

## QUAIL CREEK COMMUNITY FACILITIES DISTRICT

### RESOLUTION NO. 4

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A RESOLUTION OF THE DISTRICT BOARD OF QUAIL CREEK COMMUNITY FACILITIES DISTRICT APPROVING A FEASIBILITY REPORT WHICH INCLUDES IDENTIFYING THE PUBLIC INFRASTRUCTURE OF THE PROJECTS, THE AREAS TO BE BENEFITTED, THE EXPECTED METHOD OF FINANCING AND THE SYSTEM OF PROVIDING REVENUES TO OPERATE AND MAINTAIN THE PROJECTS, ALL AS PROVIDED IN SUCH REPORT, AND RESOLVING THE INTENT THEREFOR; AUTHORIZING THE SALE AND ISSUANCE OF NOT TO EXCEED \$13,000,000 AGGREGATE PRINCIPAL AMOUNT OF GENERAL OBLIGATION BONDS, SERIES 2006; APPROVING THE FORM AND AUTHORIZING THE EXECUTION AND DELIVERY OF A SERIES 2006 STANDBY CONTRIBUTION AGREEMENT, A SERIES 2006 DEPOSITORY AGREEMENT, A SERIES 2006 INDENTURE OF TRUST AND SECURITY AGREEMENT, A PURCHASE CONTRACT, A SERIES 2006 CONTINUING DISCLOSURE UNDERTAKING, A SERIES 2006 DISSEMINATION AGENCY AGREEMENT AND CERTAIN OTHER DOCUMENTS RELATING TO THE BONDS; AWARDED 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 LIMITED OFFERING MEMORANDUM RELATING TO THE BONDS; AUTHORIZING THE PREPARATION OF A FINAL LIMITED OFFERING MEMORANDUM RELATING TO THE BONDS AND AUTHORIZING THE SUBSEQUENT LEVYING OF AN AD VALOREM PROPERTY TAX WITH RESPECT TO THE BONDS.

BE IT RESOLVED by the District Board of the Quail Creek Community Facilities District, as follows:

**Section 1.** Findings.

- A. Quail Creek Community Facilities District (hereinafter called the "District") is authorized (1) by Section 48 719, Arizona Revised Statutes, as amended, 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 referred to as the "General Plan") and (2) by Section 48-709(F), Arizona Revised Statutes, as amended, 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 Town of Sahuarita, Arizona (hereinafter called the "Municipality"), pursuant to Section 48 709(A)(10), Arizona Revised Statutes, as amended.

- B. Pursuant to Section 48-723, Arizona Revised Statutes, as amended, the District is authorized to levy an ad valorem tax on the assessed value of all real and personal property in the District at a rate which does not exceed the maximum rate specified in the ballot with respect thereto as hereinafter described, including taxes attributable to the operation and maintenance expenses of the District, but not in excess of thirty cents (30¢) per one hundred dollars (\$100) of such assessed valuation for such operation and maintenance.
- C. Such bonds may not be issued and such tax may not be levied 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, as amended [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, as amended (hereinafter referred to as the "qualified electors"),] the question of authorizing the District Board to issue such bonds (hereinafter referred to as the "Bonds") and to levy such tax (hereinafter referred to as the "Operation and Maintenance Expenses Tax").
- D. The district board of the District (hereinafter called 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 referred to as the "Election Resolution"), which provided that a special election be held on November 8, 2005 (hereinafter referred to as 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.
- E. 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 and such ballot was marked "Tax, Yes" and no ballots were marked "Tax, No" with respect to the levying of the Operation and Maintenance Expenses Tax; (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.

- F. 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.
- G. Pursuant to Section 48-715, Arizona Revised Statutes, as amended, and the Election Resolution, the District Board has caused a report of the feasibility and benefits of the projects relating to certain public infrastructure provided for in the General Plan and to be financed with proceeds of the sale of the first series of the Bonds (hereinafter referred to as the "First Series of Bonds") to be prepared, such report having included a description of certain public infrastructure to be acquired and all other information useful to understand the projects, a map showing, in general, the location of the projects, an estimate of the cost to construct, acquire, operate and maintain the projects, an estimated schedule for completion of the projects, a map or description of the area to be benefitted by the projects and a plan for financing the projects (hereinafter referred to as the "Report"). A public hearing on the Report was held on the date of adoption of this Resolution, but prior thereto (hereinafter referred to as the "Report Hearing"), after provision for publication of notice thereof as provided by law.
- H. It has been requested that the District Board undertake any and all of the public infrastructure purposes described in the General Plan as such purposes relate to the public infrastructure (hereinafter referred to as the "Projects") described in the Development Agreement (as such term is defined in the Election Resolution), and the District Board desires to undertake such public infrastructure purposes as described in the Development Agreement, including consideration of the acquisition or construction of the Projects which are designated in the General Plan.
- I. The District Board (1) has determined to authorize the issuance of the First Series of Bonds to provide funds for any and all of the public infrastructure purposes provided for by the Act to the extent authorized in the Election and (2) shall enter in its minutes a record of the First 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.
- J. Pursuant to the Act, the District Board has determined to enter into a Series 2006 Standby Contribution Agreement, to be dated as of the first day of the month of the dated date of the First Series of Bonds determined as provided herein (hereinafter referred to as the "Standby Contribution Agreement"), by and among the District, Robson Ranch Quail Creek, LLC (hereinafter called the "Owner") and Wells Fargo Bank, N.A., as trustee (hereinafter referred to as the "Trustee"), to provide for certain public infrastructure purposes for the District, including for credit enhancement for the First Series of Bonds.

- K. Pursuant to the Act, the District Board has also determined to enter into a Series 2006 Depository Agreement, to be dated as of the first day of the month of the dated date of the First Series of Bonds determined as provided herein (hereinafter referred to as the "Depository Agreement"), by and between the District and Wells Fargo Bank, N.A., as depository (hereinafter referred to as the "Depository"), to provide for certain public infrastructure purposes for the District, including for credit enhancement for the First Series of Bonds.
- L. Pursuant to the Act, the District Board has further determined to enter into a Series 2006 Indenture of Trust and Security Agreement, to be dated as of the first day of the month of the dated date of the First Series of Bonds as provided herein (hereinafter referred to as 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 First 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 First Series of Bonds and, in order to provide terms for, to secure, and to provide for authentication and delivery of the First Series of Bonds by the Trustee, to authorize the execution and delivery of the Indenture.
- M. Pursuant to the Act, the District Board has further also determined to enter into (1) a Series 2006 Continuing Disclosure Undertaking, to be dated even date with the delivery of the First Series of Bonds (hereinafter referred to as the "Undertaking") and (2) a Series 2006 Dissemination Agency Agreement, to be dated as of the first day of the month of the dated date of the First Series of Bonds determined as provided herein (hereinafter referred to as the "Dissemination Agreement"), by and between the District and RBC Dain Rauscher Inc. (doing business under the trade name RBC Capital Markets) to provide for certain securities laws related, on-going, secondary market disclosure matters related to the First Series of Bonds.
- N. There have been placed on file with the District Clerk of the District and presented to the District Board in connection with the purposes described in paragraphs l.g. through m. (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 Purchase Contract relating to the Bonds, to be dated even date with their sale (hereinafter referred to as the "Purchase Contract"), by and between the District and RBC Dain Rauscher Inc. (doing business under the trade name RBC Capital Markets) (hereinafter referred to as the "Underwriter"), (5) the proposed form of the Undertaking, (6) the proposed form of the Dissemination Agreement and (7) the proposed form of the Preliminary Limited Offering Memorandum relating to the Bonds, to be dated the date of the mailing thereof (the "Preliminary Limited Offering Memorandum"). (The documents described in Clauses (1) through (6), both inclusive, are hereinafter referred to, collectively, as the "Bond Documents.")

- O. The District Board hereby finds and determines that (1) the proposed amount of indebtedness evidenced by the First Series of Bonds will not exceed the estimated cost of the public infrastructure improvements to be 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 First Series of Bonds and (2) the total aggregate outstanding amount of the First 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 after the public infrastructure of the District is completed plus the value of the public infrastructure to be acquired by the District with proceeds of the First Series of Bonds (based upon information to be submitted to the District by the Owner, hereby found and determined to be not less than \$21,666,667) all as provided in the Act.
- P. Based solely upon the agreement of the Underwriter and the opinions of its counsel and bond counsel with respect to the issuance of the First Series of Bonds, the District Board hereby finds and determines further that the Bonds are not being sold in a public offering for purposes of the Act and all other purposes.

**Section 2.** Approvals.

- A. Approval of Sale and Issuance of First Series of Bonds. The First Series of Bonds are hereby authorized to be issued as a series of general obligation bonds of the District to be designated "General Obligation Bonds, Series 2006." The First 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 District Manager is hereby authorized and directed to determine on behalf of the District: (1) the dated date (but not later than December 1, 2006) and total principal amount (but not to exceed \$13,000,000) of the First Series of Bonds; (2) the final principal and maturity schedule of the First Series of Bonds (but none of the First Series of Bonds to mature more than twenty-five (25) years from their date of issuance); (3) the interest rate on each maturity of the First Series of Bonds and the dates for payment of such interest; (4) the provisions for redemption in advance of maturity of the First Series of Bonds; (5) the sales date, sales price and other terms of sale of the First Series of Bonds and (6) the provisions for credit enhancement, if any, for the First Series of Bonds upon the advice of the Underwriter including pursuant to the Standby Contribution Agreement and the Depository Agreement; provided, however, that the foregoing determinations must result in a yield with respect to the First Series of Bonds, calculated for federal income tax purposes, of not to exceed nine percent (9%). The First Series of Bonds shall be sold to the Underwriter in accordance with the terms of the Purchase Contract and at a price specified therein with original issue discount and underwriter's compensation in an amount approximately equal to the amount presented in the Report and in each case as determined by the District Manager who is hereby authorized and directed to so determine such matters.

- B. Forms, Terms and Provisions, and Execution and Delivery, of First Series of Bonds. The forms, terms and provisions of the First 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 First Series of Bonds, and each is hereby authorized to execute and deliver them. (The persons who shall so execute and deliver the First Series of Bonds shall be the persons holding such offices at the time of the initial issuance and delivery of the First Series of Bonds.)
- C. Forms, Terms and Provisions, and Execution and Delivery, of Bond Documents. The forms, terms and provisions of 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 or the District Manager and the District Clerk or any of such officers are hereby authorized to execute the Bond Documents.
- D. Authorization to Execute and Deliver Order to Trustee. The District Manager or the is hereby authorized to execute and deliver to the Trustee the written order of the District for the authentication and delivery of the First 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 First 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 First Series of Bonds.)
- F. Distribution of Disclosure Documents.
1. The distribution by the Underwriter of the Preliminary Limited Offering Memorandum 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 Limited Offering Memorandum for the First Series of Bonds, to be dated even date with their sale, and the distribution of the Final Limited Offering Memorandum by the Underwriter is hereby approved.
  2. The District Manager is hereby authorized to deem the Preliminary Limited Offering Memorandum "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 Limited Offering Memorandum.

G. Tax Levy.

1. For each year while any Bond is outstanding, the District Board shall 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 First Series of Bonds when collected constitute funds to pay Debt Service and shall be kept in the Series 2006 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. Wells Fargo Bank, N.A., 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.

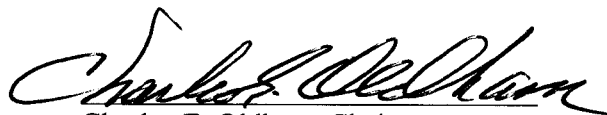
**Section 3.** Repeal of Resolution. After any of the First Series of Bonds are delivered by the Trustee to the Underwriter upon receipt of payment therefor, this Resolution shall be

and remain irrevocable until the Bonds and the interest thereon shall have been fully paid, canceled and discharged.

**Section 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 AND ADOPTED by the District Board of the Quail Creek Community Facilities District this 8<sup>th</sup> day of May, 2006.



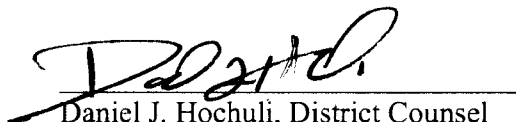
Charles E. Oldham, Chairman  
District Board, Quail Creek Community  
Facilities District

ATTEST:



Sandra R. Olivas, District Clerk  
Quail Creek Community Facilities  
District

APPROVED AS TO FORM:



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