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**DEVELOPMENT, FINANCING PARTICIPATION
AND INTERGOVERNMENTAL AGREEMENT NO. 1**

FOR

**FESTIVAL RANCH
COMMUNITY FACILITIES DISTRICT
(BUCKEYE, ARIZONA)**

by and among

TOWN OF BUCKEYE, ARIZONA,

**FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT
(BUCKEYE, ARIZONA),**

10,000 WEST, L.L.C.

and

PULTE HOME CORPORATION

Dated as of April 21, 2005

**DEVELOPMENT, FINANCING PARTICIPATION
AND INTERGOVERNMENTAL AGREEMENT NO. 1
FESTIVAL RANCH
COMMUNITY FACILITIES DISTRICT**

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THIS DEVELOPMENT, FINANCING PARTICIPATION AND INTERGOVERNMENTAL AGREEMENT NO. 1 FOR FESTIVAL RANCH COMMUNITY FACILITIES DISTRICT, dated as of April 21, 2005 (the "*Agreement*"), by and among the Town of Buckeye, Arizona, a municipal corporation under the laws of the State of Arizona (the "*Municipality*"), Festival Ranch Community Facilities District, a community facilities district formed by the Municipality, and duly organized and validly existing, pursuant to the laws of the State of Arizona (the "*District*"), 10,000 WEST, LLC, a limited liability company and PULTE HOME CORPORATION, a Michigan corporation (collectively, the "*Owners*") who owns in fee title all or substantially all of the real property in the District. Other persons having an interest in any real property within the District (the "*Lienholders*"), have acknowledged and agreed to the terms and provisions of this Agreement and have consented to the recording of this Agreement as a binding encumbrance against their respective property, by the execution of the Consent and Agreement attached hereto.

W I T N E S S E T H :

WHEREAS, pursuant to Title 48, Chapter 4, Article 6, Arizona Revised Statutes, as amended (the "*Act*"), and Section 9-500.05, Arizona Revised Statutes, as amended, the Municipality, the District and the Owners may enter into this 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, including, but not limited to subsequent reimbursements or repayments over time; and

WHEREAS, with regard to the property described in *Exhibit "A"* hereto (the "*Property*") which makes up the real property included within the boundaries of the District, the Municipality, the District and the Owners have determined to specify some of such matters in this Agreement, particularly matters relating to the acquisition, construction financing, operation and maintenance of certain public infrastructure by the District, including matters relating to competitive bidding of the construction of the public infrastructure the acceptance thereof by the Municipality, the sale of bonds to finance the costs of the public infrastructure, and, if applicable and approved by the District, the reimbursement or repayment of the Owners with respect thereto, all pursuant to the Act; and

WHEREAS, this Agreement 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 this Agreement is executed; and

WHEREAS, general obligation bonds (the "*G.O. Bonds*") and/or special assessment lien bonds (the "*Assessment Bonds*") of the District may be issued in the sole discretion of the District board of directors (the "*District Board*"), to provide moneys to finance certain "public infrastructure purposes" (as such term is defined in the Act) described in the General Plan of the District (the "*General Plan*") heretofore approved by the Municipality and the District (collectively, the G.O. Bonds and the Assessment Bonds of the District are referred to as the "*Bonds*"); and

WHEREAS, the District Board has ordered, called and conducted a general obligation bond election, whereat the persons qualified to vote at such election pursuant to the Act authorized the District Board to issue, in its sole discretion, G.O. Bonds in an amount not to exceed One Hundred Twenty Five Million Dollars (\$175,000,000.00) to provide moneys for public infrastructure purposes consistent with the ballot, the General Plan and the Act; and

WHEREAS, the District Board, pursuant to the procedures prescribed by Sections 48-576 through 48-589, Arizona Revised Statutes, as amended, as nearly as practicable, or such other procedures as the District Board provides, may, in its sole discretion, levy assessments of the costs of any public infrastructure or public infrastructure purpose on any land in the District based on the benefit determined by the District Board to be received by the land, and issue and sell the Assessment Bonds payable from amounts collected from the special assessments; and

WHEREAS, pursuant to the Act, the District may enter into this Agreement with the Owners with respect to the advance of moneys for public infrastructure or public infrastructure purposes by the Owners and the repayment of such advances; and

WHEREAS, pursuant to the Act and Title 11, Chapter 7, Article 3, Arizona Revised Statutes, as amended (the "*Intergovernmental Agreement Act*"), the District and the Municipality may enter into the specified sections of this Agreement as an "intergovernmental agreement" with one another for joint or cooperative action for services and to jointly exercise any powers common to them and for the purposes of the planning, design, inspection, ownership, control, maintenance, operation or repair of public infrastructure; and

WHEREAS, pursuant to Section 48-715, Arizona Revised Statutes, as amended, and the CFD Guidelines (as defined herein) before constructing or acquiring any public infrastructure improvements, the District Board is required, in each instance, to cause a report of the feasibility and benefits of the project (the "*Report*") relating to such public infrastructure improvements to be prepared by engineers and other qualified persons, which must include a description of the public infrastructure to be constructed or acquired and all other information useful to understand the project, a map showing, in general, the location of the project, an estimate of the cost to construct, acquire, operate and maintain the project, an estimated schedule for completion of the project, a map or description of the area to be benefited by the project, and a plan for financing the project; and

WHEREAS, nothing contained in this Agreement is intended to limit the District Board in exercising its judgment with respect to the issuance of Bonds during the process of reviewing and approving or rejecting any Report;

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 as follows:

ARTICLE I

COMMUNITY FACILITIES DISTRICT

Section 1.1 **CFD Guidelines.** Except as otherwise specifically provided in this Agreement, as may be amended from time to time, the District shall be subject to and governed by the terms and provisions of the Town of Buckeye, Arizona, Policy Guidelines and Application Procedures for the Establishment of Community Facilities Districts, as amended from time to time (the "*CFD Guidelines*").

Section 1.2 **District Consulting Costs.** The District may retain an independent financial advisor, legal advisor, underwriter, engineer and such other advisors and consultants as may be necessary to assist the District in its operations, including but not limited to evaluating budgets, reports, financing documents, District construction documents and similar matters ("*District Consulting Costs*"). District Consulting Costs shall be included as District Administrative Expenses, provided, however, certain District Consulting Costs constituting capital expenditures of a project financed by Bonds may, if approved by the District Board, be paid with the proceeds of Bonds.

Section 1.3 **Compliance with Law and CFD Guidelines.** The District shall maintain its records and conduct its affairs in accordance with the Act, the laws of the State of Arizona and the CFD Guidelines.

Section 1.4 **Payment of Municipality's Costs and Expenses.** The Municipality shall be paid by the District for its costs and expenses relating to the District and the public infrastructure financed by the District as described in Section 7.3(d) of this Agreement. The Municipality will provide the District and the District will provide the Owners with an invoice for the Municipality's costs and expenses. The Owners agrees to pay to the District the amounts owed per Article VII of this Agreement within forty-five (45) days of receipt of the invoice.

Section 1.5 **Contracting for District Financial Infrastructure.**

(a) **Public Bid Requirement.** All infrastructure described in the General Plan that is or expected to be financed with District moneys or District Bond proceeds ("*District Financed Infrastructure*") shall be public infrastructure improvements as described in the Act. Any District Financed Infrastructure shall be publicly bid and awarded pursuant to the provisions of the Arizona Revised Statutes, as amended, and in accordance with the bidding policies of the Municipality (collectively, the "*Public Bid Requirements*").

(b) **Notice Inviting Bids.** Commencing on the date of this Agreement, the form of Notice Inviting Bids in *Exhibit "B"* hereto shall be used in substantially the form for such purpose, and the use of such form prior to the execution and delivery of this Agreement is hereby ratified in all respects.

(c) **Certificate of the Engineers.** Compliance with the Public Bid Requirements shall be evidenced by the certification of the engineers of the Owners and the District (collectively, the "*Engineers*") with respect thereto in the form of *Exhibit "C"* hereto (the "*Certificate of the Engineers*").

(d) **Limitation on Recourse.** Each construction or acquisition contract relating to the public infrastructure improvements or purposes shall provide that the respective contractors or vendors shall not have recourse, directly or indirectly, to the Municipality. In the case of any initial financing provided by the Owners of any construction or acquisition contract relating to public infrastructure improvements or purposes for which reimbursement is expected, such contract shall provide that the respective contractors or vendors shall not have recourse, directly or indirectly to the District, for the payment of any costs under such contract or any liability, claim or expense arising therefrom and that the Owners shall have sole liability for payment under such contract of all such amounts.

Section 1.6 Submission of Reports; Approval or Rejection. Owners or, if after the end of the Owners Exclusive Period (as hereinafter defined), the District or any third party owning real property within the District, shall have the right to submit to the District Board one or more Reports pertaining to the issuance of Bonds to finance the construction, acquisition or installation of all or a part of the public infrastructure improvements described in the General Plan. The District Board, exercising its sole discretion may thereafter approve or reject the Report and approve or reject the issuance of District Bonds. With respect to general obligation bonds or revenue bonds, the Owners Exclusive Period shall end on the earlier to occur of (a) the reimbursement to the Owners or the Developer, or any successor thereto, of \$109,000,000 or more for public infrastructure improvements (not including the water treatment facility improvements), or (b) March 1, 2025. With respect to special assessments, the Owners Exclusive Period shall end on the earlier to occur of (a) less than 15% of the assessment to be levied to secure the special assessment bonds will be levied on property owned by the Owners, or (b) March 1, 2025. Notwithstanding any provision of this Section 1.6, the District Board may cause the preparation of a Report and thereafter issue general obligation bonds or assessment bonds if the District Board determines that the issuance of such bonds and the use of the proceeds thereof will mitigate or cure a health or safety issue located within or affecting property or residents within the District.

Section 1.7 Withdrawal of Reports. Notwithstanding Section 1.6 above, Owners shall be permitted to withdraw any Report submitted by Owners from consideration by the District at any time before the conclusion of the hearing thereon. In the event of such a withdrawal, the District Board shall not approve the Report or adopt any resolution which would effect an implementation of any part of the transaction described in such Report. Owners shall be permitted to resubmit any such withdrawn Report or any Report which has been rejected by the District Board and then amended by Owners, at such time as Owners may, in their sole discretion, deem advisable. The Owners are responsible for the costs incurred prior to the withdrawal, including consultant fees.

ARTICLE II

CONSTRUCTION OF PROJECTS BY OWNERS

Section 2.1 **Construction by Owners.**

(a) **At Owners Expense.** Subject to the other terms and provisions of this Agreement, Owners at their sole cost and expense may, unless the procedure to have the District construct the public infrastructure improvements as described in Article IV hereof is followed, cause the public infrastructure improvements or purposes, including but not limited to those improvements described in the General Plan and generally consistent with the community master plan for the Festival Ranch project (collectively, the "*Acquisition Infrastructure*" and as detailed in the General Plan on a project-by-project basis as an "*Acquisition Project*" or the "*Acquisition Projects*") to be provided for pursuant to plans and specifications approved by the Municipality (the "*Plans and Specifications*").

(b) **Compliance with Applicable Codes, Etc.** The Acquisition Projects shall be constructed in a good and workmanlike manner in compliance with all applicable standards, codes, rules, guidelines or regulations of the Municipality, as in effect from time to time, for the same or comparable construction projects of the Municipality.

Section 2.2 **Public Bidding.** The Acquisition Projects shall be bid in one or more parts pursuant to the Public Bid Requirements and the requirements set forth in Section 1.5 of this Agreement. Any contracts for such work shall be hereafter referred to as the "*Acquisition Project Construction Contracts*" and individually as an "*Acquisition Project Construction Contract*". Plans, specifications, bid documents and bidding procedures are subject to review and approval by the District. Bids will be submitted to, or as directed by, the District for opening and review. No award of an Acquisition Project Construction Contract shall be made without the concurrence of the District.

Section 2.3 **Project Costs; Change Orders.** The total bid amount of any Acquisition Project Construction Contract plus any other costs of the Acquisition Project that are not required to be bid pursuant to the Public Bid Requirements shall be submitted for review to and if acceptable, approved by the Manager for the District (the "*District Manager*") or his designee and the engineer for the District (the "*District Engineer*"). The total bid amount of any Acquisition Project Construction Contract shall not exceed the estimated cost of the Acquisition Project set forth in the approved Report. Any change order to any Acquisition Project Construction Contract shall be subject to approval by the District Engineer and District Manager (which approval shall not be unreasonably withheld or delayed) and shall be certified to in the Certificate of the Engineers; provided, however, that any change order increasing the amount of an Acquisition Project Construction Contract by more than 10% of the original contract amount or modifying significantly the scope of the work otherwise shall be approved by the District Board. Any increase in cost caused by any change order shall be the sole responsibility of Owners provided that such increase in cost caused by an approved change order may be included by Owners in any applicable Segment Price pursuant to Section 3.2 hereof.

Section 2.4 **At Owners Risk.** As between Owners, the Municipality and the District, Owners shall bear all risks, liabilities, obligations and responsibilities under each Acquisition Project Construction Contract and all risk of loss of or damage to any Acquisition Project (or any part thereof) occurring prior to the time of acquisition of such Acquisition Project (or part thereof).

Section 2.5 **Prior Conveyance Not a Bar.** The prior conveyance or dedication of easements, right-of-way or public infrastructure shall not affect or proscribe Owners right to construct public infrastructure improvements or purposes thereon or to be paid or reimbursed for such construction upon acquisition by the District.

ARTICLE III

ACQUISITION OF PROJECTS FROM OWNERS

Section 3.1 **Acquisition by District.**

(a) **Purchase.** Subject to the other terms and provisions of this Agreement and after approval by the District Board, exercising its sole discretion, approves a Report pertaining to the applicable Acquisition Project, Owners shall sell to the District, and the District shall acquire from Owners, each Acquisition Project, together with all real property or interests therein necessary to operate and maintain the District Financed Improvements (collectively, the "*Necessary Public Property*"), as a whole (the entire Acquisition Project) or, if applicable, in completed, discrete portions as determined by the District Engineer and the District Manager and in accordance with the Plans and Specifications (referred to herein as a "*Segment*") at the price for the Acquisition Project or, if applicable, each Segment (the "*Project Price*" or the "*Segment Price*" as applicable) established as provided in Section 3.2 hereof. At the request of the District the Owners shall convey any acquired Acquisition Project or Segment(s) and the Necessary Public Property to be conveyed directly to the Municipality, together with a direct assignment of any warranties, guarantees and bonds.

(b) **Financing; Limited Liability.** Any such acquisition shall be financed (i) at any time before the sale and delivery of any of the Bonds only pursuant to Section 5.1(a) hereof and (ii) at any time after the sale and delivery of any of the Bonds only pursuant to Section 5.1(b) hereof. Payment of the Project Price or Segment Price is subject to the availability of proceeds of District Bonds as described in Section 5.1.

(c) **Compensation Limited.** Owners have not been and shall not be compensated for any of the Acquisition Infrastructure except as provided by this Agreement. The District shall not be liable for any payment or repayment to Owners therefor except as provided by this Agreement.

(d) **No Prior Dedication.** As of the date of this Agreement, none of the Acquisition Infrastructure has been dedicated by Owners or accepted by the District or the Municipality or offered for dedication by Owners or acceptance by the District or the Municipality.

Section 3.2 **Determining Project Price.**

(a) **Actual Costs.** The Project Price for an Acquisition Project or the Segment Price for a Segment, as applicable, shall be equal to the sum of the amounts bid (together with or net of any approved change orders), and approved pursuant to Section 2.3 hereof, plus any other amounts that are not required to be bid pursuant to the Public Bid Requirements but are approved pursuant to Section 2.3 hereof, and actually paid by Owners for (1) third-party design and/or engineering of the Acquisition Project or Segment, (2) construction and or installation of the Acquisition Project or Segment pursuant to the Acquisition Project Construction Contract for such Acquisition Project or Segment, (3) inspection and supervision of

the construction of the Acquisition Project or Segment by the District for performance under such Acquisition Project Construction Contract and a reasonable third-party construction management fee, and (4) other miscellaneous and incidental costs relating to the construction and/or installation of such Acquisition Project or Segment allowed by the Act and approved in the Report, but not including any Necessary Public Property.

(b) **Certificate of Engineers.** The determination of the Project Price or the Segment Price shall be certified in the Certificate of the Engineers for that Segment.

Section 3.3 **Conditions for Payment.** The District shall pay the Project Price or the Segment Price, as applicable for and acquire from Owners, and Owners shall, subject to Section 5.1(a)(ii) below, accept the Project Price or the Segment Price for and sell to the District, the Acquisition Project or Segment as provided in Section 3.1 hereof after the approval of the Report and after receipt by the District Manager of the following with respect to the acquisition Project or Segment, in form and substance reasonably satisfactory to the District Manager:

- (i) the Certificate of the Engineers;
- (ii) the "Conveyance for Segment of Project" in the form of Exhibit "D" hereto (hereinafter referred to as a "Conveyance");
- (iii) evidence that all Necessary Public Property has been conveyed to the Municipality and public access to the Segment or the Acquisition Project, as applicable, has been or will be provided to the Municipality;
- (iv) the assignment of all contractors' and materialmen's warranties and guarantees as well as payment and performance bonds;
- (v) an acceptance letter issued by the Municipality and by its terms subject specifically to recordation of the Conveyance of the Acquisition Project or Segment, as applicable, which is the subject of such letter; and
- (vi) such other documents, instruments, approvals or opinions as may reasonably be requested by the District Manager including, with respect to any Necessary Public Property, title reports, insurance and opinions and evidence satisfactory to the District Manager that any Necessary Public Property to be acquired does not contain environmental contaminants which make such real property unsuitable for its intended use or, to the extent such contaminants are present, a plan satisfactory to the District Manager which sets forth the process by which such Necessary Public Property will be made suitable for its intended use and the sources of funds necessary to accomplish such purpose.

Section 3.4 **Conveyance of Necessary Public Property.** The Owners shall convey to the District, or if directed by the District and consented to by the Municipality, dedicate to the Municipality, without cost, all Necessary Public Property required for the operation and maintenance of the Acquisition Project or Segment, as applicable. The Necessary

Public Property required shall be similar to the requirements for construction projects of the Municipality similar to the Segment.

ARTICLE IV

CONSTRUCTION OF PROJECTS BY THE DISTRICT

Section 4.1 **Construction by District.**

(a) **Generally.** Subject to the other terms and provisions of this Agreement, the District, after the District Board, exercising its sole discretion, approves a Report, prior to the bidding therefor, may cause any of the public infrastructure described in the General Plan (hereinafter referred to if constructed pursuant to the provisions of this Article IV as collectively the "*Constructed Infrastructure*" and as detailed in the General Plan on a project-by-project basis a "Construction Project" or the "*Construction Projects*") to be constructed pursuant to the Plans and Specifications.

(b) **Similar Requirements.** The Construction Projects shall be constructed in accordance with the requirements for construction projects of the Municipality similar to the Construction Projects unless heretofore agreed otherwise by the Municipality.

Section 4.2 **Contracts.** The Construction Projects shall be bid in one or more parts by and in the name of the District pursuant to the Public Bid Requirements, and contracts shall be entered into by the District (hereinafter referred to as collectively the "*Construction Project Construction Contracts*" and as individually a "*Construction Project Construction Contract*").

Section 4.3 **Convey Necessary Public Property.** Prior to bidding any contract for the construction of a Construction Project, the Owners shall convey to the District, without cost, or if directed by the District and consented to by the Municipality, dedicate to the Municipality, without cost, all Necessary Public Property required for the construction, operation and maintenance of the public improvements comprising the Construction Projects. The type, size and terms of the Necessary Public Property required for the construction, operation or maintenance of the Construction Project shall be similar to the requirements for construction projects of the Municipality similar to the Construction Projects. In addition, such conveyance shall occur after receipt by the District Manager of the following with respect to such Necessary Public Property, in form and substance reasonably satisfactory to the District Manager:

(i) a special warranty deed or easement from the Owners for such Necessary Public Property executed by an authorized officer of the Owners,

(ii) such environmental assessments or other evidence satisfactory to the District Manager that such Necessary Public Property does not contain environmental contaminants which make such Necessary Public Property unsuitable for its intended use or to the extent such contaminants are present, a plan satisfactory to the District Manager which sets forth the process by which such Necessary Public Property will be made suitable for its intended use, a plan for remediation of such contaminants, if required by the District Manager and the sources of funds necessary to accomplish such purpose, and

(iii) such other documents, instruments, approvals or opinions as the District Board may reasonably request including title reports, insurance and opinions.

Section 4.4 **Limited Compensation.** Owners have not been and shall not be compensated for any costs of any Construction Project except as provided herein.

Section 4.5 **Approval of Report.** Construction of any Construction Project has not and shall not commence prior to the approval of the Report as required by, and for all purposes of, the Act and conveyance or dedication of a Necessary Public Property as provided in Section 4.3 hereof.

Section 4.6 **Financing; Limited Liability.** Any such construction or acquisition shall be financed (i) at any time before the sale and delivery of any of the Bonds only pursuant to Section 5.2(a) hereof and (ii) at any time after the sale and delivery of any of the Bonds only pursuant to Section 5.2(b) hereof. Payment of the costs of any Construction Project is subject to the availability of proceeds of District Bonds as described in Section 5.2.

ARTICLE V

FINANCING OF PROJECTS

Section 5.1 Acquisition Projects.

(a) Before Bond Sale.

(i) To provide for any acquisition of an Acquisition Project or a Segment occurring before the sale and delivery of any Bonds, the Project Price or, if applicable, the Segment Price(s) for Segment(s) comprising an Acquisition Project shall be paid by Owners subject to payment and acquisition by the District pursuant to the terms of this Agreement and the Conveyance of the Acquisition Project or Segment.

(ii) As soon as possible after the sale and delivery of any Bonds issued for the purpose of acquiring an Acquisition Project or any Segment, the amount of the Project Price for the Acquisition Project or the Segment Price of a Segment paid by the Owners prior to the sale and delivery of the Bonds shall, subject to the requirements of Section 3.3 hereof, be paid to Owners from, and only from, the proceeds of the sale and delivery of the Bonds issued for the purpose of acquiring an Acquisition Project or any Segment. Neither the District nor the Municipality shall be liable to Owners (or any contractor or assigns under any Contract) for payment of any Project Price or Segment Price except, the District shall be liable to the extent unencumbered proceeds of the sale of the Bonds issued for the purpose of acquiring an Acquisition Project or any Segment, are available for such purpose. No representation or warranty is given by the District, or District Board that Bonds will be approved for issuance and sale by the District Board, can be sold by the District, or that sufficient proceeds from the sale of the Bonds shall be available to pay any Project Price or Segment Price. The foregoing is not intended to limit the right of Owners to payment for any amount of the Project Price or Segment Price paid by Owners in excess of the proceeds from the sale of the Bonds if the District thereafter finances such amount from future Bond proceeds, and the District and the Municipality shall reasonably cooperate with Owners in preserving the right to any such future payment.

(iii) Until the sale and delivery of the Bonds issued and sufficient for the purpose of acquiring an Acquisition Project or any Segment, the District shall not have any obligation to repay Owners for any payment made by Owners to pay any Project Price or Segment Price.

(b) After Bond Sale.

(i) Any acquisition of an Acquisition Project or any Segment occurring after the sale and delivery of any Bonds issued for the purpose of acquiring an Acquisition Project or any Segment shall, subject to the requirements of Section 3.3 hereof, be provided for by the payment of the Project Price or Segment Price from, and only from, the proceeds of the sale and delivery of the Bonds issued and sufficient for the purpose of acquiring an Acquisition Project or any Segment.

(ii) Until the sale and delivery of the Bonds issued and sufficient for the purpose of acquiring an Acquisition Project or any Segment, the District shall have no obligation to pay such Project Price or Segment Price. Neither the District nor the Municipality shall be liable to Owners (or any contractor or assigns under any Contract) for payment of any Project Price or Segment Price except, the District shall be liable to the extent unencumbered proceeds of the sale of the Bonds issued for the purpose of acquiring an Acquisition Project or any Segment, are available for such purpose. No representation or warranty is given by the District or the District Board that Bonds will be approved for issuance and sale by the District Board, can be sold by the District or that sufficient proceeds from the sale of the Bonds issued for the purpose of acquiring an Acquisition Project or any Segment, shall be available to pay such Project Price or Segment Price. The foregoing is not intended to limit the right of Owners to payment for any deficiency between the proceeds from the sale of the Bonds and the amount of any Project Price or Segment Price paid by Owners if the District thereafter finances such amount from other or future Bonds and the District and the Municipality shall reasonably cooperate with Owners in preserving the right to any such future payment.

(c) **If Sufficient Bonds Not Issued.** If the Bonds are not issued or if the proceeds of the Bonds are insufficient to pay all of the Project Price or Segment Price, there shall be no recourse to the District or the Municipality and the District and the Municipality shall not have liability with respect to, the Project Price or Segment Price, except, the District shall be liable for payment only from the proceeds of the sale of the Bonds, if any. Nothing contained in this Section 5.1 shall obligate the Municipality to pay for any Segment Price or Acquisition Infrastructure from any monies of the Municipality. The foregoing is not intended to limit the ability of the Owners to payment for any deficiency between the proceeds from the sale of the Bonds for such purpose and the amount of a Project Price or Segment Price, if the District thereafter finances such amount from future Bond proceeds.

Section 5.2 Construction Project.

(a) Before Bond Sale.

(i) To provide for amounts due pursuant to any Construction Project Construction Contract (including incidental costs relating thereto) (the "*Construction Costs*") after the biddings thereof but before the sale and delivery of any Bonds, such amounts shall be paid by Owners pursuant to the terms of this Agreement. Incidental costs related to a Construction Project Construction Contract shall include, without limitation, permits, staking costs, general conditions, engineering costs, and third-party construction management costs. Each payment of such Construction Costs by the Owners shall be evidenced by a written acknowledgement of the District Manager included as part of the written approval of the District Engineer of each pay request of the contractor for such Construction Project Construction Contract.

(ii) As soon as possible after the sale and delivery of any Bonds issued for the purpose of paying the Construction Costs of a Construction Project Construction Contract and sufficient Bond proceeds are reserved to pay the remaining Construction Costs of a

Construction Project Construction Contract, the total amounts of the Construction Costs paid by Owners prior to the sale and delivery of the Bonds shall be paid to Owners from, and only from, the proceeds of the sale and delivery of the Bonds issued for the purpose of paying the Construction Costs of a Construction Project Construction Contract. Neither the District nor the Municipality shall be liable to Owners (or any contractor or assigns under any Contract) for payment of any such Construction Cost amount except, the District shall be liable to the extent unencumbered proceeds of the sale of the Bonds issued for the purpose of paying the Construction Costs of a Construction Project Construction Contract are available for such purpose. No representation or warranty is given by the District or District Board that sufficient proceeds from the sale of any Bonds shall be available to pay such amounts of the Construction Costs paid by Owners. The foregoing is not intended to limit the right of Owners to payment for any amount of the Construction Costs paid by Owners in excess of the proceeds from the sale of the Bonds issued for the purpose of paying the Construction Costs of a Construction Project Construction Contract if the District thereafter finances such amount from future Bonds and the District and the Municipality shall reasonably cooperate with Owners in preserving the right to any such future payment.

(iii) Until the sale and delivery of the Bonds issued for the purpose of paying the Construction Costs of a Construction Project Construction Contract, the District shall not have any obligation to repay Owners for any payment of a Construction Cost paid by Owners and after the sale and delivery of the Bonds issued for the purpose of paying the Construction Costs of a Construction Project Construction Contract such obligation shall be limited to the amount of the proceeds of the Bonds issued for the purpose of paying the Construction Costs of a Construction Project Construction Contract available for such purpose.

(b) **After Bond Sale.**

(i) Any Construction Cost amounts due pursuant to any Construction Project Construction Contract after the sale and delivery of any of the Bonds issued for the purpose of paying the Construction Costs of a Construction Project Construction Contract shall be provided for by the payment of such Construction Cost amounts from, and only from, the proceeds of the sale and delivery of the Bonds issued for the purpose of paying the Construction Costs of a Construction Project Construction Contract.

(ii) Until the sale and delivery of the Bonds issued for the purpose of paying the Construction Costs of a Construction Project Construction Contract, the District shall have no obligation to pay such Construction Cost amounts. Neither the District nor the Municipality shall be liable to Owners for payment of any such Construction Cost amount except, the District shall be liable to the extent unencumbered proceeds of the sale of the Bonds issued for the purpose of paying the Construction Costs of a Construction Project Construction Contract are available for such purpose. No representation or warranty is given by the District or District Board that the Bonds can be sold by the District, or that sufficient proceeds from the sale of the Bonds shall be available to pay such Construction Cost amounts.

(c) **If Sufficient Bonds Not Issued.** If the Bonds are not issued or if the proceeds of the sale of the Bonds are insufficient to pay any or all of the amounts described in

Subsections (a) or (b), there shall be no recourse to the District or the Municipality and the District and the Municipality shall have no liability with respect to any Construction Project Construction Contract, except, the District shall be liable for payment only from the proceeds of the sale of the Bonds. Nothing contained in this Section 5.2 shall obligate the Municipality to pay for any Construction Cost from any monies of the Municipality.

ARTICLE VI

MATTERS RELATING TO THE BONDS AND OTHER OBLIGATIONS OF THE DISTRICT

Section 6.1 Bonds Generally.

(a) **Submission of Report; Approval of Bonds.** Upon the submission of a Report, and upon a date established by the District Manager, the District Board shall, in its sole, unfettered discretion, take all such reasonable action necessary for the District to consider the approval or rejection of the Report. If the Report is approved, the District Board may take all reasonable action necessary to issue and sell the Bonds pursuant to the terms and conditions as may be established by the District Board in connection with its approval of the Report (the "*Approval*"), and the provisions of the CFD Guidelines and the Act.

(b) **Sales of Bonds; Amount.** The Bonds may be sold in one or several series, in an amount sufficient (i) to pay the Acquisition Price or the Segment Prices for the Acquisition Infrastructure and all Construction Costs relating to any Construction Project Construction Contract for the Constructed Infrastructure, in each case as established pursuant hereto and in the Approval (hereinafter referred to collectively as the "*Work*") which shall be based on the estimated costs and expenses indicated in the Report or the Approval (hereinafter referred to as the "*Estimate*"), (ii) to pay all other amounts indicated in any Report submitted as required by this Agreement, (iii) to pay all relevant issuance costs related to the applicable series of the Bonds, (iv) to pay capitalized interest for a period not in excess of that permitted by the Act and described in the Report or Approval, and (v) to the extent permitted by law, to fund a debt service reserve fund in an amount not in excess of that permitted by the Act and described in the Report or Approval (collectively, the "*Financeable Amount*").

(c) **Assessment Bonds.**

(i) Assessment Bonds shall be special assessment lien bonds payable from amounts collected from, among other sources, the hereinafter described special assessment (referred to as originally levied and as thereafter may be reallocated as described herein as the "*Assessments*").

(ii) The Assessments shall be based on the Financeable Amount indicated in the Report or the Approval. None of the Acquisition Project Construction Contracts or the Construction Project Construction Contracts applicable to the Work shall be required to be bid or awarded as a prerequisite to the levying of the Assessments.

(iii) The Assessments shall be levied pursuant to the procedures prescribed by Sections 48-576 through 48-589, Arizona Revised Statutes, as amended, as nearly as practicable or such other procedures as the District provides.

(iv) In the event of nonpayment of the Assessment, the procedures for collection thereof and sale of the applicable portion of the Property may be established by the

District, or the District may adopt the procedures prescribed by Sections 48-601 through 48-607, Arizona Revised Statutes, as amended, as nearly as practicable, except that, under all procedures, neither the District nor the Municipality is required to purchase any of the Property at the sale if there is no other purchaser.

(v) To prepay, from property Owners payments, in whole or in part the applicable portion of the Assessment, on any interest payment date, the following shall be paid in cash to the District: (A) the interest on such portion to the next date Bonds may be redeemed plus (B) the unpaid principal amount of such portion rounded up to the next highest multiple of the lowest authorized denomination of the Bonds plus (C) any premium due on such redemption date with respect to such portion plus (D) any administrative or other fees charged by the District with respect thereto.

(vi) The Owners hereby acknowledges that lenders and Lienholders involved in financing future improvements on the Property (including mortgages for single family residences) may require that liens associated with the Assessment (or applicable portions thereof) be paid and released prior to accepting a lien with respect to any such financing.

(vii) This Agreement shall be construed to be an express consent by the Owners that (A) the District Board may designate the boundaries of an Assessment area; (B) the District may, with respect to the Property, incur costs and expenses necessary to complete the Work provided that the Work is a part of a Construction Project, and (C) the District may levy and collect the Assessments in amounts sufficient to pay all costs and expenses of the Financeable Amount, including the Work.

Section 6.2 **Requirements for Assessment Bonds.**

(a) **CFD Guidelines Apply.** The terms and provisions of the Assessment Bonds and the manner of sale shall be established by the CFD Guidelines, except as such CFD Guidelines are modified by this Agreement or the Approval.

(b) **Appraisal; Coverage Ratio.** At the time of sale of the Assessment Bonds, an appraisal dated not earlier than six (6) months prior to the date of sale of the Assessment Bonds, in form and substance satisfactory to the District, in its sole and absolute discretion, and prepared by an MAI appraiser (the "*Appraisal*") must show that the wholesale (bulk) value of each assessed parcel or lot in any assessment area securing the Assessment Bonds (as improved by the public infrastructure described in the relevant Report) less five percent (5%), is worth at least six times (in the case of a public sale of Assessment Bonds) and four times (in the case of a sale of the Assessment Bonds to qualified institutional buyers [as defined in Rule 144A as amended], accredited investors [as defined in Rule 501(a), Regulation A, as amended]) or sophisticated municipal market participants, as much as the principal amount of the Assessment Bonds allocated to each assessed parcel.

(c) **Financial Assurance.** At the time of sale of the Assessment Bonds, and to the extent not already provided by the contractors pursuant to the Public Bid Requirements, Owners shall provide or cause to be provided financial assurances in the form of escrowed cash,

bonds, letter of credit or other similar assurances, accessible by the District and in each case in form acceptable to the District Manager, for amounts necessary to pay all costs and expenses associated with providing all the public infrastructure purposes described in the Report as well as any unpaid costs and expenses of any public infrastructure purposes not paid or payable from the proceeds of the sale of the Assessment Bonds because such proceeds are insufficient in amount for such purposes. The foregoing is not intended to limit the right of Owners to reimbursement for any amount advanced in excess of the proceeds from the sale of the Assessment Bonds if the District is able to finance such amount from other or future Assessment Bond proceeds, and the District and the Municipality shall reasonably cooperate with Owners in preserving the right to any such future reimbursement.

(d) **Reserve Fund.** Unless reduced by the District Board in the Approval, the amount of the Assessment Bonds and the "sale proceeds" thereof shall be sized to include an amount sufficient to fund a reserve to secure payment of debt service on the Assessment Bonds. Payment from such reserve shall not effect a reduction in the amount of the Assessment, and any amount collected with respect to the Assessment thereafter shall be deposited to such reserve to the extent the Assessment is so paid therefrom.

Section 6.3 **Requirements for General Obligation Bonds.**

(a) **CFD Guidelines Apply.** Proceeds of G.O. Bonds may be used for any purpose permitted by the Act. The terms and provisions of the G.O. Bonds and the manner of sale shall be established by the CFD Guidelines, except as such CFD Guidelines are modified by, or inconsistent with, this Agreement or the Approval.

(b) **Tax Levy for Bonds.** The District may annually levy and collect an ad valorem tax upon all taxable property in the District which shall be sufficient after giving prudent consideration to other funds available to the District to pay when due the principal of, interest on and premium, if any, on the G.O. Debt (as hereinafter defined) incurred by the District to finance the construction or acquisition of public infrastructure.

(c) **Limited on Tax Levy For Bonds.** No indebtedness (indebtedness shall not include maintenance, administrative or operation expenses) secured by a pledge of ad valorem taxes, including, but not limited to, G.O. Bonds (collectively hereinafter referred to as "*G.O. Debt*"), shall be incurred unless ninety-five percent (95%) of the amount of ad valorem taxes estimated to be collected at a tax rate of not greater than three dollars (\$3.00) per one hundred dollars (\$100.00) of the secondary assessed value of the taxable property within the District, is sufficient to pay the highest combined debt service requirements for the proposed G.O. Debt and any other G.O. Debt outstanding. The secondary assessed value of the taxable property shall, for purposes of this paragraph, be equal to the value at the time of the issuance of the proposed G.O. Debt as shown in the records of the County Assessor. Notwithstanding the foregoing or any other provision of this Agreement, G.O. Debt may be authorized by the District Board in its sole discretion, for situations where a tax rate greater than three dollars (\$3.00) per one hundred dollars (\$100.00) of secondary assessed value of taxable property would be necessary to pay the highest combined debt service of the proposed and outstanding G.O. Debt, if other sources of revenue or additional security acceptable to the District Board are pledged to

pay debt service on the G.O. Debt in an amount that, when combined with the taxes collected at three dollars (\$3.00) tax rate or less, provides a sufficient amount to pay the highest combined debt service of the proposed and outstanding G.O. Debt.

Section 6.4 **General Requirements.** The following requirements are hereby established and required with respect to any financing by the District.

(a) **Limited Offering of Bonds; Transfer Restrictions.** The District may impose offering and transfer restrictions with respect to any issue of Bonds. Such restrictions may include but are not limited to the following: Except as permitted below, the Bonds (Assessment Bonds or G.O. Bonds) shall be sold only to accredited investors (as defined in Rule 501(a), Regulation D as amended), qualified institutional buyers (as defined in Rule 144A, as amended) or sophisticated municipal market participants. Secondary transfers of the Bonds will be permitted upon the execution by the bondholder of a certificate, in a form satisfactory to the District, which contains at a minimum, the following certifications:

(i) the purchaser of the Bond is either an accredited investor, a qualified institutional buyer or a sophisticated municipal market participant;

(ii) the purchaser of the Bond represents that it is knowledgeable in such investments, and has independently evaluated the factors associated with its investment decision and has not relied on the District or the Municipality for any due diligence or disclosure;

(iii) the purchaser is purchasing the Bond for its own account and not with a view towards distribution; and

(iv) the purchaser of the Bond acknowledges that further transfers of such investment shall require a similar certification;

The transfer restrictions may terminate upon: with respect to G.O. Bonds, the rating of the G.O. Bonds at "A" or higher, and, with respect to Assessment Bonds, the rating of the Assessment Bonds at "A" or higher or the appraised value as required by Section 6.2(b) of the real property subject to assessment results in a value to lien ratio greater than 6 to 1 (including in the amount of the lien overlapping special assessment liens).

(b) **Disclosure of Limited Liability.** Any disclosure document prepared in connection with the offer or sale of Bonds must clearly indicate that neither the Municipality nor the State of Arizona or any political subdivision of either (other than the District) shall be liable for the payment or repayment of any obligation, liability, bond or indebtedness of the District, and neither the credit nor the taxing power of the Municipality, the State of Arizona, or any political subdivision of either (other than the District) shall be pledged therefor.

(c) **Disclosure to Purchasers.** A disclosure document must be provided by Owners or Owners' successor to each potential purchaser of a residential lot within the District disclosing the existence of an Assessment or tax (assuming such Assessment or tax remains at the time of sale to the potential purchaser). Each potential purchaser must acknowledge in

writing that the purchaser received and understood the disclosure document. The District shall maintain records of the written acknowledgments. To provide evidence satisfactory to the District Board that any prospective purchaser of land within the boundaries of the District has been notified that such land is within the boundaries of the District and that the Bonds may be then or in the future outstanding, a disclosure pamphlet substantially in the form of *Exhibit "E"* hereto (the "*Pamphlet*") shall be produced; provided, however, that the Pamphlet may be modified as necessary in the future to adequately describe the District and the Bonds and source of payment for debt service therefor as agreed by the District Board and Owners. Owners agree to require each homebuilder to perform the obligations set forth in Section 9.2 of this Agreement.

(d) **Continuing Disclosure Undertaking.** Each Obligated Person (as defined in Section 240.15c2-12, General Rules and Regulations, Securities Exchange Act of 1934 (the "*Rule*") shall execute and deliver, and thereafter comply with and carry out all the provisions of, a "*Continuing Disclosure Undertaking*" with respect to the Bonds which shall be in a form satisfactory to the District and the purchaser of the Bonds for such purchaser to comply with the requirements of the Rule.

ARTICLE VII

ACCEPTANCE BY THE MUNICIPALITY; MAINTENANCE; APPLICABILITY OF THE INTERGOVERNMENTAL AGREEMENT ACT

Section 7.1 **Acceptance of Improvements.** Upon satisfaction of the terms for acceptance set forth in this Agreement, and simultaneously with the payment of the related Project Price, Segment Price or Construction Costs of a Construction Project, the Acquisition Project or Segment of Acquisition Infrastructure or the Construction Project, as the case may be, shall be accepted by the Municipality, subject to the conditions pursuant to which facilities such as the Acquisition Project, Segment or Construction Project, as the case may be, are typically accepted by the Municipality and shall be made available for use by the general public.

Section 7.2 **District Expenses.**

(a) **District Administrative Expenses.** "*District Administrative Expenses*" shall include all the operating and administrative costs and expenses of the District, including but not limited to, District Consulting Costs, Municipality Services (as hereafter defined) and that portion of Municipality Overhead related to operating and administrative functions of the District. District Administrative Expenses will not include any costs or expenses paid by the District from revenues or taxes collected to pay the Debt Service (as such term is defined in the Act) on any Bonds of the District. District Administrative Expenses shall include Municipality Services and Municipality Overhead (as hereafter defined).

(b) **District Maintenance Expenses.** "*District Maintenance Expenses*" shall include all maintenance and operational costs and expenses, including a Replacement Reserve Amount, of any Segment, Construction Project or other public improvement financed by the District. District Maintenance Expenses shall include Municipality Services and that portion of Municipality Overhead related to the maintenance functions of the District.

"*Replacement Reserve Amount*" shall mean an amount calculated using reasonable accounting practices based on the useful life of the various assets established by the Internal Revenue Code. The Replacement Reserve Amount shall include and be limited to a replacement or depreciation reserve for the following improvements financed by the District: (i) water system improvements, other than transmission lines, (ii) sewer treatment plants and facilities, including improvements, other than collection lines, relating to the disposal of solids, and (iii) any other depreciable capital public improvements, provided the Municipality has established and funded similar replacement or depreciation reserves for substantially all like kind capital public improvements not financed by the District.

With respect to District Maintenance Expenses relating to the water system and sewer system utility enterprises, such applicable District Maintenance Expenses shall be reduced by the amount of water or sewer system revenues received from the consumers located in the District. To the extent that the Municipality or the District establish rates for water or sewer services within the District that are less than rates charged elsewhere in the Municipality, the amount of revenues deemed received from consumers located in the District shall be computed

as though the rates charged to such consumers were the same as the rates charged elsewhere in the Municipality.

(c) **Enhanced Maintenance Expenses.** "*Enhanced Maintenance Expenses*" shall mean all District Maintenance Expenses attributable to any Acquisition Project, Segment, Construction Project or other public improvement financed by the District or part thereof, other than water improvements or sewer treatment facilities, that are in excess of the maintenance and operational expenses normally incurred by the Municipality in connection with maintaining or operating a similar public service or improvement (the "*Standard Municipality Expense*"). The Standard Municipality Expense will be established by the Municipality using actual historical costs and expenses and the Municipality's management/accounting practices. By example and not as a limitation, the Municipality will establish its Standard Municipality Expense related to right-of-way landscaping and if the Owners install enhanced landscaping, other than at the request of the Municipality, the costs and expenses in excess of the Standard Municipality Expense incurred to maintain the landscaping shall constitute Enhanced Maintenance Expenses.

In establishing the Standard Municipality Expenses, the Municipality shall annually review its actual costs, excluding the actual costs in the District or any other community facilities district providing enhanced services or public improvements. Enhanced Maintenance Expenses shall not include maintenance and operation expenses attributable to enhanced public service levels or public improvements if such enhanced public service levels or public improvements were imposed on the Owners by the Municipality and the Owners would have not otherwise provided such enhancements.

(d) **Charges of Municipality.** District Administrative Expenses and District Maintenance Expenses shall include a charge by the Municipality to the District for: (i) the reasonable cost of Municipality services provided directly to the District ("*Municipality Services*"), and (ii) Municipality overhead expenses allocated to the District ("*Municipality Overhead*"). Any charge of Municipality Services shall be the cost of those services provided to the District by the Municipality calculated using sound management/accounting principals. Any charge of Municipality Overhead to the District shall be made by the Municipality pursuant to sound management/accounting practices consistently applied by the Municipality in allocating costs, expenses and funded depreciation reserves to its service areas, departments or special projects. Owners shall have the right to review and comment to the Municipality upon the allocation practices and methodologies used in allocating Municipality Services or Municipality Overhead and have the right, at Owners expense and during normal business hours, to review the Municipality's records to verify the costs and expenses of the Municipality.

Section 7.3 **O&M Tax.**

(a) **Amount of O&M Tax.** The District Board shall levy and collect a maintenance and operation ad valorem tax not to exceed thirty cents (\$.30) per one hundred dollars (\$100.00) of assessed valuation on all taxable property within the District ("*O&M Tax*"). To the extent the proceeds from the O&M Tax exceed the expenses and costs described in this Article VII, such O&M Tax shall be reduced to provide a proper matching of proceeds to expenses.

(b) **Use of Proceeds of O&M Tax.** The proceeds of the O&M Tax may be used by the District for any lawful maintenance, operational or administrative purpose as provided in the Act. While the Owners are obligated to pay any amounts pursuant to Section 7.4 of this Agreement, the O&M Tax shall be applied only to the following expenses and in the following priority: (i) payment of District Administrative Expenses; (ii) payment of Enhanced Maintenance Expenses; (iii) payment of District Maintenance Expenses, other than District Maintenance Expenses described in Section 7.4(a)(i) below; and (iv) District Maintenance Expenses described in Section 7.4(a)(i) below.

Section 7.4 Owners or HOA Maintenance Obligation.

(a) **Landscaping.** Notwithstanding the levy and collection of the O&M Tax or the dedication and acceptance by the District or Municipality of any Acquisition Project, Segment, Construction Project or other public improvement financed by the District, Owners, or a homeowners association, if such homeowners association is, to the satisfaction of the District, legally obligated to pay and is comprised of more than one thousand (1000) homes ("*HOA*") shall maintain, at its expense, all landscaping located within any park (except as otherwise expressly agreed with respect to a public park), right-of-way or public easement.

(b) **District Administrative and Maintenance Expenses.** Notwithstanding the levy and collection of the O&M Tax or the dedication and acceptance by the District or Municipality of any Acquisition Project, Segment, Construction Project or other public improvement financed by the District, Owners (or an HOA if, to the satisfaction of the District or Municipality, the HOA is legally obligated and is financially capable of bearing the costs) agree to pay the following expenses to the extent all or part of such expenses are not paid by the O&M Tax: (i) the District Administrative Expenses; (ii) the Enhanced Maintenance Expenses; and (iii) the District Maintenance Expenses, other than Enhanced Maintenance Expenses.

Further, notwithstanding the foregoing, the Owners shall not be obligated to pay the amounts owing pursuant to Section 7.4(b) for any public improvements financed by the District in response to a Report submitted by the District or a third party other than the Owners, provided however, Owners as a member of a group of either taxpayers or assessed parcel owners who, as a result of a uniformly applied tax or assessment methodology is liable for payments relating to improvements financed in response to a Report submitted by the District, shall have all rights and obligations established by the proceedings, including the right to protest and the obligation to pay amounts owed.

(c) **Maintenance Threshold.** The District or Municipality, with the participation of the Owners engineer, shall establish at the time of the submission of the Report boundaries of the served or benefited area (the "*Benefit Area*") for each Acquisition Project, Segment or Construction Project. Notwithstanding paragraph 7.4(b)(iii) above, the Owners or HOA, as applicable, shall not be obligated to pay the District Maintenance Expenses (other than Enhanced Maintenance Expenses) after the date ninety-five percent (95%) of the area benefited by the particular Acquisition Project, Segment, Construction Project or other public improvement financed by the District has been developed, based on the development

entitlements in effect from time to time within such benefited area (the "*Maintenance Threshold*"). While the Owners obligations under Section 7.4(b) are in effect, District Maintenance Expenses shall not include expenses related to street maintenance of streets within a Benefit Area that has satisfied the Maintenance Threshold.

Section 7.5 **Intergovernmental Agreement Act.** Notwithstanding any other provision of this Agreement to the contrary, the provisions of Article V, Article VII, Sections 8.1, 9.3 through 9.19, inclusive, are the only provisions that are effective for, from and against the Municipality for purposes of the Intergovernmental Agreement Act and as the Intergovernmental Agreement Act is intended to be applied for purposes of this Agreement.

ARTICLE VIII

INDEMNIFICATION AND INSURANCE

Section 8.1 **Indemnification.**

(a) **Generally.** The Owners or such other financially acceptable entity determined by the District Manager (1) shall indemnify and hold harmless the Municipality and the District and each council member, director, trustee, partner, member, officer, official, independent contractor or employee thereof and each person, if any, who controls the Municipality and/or the District within the meaning of the Securities Act of 1933, as amended (hereinafter the Securities Act of 1933 and the Securities Exchange Act of 1934 are referred to as the "*Securities Acts*"), (any such person being herein sometimes called an "*Indemnified Party*") for, from and against any and all losses, claims, damages or liabilities, joint or several, relating to: (i) the formation, activities or administration of the District; (ii) the levy and collection of any tax or assessment; (iii) the offer or sale of any Bonds; (iv) the claims of any contractor, vendor, subcontractor or supplier under any Acquisition Project Construction Contract or Construction Project Construction Contractor, or (v) or the carrying out of the provisions of this Agreement, including particularly but not by way of limitation (A) any Acquisition Project, Acquisition Project Construction Contract, and Construction Project, (B) any claim, loss, lawsuit, administrative action or other challenge to which any such Indemnified Party may become subject, under the Securities Acts or any other statute or regulation at law or in equity or otherwise, including but not limited to, losses, claims, damages or liabilities (or actions in respect thereof) arising out of or based upon any untrue statement or alleged untrue statement of a material fact set forth in any offering document relating to the Bonds, or any amendment or supplement thereto, or arising out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or which is necessary to make the statements therein, in light of the circumstances in which they were made, not misleading in any material respect, or (C) 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 Owners (which consent shall not be unreasonably withheld); and (2) shall, subject to the Owners rights to defend in (c) below, reimburse any legal or other expenses reasonably incurred by any such Indemnified Party in connection with investigating or defending any such loss, claim, damage, liability or action.

(b) **Limitation.** This Section shall not be applicable to matters involving any gross negligence or willful misconduct of any Indemnified Party.

(c) **Procedure.** 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 Owners, an Indemnified Party shall notify the Owners in writing of the commencement thereof and provide a copy of the written threat received by such Indemnified Party. Failure of the Indemnified Party to give such notice shall reduce the liability of the Owners by the amount of damages attributable to the failure of the Indemnified Party to give such notice to the Owners, but the omission to notify the Owners of any such action shall

not relieve the Owners 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 Owners of the commencement thereof, the Owners may, or if so requested by such Indemnified Party shall, participate therein or defend the Indemnified Party therein, with counsel satisfactory to such Indemnified Party and Owners (it being understood that, except as hereinafter provided, the Owners shall not be liable for the expenses of more than one counsel representing the Indemnified Parties in such action), and after notice from the Owners to such Indemnified Party of an election so to assume the defense thereof, the Owners shall 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; provided, however, that unless and until the Owners defend any such action at the request of such Indemnified Party, the Owners shall have the right to participate at their own expense in the defense of any such action. If the Owners shall not have employed counsel to defend any such action or if an Indemnified Party shall have reasonably concluded that there may be defenses available to it and/or other Indemnified Parties that are different from or additional to those available to the Owners (in which case the Owners shall not have the right to direct the defense of such action on behalf of such Indemnified Party) or to other Indemnified Parties, the legal and other expenses, including the expense of separate counsel, incurred by such Indemnified Party shall be borne by the Owners.

ARTICLE IX

MISCELLANEOUS

Section 9.1 Tax Covenant. None of the Municipality, the District nor the Owners shall knowingly take, or cause to be taken, any action which would cause interest on any Bond to be includable in gross income for federal income tax purposes pursuant to the Internal Revenue Code of 1986, as amended.

Section 9.2 Pamphlet.

(a) **Preparation of Pamphlet.** To provide evidence satisfactory to the District Manager that any prospective purchaser of land within the boundaries of the District has been notified that such land is within the boundaries of the District and that the Bonds may be then or in the future outstanding, the Pamphlet shall be produced; provided, however, that the Pamphlet may be modified as necessary in the future to adequately describe the District and the Bonds and source of payment for debt service therefor as agreed by the District Manager and the Owners.

(b) **Distribution of Pamphlet; Disclosure Statement.** The Owners shall require that each homebuilder to whom the Owners have sold land shall:

- (i) provide the Pamphlet to any prospective purchaser of land;
- (ii) cause any purchaser of land to sign a disclosure statement upon entering into a contract for purchasing such land, such disclosure statement to acknowledge receipt of a copy of the Pamphlet and to disclose the effect of the special assessments on the District of the Bonds in a form reasonably acceptable to the District Manager;
- (iii) provide a copy of each fully executed disclosure statement to be filed with the District Manager; and
- (iv) provide such information and documents, including audited financial statements to the District, but only to the extent necessary for the District's compliance with Rule 15c2-12 of the Securities Exchange Act of 1934.

Section 9.3 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the parties to this Agreement 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 Lienholders to this Agreement, which consent shall not be unreasonably withheld or delayed.

Section 9.4 Further Assurances. 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 Agreement.

Section 9.5 Entire Understanding; Amendment. This Agreement, by and among the Municipality, the District and the Owners set forth the entire understanding of the parties as to the matters set forth herein as of the date this Agreement is executed and cannot be altered or otherwise amended except pursuant to an instrument in writing signed by each of the parties hereto. This Agreement 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 9.6 Governing Law. This Agreement shall be governed by and interpreted in accordance with the laws of the State of Arizona.

Section 9.7 Waiver. The waiver by any party hereto of any right granted to it under this Agreement shall not be deemed to be a waiver of any other right granted in this Agreement 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 Agreement.

Section 9.8 Counterparts. This Agreement 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 9.9 Release and Discharge. This Agreement supercedes all previous written or oral agreements or understandings regarding the subject matter of this Agreement. The Owners knowingly and voluntarily forever releases and discharges the Municipality and all of its past and present elected officials, officers, directors, agents, employees, successors, assigns, attorneys, and representatives from all legal and equitable claims, causes of action, debts, accounts, and damages, known or unknown, asserted or unasserted, and of every nature and extent whatsoever, that the Owners have against the Municipality, and arising from actions, omissions, delays or other events that occurred prior to the date of this Agreement.

Section 9.10 Cancellation; Covenant. Pursuant to and for purposes of Section 38-511, Arizona Revised Statutes, as amended, the Municipality and the District may, within three years after its execution, cancel this Agreement, without penalty or further obligation, if any person significantly involved in initiating, negotiating, securing, drafting or creating this Agreement on behalf of the Municipality or the District, respectively, is, at any time while this Agreement is in effect, an employee or agent of the Owners in any capacity or a consultant to any other party of this Agreement 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 Municipality or the District, respectively, from the Owners arising as the result of this Agreement. The Owners have 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 Owners in any capacity or a consultant to any party to this Agreement with respect to the subject matter of this Agreement.

Section 9.11 **Term of Agreement.** The term of this Agreement shall be as of the date of the execution and delivery hereof by each of the parties hereto and shall expire upon the earlier of: (i) the agreement of the District, the Municipality and the Owners to the termination hereof; (ii) the dissolution of the District (which the parties hereto shall, to the extent permitted by applicable law, cause to occur as soon as practicable after the later of the issuance of the Bonds and the payment in full or provision for payment in full of the Bonds) or: (iii) June 1, 2050.

Section 9.12 **Notices.** All notices, certificates or other communications hereunder (including in the Exhibits hereto) shall be sufficiently given and shall be deemed to have been received 48 hours after deposit in the United States mail in registered or certified form with postage fully prepaid addressed as follows:

If to the Municipality:

Town of Buckeye, Arizona
100 North Apache, Suite A
Buckeye, Arizona 85326
Attention: Town Manager

If to the District:

Festival Ranch Community Facilities District
c/o Town of Buckeye, Arizona
100 North Apache, Suite A
Buckeye, Arizona 85326
Attention: District Manager

With Copy to:

Gust Rosenfeld, P.L.C.
201 E. Washington Street, Suite 800
Phoenix, Arizona 85004-2327
Attention: Scott W. Ruby, District Attorney

If to the Owner:

10,000 West, L.L.C.
8777 N. Gainey Center Drive, Suite 205
Scottsdale, Arizona 85258
Attention: Dick Frye, Vice President

PULTE HOME CORPORATION
 15111 North Pima Road
 Scottsdale, AZ 85260
 Attention: Steve Kunzweiler, Manager of Planning & Entitlements

Any of the foregoing, by notice given hereunder, may designate different addresses to which subsequent notices, certificates or other communications will be sent.

Section 9.13 **Severability.** If any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision thereof.

Section 9.14 **Headings and Titles.** The headings or titles of the several Articles and Sections hereof and in the Exhibits hereto, and any table of contents appended to copies hereof and thereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Agreement. All references herein to "Exhibits," "Articles," "Sections," and other subdivisions are to the corresponding Exhibits, Articles, Sections or subdivisions of this Agreement; the words "herein," "hereof," "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Exhibit, Article, Section or subdivision hereof.

Section 9.15 **Obligations Imposed by Law.** This Agreement does not relieve any party hereto of any obligation or responsibility imposed upon it by law.

Section 9.16 **Record with County Recorder.** No later than ten (10) days after this Agreement is executed and delivered by each of the parties hereto, the Owners shall on behalf of the Municipality and the District record a copy of this Agreement with the County Recorder of Maricopa County, Arizona.

Section 9.17 **Survival of Agreements.** Unless otherwise expressly provided, the representations, covenants, indemnities and other agreements contained herein shall be deemed to be material and continuing, shall not be merged and shall survive any conveyance or transfer provided herein.

Section 9.18 **Force Majeure.** If any party hereto shall be unable to observe or perform any covenant or condition herein by reason of "force majeure," then the failure to observe or perform such covenant or condition shall not constitute a default hereunder so long as such party shall use its best efforts to remedy with all reasonable dispatch the event or condition causing such inability and such event or condition can be cured within a reasonable amount of time. "Force majeure," as used here, means any condition or event not reasonably within the control of such party, including, without limitation, acts of God; strikes, lockouts, or other disturbances of employer/employee relations; acts of public enemies; orders or restraints of any kind of the government of the United States or any State thereof or any of their departments, agencies, or officials, or of any civil or military authority; insurrection; civil disturbances; riots;


epidemics; landslides; lightning; earthquakes; subsidence; fires; hurricanes; storms; droughts; floods; arrests; restraints of government and of people; explosions; and partial or entire failure of utilities. Failure to settle strikes, lockouts and other disturbances of employer/employee relations or to settle legal or administrative proceedings by acceding to the demands of the opposing party or parties, in either case when such course is in the judgment of the party hereto unfavorable to such party, shall not constitute failure to use its best effort to remedy such a condition or event.

Section 9.19 **Consent.** Whenever the consent or approval of any party hereto, or of any agency therefor, shall be required under the provisions hereof, such consent or approval shall not be unreasonably withheld, conditioned or delayed.


Section 9.20 **Lienholders.** The Lienholders join in the execution of this Agreement for the sole purpose of binding their respective interests in lands within the District and consenting to all matters agreed to herein by the Owners, and the Lienholders do not, by joining in the execution of this Agreement, obligate themselves to any of the affirmative obligations set forth herein on the part of the Owners.

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

TOWN OF BUCKEYE, ARIZONA

By 
Dustin Hull, Mayor

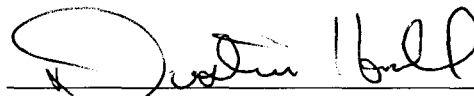
ATTEST:


Town Clerk

Pursuant to A.R.S. Section 11-952(D), this Agreement has been reviewed by the undersigned attorney for the Municipality who has determined that this Agreement is in proper form and is within the powers and authority granted pursuant to the laws of this State to the Municipality.


Scott W. Ruby, Town Attorney

**FESTIVAL RANCH
COMMUNITY FACILITIES DISTRICT**

By 
Chairman, District Board

ATTEST:


District Clerk

https://recorder.maricopa.gov/recording/verify-cert.html?id=326602 [20050523800] 59 Pages

10,000 WEST, LLC, a limited liability company

By Philip A. Edlund
Its Secretary

PULTE HOME CORPORATION, a Michigan corporation

By [Signature]
Its Attorney in Fact

STATE OF AZ
COUNTY OF Maricopa

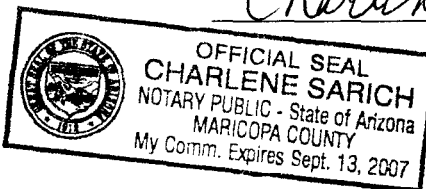
The foregoing instrument was acknowledged before me this 23 day of March, 2005, by Philip A. Edlund, Secretary of 10,000 West, LLC, a limited liability company, on behalf of the company.

Charlene Sarich

Notary Public

My commission expires:

9-13-07



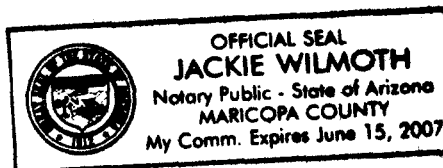
STATE OF AZ
COUNTY OF MARICOPA

The foregoing instrument was acknowledged before me this 4 day of APRIL, 2003, by MIKE BRILZ, ATTORNEY IN FACT of Pulte Home Corporation, a Michigan corporation, on behalf of the corporation.

Jackie Wilmoth
Notary Public

My commission expires:

JUNE 15, 2007



LIENHOLDER
CONSENT AND AGREEMENT

Reference is made to that certain Development, Financing Participation and Intergovernmental Agreement No. 1 for Festival Ranch Community Facilities District, dated as of April 21, 2005, by and among the Town of Buckeye, Arizona, the Festival Ranch Community Facilities District, 10,000 West, L.L.C. and Pulte Home Corporation to which this Consent and Agreement is attached (the "*Development Agreement*"). All capitalized terms used and not otherwise defined in this Consent and Agreement shall have the meanings set forth in this Development Agreement. The undersigned 10,000 West, L.L.C., an Arizona limited liability company ("*Beneficiary*"), is the beneficiary under a Performance Deed of Trust dated May 17, 2004 and recorded in the offices of the Maricopa County Recorder on May 18, 2004 as Instrument No. 2004-0549496 (the "*Deed of Trust*"), covering property proposed to be included in this proposed Festival Ranch Community Facilities District (the "*District*"). First American Title Insurance Company, a California corporation is the Trustee under said Deed of Trust (the "*Trustee*"). The undersigned, each as one of the "*Other Parties*" having an interest in the real property within the District to the Development Agreement, acknowledges that the Development Agreement shall bind the real property in which the undersigned has an interest that is located within the District and authorizes the recordation of the Development Agreement with respect to such real property. In no event, however, shall anything in this Consent and Agreement constitute personal assumption by the undersigned of the obligations of the Owner under the Development Agreement.

[SIGNATURE PAGES TO FOLLOW]

State of Arizona)
) ss.
County of Maricopa)

On this day, personally appeared before me John K. Graham, as Regional Counsel of FIRST AMERICAN TITLE INSURANCE COMPANY, a California corporation, 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 March 23, 2005

Heather Garber
Notary Public

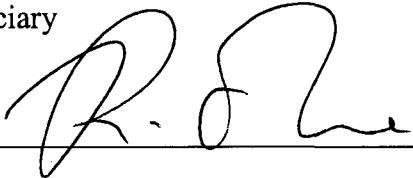
My commission expires:

June 17, 2005



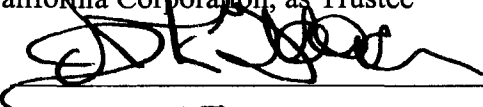
https://recorder.maricopa.gov/recording/verify-cent.html?id=326602 [20050523800] 59 Pages

BANK OF SCOTLAND, a banking organization established by Act of the Scottish Parliament, as Beneficiary

By  RUSSELL OLIVER
Its DIRECTOR

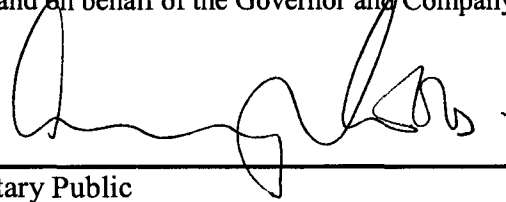
For and on behalf of the Governor and Company of the Bank of Scotland

FIRST AMERICAN TITLE INSURANCE COMPANY, A California Corporation, as Trustee

By 
Its REGIONAL COUNSEL

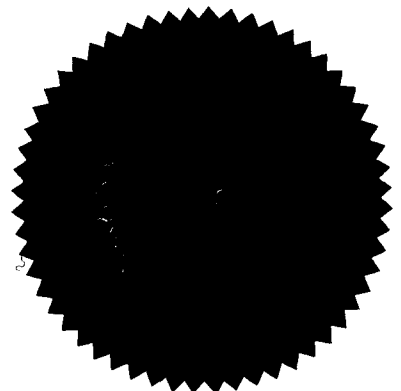
~~SCOTLAND~~
ENGLAND .
United Kingdom

The foregoing instrument was acknowledged before me this 25 day of FEBRUARY, 2005, by RUSSELL OLIVER, DIRECTOR of the Bank of Scotland, a banking organization established by Act of the Scottish Parliament, for and on behalf of the Governor and Company of the Bank of Scotland.


Notary Public

Anthony Janion Gibbs,
Notary Public
Solicitor & Partner with
Cobbetts
Ship Canal House, King Street,
Manchester M2 4WB

My commission expires:
as for life



State of Arizona)
) ss.
County of Maricopa

On this day, personally appeared before me John K. Graham, as Regional Counsel of FIRST AMERICAN TITLE INSURANCE COMPANY, a California corporation, 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 March 23, 2005

Heather Garber
Notary Public

My commission expires:

June 17, 2005



ATTACHMENTS

- EXHIBIT A -- Legal Description Of Property To Be Included In The District
- EXHIBIT B -- Form of Notice Inviting Bids
- EXHIBIT C -- Form Of Certificate Of Engineers For Conveyance Of Segment Of Project
- EXHIBIT D -- Form Of Conveyance Of Segment Of Project
- EXHIBIT E -- Form Of Disclosure Pamphlet

<https://recorder.maricopa.gov/recording/verify-cert.html?id=326602> [20050523800] 59 Pages

EXHIBIT A

LEGAL DESCRIPTION OF PROPERTY

<https://recorder.maricopa.gov/recording/verify-cert.html?id=326602> [20050523800] 59 Pages

December 9, 2004

LEGAL DESCRIPTION FOR
FESTIVAL RANCH
COMMUNITY FACILITY DISTRICT

That part of Sections 13, 20, 21, 22, 23, 24, 25, 26, 27, 28 and 29, Township 4 North, Range 4 West, of the Gila and Salt River Meridian, Maricopa County, Arizona, more particularly described as follows:

Beginning at the G.L.O. Brass Cap marking the Northeast Corner of said Section 24;

Thence South $00^{\circ}26'24''$ West, along the East line of the Northeast Quarter of said Section 24, a distance of 2,640.87 feet to the G.L.O. Brass Cap marking the East Quarter Corner thereof;

Thence South $00^{\circ}23'56''$ West, along the East line of the Southeast Quarter of said Section 24, a distance of 2,639.68 feet to the Northeast Corner of said Section 25;

Thence South $00^{\circ}23'04''$ West, along the East line of the Northeast Quarter of said Section 25, a distance of 2,642.69 feet to the East Quarter Corner of said Section 25;

Thence South $00^{\circ}24'50''$ West, along the East line of the Southeast Quarter of said Section 25, a distance of 2,641.16 feet to the Southeast Corner of said Section 25;

Thence North $89^{\circ}35'08''$ West, along the South line of the Southeast Quarter of said Section 25, a distance of 2,641.48 feet to the South Quarter Corner of said Section 25;

Thence North $89^{\circ}35'25''$ West, along the South line of the Southwest Quarter of said Section 25, a distance of 2,639.43 feet to the Southeast Corner of said Section 26;

Thence North $89^{\circ}42'22''$ West, along the South line of the Southeast Quarter of said Section 26, a distance of 2,630.35 feet to the South Quarter Corner of said Section 26;

Thence North $00^{\circ}19'01''$ East, along the North-South mid-section line of said Section 26, a distance of 2,126.51 feet to a point on a 5,575.00 foot radius non-tangent curve, whose center bears North $10^{\circ}31'05''$ West, said point also being on the Southerly right-of-way line of Sun Valley Parkway, as recorded in Book 309 of Maps, Page 12, Maricopa County Records;

Thence, along said Southerly right-of-way line of Sun Valley Parkway, the following courses:

Thence Southwesterly, along said curve, through a central angle of $05^{\circ}06'05''$, a distance of 496.37 feet;

Legal Description for
 Festival Ranch
 Community Facility District
 December 9, 2004

Thence South $84^{\circ}32'16''$ West, a distance of 6,380.94 feet to a point on a 5,575.00 foot radius non-tangent curve, whose center bears North $05^{\circ}28'11''$ West;

Thence Westerly, along said curve, through a central angle of $18^{\circ}10'52''$, a distance of 1,769.07 feet;

Thence North $77^{\circ}17'35''$ West, a distance of 734.70 feet;

Thence South $18^{\circ}15'19''$ West, departing said Southerly right-of-way line of Sun Valley Parkway, a distance of 374.09 feet;

Thence South $40^{\circ}58'02''$ West, a distance of 464.78 feet;

Thence South $74^{\circ}21'22''$ West, a distance of 761.00 feet;

Thence South $41^{\circ}37'56''$ West, a distance of 588.43 feet;

Thence South $03^{\circ}22'04''$ East, a distance of 301.48 feet to a point on the South line of the Southwest Quarter of said Section 28;

Thence North $89^{\circ}31'12''$ West, along said South line, a distance of 2,364.77 feet to the Southwest Corner of said Section 28;

Thence North $00^{\circ}27'37''$ East, along the West line of the Southwest Quarter of said Section 28, a distance of 2,642.29 feet to the East Quarter Corner of said Section 29;

Thence North $89^{\circ}37'25''$ West, along the East-West mid-section line of said Section 29, a distance of 2,642.10 feet to the Center of said Section 29;

Thence North $00^{\circ}30'30''$ East, along the North-South mid-section line of said Section 29, a distance of 2,481.52 feet to a point on the Southerly right-of-way line of the Central Arizona Project Canal;

Thence, along said Southerly right-of-way line of the Central Arizona Project Canal, the following courses:

Thence North $44^{\circ}33'22''$ East, a distance of 3,419.52 feet;

Thence North $56^{\circ}59'46''$ East, a distance of 496.13 feet;

Thence North $80^{\circ}26'29''$ East, a distance of 3,220.32 feet;

Thence North $85^{\circ}39'45''$ East, a distance of 497.23 feet;

Thence South $89^{\circ}08'59''$ East, a distance of 293.06 feet;

Thence South $00^{\circ}51'01''$ West, a distance of 74.97 feet;

Thence South $89^{\circ}07'56''$ East, a distance of 300.00 feet;

Thence North $01^{\circ}19'16''$ East, a distance of 75.03 feet;

Legal Description for
 Festival Ranch
 Community Facility District
 December 9, 2004

Thence South 89°08'59" East, a distance of 6,130.87 feet to a point on the West line of the Northwest Quarter of said Section 23;

Thence South 00°22'19" West, departing said Southerly right-of-way line, along the West line of the Northwest Quarter of said Section 23, a distance of 200.79 feet to a point on the Southerly line of certain parcel of land described in Docket 13238, Page 640, Maricopa County Records;

Thence, along said Southerly line of Docket 13238, Page 640, the following courses:

Thence South 89°36'50" East, a distance of 33.00 feet;
 Thence North 00°22'19" East, a distance of 200.50 feet;
 Thence South 89°06'32" East, a distance of 285.89 feet;

Thence North 69°27'36" East, a distance of 174.40 feet to a point on the South line of the North 792.00 feet of the West 660.00 feet of the South Half of the Northwest Quarter of said Section 23;

Thence South 89°36'50" East, departing said Southerly line of Docket 13238, Page 640, and along said South line of the North 792.00 feet of the West 660.00 feet, a distance of 178.21 feet to a point on the East line of said West 660.00 feet of the North 792.00 feet;

Thence North 00°22'19" East, along said East line, a distance of 68.14 feet to a point on the Southerly right-of-way line of the Central Arizona Project Canal;

Thence, along said Southerly right-of-way line of the Central Arizona Project Canal, the following courses:

Thence North 69°27'36" East, a distance of 2,026.68 feet to a point on the North line of the South Half of the Northwest Quarter of said Section 23;

Thence South 89°36'50" East, along said North line, a distance of 90.13 feet to the Northeast corner of the South Half of the Northwest Quarter of said Section 23;

Thence North 00°27'52" East, along the North-South mid-section line of said Section 23, a distance of 34.37 feet;

Thence North 69°28'27" East, a distance of 2,820.53 feet to a point on the West line of the Northwest Quarter of said Section 24;

Thence South 00°22'48" West, along said West line, a distance of 106.56 feet;

Thence North 69°28'05" East, a distance of 1,086.54 feet to a point on the South line of the Southwest Quarter of said Section 13;

Legal Description for
 Festival Ranch
 Community Facility District
 December 9, 2004

Thence North 69°27'37" East, a distance of 1,740.17 feet to a point on the North-South mid-section line of said Section 13;

Thence North 69°27'38" East, a distance of 1,296.88 feet;

Thence South 00°00'00" East, departing said Southerly right-of-way line, a distance of 213.58 feet to a point on a line which is parallel with and 200.00 feet Southerly, as measured at right angles, from the Southerly right-of-way line of the Central Arizona Project Canal;

Thence North 69°27'38" East, along said parallel line, a distance of 464.53 feet;

Thence North 00°00'00" East, a distance of 213.58 feet to a point on the Southerly right-of-way line of the Central Arizona Project Canal;

Thence North 69°27'38" East, along said Southerly right-of-way line, a distance of 1,067.33 feet to a point on the East line of the Southeast Quarter of said Section 13;

Thence South 00°24'51" West, departing said Southerly right-of-way line along said East line, a distance of 1,633.09 feet to the Point of Beginning.

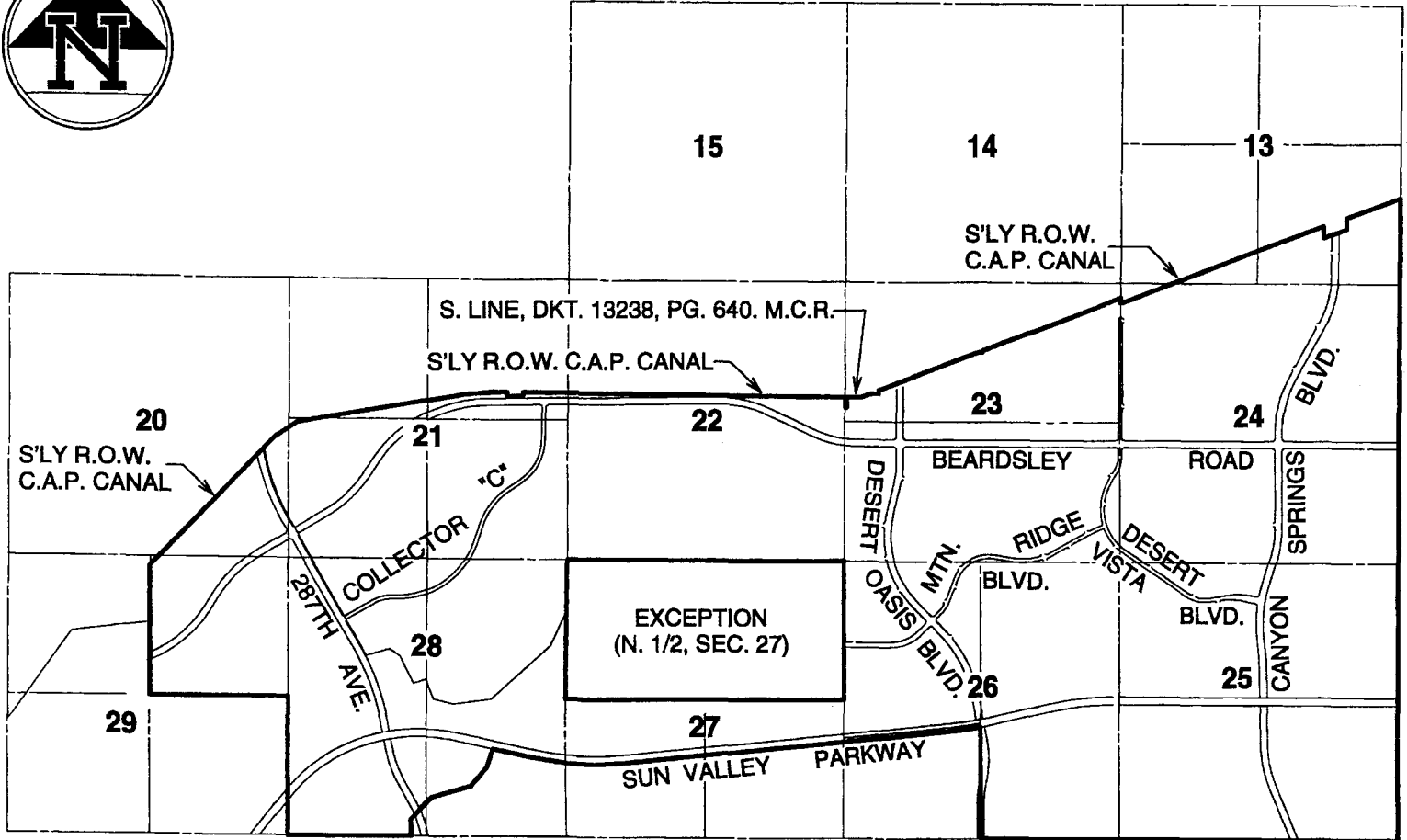
EXCEPT THE FOLLOWING DESCRIBED PARCEL OF LAND:

The North Half of Section 27, Township 4 North, Range 4 West, of the Gila and Salt River Meridian, Maricopa County, Arizona,

Containing 4,015.490 Acres, more or less.



20050523800



N:\680001\LAND\EH-CFD.DGN

EXHIBIT	FESTIVAL RANCH COMMUNITY FACILITY DISTRICT	JOB NO 680001
4550 NORTH 12TH ST. PHOENIX, ARIZONA 85014 TEL. (602) 264-6831	COE & VAN LOO PLANNING • ENGINEERING • LANDSCAPE ARCHITECTURE	SHEET 1 OF 1

EXHIBIT B

**FORM OF NOTICE INVITING BIDS
TO BE USED SHALL BE SUBSTANTIALLY THE FORM OF
NOTICE USED BY THE TOWN OF BUCKEYE FOR
WORK BID PURSUANT TO THE
ARIZONA REVISED STATUTES
AS MAY BE MODIFIED BY THE DISTRICT**

Sealed bids will be received by _____ until 10:00 a.m. MST, on _____ at _____. At this time, the bids will be publicly opened and read aloud and award will be made to the lowest responsible bidder. Each bid shall be accompanied by a cashier's check or a bid bond acceptable to _____ for a sum of not less than ten percent (10%) of the amount of the bid, made payable to _____.

No bid will be considered unless it is submitted on the provided bid form. _____ reserves the right to reject all or any part of any bid.

Contact _____, Construction Coordinator, at _____ or _____, the District Engineer, for additional information.

Plans, specifications and bid forms may be obtained for the sum of \$_____ from the Construction Coordinator, _____, or by calling _____. This fee is non-refundable. Construction documents will not be available before _____.

For those interested in purchasing plans and specifications by mail, there will be an additional advance charge of \$_____ to cover postage and handling. Therefore, a check made payable to _____ in the amount of \$_____ should accompany the request. Please allow four to five days for delivery.

The infrastructure which is the subject of the bids is being bid and constructed pursuant to the terms of Development, Financing Participation and Intergovernmental Agreement No. 1 between _____ and _____ Community Facilities District. The successful contractor will not have recourse, directly or indirectly, to the Town of Buckeye or _____ Community Facilities District for any costs under any construction contract or any liability, claim or expense arising therefrom.

A pre-bid conference will be held at _____, _____, at 10:00 a.m. MST. The work consists of construction of:

All bids received in response to this Notice Inviting Bids shall be in conformance with the applicable Arizona State Law.

EXHIBIT C

**FORM OF CERTIFICATE OF ENGINEERS FOR
CONVEYANCE OF ACQUISITION PROJECT OR SEGMENT OF PROJECT**

CERTIFICATE OF ENGINEERS FOR CONVEYANCE OF SEGMENT OF PROJECT

(insert description of Project/Segment)

STATE OF ARIZONA)
COUNTY OF MARICOPA)
FESTIVAL RANCH)
COMMUNITY FACILITIES DISTRICT)
_____)

We the undersigned, being Professional Engineers in the State of Arizona and, respectively, the duly appointed District Engineer for Festival Ranch Community Facilities District (the "*District*"), and the engineer employed by _____ (the "*Owner*"), each hereby certify for purposes of the District Development, Financing Participation and Intergovernmental Agreement No. 1 Festival Ranch Community Facilities District, dated as of _____, 20__ (the "*Agreement*"), by and among the District, the Town of Buckeye, Arizona (the "*Municipality*") and the Owners that:

1. The Acquisition Project or Segment indicated above has been performed in every detail pursuant to the Plans and Specifications (as such term and all of the other initially capitalized terms in this Certificate are defined in the Agreement) and the Contract (as modified by any change orders permitted by the Agreement) for such Segment.
2. The Project Price or Segment Price as publicly bid and including the cost of approved change orders for such Acquisition Project or Segment is \$_____.
3. The Owners provided for compliance with the requirements for public bidding for such Acquisition Project or Segment as required by the Agreement (including, particularly but not by way of limitation, Title 34, Chapter 2, Article 1, Arizona Revised Statutes, as amended) or such other applicable law prescribing public bidding requirements in connection with award of the Contract for such Acquisition Project or Segment.
4. The Owners filed all construction plans, specifications, contract documents, and supporting engineering data for the construction or installation of such Acquisition Project or Segment with the Municipality.
5. The Owners obtained good and sufficient performance and payment bonds in connection with such Contract as were required by the Agreement.

DATED AND SEALED THIS _____ DAY OF _____,
_____.

By _____
District Engineer

[P.E. SEAL]

By _____
Engineer for the Owner

[P.E. SEAL]

Confirmed for purposes of Sections 1.5,
2.3, 3.2 of the Development Agreement by

FESTIVAL RANCH COMMUNITY
FACILITIES DISTRICT

District Manager

<https://recorder.maricopa.gov/recording/verify-cert.html?id=326602> [20050523800] 59 Pages

EXHIBIT D

FORM OF CONVEYANCE OF ACQUISITION PROJECT OR SEGMENT OF PROJECT

(Insert description of Project/Segment)

STATE OF ARIZONA)
COUNTY OF MARICOPA)
FESTIVAL RANCH)
COMMUNITY FACILITIES DISTRICT)
_____)

KNOW ALL MEN BY THESE PRESENTS THAT:

_____, an Arizona _____ (the "Owner"), for good and valuable consideration received by the Owners from Festival Ranch Community Facilities District, a community facilities district formed by the Town of Buckeye, Arizona (the "*Municipality*"), and duly organized and validly existing pursuant to the laws of the State of Arizona (the "*District*"), receipt of which is hereby acknowledged [, **and the promise of the District to hereafter pay the amounts described in the hereinafter described Development Agreement***], does by these presents grant, bargain, sell and convey to the [**Municipality**], its successors and assigns, all right, title and interest in and to the following described property, being the subject of a District Development, Financing Participation and Intergovernmental Agreement No. 1 Festival Ranch Community Facilities District, dated as of _____, 20___, by and among the Owners, the Municipality and the District and more completely described in such Development Agreement:

[Insert description of Project/Segment]

together with any and all benefits, including warranties and performance and payment bonds, under the applicable Contract (as such term is described in such Development Agreement) or relating thereto, all of which are or shall be located within public rights-of-way, public utility or other public easements dedicated or to be dedicated by plat or otherwise free and clear of any and all liens, easements, restrictions, conditions, or encumbrances affecting the same [, **such subsequent dedications not affecting the promise of the District to hereafter pay the amount described in such Development Agreement***], but subject to all reservations in patents, and all easements, rights-of-way, encumbrances, liens, covenants, conditions, restrictions, obligations and liabilities or other matters as set forth on Schedule I hereto.

TO HAVE AND TO HOLD the above-described property, together with all and singular the rights and appurtenances hereunto in anywise belonging, including all necessary

*Insert with respect to any acquisition financed pursuant to Section 5.1(a) hereof including for any amounts remaining and eligible for reimbursement.

rights of ingress, egress, and regress, subject, however, to the above-described exception(s) and reservation(s), unto the [**Municipality**], its successors and assigns, forever; and the Owners does hereby bind itself, its successors and assigns to warrant and forever defend, all and singular, the above-described property, subject to such exception(s) and reservation(s), unto the [**Municipality**], its successors and assigns, against the acts of all others.

The Owners binds and obligates itself, its successors and assigns, to execute and deliver at the request of the District any other or additional instruments of transfer, bills of sale, conveyances, or other instruments or documents which may be necessary or desirable to evidence more completely or to perfect the transfer to the [**Municipality**] of the above-described property, subject to the exception(s) and reservation(s) hereinabove provided.

This conveyance is made pursuant to such Development Agreement, and the Owners hereby agrees that the amounts specified above and paid [**or promised to be paid**] to the Owners hereunder satisfy in full the obligations of the District under such Development Agreement for such Project or Segment and hereby releases the District from any further responsibility to make payment to the Owners under such Development Agreement.

The Owners, in addition to the other representations and warranties herein, specifically makes the following representations and warranties:

1. The Owners has the full legal right and authority to make the sale, transfer, and assignment herein provided.
2. The Owners is not a party to any written or oral contract which adversely affects this Conveyance.
3. The Owners is not subject to any bylaw, agreement, mortgage, lien, lease, instrument, order, judgment, decree, or other restriction of any kind or character which would prevent the execution of this Conveyance.
4. The Owners is not engaged in or threatened with any legal action or proceeding, nor is it under any investigation, which prevents the execution of this Conveyance.
5. The person executing this Conveyance on behalf of the Owners has full authority to do so, and no further official action need be taken by the Owners to validate this Conveyance.
6. The facilities conveyed hereunder are all located within property owned by the Owners, public rights-of-way, or public utility or other public easements dedicated or to be dedicated by plat or otherwise.

IN WITNESS WHEREOF, the Owners has caused this Conveyance to be executed and delivered this _____ day of _____, 20__.

By _____
Title: _____

By _____
Title: _____

STATE OF ARIZONA)
COUNTY OF MARICOPA)

This instrument was acknowledged before me on _____, 20__, by _____, of _____, an Arizona _____, on behalf of said company.

Notary Public

My Commission Expires: _____

[NOTARY SEAL]

https://recorder.maricopa.gov/recording/verify-cert.html?id=326602 [20050523800] 59 Pages

**SCHEDULE I
TO
CONVEYANCE OF SEGMENT OF PROJECT**

(Insert all exceptions and reservations to the Conveyance)

<https://recorder.maricopa.gov/recording/verify-cert.html?id=3266602> [20050523800] 59 Pages

EXHIBIT E

FORM OF DISCLOSURE PAMPHLET

FESTIVAL RANCH COMMUNITY
FACILITIES DISTRICT
DISCLOSURE STATEMENT
IMPORTANT – READ CAREFULLY

Buyer(s) _____
Parcel _____
Lot _____
Homebuilder _____

General CFD Provisions

The home you are purchasing is within the Festival Ranch Community Facilities District (the "CFD"), which was formed on _____. The CFD was created to finance the acquisition, construction and maintenance of public infrastructure benefiting _____. The cost of acquisition and construction of these improvements is paid for by general obligation and/or special assessment bonds issued by the CFD. The operation and maintenance expenses are paid from an ad valorem property tax levied against all property located within the CFD.

Ad Valorem Taxes of the CFD

General obligation bonds and the CFD operation and maintenance expenses are paid from ad valorem property taxes levied against all taxable property in the CFD. It is currently estimated that payment of the general obligation bonds and the CFD expenses will add approximately \$_____ to the property tax rate; however, such tax rate increase could vary depending upon factors including the financing amount and terms, and the amount of the assessed valuation of taxable property within the CFD. Payment of general obligation bonds and expenses are included as part of your regular Maricopa County property tax statement and are in addition to taxes levied by the Town of Buckeye and other political subdivisions.

Special Assessments of the CFD

Special assessment bonds are paid from special assessment payments secured by a special assessment lien on each benefited lot. Special assessment liens pertaining to construction of the initial public infrastructure for _____ are estimated to range from \$_____ to \$_____ per benefited residential lot (current dollars). Special assessment liens vary depending upon the size of the lot, benefits estimated to be received by each lot, the public improvements to be financed, and the financing terms of each special assessment bond. Bills for the repayment of the special assessment bonds as well as the applicable administrative charges are sent out twice a year and are billed separately from your regular Maricopa County property tax bill. Failure to

timely pay any assessment installment will result in the acceleration of the entire assessment amount and the foreclosure sale of the benefited lot.

Example of Financings' Costs to Homeowner

Based on the developer's proposed financing plan for the CFD during the first _____ years, the following is an illustration of the estimated annual CFD taxes as they related to the repayment of CFD general obligation bonds and CFD Maintenance and Operation expenses as well as a special assessment lien of \$_____ that is collected to pay the anticipated CFD special assessment bonds.

Home Sales Price	(A) Estimated General Obligation and Expense Payment (1)	(B) Estimated Special Assessment Payment (2)	(A) & (B) Estimated Total CFD Tax Payments	Estimated Special Assessment Lien Amount
\$130,000	\$	\$	\$	\$
\$150,000	\$	\$	\$	\$
\$175,000	\$	\$	\$	\$
\$220,000	\$	\$	\$	\$

Footnotes

- (1) Represents the repayment of CFD general obligation bond indebtedness and CFD expenses based upon an estimated increase in the ad valorem property tax rate.
- (2) Represents the repayment of special assessment bonds assuming a \$_____ per lot special assessment lien. Special assessment bond terms assume a _____% interest rate, ___-year amortization period, capitalized interest, 10% reserve fund and issuance expenses. To the extent that the bond terms vary from these assumptions, the payment amount will fluctuate. This figure does not include any administrative charges which may be charged by the District and/or third party administrators if any.

All of the taxes, assessments and charges described above are in addition to any taxes, fees and charges imposed by the Town of Buckeye, other political subdivisions and in addition to any assessments or fees imposed by any homeowners association.

Your signature below acknowledges that you have received and read this disclosure at the time you have signed our purchase contract.

[SIGNATURE PAGE TO FOLLOW]

[name]

[address]

[name]

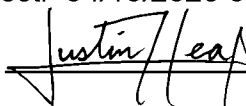
[address]

20050523800
OFFICIAL RECORDS OF
MARICOPA COUNTY RECORDER
JUSTIN HEAP



The foregoing instrument is an
electronically prepared
full, true and correct copy
of the original record in this
office.

Attest: 04/10/2025 04:22:26 PM

By  Recorder

To Verify this purchase visit
<https://recorder.maricopa.gov/recording/verify-cert.html?id=326602>