order provided in Section 7.03(B).

b. On the day after each such due date referred to in Section 5.02(B)(1)(a), amounts deposited in the Series 2016 Tax Account pursuant to, and for the purposes described in, Section 5.02(A)(1)(a)(ii) shall be transferred to the Series 2016 Expenses Account.

2. Amounts deposited in the Series 2016 Expenses Account shall be applied to pay amounts due with respect to Rebate or, upon an Issuer Request, be paid to the Issuer for the purposes described in Section 9.1 of the Development Agreement.

C. 1. After the Draw, on January 2 and July 2 of each Fiscal Year prior to the termination of the Series 2016 Depository Agreement, the Trustee shall provide to the Depository in writing the following information:

a. Debt Service due on the Bonds on the next January 15 and July 15, as the case may be,

b. the amount then on deposit in the Series 2016 Tax Account including the amounts deposited therein pursuant to Section 5.02(A)(1)(b) and (c) and

c. the difference of clause (a) above less clause (b) above,

together with a request (which may be by facsimile communication) for payment by the Depository of an amount equal to such difference if greater than zero by January 8 and July 8, respectively.

2. As soon as possible after July 15 of each Fiscal Year and more often as indicated in an Issuer Request, the Trustee shall provide to the Issuer, the Original Purchaser and, while the Series 2016 Depository Agreement is in effect, the Owner the balances as of such date in each fund established hereunder.

SECTION 5.03. *Costs of Issuance Fund.*

There is hereby created by the Issuer and established with the Trustee a special trust fund of the Issuer held separate and apart from the Trust Estate and designated its "General Obligation Refunding Bonds, Series 2016 Costs of Issuance Fund" (hereinafter referred to as the "Costs of Issuance Fund"). Amounts deposited to the Costs of Issuance Fund, together with all investments thereof and investment income therefrom, shall be held in trust by the Trustee and applied solely as provided in Sections 5.04 and 5.05.

SECTION 5.04. *Deposits to and Application of Costs of Issuance Fund.*

A. The Issuer shall deposit to the credit of the Costs of Issuance Fund the proceeds of the sale of the Bonds as provided in Section 5.05(c).

B. Upon an Issuer Request which shall state with respect to Costs of Issuance (1) the name and address of the Person to whom the payment is to be made; (2) the amount to be paid; (3) the obligation on account of which the payment is to be made, showing the total obligation, any amount previously paid and the unpaid balance; (4) that the obligation was properly incurred and is a proper charge against the Costs of Issuance Fund; (5) that the amount requisitioned is due and unpaid or owing to such Person and (6) the aggregate amount of all disbursements previously made from the Costs of Issuance Fund, amounts on deposit in the Costs of Issuance Fund shall be applied by the Trustee solely to pay the Costs of Issuance and, to the extent the funds deposited to the Costs of Issuance Fund and investment income attributable thereto are in excess of the amounts required for any such purpose, then at the discretion of the Issuer as provided by Issuer Request to transfer such unexpended proceeds or income to the Series 2015 Tax Account; provided, however, that if any such amounts remain on deposit in the Costs of Issuance Fund on _____ 1, 20__, such amounts shall be transferred by the Trustee to the Series 2016 Tax Account.

SECTION 5.05. *Disposition of Proceeds of Bonds.*

Simultaneously with delivery of the Bonds to the initial purchasers thereof, the Issuer shall cause the Trustee to deposit (a) \$_____ to the Series 2016 Tax Account from the proceeds of the sale thereof, (b) \$_____ to the "General Obligation Bonds Series 2006 Bond Fund" held by the trustee pursuant to the Series 2006 Indenture of Trust and Security Agreement, dated as of June 1, 2006 and (c) the balance of the proceeds thereof to the credit of the Costs of Issuance Fund for the purposes described in Section 5.04(B).

SECTION 5.06. *Investment of and Security for Funds.*

A. Money held for the credit of the Bond Fund shall, as nearly as may be practicable, be continuously invested and reinvested

by the Trustee in Governmental Obligations at the written direction of the Issuer Representative.

B. Money held for the credit of the Costs of Issuance Fund shall, as nearly as may be practical, be continuously invested and reinvested by the Trustee in Permitted Investments at the written direction of the Issuer Representative and on each September 14 and March 10 of each Fiscal Year the resulting investment income shall be transferred by the Trustee to the Series 2016 Tax Account.

C. The Trustee shall sell or present for redemption any obligations so purchased as an investment hereunder whenever it shall be necessary so to do in order to provide money to make any payment or transfer of money required hereby. Investments shall mature, or shall be subject to redemption by the holder thereof at the option of such holder without penalty, not later than the respective dates when such money is expected to be required for the purpose intended. Obligations so purchased as an investment of any money credited to any fund established hereunder shall be deemed at all times to be a part of such fund. The investment income on obligations so purchased and any profit realized from such investment shall be credited to such fund and any loss resulting from such investment shall be charged to such fund.

D. All money held by the Trustee hereunder shall be continuously secured in the manner and to the fullest extent then required by applicable State or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds. The Trustee shall not be liable for any loss resulting from any such investment excepting only such losses as may have resulted from disregard or negligent implementation of any permitted direction by the Issuer.

* * *

ARTICLE SIX

DEFEASANCE AND RELEASES

SECTION 6.01. *Payment of Indebtedness; Satisfaction and Discharge of Indenture.*

A. Whenever

1. all Bonds theretofore authenticated and delivered have been canceled by the Trustee or delivered to the Trustee for cancellation, excluding, however:

a. Bonds for the payment of which money has theretofore been deposited in trust with the Trustee or a Paying Agent as provided in Section 4.05,

b. Bonds alleged to have been destroyed, lost, or stolen which have been replaced or paid as provided in Section 3.06, except for any such Bond which, prior to the satisfaction and discharge of this Indenture, has been presented to the Trustee with a claim of ownership and enforceability by the Holder thereof and where enforceability has not been determined adversely against such Holder by a court of competent jurisdiction,

c. Bonds, other than those referred to in the foregoing Clauses, for the payment or redemption (under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name and at the expense of the Issuer) of which the Issuer has deposited or caused to be deposited with the Trustee in trust for such purpose an amount (to be immediately available for payment, except in the case of Bonds excepted from the foregoing Clause (b) prior to the time the ownership and enforceability of such Bonds has been established) sufficient to pay and discharge the entire indebtedness on the Bonds for principal (and premium, if any) and interest to the date of Maturity thereof which have become due and payable or to the Stated Maturity or Redemption Date, as the case may be and

d. Bonds deemed no longer Outstanding as a result of the deposit or escrow of money or Defeasance Obligations or both as described in Section 6.02; and

2. the Issuer has paid or caused to be paid all other sums payable hereunder by the Issuer;

then, upon Issuer Request, this Indenture and the lien, rights and interests created hereby shall cease, determine and become null and

void (except as to any surviving rights of transfer or exchange of Bonds herein or therein provided for), and the Trustee and each co-trustee and separate trustee, if any, then acting as such hereunder shall, at the expense of the Issuer, execute and deliver a termination statement and such instruments of satisfaction and discharge as may be necessary and pay, assign, transfer and deliver to the Issuer or upon Issuer Request all cash, securities and other personal property then held by it hereunder as a part of the Trust Estate.

B. In the absence of an Issuer Request as aforesaid, the payment of all Outstanding Secured Bonds shall not render this Indenture inoperative or prevent the Issuer from issuing Bonds from time to time thereafter as herein provided.

C. Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Issuer to the Trustee under Section 8.06 shall survive.

SECTION 6.02. *Defeasance.*

Any Bond shall be deemed to be no longer Outstanding when payment of the principal of such Bond, plus interest thereon to the Maturity thereof (whether such Maturity be by reason of the Stated Maturity thereof or giving of notice redemption therefor, if notice of such redemption has been given or waived or irrevocable arrangements therefor satisfactory to the Trustee have been made) shall have been provided for by depositing for such payment from funds of the Issuer under the terms provided in this Section (1) money sufficient to make such payment or (2) money and Defeasance Obligations certified by an independent accountant of national reputation to mature as to principal and interest in such amounts and at such times as shall, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom be sufficient to make such payment, provided that all necessary and proper fees, compensation, and expenses of the Trustee and Paying Agents pertaining to the Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Trustee. Any such deposit shall be made either with the Trustee or, if notice of such deposit is given to the Trustee, with a state or nationally chartered bank with a minimum combined capital and surplus of \$50,000,000, as escrow agent, with irrevocable instructions to transfer the amounts so deposited and investment income therefrom to the Trustee or the Paying Agents in the amounts and at the times required to pay principal of and interest on the Bonds with respect to which such deposit is made at the Maturity thereof and of such interest or the Stated Maturity, as the case may be. In the event such deposit is made with respect to some but not all of the Bonds then Outstanding, the Trustee shall select the Outstanding Bonds in the same manner as provided in Section 4.03 for the selection of Bonds to be redeemed. Notwithstanding anything herein to the contrary however, no such deposit shall have the effect hereinabove described (1) if made during the existence of default hereunder of which the Trustee has received written notice unless made with respect to all of the Bonds then

Outstanding and (2) unless there shall be delivered to the Trustee an Opinion of Counsel to the effect that such deposit shall not adversely affect any exemption from federal income taxation of interest on any Bond. Any money and Defeasance Obligations deposited with the Trustee for such purpose shall be held by the Trustee in a segregated account in trust for the Holders of the Bonds with respect to which such deposit is made and together with any investment income therefrom, shall be disbursed solely to pay the principal of and interest on the Bonds when due. No money or Defeasance Obligations so deposited pursuant to this Section shall be invested or reinvested unless in Defeasance Obligations and unless such money not invested, such Defeasance Obligations not reinvested, and such new investments are together certified by an independent accountant of national reputation to be of such amounts, maturities, and interest payment dates and to bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment. At such times as a Bond shall be deemed to be paid hereunder, as aforesaid, it shall no longer be secured by or entitled to the benefits of this Indenture, except for purposes of any such payment from such money or Defeasance Obligations.

SECTION 6.03. *Application of Deposited Money.*

Money or Defeasance Obligations deposited with the Trustee pursuant to Section 6.01 or 6.02 shall not be a part of the Trust Estate but shall constitute a separate trust fund for the benefit of the Persons entitled thereto. Subject to the provisions of Section 4.03, such money or Defeasance Obligations shall be applied by the Trustee to the payment (either directly or through any Paying Agent as the Trustee may determine) to the Holders entitled thereto of the principal (and premium, if any) and interest for the payment of which such money has been deposited with the Trustee.

* * *

ARTICLE SEVEN

REMEDIES

SECTION 7.01. *Suits for Enforcement; Mandamus.*

A. The Trustee in its discretion, subject to the provisions of Section 7.10, may proceed to protect and enforce its rights and the rights of the Bondholders under this Indenture by a suit, action, or proceeding in equity or at law or otherwise, whether for the specific performance of any covenant or agreement contained in this Indenture, the Series 2016 Standby Contribution Agreement or the Series 2016 Depository Agreement or in aid of the execution of any power granted in this Indenture, the Series 2016 Standby Contribution Agreement or the Series 2016 Depository Agreement or for the enforcement of any other legal, equitable, or other remedy, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce any of the rights of the Trustee or the Bondholders. Without limiting the generality of the foregoing, the Trustee shall at all times have the power to institute and maintain such proceedings as it may deem expedient: (1) to prevent any impairment of the Trust Estate by any acts which may be unlawful or in violation of this Indenture, the Series 2016 Standby Contribution Agreement or the Series 2016 Depository Agreement and (2) to protect its interests and the interests of the Bondholders in the Trust Estate and in the issues, profits, revenues and other income arising therefrom, including the power to maintain proceedings to restrain the enforcement of or compliance with any governmental enactment, rule or order which may be unconstitutional or otherwise invalid, if the enforcement of, or compliance with, such enactment, rule or order would impair the Trust Estate or be prejudicial to the interests of the Bondholders or the Trustee.

B. In addition to all rights and remedies of any Holder of Bonds provided herein, in the event the Issuer defaults in the payment of the principal of or premium, if any, or interest on any of the Bonds when due, or defaults in the observance or performance of any of the covenants, conditions, or obligations set forth in the Bond Resolution, this Indenture, the Series 2016 Standby Contribution Agreement or the Series 2016 Depository Agreement, the Trustee shall be entitled to a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the directors and other officers of the Issuer to make such payment or to observe and perform any covenant, obligation, or condition prescribed in the Bond Resolution, this Indenture, the Series 2016 Standby Contribution Agreement and the Series 2016 Depository Agreement.

C. Notwithstanding the foregoing, if the Trustee is unwilling or unable to perform any of the foregoing with respect to the Series 2016 Standby Contribution Agreement or the Series 2016 Depository Agreement and the result will be an increase of the levy required by Section 10.01 for the next Fiscal Year, the Issuer may,

independently, take whatever action is necessary in the judgment of the Board to mitigate the effect in future Fiscal Years.

SECTION 7.02. *Covenant to Pay Trustee Amounts Due on Bonds and Right of Trustee to Judgment.*

A. If

1. default occurs in the payment of any interest on any Bond when such interest becomes due and payable or

2. default occurs in the payment of the principal of (or premium, if any, on) any Bond at its Maturity,

then upon demand of the Trustee, the Issuer shall pay or cause to be paid to the Trustee for the benefit of the Holders of such Bonds the amount so due and payable on the Bonds for principal (and premium, if any), but not any such amounts due in the future, and interest and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of administration and collection, including the reasonable compensation, expenses, disbursements, and advances of the Trustee and its agents and counsel. If the Issuer fails to pay or cause to be paid such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, shall be entitled to sue for and recover judgment against the Issuer for the amount then so due and unpaid.

B. The Trustee shall be entitled to sue and recover judgment as aforesaid either before, after, or during the pendency of any proceedings for the enforcement of the lien of this Indenture, and in case of a sale of the Trust Estate and the application of the proceeds of sale as aforesaid, the Trustee, in its own name and as trustee of an express trust, shall be entitled to enforce payment of, and to receive, all amounts then remaining due and unpaid upon the Outstanding Secured Bonds, for the benefit of the Holders thereof, and shall be entitled to recover judgment for any portion of the same remaining unpaid, with interest as aforesaid. No recovery of any such judgment upon any property of the Issuer shall affect or impair the lien of this Indenture upon the Trust Estate or any rights, powers, or remedies of the Trustee hereunder, or any rights, powers, or remedies of the Holders of the Bonds.

SECTION 7.03. *Application of Money Collected.*

Any money collected by the Trustee pursuant to this Article, together with any other sums then held by the Trustee as part of the Trust Estate, shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal (or premium, if any) or interest upon presentation of the Bonds and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

A. First: To the payment of all unpaid amounts due the Trustee under Section 8.06;

B. Second: To the payment of any amounts due for Rebate and then the payment of the whole amount then due and unpaid upon the Outstanding Secured Bonds, for principal of and premium, if any and interest on the Bonds and with interest (to the extent that such interest has been collected by the Trustee or a sum sufficient therefor has been so collected and payment thereof is legally enforceable at the respective rate or rates prescribed therefor in the Bonds) on overdue principal (and premium, if any), and in case such proceeds shall be insufficient to pay in full the whole amount so due and unpaid upon such Bonds, then to the payment of such principal and interest without any preference or priority, ratably according to the aggregate amount so due and

C. Third: To the payment of the remainder, if any, to the Issuer, or to whosoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

SECTION 7.04. *Trustee May File Proofs of Claim.*

A. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition, or other judicial proceeding relative to the Issuer or the property of the Issuer, the Trustee (irrespective of whether the principal of the Bonds shall then be due and payable, as therein expressed or by declaration or otherwise, and irrespective of whether the Trustee shall have made any demand on the Issuer for the payment of overdue principal, premium, or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise,

1. to file and prove a claim for the whole amount of principal (and premium, if any) and interest owing and unpaid in respect of the Outstanding Secured Bonds and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements, and advances of the Trustee, its agents and counsel) and of the Bondholders allowed in such judicial proceeding and

2. to collect and receive any money or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Bondholder to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Bondholders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, dis-

bursments and advances of the Trustee, its agents and counsel and any other amounts due the Trustee under Section 8.06.

B. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Bondholder any plan of reorganization, arrangement, adjustment or composition affecting the Bonds or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Bondholder in any such proceeding.

SECTION 7.05. *Trustee May Enforce Claims Without Possession of Bonds.*

All rights of action and claims under this Indenture or the Bonds may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust. Any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Bonds in respect of which such judgment has been recovered.

SECTION 7.06. *Unconditional Right of Bondholders to Receive Principal, Premium and Interest.*

Notwithstanding any other provision in this Indenture, the Holder of any Bond shall have the right which is absolute and unconditional to receive, after payment of all amounts due to the Trustee hereunder, payment of the principal of and (subject to Section 7.10) interest on any such Bond on the respective Stated Maturities expressed in such Bond (or, in the case of redemption, on the Redemption Date), and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder; provided, however, that no Bondholder shall be entitled to take any action or institute any such suit to enforce the payment of his Bonds, whether for principal, interest or premium, if and to the extent that the taking of such action or the institution or prosecution of any such suit or the entry of judgment therein would under applicable law result in a surrender, impairment, waiver or loss of the lien of this Indenture upon the Trust Estate, or any part thereof, as security for Bonds held by any other Bondholder.

SECTION 7.07. *Rights and Remedies Cumulative.*

No right or remedy herein conferred upon or reserved to the Trustee or the Bondholders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. Except as otherwise provided herein with regard to the rights or remedies of Bondholders, the assertion or employment

of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

SECTION 7.08. *Delay or Omission Not Waiver.*

No delay or omission of the Trustee or any Holder of any Bond to exercise any right or remedy accruing upon a default under this Article shall impair any such right or remedy or constitute a waiver of any such default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or the Bondholders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Bondholders, as the case may be.

SECTION 7.09. *Control by Bondholders.*

A. The Holders of a majority in aggregate principal amount of the Outstanding Bonds affected thereby shall have the right

1. to require the Trustee to proceed to enforce this Indenture, either by judicial proceedings for the enforcement of the payment of the Bonds and the foreclosure of this Indenture, the sale of the Trust Estate, or otherwise; and

2. to direct the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee hereunder, provided that

a. such direction shall not be in conflict with any rule of law or this Indenture,

b. the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction,

c. the Trustee shall not determine that the action so directed would be unjustly prejudicial to the Holders not taking part in such direction and

d. if the remedy requires the consent of a certain number of the Holders, such consent has been provided.

B. Before taking action pursuant to this Section, the Trustee may require that a satisfactory indemnity bond be furnished to it for the reimbursement of all expenses which it may incur and to protect it against all liability by reason of any action so taken, except liability which is adjudicated to have resulted from its negligence or willful misconduct. The Trustee may take action without that indemnity, and in that case, the Issuer shall reimburse the

Trustee for all of the expenses of the Trustee pursuant to Section 8.06.

SECTION 7.10. *Waiver of Past Defaults.*

A. Before any judgment or decree for payment of money due has been obtained by the Trustee as provided in this Article, the Holders of not less than a majority in aggregate principal amount of the Outstanding Bonds affected thereby may, by Act of such Bondholders delivered to the Trustee and the Issuer, on behalf of the Holders of all the Bonds waive any past default hereunder and its consequences, except a default in respect of a covenant or provision hereof which under Article Twelve cannot be modified or amended without the consent of the Holder of each Outstanding Bond affected.

B. Upon any such waiver, such default shall cease to exist for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 7.11. *Undertaking for Costs.*

All parties to this Indenture agree, and each Holder of any Bond by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section shall not apply to any suit instituted by or against the Trustee, to any suit instituted by any Bondholder, or group of Bondholders the Bonds affected thereby, holding in the aggregate more than ten percent (10%) in principal amount of the Outstanding Bonds, or to any suit instituted by any Bondholder for the enforcement of the payment of the principal of or interest on any Bond on or after the Stated Maturity expressed in such Bond (or, in the case of redemption, on or after the Redemption Date).

SECTION 7.12. *Remedies Subject to Applicable Law.*

All rights, remedies, and powers provided by this Article may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law in the premises, and all the provisions of this Article are intended to be subject to all applicable mandatory provisions of law which may be controlling in the premises and to be limited to the extent necessary so that they will not render this Indenture invalid, unenforceable, or not entitled to

be recorded, registered or filed under the provisions of any applicable law.

* * *

ARTICLE EIGHT

THE TRUSTEE

SECTION 8.01. *Certain Duties and Responsibilities.*

A. The Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee. In the absence of bad faith on its part, the Trustee 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 Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform on their face to the requirements of this Indenture.

B. No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that

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

2. the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Trustee was negligent;

3. the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of a majority in principal amount of the Outstanding Bonds or to the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture and

4. no provision of this Indenture shall require the Trustee 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, unless it is provided indemnity in connection therewith as provided in Sections 7.09(B) and 8.02(E).

C. Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

SECTION 8.02. *Certain Rights of Trustee.*

Except as otherwise provided in Section 8.01 hereof:

A. the Trustee may rely and shall be protected in acting or refraining from acting upon:

1. any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, telex or other paper, document, or communication reasonably believed by it to be genuine and to have been signed or presented by the proper Persons and

2. failure of the Trustee to receive any such paper, document, or communication, if prior receipt thereof is required by this Indenture before the Trustee is to take or refrain from taking any action;

B. any request or direction of the Issuer mentioned herein shall be sufficiently evidenced by an Issuer Request, and any order or resolution of the Board may be sufficiently evidenced by a Board Resolution;

C. whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate or, for purposes of Section 10.06, an appropriate certificate of a consultant or firm of consultants of nationally recognized standing in the field of accounting for Rebate;

D. the Trustee may consult with legal counsel and the written advice of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered, or omitted by the Trustee hereunder in good faith and in reliance thereon;

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

F. the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond or other paper or document (including particularly, but not by way of limitation) Acts, Board Resolutions, Issuer Requests and Officers' Certificates, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to

make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Issuer, personally or by agent or attorney and

G. the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys, and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed, with due care by it hereunder.

SECTION 8.03. *Not Responsible for Recitals or Application of Proceeds.*

The recitals contained herein and in the Bonds, except the certificate of authentication on the Bonds, shall be taken as the statements of the Issuer, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the value or condition of the Trust Estate or any part thereof, or as to the title of the Issuer thereto or as to the security afforded thereby or hereby, or as to the validity or genuineness of any securities at any time pledged and deposited with the Trustee hereunder, or as to the validity or sufficiency of this Indenture or of the Bonds. The Trustee shall not be accountable for the use or application by the Issuer of the Bonds or the proceeds thereof.

SECTION 8.04. *May Hold Bonds.*

The Trustee, any Paying Agent, the Bond Registrar and any other agent appointed hereunder, in its individual or any other capacity, may become the owner or pledgee of Bonds and may otherwise deal with the Issuer with the same rights it would have if it were not Trustee, Paying Agent, Bond Registrar or such other agent.

SECTION 8.05. *Money Held in Trust.*

Money held by the Trustee hereunder need not be segregated from other funds except to the extent required by law or the provisions of this Indenture. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed with the Issuer.

SECTION 8.06. *Compensation and Reimbursement.*

A. The Issuer shall

1. pay to the Trustee from time to time reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust) and

2. except as otherwise expressly provided herein, reimburse the Trustee upon its request for all reasonable

expenses, disbursements, and advances incurred or made by the Trustee in accordance with any provisions of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to the Trustee's negligence or bad faith.

B. As security for the performance of the obligations of the Issuer under this Section, the Trustee shall be secured under this Indenture by a lien and for the payment of such compensation, expenses, reimbursements and indemnity the Trustee shall have the right to use and apply any trust funds held by it hereunder after payment of other amounts due hereunder as provided by the terms hereof.

SECTION 8.07. *Corporate Trustee Required; Eligibility.*

There shall at all times be a Trustee hereunder which shall be a bank or trust company organized and doing business under the laws of the United States or of any State, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$50,000,000, and subject to supervision or examination by federal or State authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of such supervising or examining authority, then for the purposes of this Section the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

SECTION 8.08. *Resignation and Removal; Appointment of Successor.*

A. No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee under Section 8.09.

B. The Trustee may resign at any time by giving written notice thereof to the Issuer. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within thirty (30) days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

C. The Trustee may be removed at any time by Act of the Holders of a majority in principal amount of the Outstanding Bonds, delivered to the Trustee and the Issuer.

D. If at any time:

1. the Trustee shall cease to be eligible under Section 8.07 and shall fail to resign after written request therefor by the Issuer or any such Bondholder or

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

then, in either such case, (a) the Issuer by Board Resolution may remove the Trustee or (b) subject to Section 8.12, any Bondholder who has been a bona fide Holder of a Bond for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

E. If the Trustee shall resign, be removed or become incapable of acting, the Issuer, by Board Resolution, shall promptly appoint a successor Trustee. In case all or substantially all of the Trust Estate shall be in the possession of a receiver or trustee lawfully appointed, such receiver or trustee, by written instrument, may similarly appoint a successor to fill such vacancy until a new Trustee shall be so appointed by the Bondholders. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Bonds and delivered to the Issuer and the retiring Trustee, then the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee and supersede the successor Trustee appointed by the Issuer or by such receiver or trustee. If no successor Trustee shall have been so appointed by the Issuer or the Bondholders and accepted appointment in the manner hereinafter provided, any Bondholder who has been a bona fide Holder of a Bond for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

F. The Issuer shall give notice of each resignation and each removal of the Trustee and each appointment of a successor Trustee to the Holders of the Bonds. Each notice shall include the name of the successor Trustee and the address of its designated corporate trust office.

SECTION 8.09. *Acceptance of Appointment by Successor.*

A. Every successor Trustee appointed hereunder shall execute, acknowledge, and deliver to the Issuer and the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and

such successor Trustee, without any further act, deed or conveyance, shall become vested with all the estates, properties, rights, powers, trusts and duties of the retiring Trustee; but, on request of the Issuer or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument conveying and transferring to such successor Trustee upon the trusts herein expressed all the estates, properties, rights, powers and trusts of the retiring Trustee, and shall duly assign, transfer, and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder, subject nevertheless to its lien, if any, provided for in Section 8.06. Upon request of any such successor Trustee, the Issuer shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such estates, properties, rights, powers and trusts.

B. No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article.

SECTION 8.10. *Merger, Conversion, Consolidation or Succession to Business.*

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Bonds shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Bonds so authenticated with the same effect as if such successor Trustee had itself authenticated such Bonds.

* * *

ARTICLE NINE

SUPPLEMENTAL INDENTURES;
AMENDMENTS TO BOND RESOLUTION,
SERIES 2016 STANDBY CONTRIBUTION AGREEMENT AND
SERIES 2016 DEPOSITORY AGREEMENT

SECTION 9.01. *Supplemental Indentures or Amendments to Bond Resolution, Series 2016 Standby Contribution Agreement and Series 2016 Depository Agreement Without Consent of Bondholders.*

Without the consent of the Holders of any Bonds, the Issuer, when authorized by Board Resolution, and the Trustee may from time to time enter into one or more indentures supplemental hereto in form satisfactory to the Trustee, the Issuer may amend the Bond Resolution or the Issuer, when authorized by Board Resolution, and the Trustee may amend the Series 2016 Standby Contribution Agreement and the Series 2016 Depository Agreement, as applicable, for any of the following purposes:

1. to correct or amplify the description of any property at any time subject to the lien of this Indenture, or better to assure, convey and confirm unto the Trustee any property subject or required to be subjected to the lien of this Indenture, or to subject to the lien of this Indenture additional property; or

2. to add to the conditions, limitations and restrictions on the authorized amount, terms or purposes of issue, authentication and delivery of Bonds, as herein set forth, and additional conditions, limitations and restrictions thereafter to be observed; or

3. to evidence the succession of another entity to the Issuer and the assumption by any such successor of the covenants of the Issuer herein, in the Bond Resolution, in the Series 2016 Standby Contribution Agreement, in the Series 2016 Depository Agreement or in the Bonds contained; or

4. to add to the covenants of the Issuer for the benefit of the Holders of all of the Bonds; or

5. to allow the replacement of the Letter of Credit with an amount of cash equal to the face amount of the Letter of Credit upon terms and conditions the Issuer Representative, in his sole and absolute discretion, deems appropriate, including requirements for opinions of counsel on subjects he deems necessary; or

6. to cure any ambiguity, to correct or supplement any provision herein, in the Series 2016 Standby Contribu-

tion Agreement, in the Series 2016 Depository Agreement or in the Bond Resolution which may be inconsistent with any other provision herein in the Series 2016 Standby Contribution Agreement, in the Series 2016 Depository Agreement or in the Bond Resolution, or to make any other provisions, with respect to matters or questions arising under this Indenture, the Series 2016 Standby Contribution Agreement, the Series 2016 Depository Agreement or the Bond Resolution, which shall not be inconsistent with the provisions of this Indenture, the Series 2016 Standby Contribution Agreement, the Series 2016 Depository Agreement or the Bond Resolution, provided such action shall not adversely affect the interests of the Holders of the Bonds.

SECTION 9.02. *Supplemental Indentures or Amendments to the Bond Resolution or Series 2016 Standby Contribution Agreement or Series 2016 Depository Agreement With Consent of Bondholders.*

A. With the consent of the Holders of not less than a majority in aggregate principal amount of the Bonds affected by such supplemental indenture or amendment to the Series 2016 Standby Contribution Agreement, the Series 2016 Depository Agreement or the Bond Resolution, by Act of such Holders delivered to the Issuer and the Trustee, the Issuer, when authorized by Board Resolution, and the Trustee may enter into an indenture or indentures supplemental hereto or an amendment or amendments to the Series 2016 Standby Contribution Agreement, the Series 2016 Depository Agreement or the Bond Resolution, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture, the Series 2016 Standby Contribution Agreement, the Series 2016 Depository Agreement or the Bond Resolution or of modifying in any manner the rights of the Holders of the Bonds under this Indenture, the Series 2016 Standby Contribution Agreement, the Series 2016 Depository Agreement or the Bond Resolution; provided, however, that no such supplemental indenture or amendment to the Series 2016 Standby Contribution Agreement, the Series 2016 Depository Agreement or the Bond Resolution shall, without the consent of the Holder of each Outstanding Bond affected thereby

1. change the Stated Maturity of the principal of, or any installment of interest on, any Bond, or reduce the principal amount of, or the interest on, any Bond, or change the coin or currency in which, any Bond or the interest on any Bond is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date); or

2. reduce the percentage in principal amount of the Outstanding Bonds the consent of the Holders of which is required for any such supplemental indenture or amendment to the Series 2016 Standby Contribution Agreement, the

Series 2016 Depository Agreement and the Bond Resolution, or the consent of Holders of which is required for any waiver provided for in this Indenture of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences; or

3. modify or alter the provisions of the proviso to the definition of the term "Outstanding" or

4. modify any of the provisions of this Section, except to increase any percentage provided thereby or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Bond affected thereby.

B. The Trustee may in its discretion determine whether or not any Bonds would be affected by any supplemental indenture or amendment to the Series 2016 Standby Contribution Agreement, the Series 2016 Depository Agreement or the Bond Resolution and any such determination shall be conclusive upon every Holder of Bonds, whether theretofore or thereafter authenticated and delivered hereunder. The Trustee shall not be liable for any such determination made in good faith.

C. It shall not be necessary for any Act of Bondholders under this Section to approve the particular form of any proposed supplemental indenture or any such amendment to the Series 2016 Standby Contribution Agreement, the Series 2016 Depository Agreement or the Bond Resolution, but it shall be sufficient if such Act shall approve the substance thereof.

SECTION 9.03. *Execution of Supplemental Indentures and Amendments to Bond Resolution, Series 2016 Standby Contribution Agreement Series 2016 Depository Agreement.*

In executing, or accepting the additional trusts created by, any supplemental indenture or amendment to the Series 2016 Standby Contribution Agreement, the Series 2016 Depository Agreement or the Bond Resolution permitted by this Article or the modification thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive and, subject to Section 8.01, shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture or adoption or execution of such amendment is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture or amendment to the Series 2016 Standby Contribution Agreement or be governed by any amended Bond Resolution which affects the Trustee's own rights, duties, or immunities under this Indenture or otherwise.

SECTION 9.04. *Effect of Supplemental Indentures and Amendments to Bond Resolution, Series 2016 Standby Contribution Agreement or Series 2016 Depository Agreement.*

Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith and such supplemental indenture shall form a part of this Indenture for all purposes, and upon the amendment of the Bond Resolution, the Series 2016 Depository Agreement or the Series 2016 Standby Contribution Agreement under this Article, the Bond Resolution, the Series 2016 Depository Agreement or the Series 2016 Standby Contribution Agreement, as applicable, shall be modified in accordance therewith, and such amendment shall form a part of the Bond Resolution, the Series 2016 Depository Agreement or the Series 2016 Standby Contribution Agreement, as applicable, for all purposes, and every Holder of Bonds theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

SECTION 9.05. *Reference in Bonds to Supplemental Indentures or Amendments to Bond Resolution, Series 2016 Depository Agreement and Series 2016 Standby Contribution Agreement.*

Bonds authenticated and delivered after the execution of any supplemental indenture or amendment to the Bond Resolution, the Series 2016 Depository Agreement or the Series 2016 Standby Contribution Agreement pursuant to this Article may bear a notation as to any matter provided for in such supplemental indenture or amendment to the Bond Resolution, the Series 2016 Depository Agreement or the Series 2016 Standby Contribution Agreement. If the Issuer shall so determine, new Bonds so modified as to conform to any such supplemental indenture or amendment to the Bond Resolution, the Series 2016 Depository Agreement or the Series 2016 Standby Contribution Agreement may be prepared and executed by the Issuer and authenticated and delivered by the Trustee in exchange for Outstanding Bonds.

* * *

ARTICLE TEN

COVENANTS

SECTION 10.01. *Pledge and Levy of Taxes.*

A. For each Fiscal Year while any Bond is Outstanding, the Board shall annually levy and cause an *ad valorem* property tax to be collected, at the same time and in the same manner as other taxes are levied and collected on all taxable property in the Issuer, to pay Debt Service and to pay Parity Debt Service when due, and the Issuer shall duly and punctually pay Debt Service in accordance with the terms of this Indenture. (The Issuer and the Trustee acknowledge that, subject to the limitations of the Refunding Act with respect to the Bonds, and any general obligation bonds and, subject to the limitations of the Refunding Act with respect to general obligation refunding bonds, other general obligation refunding bonds of the Issuer hereafter issued will be secured on a parity basis in the collection and application of property tax revenues of the Issuer and that such property taxes will be allocated to each series of general obligation bonds and general obligation refunding bonds in accordance with any Debt Service or Parity Debt Service then due and, in either case, taking into account other funds held by the Issuer for such payment. Property tax revenues allocated for any series of bonds shall be deposited into the applicable fund or account set aside for such series.) Notwithstanding the foregoing, the total aggregate of taxes levied to pay principal and interest on the Bonds in the aggregate shall not exceed the total aggregate principal and interest to become due on the Bonds Being Refunded from the date of issuance of the Bonds to the final date of maturity on the Bonds Being Refunded, and the owners of the Bonds shall rely upon the sufficiency of the funds deposited as described in the form of the Bonds in Section 2.02 for the payment of the Bonds Being Refunded. The issuance of the Bonds shall in no way infringe upon the rights of the owners of the Bonds Being Refunded to rely upon a tax levy for the payment of principal and interest on the Bonds Being Refunded if such redemption funds prove insufficient.

B. Amounts derived from the levy of the tax provided for in this Section when collected constitute funds to pay Debt Service and shall be kept separately from other funds of the Issuer, including with respect to the pro-rata amount of such amounts applicable to the Bonds, by being paid to the Trustee and deposited by the Trustee to the accounts as described in Section 5.02.

C. The Board shall make annual statements and estimates of the amount to be raised to pay Debt Service [including the amounts to be allocated as described in Sections 5.02(A)(1)(a)]. The Board shall file the annual statements and estimates with the Clerk of the Municipality and shall publish a notice of the filing of the estimate. The Board, on or before the date set by law for certifying the annual budget of the Municipality, shall fix, levy and assess the amounts to be raised by *ad valorem* taxes of the Issuer and shall cause certified

copies of the order to be delivered to the Board of Supervisors of Pima County, Arizona, to the Department of Revenue of the State and to the Trustee. All statutes relating to the levy and collection of State and county taxes, including the collection of delinquent taxes and sale of property for nonpayment of taxes, apply to the taxes provided for by this Section.

SECTION 10.02. *Maintenance of Agency.*

The Issuer shall maintain an agency where Bonds may be presented or surrendered for payment, where Bonds entitled to be registered, transferred, exchanged or converted may be presented or surrendered for registration, transfer, exchange or conversion, and where notices and demands to or upon the Issuer in respect of the Bonds and this Indenture may be served. The Trustee is hereby appointed as Paying Agent for such purposes. The Issuer shall give prompt written notice to the Trustee of the location, and of any change in the location, of any such agency. If at any time the Issuer shall fail to maintain such an agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices, and demands may be made or served at the designated corporate trust office of the Trustee, and the Issuer hereby appoints the Trustee its agent to receive all such presentations, surrenders, notices, and demands.

SECTION 10.03. *Money for Bond Payments to be Held in Trust; Repayment of Unclaimed Money.*

A. The amounts which are segregated by the Trustee or deposited with any other Paying Agent to pay the principal of or interest on any Bonds becoming due on any due date shall be held in trust for the benefit of the Holders of such Bonds. Amounts so segregated or deposited and held in trust shall not be a part of the Trust Estate but shall constitute a separate trust fund for the benefit of the Holders entitled to such principal or interest, as the case may be. Amounts held by the Trustee or any other paying Agent for the payment of the principal of (and premium, if any) or interest on the Bonds need not be segregated from other funds, except to the extent required by law.

B. The Issuer shall cause each Paying Agent other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent shall

(a) hold all amounts held by it for the payment of principal of (and premium, if any) or interest on the Bonds for the benefit of the Holders of such Bonds until such amounts shall be paid to the Holders or otherwise disposed of as herein provided and

(b) at any time, upon the written request of the Trustee, forthwith pay to the Trustee all amounts so held in trust by such Paying Agent.

C. The Issuer may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, by Issuer Request direct any Paying Agent to pay to the Trustee all money held by such Paying Agent, such money to be held by the Trustee upon the same trusts as those upon which such money was held by such Paying Agent, and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

D. In the event any check for payment of interest on a Bond is returned to any Paying Agent unendorsed or is not presented for payment within two (2) years from its payment date or any Bond is not presented for payment of principal at Maturity or Redemption Date, if funds sufficient to pay such interest or principal due upon such Bond shall have been made available to such Paying Agent for the benefit of the Holder thereof, it shall be the duty of such Paying Agent to hold such funds or invest the same in Government Obligations, without liability for interest thereon, for the benefit of the Holder of such Bond who shall thereafter be restricted exclusively to such funds for any claim of whatever nature relating to such Bond or amounts due thereunder. Such obligation of the Paying Agent to hold such funds shall continue for two (2) years and six (6) months following the date on which such interest or principal payment became due, whether at Maturity or Stated Maturity, or at the Redemption Date, or otherwise, at which time such Paying Agent shall surrender such unclaimed funds so held to the Issuer, whereupon any claim of whatever nature by the Holder of such Bond arising under such Bond shall be made upon the Issuer.

SECTION 10.04. *Further Assurances; Recording.*

A. The Issuer shall do, execute, acknowledge and deliver all and every such further acts, conveyances, mortgages, financing statements and assurances as shall be reasonably required for accomplishing the purposes of this Indenture.

B. The Issuer shall cause this instrument and all supplemental indentures and other instruments of further assurance, including all financing statements, to be promptly recorded, registered and filed, and to be kept recorded, registered and filed, and, when necessary, to re-record, re-register and re-file the same, all in such manner and in such places as may be required by law, fully to preserve and protect the rights of the Bondholders and the Trustee hereunder to all property comprising the Trust Estate, and the Issuer shall execute any financing statement, continuation statement or other document required for such purposes.

SECTION 10.05. *Covenants as to Arbitrage and Other Tax Matters.*

A. As more particularly provided in the Tax Certificate, the Issuer shall not make or direct the making of any investment or other use of the proceeds of any Bonds which would cause such Bonds to be "arbitrage bonds" as that term is defined in Section 148 (or any successor provision thereto) of the Code or "private activity bonds" as that term is defined in Section 141 (or any successor provision thereto) of the Code, and the Issuer shall comply with the requirements of the Code sections and related regulations throughout the term of the Bonds. Particularly, the Issuer shall be the owner of the Facilities for federal income tax purposes. Except as otherwise advised in a Bond Counsel's Opinion (as such term is defined in the next Section), the District shall not enter into (i) any management or service contract with any entity other than a governmental entity for the operation of any portion of the Facilities unless the management or service contract complies with the requirements of Revenue Procedure 97-13 or such other authority as may control at the time, or (ii) any lease or other arrangement with any entity other than a governmental entity that gives such entity special legal entitlements with respect to any portion of the Facilities). Also, the payment of principal of and interest on to the Bonds shall not be guaranteed (in whole or in part) by the United States or any agency or instrumentality of the United States. The proceeds of the Bonds, or amounts treated as proceeds of the Bonds, shall not be invested (directly or indirectly) in federally insured deposits or accounts, except to the extent such proceeds (i) may be so invested for an initial temporary period until needed for the purpose for which the Bonds are being issued, (ii) may be so used in making investments of a bona fide debt service fund, or (iii) may be invested in obligations issued by the United States Treasury. Further, the Issuer shall comply with the procedures and covenants contained in any arbitrage rebate provision or separate agreement executed in connection with the issuance of the Bonds (including as provided in Section 10.06) for so long as compliance is necessary in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds. In consideration of the purchase and acceptance of the Bonds by such holders from time to time and of retaining such exclusion and as authorized by Title 35, Chapter 3, Article 7, Arizona Revised Statutes, the Issuer covenants, and the appropriate officials of the Issuer are hereby directed, to take all action required or to refrain from taking any action prohibited by such Code which would adversely affect in any respect such exclusion.

B. 1. The Issuer shall not take any action or fail to take any action with respect to the investment of the proceeds of any Bonds or any other funds of the Issuer, including amounts received from the investment of any of the foregoing, which, based upon the facts, estimates, and circumstances known on the Closing Date, would result in constituting the Bonds "arbitrage bonds" within the meaning of the Code, and the Issuer shall not take any deliberate action motivated by arbitrage which would have such result.

2. In the event the Issuer is of the opinion that it is necessary to restrict or limit the yield on the investment of any money paid to or held by the Trustee hereunder in order to avoid classification of any Bonds as "arbitrage bonds" within the meaning of the Code, the Issuer may issue to the Trustee a written instrument to such effect (along with appropriate written instructions), in which event the Trustee shall take such action as is necessary so to restrict or limit the yield on such investment in accordance with such instrument and instructions, irrespective of whether the Trustee shares such opinion. The Trustee may conclusively rely upon any such instructions and shall be responsible for no loss resulting from investment of any money held hereunder in accordance with such instructions.

C. 1. The Issuer shall take all necessary and desirable steps, as determined by the Board, to comply with the requirements hereunder and under the Tax Certificate in order to ensure that interest on the Bonds is excluded from gross income for federal income tax purposes under the Code; provided, however, compliance with any such requirement shall not be required in the event the Issuer receives a Bond Counsel's Opinion (as such term is defined in the next section) that either (i) compliance with such requirement is not required to maintain the exclusion from gross income of interest on the Bonds, or (ii) compliance with some other requirement will meet the requirements of the Code. In the event the Issuer receives such a Bond Counsel's Opinion, this shall be supplemental Indenture to conform to the requirements set forth in such opinion.

2. If for any reason any requirement hereunder or under the Tax Certificate is not complied with, the Issuer shall take all necessary and desirable steps, as determined by the Board, to correct such noncompliance within a reasonable period of time after such noncompliance is discovered or should have been discovered with the exercise of reasonable diligence and the Issuer shall pay any required interest or penalty under Regulations section 1.148-3(h) of the Regulations (as such term is defined in the next section).

D. Written procedures have been established for the Issuer to ensure that all nonqualified obligations are remediated according to the requirements under the Code and related Regulations and to monitor the requirements of section 148 of the Code relating to arbitrage, with which the Issuer will comply.

[Add BQ ???]

SECTION 10.06. *Specific Covenants as to Rebate.*

A. Within 60 days after the end of each Bond Year unless an exception to the requirement to do so is applicable, the

Issuer shall cause the Rebate Requirement to be calculated and shall pay to the United States of America:

(1) not later than 60 days after the end of the fifth Bond Year and every fifth Bond Year thereafter, an amount which, when added to the future value of all previous rebate payments with respect to the Bonds (determined as of such Computation Date), is equal to at least 90% of the sum of the Rebate Requirement (determined as of the last day of such Bond Year) plus the future value of all previous rebate payments with respect to the Bonds (determined as of the last day of such Bond Year); and

(2) not later than 60 days after the retirement of the last Bond, an amount equal to 100% of the Rebate Requirement (determined as of the date of retirement of the last Bond).

Each payment required to be made under this Section shall be filed with the Internal Revenue Service Center, Ogden, Utah 84201, on or before the date such payment is due, and shall be accompanied by IRS Form 8038-T.

B. No Nonpurpose Investment shall be acquired for an amount in excess of its fair market value. No Nonpurpose Investment shall be sold or otherwise disposed of for an amount less than its fair market value.

C. For purposes of Subsection (B), whether a Nonpurpose Investment has been purchased or sold or disposed of for its fair market value shall be determined as follows:

1. The fair market value of a Nonpurpose Investment generally shall be the price at which a willing buyer would purchase the Nonpurpose Investment from a willing seller in a bona fide arm's length transaction. Fair market value shall be determined on the date on which a contract to purchase or sell the Nonpurpose Investment becomes binding.

2. Except as provided in Subsection (D) or (E), a Nonpurpose Investment that is not of a type traded on an established securities market, within the meaning of Code section 1273, is rebuttably presumed to be acquired or disposed of for a price that is not equal to its fair market value.

3. If a United States Treasury obligation is acquired directly from or sold or disposed of directly to the United States Treasury, such acquisition or sale or disposition shall be treated as establishing the fair market value of the obligation.

D. The purchase price of a certificate of deposit that has a fixed interest rate, a fixed payment schedule and a substantial penalty for early withdrawal is considered to be its fair market value if the yield on the certificate of deposit is not less than:

1. the yield on reasonably comparable direct obligations of the United States; and

2. the highest yield that is published or posted by the provider to be currently available from the provider on reasonably comparable certificates of deposit offered to the public.

E. A guaranteed investment contract shall be considered acquired and disposed of for an amount equal to its fair market value if:

1. A bona fide solicitation in writing for a specified guaranteed investment contract, including all material terms, is timely forwarded to all potential providers. The solicitation must include a statement that the submission of a bid is a representation that the potential provider did not consult with any other potential provider about its bid, that the bid was determined without regard to any other formal or informal agreement that the potential provider has with the Issuer or any other person (whether or not in connection with the Bonds), and that the bid is not being submitted solely as a courtesy to the Issuer or any other person for purposes of satisfying the requirements in the Regulations that the Issuer receive bids from at least one reasonably competitive provider and at least three providers that do not have a material financial interest in the Bonds.

2. All potential providers have an equal opportunity to bid, with no potential provider having the opportunity to review other bids before providing a bid.

3. At least three reasonably competitive providers (i.e. having an established industry reputation as a competitive provider of the type of investments being purchased) are solicited for bids. At least three bids must be received from providers that have no material financial interest in the Bonds (e.g., a lead underwriter within 15 days of the issue date of the Bonds or a financial advisor with respect to the investment) and at least one of such three bids must be from a reasonably competitive provider. If the Issuer uses an agent to conduct the bidding, the agent may not bid.

4. The highest-yielding guaranteed investment contract for which a qualifying bid is made (determined net of broker's fees) is purchased.

5. The determination of the terms of the guaranteed investment contract takes into account as a significant factor the reasonably expected deposit and drawdown schedule for the amounts to be invested.

6. The terms for the guaranteed investment contract are commercially reasonable (i.e. have a legitimate business purpose other than to increase the purchase price or reduce the yield of the guaranteed investment contract).

7. The provider of the investment contract certifies the administrative costs (as defined in Regulations section 1.148-5(e)) that it pays (or expects to pay) to third parties in connection with the guaranteed investment contract.

8. The Issuer retains until three years after the last outstanding Bond is retired, (i) a copy of the guaranteed investment contract, (ii) a receipt or other record of the amount actually paid for the guaranteed investment contract, including any administrative costs paid by the Issuer and a copy of the provider's certification described in (7) above, (iii) the name of the person and entity submitting each bid, the time and date of the bid, and the bid results and (iv) the bid solicitation form and, if the terms of the guaranteed investment contract deviates from the bid solicitation form or a submitted bid is modified, a brief statement explaining the deviation and stating the purpose of the deviation. Such experts and consultants shall be employed to make, as necessary, any calculations in respect of rebates to be made to the United States of America in accordance with Section 148(f) of the Code with respect to the Bonds.

F. The employment of such experts and consultants to make, as necessary, any calculations in respect of rebates to be made to the United States of America in accordance with Section 148(f) of the Code, is hereby authorized.

* * *

ARTICLE ELEVEN

PROVISIONS RELATING TO
POLICY AND INSURER

SECTION 11.01. *Applicability of this Article.*

Notwithstanding anything herein to the contrary, the provisions of this Article shall be applicable and shall supersede any conflicting provisions herein so long as the Policy is in effect or amounts are owed or owing to the Insurer and the Insurer is not in default or contesting its obligations thereunder; provided that to the extent the Insurer has made any payment of principal of or interest on the Bonds it shall retain its rights of subrogation hereunder and under the Policy.

SECTION 11.02. *Reporting Requirements.*

A. All demands, notices and other information required to be given to the Insurer under this Indenture shall be addressed as follows: Assured Guaranty Municipal Corp., 31 West 52nd Street, New York, New York 10019, Attention: Managing Director - Surveillance, Re: Policy No. _____. In each case in which notice or other communication refers to an event of default, then a copy of such notice or other communication shall also be sent to the attention of the Deputy General Counsel - Public Finance and shall be marked to indicate "URGENT MATERIAL ENCLOSED."

B. The Issuer shall furnish, or cause to be furnished to the Insurer:

1. Annual audited financial statements of the Issuer, if any, within 180 days after the end of the fiscal year of the Issuer (together with a certification of the Issuer that the Issuer is not aware of any default or event of default hereunder), and the annual budget of the Issuer within 30 days after the approval thereof together with such other information, data or reports as the Insurer shall reasonably request from time to time;

2. Notice of any payment made pursuant to, default under, or termination of, either the Series 2016 Standby Contribution Agreement or the Series 2016 Depository Agreement;

3. Notice of any default known to the Trustee or the Issuer within five Business Days after knowledge thereof;

4. Prior notice of the advance refunding or redemption of any of the Bonds, including the principal amount, maturities and CUSIP numbers thereof;

5. Notice of the resignation or removal of the Trustee and the appointment of, and acceptance of duties by, any successor thereto;

6. Notice of the commencement of any Insolvency Proceeding;

7. Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal or interest with respect to the Bonds;

8. A full original transcript of all proceedings relating to the execution of any amendment, supplement or waiver to this Indenture;

9. All information furnished pursuant to the Continuing Disclosure Undertaking shall also be provided to the Insurer, simultaneously with the furnishing of such information;

10. All reports, notices and correspondence to be delivered to the Holders under the terms of this Indenture;

11. Notice of the failure of the Issuer to provide notices, certificates and other information under this Indenture; and

12. Such additional information as the Insurer may reasonably request.

C. The Insurer shall be permitted to discuss the affairs, finances and accounts of the Issuer or any information the Insurer may reasonably request regarding the security for the Bonds with appropriate officers of the Issuer, and the Issuer shall use commercially reasonable efforts to enable the Insurer to have access to the facilities, books and records of the Issuer on any Business Day upon reasonable prior notice.

SECTION 11.03. *Amendments and Supplements.*

Any supplement or amendment provided hereby which requires the consent of the Holders of the Bonds shall be subject to the prior written consent of the Insurer.

SECTION 11.04. *Insurer as Third Party Beneficiary.*

The Insurer is recognized as and shall be deemed to be a third party beneficiary to this Indenture.

SECTION 11.05. *Control Rights.*

A. The Insurer shall be deemed to be the Holder of all of the Bonds for purposes of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Holders insured by it are entitled to take pursuant to this Indenture pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Trustee. In furtherance thereof and as a term of this Indenture and each Bond, the Trustee and each Holder appoint the Insurer as their agent and attorney-in-fact and agree that the Insurer may at any time during the continuation of any Insolvency Proceeding direct all matters relating to such Insolvency Proceeding, including, without limitation, (i) all matters relating to any Claim, (ii) the direction of any appeal of any order relating to any Claim, (iii) the posting of any surety, supersedeas or performance bond pending any such appeal, and (iv) the right to vote to accept or reject any plan of adjustment. In addition, the Trustee and each Holder delegate and assign to the Insurer, to the fullest extent permitted by law, the rights of the Trustee and each Holder in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding. Remedies granted to the Holders shall expressly include mandamus. The rights granted to the Insurer under this Indenture to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Policy. Any exercise by the Insurer of such rights is merely an exercise of the Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Holders, and such action does not evidence any position of the Insurer, affirmative or negative, as to whether the consent of the Holders or any other person is required in addition to the consent of the Insurer. In determining whether any amendment, consent, waiver or other action to be taken, or any failure to take action, under this Indenture would adversely affect the security for the Bonds or the rights of the Holders, the Trustee shall consider the effect of any such amendment, consent, waiver, action or inaction as if there was no Policy.

B. The Issuer shall not enter into any interest rate exchange agreement or other rate maintenance agreement secured by and payable from the Trust Estate without the prior written consent of the Insurer.

C. No contract shall be entered into or any action taken by which the rights of the Insurer or security for or sources of payment of the Bonds may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Insurer.

SECTION 11.06. *Payment Under the Policy.*

A. If, on the third (3rd) Business Day prior to the related Payment Date there is not on deposit with the Trustee, after making all transfers and deposits required under this Indenture, moneys sufficient to pay the principal and interest with respect to the Bonds due on such Payment Date, the Trustee shall give notice to the Insurer and to the Insurer's Fiscal Agent by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York County time, on such Business Day. If, on the second (2nd) Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal and interest with respect to the Bonds due on such Payment Date, the Trustee shall make a claim under the Policy and give notice to the Insurer and the Insurer's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest with respect to the Bonds and the amount required to pay principal with respect to the Bonds, confirmed in writing to the Insurer and the Insurer's Fiscal Agent by 12:00 noon, New York County time, on such second (2nd) Business Day by filling in the form of "Notice of Claim and Certificate" delivered with the Insurance Policy.

B. The Trustee shall designate any portion of payment of principal with respect to the Bonds paid by the Insurer, whether by virtue of maturity or mandatory redemption, on its books as a reduction in the principal amount of Bonds registered to the then current Holder, whether DTC or its nominee or otherwise, and shall issue a replacement Bond to the Insurer, registered in the name of Assured Guaranty Municipal Corp., in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Bond shall have no effect on the amount of principal or interest payable by the Issuer on any Bond or the subrogation rights of the Insurer.

C. The Insurer shall be entitled to pay principal or interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment (as such terms are also defined in the Policy) and any amounts due on the Bonds as a result of acceleration of the maturity thereof in accordance with this Indenture, whether or not the Insurer has received a Notice of Nonpayment (as defined in the Policy) or a claim upon the Policy.

D. The Insurer shall, to the extent it makes any payment of principal or interest with respect to the Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Policy. Each obligation of the Issuer to the Insurer under this Trust Agreement shall survive discharge or termination of this Trust Agreement. Bonds shall be deemed Outstanding under this Indenture unless and until they are in fact paid and retired or the above criteria are met. Amounts paid by

the Insurer under the Policy shall not be deemed paid for purposes of this Indenture, and the Bonds relating to such payments shall remain Outstanding and continue to be due and owing until paid in accordance with this Indenture. This Indenture shall not be discharged unless all amounts due or to become due to the Insurer have been paid in full or duly provided for.

E. The Issuer will pay or reimburse the Insurer, to the extent permitted by law, and solely from amounts legally available for such purpose, any and all charges, fees, costs and expenses which the Insurer reasonably and in connection with (i) the administration, enforcement, defense or preservation of any rights or security in respect of this Indenture, (ii) the pursuit of any remedies under this Indenture or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, this Indenture whether or not executed or completed, or (iv) any litigation or other dispute in connection with this Indenture or the transactions contemplated thereby, or other than costs resulting from the failure of the Insurer to honor its obligations under the Insurance Policy. The Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of this Indenture.

* * *

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, and to be effective as of the day and year first above written, which date shall be deemed the date hereof for all purposes.

QUAIL CREEK COMMUNITY FACILITIES DISTRICT

By.....
District Manager

ATTEST:

.....
District Clerk

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By.....
Authorized Officer

DRAFT
09/12/16
10/19/16

QUAIL CREEK COMMUNITY FACILITIES DISTRICT

and

U.S. BANK NATIONAL ASSOCIATION,
as Depository

SERIES 2016 DEPOSITORY AGREEMENT

Dated as of _____ 1, 2016

TABLE OF CONTENTS

Page

PARTIES..... 1

ARTICLE ONE

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

SECTION 1.01. Definitions.....2
SECTION 1.02. Notices, etc.....2
SECTION 1.03. Effect of Headings and Table of Contents.....3
SECTION 1.04. Successors and Assigns.....3
SECTION 1.05. Severability Clause.....3
SECTION 1.06. Benefits of Agreement.....3
SECTION 1.07. Governing Law.....3
SECTION 1.08. Incorporation of State Statutes.. ..3
SECTION 1.09. Further Assurances.....4
SECTION 1.10. Amendments.....4
SECTION 1.11. Business Days.....5
SECTION 1.12. Termination.....5
SECTION 1.13. Integration.....5

ARTICLE TWO

THE LETTER OF CREDIT

SECTION 2.01. Beneficiary; Authority to Draw; Draws;
Alternates.....6
SECTION 2.02. Application.....7
SECTION 2.03. Investment of and Security for Fund.....8
SECTION 2.04. Annual Reports.....8

ARTICLE THREE

THE DEPOSITORY

SECTION 3.01. Certain Duties and Responsibilities of
Depository.....9
SECTION 3.02. Certain Rights of Depository.....9
SECTION 3.03. Not Responsible for Recitals or Application of
Proceeds.....10
SECTION 3.04. Compensation and Reimbursement.....11
SECTION 3.05. Corporate Depository Required; Eligibility.....11
SECTION 3.06. Resignation and Removal; Appointment of
Successor.....12
SECTION 3.07. Acceptance of Appointment by Successor.....13
SECTION 3.08. Merger, Conversion, Consolidation or Succession
to Business.....13

SIGNATURES..... 14

* * *

THIS SERIES 2016 DEPOSITORY AGREEMENT, dated as of June 1, 2016 (hereinafter referred to as this "Agreement"), by and between Quail Creek Community Facilities District, a community facilities district duly organized and validly existing pursuant to the laws of the State of Arizona (hereinafter together with its successors referred to as the "Issuer"), and U.S. Bank National Association, a national banking association with trust powers having a corporate trust office in the City of Phoenix, Maricopa County, Arizona, as depository (hereinafter together with any successor to the trust herein granted referred to as the "Depository"),

W I T N E S S E T H:

WHEREAS, pursuant to the Bond Resolution (as such term and all other initially capitalized, undefined terms used in these recitals are defined in the hereinafter defined Series 2016 Indenture), the Board has authorized, among other things, the sale and issuance of the Series 2016 Bonds and, in order to provide terms for, to secure, and to provide for authentication and delivery of the Series 2016 Bonds, has duly authorized the execution and delivery of a Series 2016 Indenture of Trust and Security Agreement, dated as of even date herewith (hereinafter referred to as the "Series 2016 Indenture"), from the Issuer to U.S. Bank National Association, as trustee; and

WHEREAS, in consideration for the issuance of the Series 2016 Bonds, and the actions taken and to be taken in the Series 2016 Indenture, by the Issuer and as a condition precedent to the execution and delivery of this Agreement and the issuance of the Series 2016 Bonds, Robson Ranch Quail Creek, LLC, a limited liability company duly organized and validly existing pursuant to the laws of the State of Delaware (hereinafter referred to as the "Owner"), has had established by Western Alliance Bank in favor of the Depository an irrevocable standby letter of credit in the amount of \$1,800,000; and

WHEREAS, the Issuer may enter into, and expend moneys pursuant to, this Agreement for the public infrastructure purposes provided for by this Agreement with respect to the Issuer;

NOW, THEREFORE, in the joint and mutual exercise of their powers, and in consideration of the above premises and of the mutual covenants herein contained and for other valuable consideration, the parties hereto recite and agree that:

ARTICLE ONE

DEFINITIONS AND OTHER PROVISIONS
OF GENERAL APPLICATION

SECTION 1.01. *Definitions.*

For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

1. The terms defined hereinabove, hereinafter and in the Series 2016 Indenture have the meanings assigned to them hereinabove, hereinafter and in Article One of the Series 2016 Indenture and include the plural as well as the singular.

2. All references in this instrument to designated "Articles," "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of this instrument as originally executed.

3. The words "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section, or other subdivision.

SECTION 1.02. *Notices, etc.*

A. Unless otherwise specifically provided herein, any request, demand, authorization, direction, notice, consent, waiver, payment or other document provided or permitted by this Agreement by the Issuer or the Depository to be made upon, given or furnished to, or filed with,

1. the Depository shall be sufficient for every purpose hereunder if made, given, furnished, or filed in writing to or with the Depository at its corporate trust office in Phoenix, Arizona, or if in writing and mailed, first-class postage prepaid, to the Depository addressed to it at U.S. Bank National Association, 101 North First Avenue, Suite 1600, Phoenix, Arizona 85003, Attention: Global Corporate Trust Services, or at any other address furnished in writing to such Person by the Depository, or

2. the Issuer shall be sufficient for every purpose hereunder if in writing and mailed, first-class postage prepaid, to the Issuer addressed to the Issuer at c/o Town of Sahuarita, Arizona, Box 879, Sahuarita, Arizona 85629, Attention: District Clerk or at any other address previously furnished in writing to such Person by the Issuer, or

3. The Owner shall be sufficient for every purpose hereunder if in writing and mailed, first-class postage

prepaid to the Owner addressed to the Owner at c/o Robson Communities, 9532 East Riggs Road, Sun Lakes, Arizona 85248, Attention: Steven M. Soriano, or at any other address furnished previously in writing to such Person by the Owner, with a copy to Peter Gerstman at the same address.

B. Where this Agreement provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice.

SECTION 1.03. *Effect of Headings and Table of Contents.*

The Article and Section headings herein and in the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 1.04. *Successors and Assigns.*

All covenants and agreements in this Agreement by the Issuer and the Depository shall bind their successors and assigns, whether so expressed or not.

SECTION 1.05. *Severability Clause.*

In case any provision in this Agreement or any application thereof shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions and applications shall not in any way be affected or impaired thereby.

SECTION 1.06. *Benefits of Agreement.*

Nothing in this Agreement, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any benefit or any legal or equitable right, remedy or claim pursuant to this Agreement. The role of the Depository hereunder is administrative only, and the Depository is a party to this Agreement only to hold the Letter of Credit or proceeds thereof in trust for the benefit of the Issuer and the Holders of the Series 2016 Bonds and to carry out the instructions given to the Depository hereunder.

SECTION 1.07. *Governing Law.*

This Agreement shall be construed in accordance with and governed by the laws of the State and the federal laws of the United States of America.

SECTION 1.08. *Incorporation of State Statutes.*

A. The Issuer may, within three (3) years after its execution, cancel this Agreement, without penalty(s) or further

obligation, if any person significantly involved in initiating, negotiating, securing, drafting or creating this Agreement on behalf of the Issuer is, at any time while this Agreement is in effect, an employee or agent of the Depository in any capacity or a consultant to the Depository with respect to the subject matter of this Agreement and may recoup any fee or commission paid or due any person significantly involved in initiating, negotiating, securing, drafting or creating this Agreement on behalf of the Issuer from the Depository arising as the result of this Agreement. The Depository has not taken and shall not take any other action which would cause any person described in the preceding sentence to be a licensee or employee or agent of the Depository in any capacity or a consultant to the Depository with respect to the subject matter of this Agreement.

B. To the extent applicable under Section 41-4401, Arizona Revised Statutes, the Depository shall comply with all federal immigration laws and regulations that relate to its employees and its compliance with the "e-verify" requirements under Section 23-214(A), Arizona Revised Statutes. The breach by the Depository of the foregoing shall be deemed a material breach of this Depository Agreement and may result in the termination of the services of the Depository. The Issuer retains the legal right to randomly inspect the papers and records of the Depository to ensure that the Depository is complying with the above-mentioned warranty. The Depository shall keep such papers and records open for random inspection during normal business hours by the Issuer. The Depository shall cooperate with the random inspections by the Issuer including granting the Issuer entry rights onto its property to perform such random inspections and waiving its respective rights to keep such papers and records confidential.

C. Pursuant to Section 35-393 et seq., Arizona Revised Statutes, the Depository hereby certifies it is not currently engaged in, and for the duration of this Agreement shall not engage in, a boycott of Israel. The term "boycott" has the meaning set forth in Section 35-393, Arizona Revised Statutes. If the Issuer determines that the Depository's certification above is false or that it has breached such agreement, the Issuer may impose remedies as provided by law.

SECTION 1.09. *Further Assurances.*

The Issuer and the Depository shall do, execute, acknowledge and deliver all and every such further acts, conveyances, mortgages, financing statements and assurances as shall be reasonably required for accomplishing the purposes of this Agreement.

SECTION 1.10. *Amendments.*

Pursuant to the conditions established in the Series 2016 Indenture, this Agreement may be amended by an instrument in writing executed and delivered by each of the Depository and the Issuer.

SECTION 1.11. *Business Days.*

For purposes of this Agreement, if any date for any payment or determination is not a Business Day, the applicable payment or determination shall be made or done on the next succeeding day which is a Business Day.

SECTION 1.12. *Termination.*

Subject to the last sentence of this Section, this Agreement shall terminate upon the earliest of (A) the payment or the provision for payment in full of all of the outstanding Series 2016 Bonds, (B) the expiration of the Letter of Credit because the face amount thereof has been reduced to \$50,000 or less or (C) receipt by the Issuer Representative of evidence satisfactory to the Issuer Representative that, in any Fiscal Year after the first Fiscal Year in which principal of the Series 2016 Bonds has started to be amortized, for such Fiscal Year, a tax rate of \$3.00 per \$100 of limited assessed property valuation of property within the boundaries of the Issuer [owned by other than the Owner or any entity owned or controlled (as such term is used in the federal Securities Act of 1933, as amended) by, or which owns or controls, the Owner ???] for such Fiscal Year would have been sufficient to pay Maximum Annual Debt Service for any subsequent Fiscal Year plus the historical, annual, average of amounts necessary for payment of amounts described in Section 9.1 of the Development Agreement as of such Fiscal Year. Such evidence shall consist of a written projection, prepared by the Issuer Representative, if the Letter of Credit has not been drawn, upon a written request of the Owner and otherwise at the discretion of the Issuer Representative, that is based upon the application of such secondary tax rate in light of the actual limited assessed property valuation of the property within the boundaries of the Issuer for such Fiscal Year, assuming a delinquency factor equal to the greater of five percent (5%) and the historic, average, annual percentage delinquency factor for the Issuer as of such Fiscal Year and no credit for any balance or investment income accruing during such Fiscal Year. After receipt of proof of satisfaction of such condition, the Board shall approve in writing such termination, such approval not to be withheld unreasonably.

SECTION 1.13. *Integration.*

This Agreement, when executed and delivered by the parties hereto, shall constitute the entire agreement among them with respect to the matters provided herein and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof.

* * *

ARTICLE TWO

THE LETTER OF CREDIT

SECTION 2.01. *Beneficiary; Authority to Draw; Draws; Alternates.*

A. The Letter of Credit shall be held by the Depository for the benefit of the Issuer and shall be the subject of the Draw upon the occurrence of any one of the following events so long as the Issuer has with respect to any Interest Payment Date occurring on the January 15 immediately preceding the Draw levied for Debt Service for that Fiscal Year a tax rate pursuant to Section 10.01(A) of the Series 2016 Indenture of at least \$3.00 per \$100 of limited assessed property valuation and with respect to any Interest Payment Date occurring on the July 15 immediately preceding the Draw levied such tax rate for the immediately preceding Fiscal Year:

1. The failure of the Owner to pay any amount due on the applicable date due pursuant to the Series 2016 Standby Contribution Agreement.

2. The failure to obtain and deliver to the Depository an Alternate Letter of Credit pursuant to Section 2.01C.

3. The Letter of Credit Bank (i) commences a proceeding pursuant to any federal or state insolvency, reorganization or similar law, or has such a proceeding commenced against it and either has an order of insolvency or reorganization entered against it or has the proceeding remain undismissed and unstayed for ninety (90) days or (ii) has a receiver, conservator, liquidator or trustee appointed for it or for the whole or any substantial part of its property.

The Depository shall present a sight draft to the Letter of Credit Bank (together with any required certificates pursuant to the Letter of Credit) so as to permit the timely transfer of funds from the Letter of Credit Bank to the Depository for the Draw and shall follow such other procedures so as to comply with the Letter of Credit in order to make the Draw. The Depository shall promptly notify the Owner and the Issuer if the Letter of Credit Bank has not transferred funds in accordance with the Letter of Credit upon the presentment of such draft.

B. Upon receipt of moneys from the Letter of Credit Bank, the Depository shall deposit the amount representing the Draw in a separate account established hereby in the name of the Issuer for the purposes hereof to be called the "Series 2016 Principal Account" and apply the same as provided in Section 2.02.

C. The Owner may, at its option, provide for the delivery to the Depository of an Alternate Letter of Credit to take effect on the Letter of Credit Termination Date of the then effective Letter of Credit. For an Alternate Letter of Credit to be effective, sixty (60)

Business Days prior to the Letter of Credit Termination Date, the Depository and the Issuer shall have received the following, in form and substance acceptable to the Issuer Representative:

1. evidence that the Alternate Letter of Credit has a Tier 1 Leverage Ratio indicated in the definition of "Alternate Letter of Credit";

2. an opinion of counsel for the issuer of the Alternate Letter of Credit that it constitutes a legal, valid and binding obligation of the issuer in accordance with its terms;

3. an opinion of nationally recognized bond counsel that such replacement is authorized hereunder and will not cause interest on the Bonds to become includable in gross income for federal income tax purposes and

4. the Alternate Letter of Credit, meeting all of the other requirements provided in the definition of "Alternate Letter of Credit" and being unconditionally binding and effective as of the Letter of Credit Termination Date.

D. The Depository shall not sell, assign or transfer the Letter of Credit except to a successor Depository pursuant to this Agreement.

E. If the Draw has occurred because of the event described in Section 2.01(A)(2) or (3), the Issuer Representative may, in the sole and absolute discretion of the Issuer Representative and pursuant to the same terms and conditions described in Section 2.01(C) and whatever additional terms and conditions the Issuer Representative deems appropriate, instruct the Depository to pay an amount equal to the Draw to the issuer of a new letter of credit meeting the qualifications in the definition of "Alternate Letter of Credit" in exchange for such new letter of credit and thereafter such new letter of credit shall be treated as the Letter of Credit for all purposes of this Agreement.

SECTION 2.02. *Application.*

A. After the Draw, the Depository shall pay to the Trustee from amounts on deposit in the Series 2016 Principal Account the amounts requested pursuant to Section 5.02(C)(1) of the Series 2016 Indenture on each July 8 prior to any Interest Payment Date occurring on July 15 and January 8 prior to any Interest Payment Date occurring on January 15, as applicable.

B. Upon the written consent of the District Manager, the Depository shall pay to the Owner all amounts held by the Depository hereunder upon the termination of this Agreement.

C. The Depository shall return the Letter of Credit to the Owner upon the earlier of the termination thereof or of this Agreement.

SECTION 2.03. *Investment of and Security for Fund.*

A. Amounts on deposit in the Series 2016 Principal Account shall be invested in the Permitted Investments indicated in writing by the Issuer Representative but only such that the yield, calculated for federal income tax purposes, of such Permitted Investments is not materially higher than the yield, calculated on the same basis, for the Series 2016 Bonds, and the Depository shall take all actions necessary with regard to any Permitted Investment to assure that amounts are invested accordingly and such that amounts are available therefrom for the purposes hereof; provided, however, that such amounts may be invested at a higher yield upon receipt from the Issuer of an opinion of nationally recognized bond counsel, addressed to the Depository, to the effect that such amounts may be so invested.

B. The earnings accruing on amounts deposited hereunder and any profit realized from such investment shall be added to the amount held hereunder, and any loss resulting from such investment shall be subtracted from the amount held hereunder.

C. The Depository shall not be liable for any loss resulting from any such investment excepting only such losses as may have resulted from disregard or negligent implementation of any written direction by the Issuer.

SECTION 2.04. *Annual Reports.*

As soon as possible after July 15 of each Fiscal Year and more often as requested in writing by the Issuer Representative, the Depository shall provide to the Issuer a report indicating the balance in the Series 2016 Principal Account as well as all deposits to, and payments from, the Series 2016 Principal Account during the prior Fiscal Year.

* * *

ARTICLE THREE

THE DEPOSITORY

SECTION 3.01. *Certain Duties and Responsibilities of Depository.*

A. The Depository 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 Depository. In the absence of bad faith on its part, the Depository 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 Depository and conforming to the requirements of this Agreement; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Depository, the Depository shall be under a duty to examine the same to determine whether or not they conform on their face to the requirements of this Agreement.

B. No provision of this Agreement shall be construed to relieve the Depository from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that

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

2. the Depository shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Depository was negligent and

3. no provision of this Agreement shall require the Depository 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, unless it is provided indemnity in connection therewith as provided in Section 3.04(A)(3).

C. Whether or not therein expressly so provided, every provision of this Agreement relating to the conduct, affecting the liability of or affording protection to the Depository shall be subject to the provisions of this Section.

SECTION 3.02. *Certain Rights of Depository.*

Except as otherwise provided in Section 3.01 hereof:

A. the Depository may rely and shall be protected in acting or refraining from acting upon:

1. any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent,

order, bond, telex or other paper, document or communication reasonably believed by it to be genuine and to have been signed or presented by the proper Persons and

2. failure of the Depository to receive any such paper, document, or communication, if prior receipt thereof is required by this Agreement before the Depository is to take or refrain from taking any action;

B. any request or direction of the Issuer mentioned herein shall be sufficiently evidenced by an Issuer Request, and any order or resolution of the Board may be sufficiently evidenced by a Board Resolution;

C. whenever in the administration of this Agreement the Depository shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Depository (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate;

D. the Depository may consult with legal counsel and the written advice of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by the Depository hereunder in good faith and in reliance thereon;

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

F. the Depository may perform any duties hereunder either directly or by or through agents or attorneys, and the Depository shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed, with due care by it hereunder.

SECTION 3.03. *Not Responsible for Recitals or Application of Proceeds.*

The recitals contained herein shall be taken as the statements of the other parties hereto, and the Depository assumes no responsibility for their correctness. The Depository makes no representations as to the amounts held hereunder or as to the security afforded thereby or hereby, or as to the validity or genuineness of any securities at any time pledged and deposited with the Depository hereunder, or as to the validity or sufficiency of this Agreement.

SECTION 3.04. *Compensation and Reimbursement.*

A. The Issuer shall

1. pay to the Depository from time to time reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

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

3. indemnify, to the extent permitted by applicable law, the Depository for, and to hold it harmless against, any loss, liability, or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

B. The Depository shall not have the right to set off against or to appropriate or apply any of the amount deposited pursuant to Section 2.01 or any of the investment income therefrom to any unpaid obligation of the Issuer to the Depository hereunder or as a result of any other matter between the Issuer and the Depository.

SECTION 3.05. *Corporate Depository Required; Eligibility.*

There shall at all times be a Depository hereunder which shall be a bank or trust company organized and doing business under the laws of the United States or of any state, authorized pursuant to such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$50,000,000, subject to supervision or examination by federal or State authority, and having a corporate trust office in the City of Phoenix, Arizona. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of such supervising or examining authority, then for the purposes of this Section the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Depository shall cease to be eligible in accordance with the provisions of this Section, it shall resign

immediately in the manner and with the effect hereinafter specified in this Article.

SECTION 3.06. *Resignation and Removal; Appointment of Successor.*

A. No resignation or removal of the Depository and no appointment of a successor Depository pursuant to this Article shall become effective until the acceptance of appointment by the successor Depository pursuant to Section 3.07.

B. The Depository may resign at any time by giving written notice thereof to the Issuer. If an instrument of acceptance by a successor Depository shall not have been delivered to the Depository within thirty (30) days after the giving of such notice of resignation, the resigning Depository may petition any court of competent jurisdiction for the appointment of a successor Depository.

C. If at any time:

1. the Depository shall cease to be eligible pursuant to Section 3.05 and shall fail to resign after written request therefor by the Issuer or

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

then, in any such case, the Issuer by Board Resolution may remove the Depository.

D. If the Depository shall resign, be removed, or become incapable of acting, or if a vacancy shall occur in the office of Depository for any cause, the Issuer by Board Resolution, shall promptly appoint a successor Depository. In case all or substantially all of the amounts held hereunder shall be in the possession of a receiver or trustee lawfully appointed, such receiver or trustee, by written instrument, may similarly appoint a successor to fill such vacancy until a new Depository shall be so appointed. If, within one year after such resignation, removal, or incapability, or the occurrence of such vacancy, a successor Depository shall be so appointed, then the successor Depository so appointed shall, forthwith upon its acceptance of such appointment, become the successor Depository and supersede the successor Depository appointed by the Issuer or by such receiver or trustee. If no successor Depository shall have been so appointed and accepted appointment in the manner hereinafter provided, the Issuer may petition any court of competent jurisdiction for the appointment of a successor Depository.

SECTION 3.07. *Acceptance of Appointment by Successor.*

A. Every successor Depository appointed hereunder shall execute, acknowledge and deliver to the Issuer and the retiring Depository an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Depository shall become effective and such successor Depository, without any further act, deed or conveyance, shall become vested with all the estates, properties, rights, powers, trusts and duties of the retiring Depository; but, on request of the Issuer or the successor Depository, such retiring Depository shall, upon payment of its charges, execute and deliver an instrument conveying and transferring to such successor Depository upon the trusts herein expressed all the estates, properties, rights, powers and trusts of the retiring Depository, and shall duly assign, transfer and deliver to such successor Depository all property and money held by such retiring Depository hereunder, subject nevertheless to its lien, if any, provided for in Section 3.04. Upon request of any such successor Depository, the Issuer shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Depository all such estates, properties, rights, powers and trusts.

B. No successor Depository shall accept its appointment unless at the time of such acceptance such successor Depository shall be qualified and eligible pursuant to this Article.

SECTION 3.08. *Merger, Conversion, Consolidation or Succession to Business.*

Any corporation into which the Depository may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Depository shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Depository, shall be the successor of the Depository hereunder, provided such corporation shall be otherwise qualified and eligible pursuant to this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto.

* * *

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed, and to be effective as of the day and year first above written, which date shall be deemed the date hereof for all purposes.

QUAIL CREEK COMMUNITY FACILITIES
DISTRICT

By.....
District Manager

ATTEST:

.....
District Clerk

U.S. BANK NATIONAL ASSOCIATION, as
Depository

By.....
Authorized Officer