

RESOLUTION NO.32 \_\_\_\_\_

(PRONGHORN RANCH COMMUNITY FACILITIES DISTRICT)

**A RESOLUTION OF THE BOARD OF DIRECTORS OF PRONGHORN RANCH COMMUNITY FACILITIES DISTRICT APPROVING AND AUTHORIZING THE SALE AND ISSUANCE OF PRONGHORN RANCH COMMUNITY FACILITIES DISTRICT GENERAL OBLIGATION REFUNDING BONDS, SERIES 2013 AND ALL MATTERS RELATED THERETO; PRESCRIBING CERTAIN TERMS AND CONDITIONS OF SUCH BONDS INCLUDING THE DELEGATION TO THE DISTRICT MANAGER OF THE AUTHORITY TO DESIGNATE THE FINAL PRINCIPAL AMOUNT, MATURITIES, INTEREST RATES AND YIELDS AND OTHER MATTERS WITH RESPECT TO SUCH BONDS AND AWARDING A CONTRACT FOR THE PLACEMENT OF SUCH BONDS**

WHEREAS, the board of directors (the "Board") of Pronghorn Ranch Community Facilities District, a community facilities district duly organized and validly existing pursuant to the laws of the State of Arizona (the "District"), hereby finds and determines that it is expedient to refund all of the remaining outstanding General Obligation Bonds, Series 2002 (the "Series 2002 Bonds Being Refunded") and Series 2004 of the District (with the Series 2002 Bonds Being Refunded, the "Bonds Being Refunded") and that the issuance of certain refunding bonds by the District (the "Bonds") and the application of the net proceeds thereof to pay at maturity or earlier redemption the Bonds Being Refunded are necessary and advisable and in the best interests of the District and shall result in a present value debt service savings, net of costs associated with the Bonds, of not less than five percent (5.00%); and

WHEREAS, the Board also hereby finds and determines that the total aggregate outstanding amount of the Bonds will not exceed sixty percent (60%) of the aggregate of the estimated market value of the real property and improvements in the District; and

WHEREAS, the total aggregate of taxes levied to pay principal of and interest on the Bonds in the aggregate shall not exceed the total aggregate principal and interest to become due on the Bonds Being Refunded from the date of issuance of the Bonds to the final date of maturity of the Bonds Being Refunded; and

WHEREAS, the Board will receive a proposal from RBC Capital Markets, LLC (the "Placement Agent") for the placement of the Bonds and have determined that the Bonds be sold through negotiation pursuant thereto as a non-public sale; and

WHEREAS, pursuant to the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations promulgated thereunder (the "Regulations"), issuers of obligations, the interest on which is intended to be excludable from the gross income of the owners thereof for federal income tax purposes ("Tax-Exempt Obligations"), are required to establish policies and procedures to ensure compliance with the applicable provisions of the Code and the Regulations; and

WHEREAS, the Board hereby further finds and determines that the procedures attached hereto as Exhibit A should be adopted in order to ensure that Tax-Exempt Obligations (including the Bonds) issued by the District comply with the provisions of the Code and the Regulations (the "Procedures"); and

WHEREAS, all formal actions concerning and relating to the passage of this Resolution were taken in an open meeting, in compliance with all legal requirements, and all things required to be done preliminary to the authorization, sale and issuance of the Bonds have been duly done and performed in the manner required by law, and the Board is now empowered to proceed with the sale and issuance of the Bonds;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS AS FOLLOWS:

Section 1. (a) The Bonds are authorized by the provisions of the Enabling Act, specifically Section 48-719(D), Arizona Revised Statutes, and Title 35, Chapter 3, Article 4, Arizona Revised Statutes.

(b) The Bonds are hereby authorized to be sold and issued for the purposes set forth hereinabove. (All actions to refund the Bonds Being Refunded, whether taken before or after adoption of this Resolution, are ratified and confirmed and approved, respectively.)

(c) The Bonds Being Refunded shall be paid at maturity or redeemed on the earliest redemption date. The Trustee shall be directed to send a notice of redemption for the Series 2002 Bonds Being Refunded immediately after adoption hereof.

(d) (1) Proceeds of the sale of the Bonds shall, along with the amounts described in subsection (e), be deposited with Wells Fargo Bank, National Association as escrow trustee (the "Trustee"), pursuant to an escrow trust agreement, to be dated as of the first day of the month of the dated date of the Bonds determined as hereinafter provided (the "Escrow Trust Agreement"), between the Trustee and the District in substantially the form attached hereto as Exhibit C. (Any proceeds of the sale of the Bonds not used for such purpose shall be held by the District and used to pay costs of issuance of the Bonds or deposited in the applicable hereinafter defined "Interest Fund" in the same fashion as taxes.)

(2) The District Manager of the District is hereby authorized to execute and deliver the Escrow Trust Agreement, for and on behalf of the District, in substantially such form and in a final form satisfactory to the District Manager of the District, and such execution and delivery by the District Manager of the District shall indicate the approval thereof on behalf of the District.

(e) All amounts held by the Trustee as indenture trustee pursuant to the Series 2002 Indenture of Trust and Security Agreement, dated as of April 1, 2002, and the Series 2004 Indenture of Trust and Security Agreement dated as of September 1, 2004, each with the District along with amounts held by the Trustee in its separate capacity as depository trustee pursuant to the Series 2002 Depository Agreement, dated as of April 1, 2002, and the Series 2004 Depository Agreement, dated as of September 1, 2004, each with the District shall be applied by the Trustee for the purpose provided in subsection (d). The amounts described in this subsection shall be credited first for the purpose described in subsection (d) before applying the proceeds of the sale of the Bonds for such purpose.

(f) The owners of the Bonds shall rely upon the sufficiency of the funds deposited as described in subsection (d) for the payment of the Bonds Being Refunded. The issuance of the Bonds shall in no way infringe upon the rights of the owners of the Bonds Being Refunded to rely upon a tax levy for the payment of principal and interest on the Bonds Being Refunded if such redemption funds prove insufficient.

Section 2. The Bonds shall be designated "Pronghorn Ranch Community Facilities District General Obligation Refunding Bonds, Series 2013."

Section 3. The District Manager of the District is hereby authorized and directed to determine on behalf of the District: (1) the sales date of the Bonds and the dated date and total principal amount of the Bonds; (2) the final principal and maturity schedule of the Bonds; (3) subject to the penultimate sentence of this Section, the interest rate on each maturity of the Bonds (but not greater than five percent) and the dates for payment of such interest (the "interest payment dates"); (4) the provisions for redemption in advance of maturity of the Bonds and (5) the sales price and terms of the Bonds and their placement and sale (including for placement agent compensation, original issue discount and premium), provided, however, that such determinations must result in at least the savings indicated in the recitals hereto. Interest shall be calculated at two percent more than the interest rate on each maturity of the Bonds for which any interest is not timely paid or duly provided for as a result of any action or failure to act of the District, from the date of nonpayment to the date of payment of any such interest, and such additional amount shall be included in the next available levy described in Section 8 and paid, one-half on the next January 15 and the other half on the next July 15, to the registered owners on such dates. The District shall have no obligation to any prior registered

owner to notify them about any such amounts being payable as described in the preceding sentence.

Section 4. (a) The Bonds shall separately be numbered, by maturity, from 1 consecutively upwards; shall be fully registered Bonds without coupons; shall be in the denomination of \$100,000 of principal due on a maturity date or any integral multiple of \$5,000 of principal amount thereof except that Bonds may be in denominations less than \$100,000 to effect redemptions ("authorized denominations") and shall bear interest from the most recent July 15 or January 15 to which interest has been paid or duly provided for or, if no interest has been paid or duly provided for, from their date. The principal of and premium, if any, and interest on the Bonds shall be payable by wire transfer of immediately available, federal funds to the entity with which they are placed pursuant to Section 9 (the "Purchaser") to the account designated by such registered owner and thereafter to any entity to which they are transferred as hereinafter described (for purposes of this section together with the Purchaser, "registered owners") at the close of business on the first day of the calendar month next preceding that interest payment date (the "regular record date"). Any interest which is not timely paid or duly provided for shall cease to be payable to the registered owner thereof (or of one or more predecessor Bonds) as of the regular record date and shall be payable to the registered owner thereof (or of one or more predecessor Bonds) at the close of business on a special record date for the payment of that overdue interest. Such special record date shall be fixed whenever moneys become available for payment of the overdue interest, and notice of the special record date shall be given to the registered owners of the Bonds not less than ten (10) days prior thereto.

(b) (1) The Bonds may be transferred to a registered owner without the necessity of obtaining the consent of District; provided, that such transferee represents to the District that (i) it has sufficient knowledge and experience in financial and business matters to be able to evaluate the risks and merits of the investment in the Bonds, (ii) it understands that neither this Resolution nor the Bonds will be registered pursuant to the Securities Act of 1933, (iii) it is either an "accredited investor" within the meaning of Regulation D promulgated pursuant to the Securities Act of 1933, or a qualified institutional buyer within the meaning of Rule 144A promulgated under the Securities Act of 1933, and (iv) its present intention is to acquire such interest (A) for investment for its own account or (B) for resale in a transaction exempt from registration under the Securities Act of 1933; *provided, however,* that there shall only be five registered owners at any time and the District shall only report to and take direction from the entity which is the registered owner of a majority in the principal amount of the Bonds outstanding or designated for such purpose by the registered owners of a majority in principal amount of the Bonds outstanding (the "principal registered owner"); *provided further,* upon such transfer, if the Purchaser

is no longer the registered owner of a majority in principal amount of the Bonds outstanding, the District reserves the right to employ the services of third party paying agent and bond registrar. Upon transfer of any Bonds, the District shall execute and deliver new Bonds in the name of the transferee, in authorized denominations, in an aggregate principal amount equal to the unmatured and unredeemed principal amount of, and bearing interest at the same rate and maturing on the same date as, the Bonds submitted for transfer.

(2) Transfer of Bonds shall not be required (i) during a period beginning with the opening of business on the fifteenth (15th) business day next preceding either any interest payment date or any date of selection of Bonds to be redeemed and ending with the close of business on the interest payment date or day on which the applicable notice of redemption is given or (ii) of any Bonds which have been selected for redemption.

(c) Not more than forty-five (45) nor less than thirty (30) days before any optional redemption date, a notice of such redemption shall be mailed by first class mail, postage prepaid, to the principal registered owner.

Section 5. In case any Bond becomes mutilated or destroyed or lost, the District shall cause to be executed and delivered a new Bond of like maturity and tenor in exchange and substitution for and upon the cancellation of such mutilated Bond or in lieu of and in substitution for such Bond destroyed or lost, upon the registered owner paying the reasonable expenses and charges of the District in connection therewith and, in the case of a Bond destroyed or lost, filing with the District by the registered owner evidence satisfactory to the District that such Bond was destroyed or lost, and furnishing the District with a sufficient indemnity bond pursuant to Section 47-8405, Arizona Revised Statutes.

Section 6. The Bonds shall be executed on behalf of the District by the Chairperson or Vice Chairperson of the Board and attested by the District Clerk of the District and countersigned by the District Treasurer of the District with their manual or facsimile signatures, and such officials are hereby authorized and directed to execute, attest and countersign the Bonds as aforesaid. Unless a bond registrar and paying agent is employed by the District as hereinabove provided to do so, the District Clerk of the District shall authenticate and deliver Bonds upon original issuance and subsequent transfer as provided herein.

Section 7. The Bonds shall be in substantially the form attached hereto as Exhibit B, allowing those executing the Bonds to make the insertions and deletions necessary to conform the Bonds hereto.

Section 8. (a) In each year while any of the Bonds shall be outstanding, there shall be and hereby is levied upon all taxable

property within the District a continuing, direct, annual, *ad valorem* tax over and above all other taxes authorized or limited by law, which tax, together with other funds then on hand and available for such purposes, shall be sufficient to pay the principal of and interest on the Bonds as the same become due, provided, however, that the total aggregate of taxes levied to pay principal and interest on the Bonds in the aggregate shall not exceed the total aggregate principal and interest to become due on the Bonds Being Refunded from the date of issuance of the Bonds to the final date of maturity on the Bonds Being Refunded. The tax shall be extended and collected for the District, and the officials of the District and Yavapai County, Arizona, charged with the annual extension and collection of taxes, without further instructions from the Board, shall extend and collect the tax upon issuance of the Bonds. All moneys collected through such tax shall be paid into the treasury of the District, to the credit of an applicable, separate "Bond Fund" of the District for each series of the Bonds, from which funds the Bonds shall be payable, which tax moneys shall be held in subfunds in each such fund to be known as the "Interest Fund" and the "Redemption Fund", which funds shall be kept separate and apart from and not commingled with any other funds or moneys and which shall be used solely for, respectively, payment of interest on and principal of the applicable series of the Bonds.

(b) Neither the full faith and credit nor the general taxing power of the Town of Prescott Valley, Arizona (the "Town") is pledged to the payment of the Bonds. Nothing contained in this Resolution or any other instrument related to the Bonds shall be construed as obligating the Town, or as incurring a charge upon the general credit or any other credit or revenues of the Town nor shall the breach of any agreement contained in this Resolution or any other instrument or documents executed in connection therewith impose any charge upon the general credit or any other credit or revenues of the Town.

(c) A record of the Bonds sold and their numbers and dates shall be entered into the minutes of the Board and, subject to the limitation of applicable laws of the State of Arizona (the "State") as they relate to Bonds, an *ad valorem* property tax shall be collected, at the same time and in the same manner as other taxes are levied and collected on all taxable property in the boundaries of the District sufficient, together with moneys from the sources described herein, to pay debt service when due. Annual statements and estimates of the amount to be raised to pay such debt service shall be made. Such annual statements and estimates shall be filed with the Clerk of the Town, and a notice of the filing of the estimate shall be published. On or before the date set by law for certifying the annual budget of the Town, the amounts to be raised by *ad valorem* property taxes of the District shall be fixed, levied and assessed, and certified copies of the order shall be delivered to the Board of Supervisors of Yavapai County, Arizona, and to the Department of Revenue of the State. All statutes relating to the levy and collection of State and county taxes, including the collection of delinquent

taxes and sale of property for nonpayment of taxes, apply to the taxes provided for by this Section.

Section 9. (a) The District Manager of the District is hereby authorized to accept a proposal of the Placement Agent for the placement of the Bonds in substantially the form attached hereto as Exhibit D (the "Placement Agent Agreement") which is hereby approved, and the Bonds are hereby ordered sold to the entity identified in accordance with the terms of the Placement Agent Agreement.

(b) The District Manager of the District is hereby authorized to execute and deliver the Placement Agent Agreement, for and on behalf of the District, in substantially such form and in a final form satisfactory to the District Manager of the District, and such execution and delivery by the District Manager of the District shall indicate the approval thereof on behalf of the District.

(c) In accordance with the provisions of this Resolution and upon payment therefor, the District Manager, the District Clerk and the District Treasurer of the District, or any of them, are hereby authorized and directed to deliver the Bonds to the Purchaser upon receipt of payment therefor.

Section 10. (a) The District shall not make or direct the making of any investment or other use of the proceeds of any Bonds which would cause such Bonds to be "arbitrage bonds" as that term is defined in section 148 (or any successor provision thereto) of the Code, or "private activity bonds" as that term is defined in section 141 (or any successor provision thereto) of the Code, and the District shall comply with the requirements of the Code sections and related regulations throughout the term of the Bonds. (Particularly, the District or the Town shall be the owner of the facilities refinanced with the proceeds of the sale of the Bonds (the "Facilities") for federal income tax purposes. Except as otherwise advised in a Bond Counsel's Opinion (as such term is defined in the next Section), (1) no management or service contract with any entity other than a governmental entity for the operation of any portion of the Facilities shall be entered into unless the management or service contract complies with the requirements of Revenue Procedure 97-13 or such other authority as may control at the time, and (2) no lease or other arrangement with any entity other than a governmental entity that gives such entity special legal entitlements with respect to any portion of the Facilities shall be entered into.) Also, the payment of principal and interest with respect to the Bonds shall not be guaranteed (in whole or in part) by the United States or any agency or instrumentality of the United States. The proceeds of the Bonds, or amounts treated as proceeds of the Bonds, shall not be invested (directly or indirectly) in federally insured deposits or accounts, except to the extent such proceeds (1) may be so invested for an initial temporary period until needed for the purpose for which the Bonds are being issued, (2) may be so used in making investments of a bona fide debt service fund or (3) may be invested in obligations

issued by the United States Treasury. The Board hereby further covenants and agrees to comply with the procedures and covenants contained in any arbitrage rebate provision or separate agreement executed in connection with the issuance of the Bonds (originally as provided in Section 11 hereof) for so long as compliance is necessary in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds. In consideration of the purchase and acceptance of the Bonds by such holders from time to time and of retaining such exclusion and as authorized by Title 35, Chapter 3, Article 7, Arizona Revised Statutes, as amended, the Board covenants, and the appropriate officials of the District are hereby directed, to take all action required or to refrain from taking any action prohibited by the Code which would adversely affect in any respect such exclusion.

(b) (1) The District shall take all necessary and desirable steps, as determined by the Board, to comply with the requirements hereunder in order to ensure that interest on the Bonds is excluded from gross income for federal income tax purposes under the Code; provided, however, compliance with any such requirement shall not be required in the event the District receives a Bond Counsel's Opinion that either (i) compliance with such requirement is not required to maintain the exclusion from gross income of interest on the Bonds, or (ii) compliance with some other requirement will meet the requirements of the Code. In the event the District receives such a Bond Counsel's Opinion, the parties agree to amend this Resolution to conform to the requirements set forth in such opinion.

(2) If for any reason any requirement hereunder is not complied with, the District shall take all necessary and desirable steps, as determined by the Board, to correct such noncompliance within a reasonable period of time after such noncompliance is discovered or should have been discovered with the exercise of reasonable diligence and the District shall pay any required interest or penalty under Regulations section 1.148-3(h) with respect to the Code.

(c) The Procedures are hereby adopted to establish policies and procedures in connection with Tax-Exempt Obligations issued by the District to ensure that all applicable post-issuance requirements of the Code and the Regulations needed to preserve the status of such Tax-Exempt Obligations are met. The right to use discretion as necessary and appropriate to make exceptions or request additional provisions with respect to the Procedures as may be determined is hereby reserved. The right to change the Procedures from time to time, without notice, is also reserved.

(d) The Bonds are designated as "qualified tax-exempt obligations" within the meaning of and pursuant to the provisions of Section 265(b) of the Code. It is represented and warranted that the reasonably anticipated amount of "qualified tax-exempt obligations" (other than private activity bonds within the meaning of the Code)

which will be issued by the District during the 2013 calendar year will not exceed \$10,000,000.

Section 11. (a) Terms not otherwise defined in Subsection (b) hereof shall have the meanings given to them in the arbitrage certificate of the District delivered in connection with the issuance of the Bonds.

(b) In addition to the terms defined elsewhere herein, the following terms shall have the following meanings:

Bond Counsel's Opinion shall mean an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal bonds selected by the District.

Bond Year shall mean each one-year period beginning on the day after the expiration of the preceding Bond Year. The first Bond Year shall begin on the date of issue of the Bonds and shall end on the date selected by the District, provided that the first Bond Year shall not exceed one calendar year. The last Bond Year shall end on the date of retirement of the last Bond.

Bond Yield is as indicated in such arbitrage certificate. Bond Yield shall be recomputed if required by Regulations section 1.148-4(b)(4) or 4(h)(3). Bond Yield shall mean the discount rate that produces a present value equal to the Issue Price of all unconditionally payable payments of principal, interest and fees for qualified guarantees within the meaning of Regulations section 1.148-4(f) and amounts reasonably expected to be paid as fees for qualified guarantees in connection with the Bonds as determined under Regulations section 1.148-4(b). The present value of all such payments shall be computed as of the date of issue of the Bonds and using semiannual compounding on the basis of a 360-day year.

Gross Proceeds shall mean:

(i) any amounts actually or constructively received by the District from the sale of the Bonds but excluding amounts used to pay accrued interest on the Bonds within one year of the date of issuance of the Bonds;

(ii) transferred proceeds of the Bonds under Regulations section 1.148-9;

(iii) any amounts actually or constructively received from investing amounts described in (i), (ii) or this (iii); and

(iv) replacement proceeds of the Bonds within the meaning of Regulations section 1.148-1(c). Replacement proceeds include amounts reasonably expected to be used directly or indirectly to pay debt service on the Bonds, pledged amounts where there is reasonable assurance that such amounts will be available to pay principal

or interest on the Bonds in the event the District encounters financial difficulties and other replacement proceeds within the meaning of Regulations section 1.148-1(c)(4). Whether an amount is Gross Proceeds is determined without regard to whether the amount is held in any fund or account.

Investment Property shall mean any security, obligation (other than a tax-exempt bond within the meaning of Code section 148(b)(3)(A)), annuity contract or investment-type property within the meaning of Regulations section 1.148-1(b).

Issue Price is as indicated in such arbitrage certificate, which is the initial offering price to the public (not including bond houses and brokers, or similar persons or organizations acting in the capacity of underwriters of wholesalers) at which price a substantial amount of the Bonds was sold, less any bond insurance premium and reserve surety bond premium. Issue price shall be determined as provided in Regulations section 1.148-1(b).

Nonpurpose Investment shall mean any Investment Property acquired with Gross Proceeds, and which is not acquired to carry out the governmental purposes of the Bonds.

Payment shall mean any payment within the meaning of Regulations section 1.148-3(d)(1) with respect to a Nonpurpose Investment.

Rebate Requirement shall mean at any time the excess of the future value of all Receipts over the future value of all Payments. For purposes of calculating the Rebate Requirement the Bond Yield shall be used to determine the future value of Receipts and Payments in accordance with Regulations section 1.148-3(c). The Rebate Requirement is zero for any Nonpurpose Investment meeting the requirements of a rebate exception under section 148(f)(4) of the Code or Regulations section 1.148-7.

Receipt shall mean any receipt within the meaning of Regulations section 1.148-3(d)(2) with respect to a Nonpurpose Investment.

(c) Within 60 days after the end of each Bond Year, unless some exception to the requirement to do so has been satisfied, the District shall cause the Rebate Requirement to be calculated and, unless shall pay to the United States of America:

(1) not later than 60 days after the end of the fifth Bond Year and every fifth Bond Year thereafter, an amount which, when added to the future value of all previous rebate payments with respect to the Bonds (determined as of such computation date), is equal to at least 90% of the sum of the Rebate Requirement (determined as of the last day of such Bond Year) plus the future value of all previous rebate payments with

respect to the Bonds (determined as of the last day of such Bond Year); and

(2) not later than 60 days after the retirement of the last Bond, an amount equal to 100% of the Rebate Requirement (determined as of the date of retirement of the last Bond).

Each payment required to be made under this Section shall be filed with the Internal Revenue Service Center, Ogden, Utah 84201, on or before the date such payment is due, and shall be accompanied by IRS Form 8038-T.

(d) No Nonpurpose Investment shall be acquired for an amount in excess of its fair market value. No Nonpurpose Investment shall be sold or otherwise disposed of for an amount less than its fair market value.

(e) For purposes of Subsection (d), whether a Nonpurpose Investment has been purchased or sold or disposed of for its fair market value shall be determined as follows:

(1) The fair market value of a Nonpurpose Investment generally shall be the price at which a willing buyer would purchase the Nonpurpose Investment from a willing seller in a bona fide arm's length transaction. Fair market value shall be determined on the date on which a contract to purchase or sell the Nonpurpose Investment becomes binding.

(2) Except as provided in Subsection (f) or (g), a Nonpurpose Investment that is not of a type traded on an established securities market, within the meaning of Code section 1273, is rebuttably presumed to be acquired or disposed of for a price that is not equal to its fair market value.

(3) If a United States Treasury obligation is acquired directly from or sold or disposed of directly to the United States Treasury, such acquisition or sale or disposition shall be treated as establishing the fair market value of the obligation.

(f) The purchase price of a certificate of deposit that has a fixed interest rate, a fixed payment schedule and a substantial penalty for early withdrawal is considered to be its fair market value if the yield on the certificate of deposit is not less than:

(1) the yield on reasonably comparable direct obligations of the United States; and

(2) the highest yield that is published or posted by the provider to be currently available from the

provider on reasonably comparable certificates of deposit offered to the public.

(g) A guaranteed investment contract shall be considered acquired and disposed of for an amount equal to its fair market value if:

(1) A bona fide solicitation in writing for a specified guaranteed investment contract, including all material terms, is timely forwarded to all potential providers. The solicitation must include a statement that the submission of a bid is a representation that the potential provider did not consult with any other potential provider about its bid, that the bid was determined without regard to any other formal or informal agreement that the potential provider has with the District or any other person (whether or not in connection with the Bonds), and that the bid is not being submitted solely as a courtesy to the District or any other person for purposes of satisfying the requirements in the Regulations that the District receive bids from at least one reasonably competitive provider and at least three providers that do not have a material financial interest in the Bonds.

(2) All potential providers have an equal opportunity to bid, with no potential provider having the opportunity to review other bids before providing a bid.

(3) At least three reasonably competitive providers (i.e. having an established industry reputation as a competitive provider of the type of investments being purchased) are solicited for bids. At least three bids must be received from providers that have no material financial interest in the Bonds (e.g., a lead underwriter within 15 days of the issue date of the Bonds or a financial advisor with respect to the investment) and at least one of such three bids must be from a reasonably competitive provider. If the District uses an agent to conduct the bidding, the agent may not bid.

(4) The highest-yielding guaranteed investment contract for which a qualifying bid is made (determined net of broker's fees) is purchased.

(5) The determination of the terms of the guaranteed investment contract takes into account as a significant factor the reasonably expected deposit and drawdown schedule for the amounts to be invested.

(6) The terms for the guaranteed investment contract are commercially reasonable (i.e. have a legitimate business purpose other than to increase the purchase price or reduce the yield of the guaranteed investment contract).

(7) The provider of the investment contract certifies the administrative costs (as defined in Regulations section 1.148-5(e)) that it pays (or expects to pay) to third parties in connection with the guaranteed investment contract.

(8) The District retains until three years after the last outstanding Bond is retired, (i) a copy of the guaranteed investment contract, (ii) a receipt or other record of the amount actually paid for the guaranteed investment contract, including any administrative costs paid by the District and a copy of the provider's certification described in (7) above, (iii) the name of the person and entity submitting each bid, the time and date of the bid, and the bid results and (iv) the bid solicitation form and, if the terms of the guaranteed investment contract deviates from the bid solicitation form or a submitted bid is modified, a brief statement explaining the deviation and stating the purpose of the deviation.

(h) The employment of such experts and consultants to make, as necessary, any calculations in respect of rebates to be made to the United States of America in accordance with Section 148(f) of the Code, is hereby authorized.

Section 12. (a) In consideration of the purchase and acceptance of any and all of the Bonds issued hereunder by those who shall be the registered owners of the same from time to time, this Resolution shall be deemed to be and shall constitute a contract among the District and the registered owners of the Bonds.

(b) (i) The Purchaser shall be provided with, if produced, the audited financial statements of the District for the prior fiscal year within two weeks of completion, but in all events by February 1 of each year commencing February 1, 2014, at the address supplied to the District by the Purchaser.

(ii) Within ten business days after an event that has a material impact on the financial condition of the District that affects the ability of the District to pay the Bonds, the Purchaser shall be notified by the District of such event in writing at the address supplied to the District by the Purchaser.

(iii) The District shall also promptly provide such additional and available information reasonably requested by the Purchaser from time to time.

Section 13. (a) If any section, paragraph, subdivision, sentence, clause or phrase of this Resolution is for any reason held to be illegal or unenforceable, such decision will not affect the validity of the remaining portions of this Resolution. The Board of Directors of the District hereby declare that it would have adopted this Resolution and each and every other section, paragraph, subdivision, sentence, clause or phrase hereof and authorized the issuance of the Bonds pursuant hereto irrespective of the fact that

any one or more sections, paragraphs, subdivisions, sentences, clauses or phrases of this Resolution may be held illegal, invalid or unenforceable.

(b) All actions of the officers and agents of the District including the Board of Directors of the District which conform to the purposes and intent of this Resolution and which further the issuance and sale of the Bonds as contemplated by this Resolution, whether heretofore or hereafter taken, are hereby ratified, confirmed and approved. The proper officers and agents of the District are hereby authorized and directed to do all such acts and things and to execute and deliver all such documents on behalf of the District as may be necessary to carry out the terms and intent of this Resolution.

(c) All acts and conditions necessary to be performed by the District or to have been met precedent to and in the issuing of the Bonds in order to make them legal, valid and binding general obligations of the District will at the time of delivery of the Bonds have been performed and have been met, in regular and due form as required by law, and no statutory, charter or constitutional limitation of indebtedness or taxation will have been exceeded in the issuance of the Bonds.

PASSED by the Board of Directors of Pronghorn Ranch  
Community Facilities District this 8th day of August, 2013.

.....  
Chairman, Board of Directors,  
Pronghorn Ranch Community Facilities  
District

ATTEST:

.....  
District Clerk, Pronghorn Ranch  
Community Facilities District

APPROVED AS TO FORM:

.....  
District Counsel, Pronghorn Ranch  
Community Facilities District

EXHIBITS:

- Exhibit A - Procedures
- Exhibit B - Form of Bond
- Exhibit C - Form of Escrow Trust Agreement
- Exhibit D - Form of Placement Agent Agreement

CERTIFICATION

I hereby certify that the foregoing Resolution No. \_\_\_\_\_ was duly passed and adopted by the Board of Directors of Pronghorn Ranch Community Facilities District, at a meeting held on the 8th day of August, 2013, and the vote was .... ayes and .... nays.

.....  
District Clerk, Pronghorn Ranch  
Community Facilities District

EXHIBIT A

PROCEDURES

WRITTEN POLICIES AND PROCEDURES  
FOR TAX-ADVANTAGED OBLIGATIONS

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

The Issuer has established the policies and procedures contained herein (the "Procedures") as of ....., 2013, in order to ensure that the Issuer complies with the requirements of the Code that are applicable to its tax-advantaged obligations. The Procedures, coupled with requirements contained in the arbitrage and tax certificate or other operative documents (the "Tax Certificate") executed at the time of issuance of the tax-advantaged obligations, are intended to constitute written procedures for ongoing compliance with the Federal tax requirements applicable to the tax-advantaged obligations and for timely identification and remediation of violations of such requirements.

**A. GENERAL MATTERS.**

1. Responsible Officer. The Administrative Officer of the Issuer will have overall responsibility for ensuring that the ongoing requirements described in the Procedures are met with respect to tax-advantaged obligations (the "Responsible Officer").
2. Establishment of Procedures. The Procedures will be included with other written procedures of the Issuer.
3. Identify Additional Responsible Employees. The Responsible Officer shall identify any additional persons who will be responsible for each section of the Procedures, notify the current holder of that office of the responsibilities, and provide that person a copy of the Procedures. (For each section of the Procedures, this may be the Responsible Officer or another person who is assigned the particular responsibility.)
  - a. Upon employee or officer transitions, new personnel should be advised of responsibilities under the Procedures and ensure they understand the importance of the Procedures.

- b. If employee or officer positions are restructured or eliminated, responsibilities should be reassigned as necessary to ensure that all Procedures have been appropriately assigned.
- 4. Training Required. The Responsible Officer and other responsible persons shall receive appropriate training that includes the review of and familiarity with the contents of the Procedures, review of the requirements contained in the Code applicable to each tax-advantaged obligation, identification of all tax-advantaged obligations that must be monitored, identification of all facilities (or portions thereof) financed with proceeds of tax-advantaged obligations, familiarity with the requirements contained in the Tax Certificate or other operative documents contained in the transcript, and familiarity with the procedures that must be taken in order to correct noncompliance with the requirements of the Code in a timely manner.
- 5. Periodic Review. The Responsible Officer or other responsible person shall periodically review compliance with the Procedures and with the terms of the Tax Certificate to determine whether any violations have occurred so that such violations can be timely remedied through the "remedial action" regulations or the Voluntary Closing Agreement Program available through the Internal Revenue Service ("IRS") (or successor guidance). Such periodic review shall occur at least annually.
- 6. Change in Terms. If any changes to the terms of the tax-advantaged obligations are contemplated, bond counsel should be consulted. Such modifications could jeopardize the status of tax-advantaged obligations.

**B. ISSUE PRICE FOR TAX-ADVANTAGED OBLIGATIONS.** In order to document the issue price of tax-advantaged obligations, the Responsible Officer shall consult with bond counsel and obtain a written certification from the purchaser of the tax-advantaged obligations as to the offering price of the tax-advantaged obligations that is in form and substance acceptable to the Issuer and bond counsel.

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

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

1. Consistent Accounting Procedures. Maintain or confirm maintenance of clear and consistent accounting procedures for tracking the investment and expenditures of proceeds, including investment earnings on proceeds.
2. Reimbursement Allocations at Closing. At or shortly after closing of an issue, ensure that any allocations for reimbursement expenditures comply with the Tax Certificate.
3. Timely Expenditure of Proceeds. Monitor that sale proceeds and investment earnings on sale proceeds of tax-advantaged obligations are spent in a timely fashion consistent with the requirements of the Tax Certificate.
4. Requisitions. Utilize or confirm the utilization of requisitions to draw down proceeds, and ensure that each requisition contains (or has attached to it) detailed information in order to establish when and how proceeds were spent; review requisitions carefully before submission to ensure proper use of proceeds to minimize the need for reallocations.
5. Final Allocation. Ensure that a final allocation of proceeds (including investment earnings) to qualifying expenditures is made if proceeds are to be allocated to project expenditures on a basis other than "direct tracing" (direct tracing means treating the proceeds as spent as shown in the accounting records for draws and project expenditures). An allocation other than on the basis of "direct tracing" is often made to reduce the private business use of bond proceeds that would otherwise result from "direct tracing" of proceeds to project expenditures. *This allocation must be made within 18 months after the later of the date the expenditure was made or the date the project was placed in service, but not later than five years and 60 days after the date the tax-advantaged obligations are issued (or 60 days after the issue is retired, if earlier).* Bond counsel can assist with the final allocation of proceeds to project costs. Maintain a copy of the final allocation in the records for the tax-advantaged obligation.
6. Maintenance and Retention of Records Relating to Proceeds. Maintain or confirm the maintenance of careful records of all project and other costs (e.g., costs of issuance, credit enhancement and capitalized interest) and uses (e.g., deposits to a reserve fund) for which proceeds were spent or used. These records should be maintained separately for each issue of tax-advantaged obligations for the period indicated under Section H. below.

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

1. Identify Financed Facilities. Identify or "map" which outstanding issues financed which facilities and in what amounts.
2. Review of Contracts with Private Persons. Review all of the following contracts or arrangements with non-governmental persons or organizations or the federal government (collectively referred to as "private persons") with respect to the financed facilities which could result in private business use of the facilities:
  - a. Sales of financed facilities;
  - b. Leases of financed facilities;
  - c. Management or service contracts relating to financed facilities;
  - d. Research contracts under which a private person sponsors research in financed facilities; and
  - e. Any other contracts involving "special legal entitlements" (such as naming rights or exclusive provider arrangements) granted to a private person with respect to financed facilities.
3. Bond Counsel Review of New Contracts or Amendments. Before amending an existing agreement with a private person or entering into any new lease, management, service, or research agreement with a private person, consult bond counsel to review such amendment or agreement to determine whether it results in private business use.
4. Establish Procedures to Ensure Proper Use and Ownership. Establish procedures to ensure that financed facilities are not used for private use without written approval of the Responsible Officer or other responsible person.
5. Analyze Use. Analyze any private business use of financed facilities and, for each issue of tax-advantaged obligations, determine whether the 10 percent limit on private business use (5 percent in the case of "unrelated or disproportionate" private business use) is exceeded, and contact bond counsel or other tax advisors if either of these limits appears to be exceeded.
6. Remediation if Limits Exceeded. If it appears that private business use limits are exceeded, immediately consult with bond counsel to determine if a remedial action is required with respect to nonqualified tax-advantaged obligations of

the issue or if the IRS should be contacted under its Voluntary Closing Agreement Program. If tax-advantaged obligations are required to be redeemed or defeased in order to comply with remedial action rules, such redemption or defeasance must occur within 90 days of the date a deliberate action is taken that results in a violation of the private business use limits.

7. Maintenance and Retention of Records Relating to Private Use. Retain copies of all of the above contracts or arrangements (or, if no written contract exists, detailed records of the contracts or arrangements) with private persons for the period indicated under Section H. below.

**F. LOAN OF BOND PROCEEDS.** Consult bond counsel if a loan of proceeds of tax-advantaged obligations is contemplated. If proceeds of tax-advantaged obligations are permitted under the Code to be loaned to other entities and are in fact so loaned, require that the entities receiving a loan of proceeds institute policies and procedures similar to the Procedures to ensure that the proceeds of the loan and the facilities financed with proceeds of the loan comply with the limitations provided in the Code. Require the recipients of such loans to annually report to the Issuer ongoing compliance with the Procedures and the requirements of the Code.

**G. ARBITRAGE AND REBATE COMPLIANCE.** The Responsible Officer or other responsible person shall:

1. Review Tax Certificate. Review each Tax Certificate to understand the specific requirements that are applicable to each tax-advantaged obligation issue.
2. Arbitrage Yield. Record the arbitrage yield of the issue, as shown on IRS Form 8038-G or other applicable form. If the tax-advantaged obligations are variable rate, yield must be determined on an ongoing basis over the life of the tax-advantaged obligations as described in the Tax Certificate.
3. Temporary Periods. Review the Tax Certificate to determine the "temporary periods" for each issue, which are the periods during which proceeds of tax-advantaged obligations may be invested without yield restriction.
4. Post-Temporary Period Investments. Ensure that any investment of proceeds after applicable temporary periods is at a yield that does not exceed the applicable yield, unless yield reduction payments can be made pursuant to the Tax Certificate.
5. Monitor Temporary Period Compliance. Monitor that proceeds (including investment earnings) are expended promptly after the tax-advantaged obligations are issued in accor-

dance with the expectations for satisfaction of three-year or five-year temporary periods for investment of proceeds and to avoid "hedge bond" status.

6. Monitor Yield Restriction Limitations. Identify situations in which compliance with applicable yield restrictions depends upon later investments (e.g., the purchase of 0 percent State and Local Government Securities from the U.S. Treasury for an advance refunding escrow). Monitor and verify that these purchases are made as contemplated.
7. Establish Fair Market Value of Investments. Ensure that investments acquired with proceeds satisfy IRS regulatory safe harbors for establishing fair market value (e.g., through the use of bidding procedures), and maintaining records to demonstrate satisfaction of such safe harbors. Consult the Tax Certificate for a description of applicable rules.
8. Credit Enhancement, Hedging and Sinking Funds. Consult with bond counsel before engaging in credit enhancement or hedging transactions relating to an issue, and before creating separate funds that are reasonably expected to be used to pay debt service. Maintain copies of all contracts and certificates relating to credit enhancement and hedging transactions that are entered into relating to an issue.
9. Grants/Donations to Governmental Entities. Before beginning a capital campaign or grant application that may result in gifts that are restricted to financed projects (or, in the absence of such a campaign, upon the receipt of such restricted gifts), consult bond counsel to determine whether replacement proceeds may result that are required to be yield restricted.
10. Bona Fide Debt Service Fund. Even after all proceeds of a given issue have been spent, ensure that debt service funds, if any, meet the requirements of a "bona fide debt service fund," i.e., one used primarily to achieve a proper matching of revenues with debt service that is depleted at least once each bond year, except for a reasonable carryover amount not to exceed the greater of: (i) the earnings on the fund for the immediately preceding bond year; or (ii) one-twelfth of the debt service on the issue for the immediately preceding bond year. To the extent that a debt service fund qualifies as a bona fide debt service fund for a given bond year, the investment of amounts held in that fund is not subject to yield restriction for that year.
11. Debt Service Reserve Funds. Ensure that amounts invested in reasonably required debt service reserve funds, if any, do not exceed the least of: (i) 10 percent of the stated

principal amount of the tax-advantaged obligations (or the sale proceeds of the issue if the issue has original issue discount or original issue premium that exceeds 2 percent of the stated principal amount of the issue plus, in the case of premium, reasonable underwriter's compensation); (ii) maximum annual debt service on the issue; or (iii) 125% of average annual debt service on the issue.

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

any other records relevant to compliance with the arbitrage restrictions for the period indicated in Section H. below.

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

EXHIBIT B  
FORM OF BOND

REGISTERED  
NO. ....

REGISTERED  
\$.....

UNITED STATES OF AMERICA

STATE OF ARIZONA

COUNTY OF YAVAPAI

(THIS BOND IS ONLY TRANSFERABLE UPON COMPLIANCE WITH THE  
RESTRICTED TERMS PROVIDED IN THE RESOLUTION DESCRIBED HEREIN)

PRONGHORN RANCH COMMUNITY FACILITIES DISTRICT  
GENERAL OBLIGATION REFUNDING BOND,  
SERIES 2013

Interest Rate:                      Maturity Date:                      Dated as of:  
.....% per annum                      .....                      ....., 2013

REGISTERED OWNER: .....

PRINCIPAL AMOUNT: ..... DOLLARS

PRONGHORN RANCH COMMUNITY FACILITIES DISTRICT, a community facilities district, duly organized and existing under the laws of the State of Arizona (the "District"), for value received, hereby promises to pay to the Registered Owner indicated above, or registered assigns, the Principal Amount indicated above on the aforesaid Maturity Date, and, except as provided in the hereinafter defined Resolution, to pay interest on the Principal Amount at the aforesaid Interest Rate on ..... 15, 20.., and on January 15 and July 15 of each year thereafter (each an "interest payment date") from the date of this Bond to its maturity or its redemption prior to maturity. The principal of and premium, if any, and interest on this Bond are payable by wire transfer of immediately available, federal funds to the registered owners (as described in the hereinafter described Resolution) to the account designated by such owners at the close of business on the first day of the calendar month next preceding that interest payment date (the "regular record date"). Any interest which is not timely paid or duly provided for shall cease to be payable to the registered owner hereof (or of one or more predecessor Bonds) as of the regular record date, and shall be payable to the registered owner hereof (or of one or more predecessor Bonds) at the close of business on a special record date for the payment of that overdue interest. The special record date shall be fixed whenever moneys become available for payment of the overdue interest, and notice of the special record

date shall be given to the registered owners of the Bonds not less than 10 days prior thereto.

The bonds of this series (the "Bonds") are issued to refund all the outstanding bonds of the District (the "Bonds Being Refunded"). This Bond is one of a series of such bonds, issued in the aggregate principal amount of \$.....,000, of like tenor except as to maturity date, rate of interest and number by virtue of a resolution (the "Resolution"), duly adopted prior to the issuance hereof, and pursuant to and in conformity with the Constitution and laws of the State of Arizona, including particularly, Article 4 Chapter 3 of Title 35 and Section 48-719(D) of the Arizona Revised Statutes and all other laws of the State of Arizona relating thereto.

For the punctual payment of this Bond, and the interest hereon, there shall be levied on all the taxable property in the District a continuing, direct, annual, *ad valorem* tax sufficient to pay all such principal and interest of and on this Bond as the same become due, such taxes to be levied, assessed and collected at the same time and in the same manner as other taxes are levied, assessed and collected; provided, however, that the issuance of the Bonds shall in no way infringe upon the rights of the owners of the Bonds Being Refunded to rely upon a tax levy for payment of the principal and interest on the Bonds Being Refunded if the obligations of the United States government in which net proceeds of the Bonds are held to provide funds to pay when due, or called for redemption, the Bonds Being Refunded together with interest thereon, and with other funds legally available for such purposes deposited in the respective principal and interest redemption funds and held for the payment of the Bonds Being Refunded with interest on maturity or upon an available redemption date prove insufficient and further that the total aggregate of taxes levied to pay principal and interest on the Bonds in the aggregate shall not exceed the total aggregate principal and interest to become due on the Bonds Being Refunded from the date of issuance of the Bonds to the final date of maturity of the Bonds Being Refunded. The owners of the Bonds must rely on the sufficiency of the funds and securities held irrevocably in trust for payment of the Bonds Being Refunded.

**NEITHER THE FULL FAITH AND CREDIT NOR THE GENERAL TAXING POWER OF THE TOWN OF PRESCOTT VALLEY, ARIZONA, OR THE STATE OF ARIZONA OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE DISTRICT) IS PLEDGED TO THE PAYMENT OF THE BONDS.**

The Bonds maturing on July 15, ....., and July 15, ....., are not subject to redemption prior to maturity. The Bonds maturing on or after July 15, ....., are subject to optional redemption prior to maturity, in whole or in part, on July 15, ....., or any interest payment date thereafter, by the payment of a redemption price equal to the principal amount of each such Bond redeemed plus interest accrued to the date fixed for redemption plus a premium, the premium (calculated as a percentage of the principal amount of such Bonds to be redeemed) to be computed as follows:

<u>Redemption Dates</u>	<u>Premium</u>
July 15, ....., and January 15, ....	.....%
July 15, ....., and thereafter	0.0

[Insert other optional provisions determined pursuant to Section 3]

The Bonds maturing on July 15, ....., shall be redeemed prior to maturity on July 15, in the years and amounts set forth below, by payment of the principal amount of each Bond to be redeemed plus interest accrued to the date fixed for redemption, but without a premium:

<u>Year</u>	<u>Amount</u>
	\$

A remaining principal amount of \$.....,000 of Bonds maturing on July 15, ....., shall mature on July 15, ....., At the option of the District, whenever Bonds maturing on July 15, ....., are purchased, redeemed (other than pursuant to the foregoing scheduled mandatory redemption) or delivered by the District for cancellation, the principal amount of such Bonds so retired will satisfy and be credited against the mandatory redemption requirement for such Bonds in such manner as the District determines; provided, however, that following such reduction each mandatory redemption requirement for such Bonds is an integral multiple of \$5,000 of principal.

Not more than seventy-five (75) nor less than sixty (60) days prior to the mandatory redemption date for the Bonds maturing on July 15, ....., Bonds maturing on July 15, ....., shall be selected for redemption (by lot) from all the Bonds maturing on July 15, ....., outstanding a principal amount of the Bonds maturing on July 15, ....., equal to the aggregate principal amount of the Bonds maturing on July 15, ....., to be redeemed and shall redeem such Bonds maturing on July 15, ....., on the next July 15.

Not more than 45 nor less than 30 days before any optional redemption date, notice of any such redemption shall be mailed by first class mail, postage prepaid, to the principal registered owner.

This Bond may be transferred only pursuant to the terms provided by the Resolution.

Transfer of Bonds will not be required (a) during a period beginning with the opening of business on the 15th business day next preceding either any interest payment date or any date of selection of Bonds to be redeemed and ending with the close of business on the interest payment date or day on which the applicable notice of redemption is given or (b) of any Bonds which have been selected for redemption.

This Bond shall not be entitled to any security or benefit under the Resolution or be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed by the [District Clerk of the District].\*

It is hereby certified, recited and declared (i) that all conditions, acts and things required by the Constitution and laws of the State of Arizona to happen, to be done, to exist and to be performed precedent to and in the issuance of this Bond and of the series of which it is one, have happened, have been done, do exist and have been performed in regular and due form and time as required by law; (ii) that the obligation evidenced by the series of Bonds of which this is one, together with all other existing indebtedness of the District, does not exceed any applicable constitutional or statutory limitation; and (iii) that due provision has been made for the levy and collection of a direct, annual, *ad valorem* tax upon taxable property within the District over and above all other taxes authorized as limited by law, sufficient to pay the principal hereof and the interest hereon as each becomes due.

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\* Subject to change if a bond registrar and paying agent is employed as provided in the Resolution.

IN WITNESS WHEREOF, PRONGHORN RANCH COMMUNITY FACILITIES DISTRICT, has caused this Bond to be executed in the name of the District by the facsimile signature of the Chairperson of the Board of Directors of the District and attested by the facsimile signature of the Clerk of the District and countersigned by the facsimile signature of the District Treasurer of the District.

PRONGHORN RANCH COMMUNITY FACILITIES DISTRICT

By ..... (Facsimile) .....  
Chairperson

ATTEST:

..... (Facsimile) .....  
District Clerk

COUNTERSIGN:

..... (Facsimile) .....  
District Treasurer

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds described in the within-mentioned Resolution and is one of Pronghorn Ranch Community Facilities District General Obligation Refunding Bonds, Series 2013.

Date of Authentication: .....

.....  
[District Clerk, Pronghorn Ranch Community Facilities District]\*

\_\_\_\_\_  
\* Subject to change if a bond registrar and paying agent is employed as provided in the Resolution.

EXHIBIT C

FORM OF ESCROW TRUST AGREEMENT

ESCROW TRUST AGREEMENT

THIS ESCROW TRUST AGREEMENT, dated as of ..... 1, 2013 (this "Agreement"), by and between the Pronghorn Ranch Community Facilities District (the "District"), and Wells Fargo Bank, National Association, a national banking association authorized to exercise trust powers under the laws of the State of Arizona, as escrow trustee (the "Trustee"),

W I T N E S S E T H:

WHEREAS, all of the outstanding General Obligation Bonds, Series 2002 and General Obligation Bonds, Series 2004 of the District are being paid or refunded on ....., 2013 and July 15, 2014, respectively (the "Series 2002 Bonds Being Refunded" and the "Series 2004 Bonds Being Refunded," respectively, and collectively, the "Bonds Being Refunded" or the "Refunded Bonds"); and

WHEREAS, the Board of Directors of the District, by resolution adopted on August 8, 2013 (the "Bond Resolution"), has authorized the issuance of certain General Obligation Refunding Bonds, Series 2013, of the District, a portion of which are being issued to provide funds to be used to refund the Bonds Being Refunded (the "Refunding Bonds"); and

WHEREAS, the Bond Resolution approves this Agreement which is to be irrevocable with the Trustee with respect to the safekeeping and handling of the moneys and securities to be held in trust for the payment of the Bonds Being Refunded;

NOW, THEREFORE, in consideration of the mutual provisions and covenants, conditions and agreements hereinafter contained, the District and the Trustee agree as follows:

Section 1. On ....., 2013 (the "Delivery Date"), there was deposited cash in the amount of \$.... (the "Initial Cash Deposit") and the securities described in Exhibit "B" attached hereto (the "Securities"), all of which are and shall be only obligations issued or guaranteed by the United States of America which are not callable (or additional funds which are either proceeds of the sale of the Refunding Bonds or funds of the District sufficient to permit the Trustee to purchase the Securities on the Delivery Date), to be held by the Trustee in a special and separate trust fund (the "Trust Fund"). The Initial Cash Deposit and the Securities shall be deposited in the Trust Fund immediately upon receipt thereof by the Trustee from the District. As determined in the report of ..... regarding the Refunding Bonds (the "Special Report"), the maturing principal amount, together with the scheduled

interest thereon and the Initial Cash Deposit are sufficient to assure that the amounts available in the Trust Fund will be sufficient to pay when due the interest on and the principal of the Refunded Bonds as the same mature or are redeemed.

Section 2. (A) The Trustee shall, at all times, hold the Initial Cash Deposit and the Securities in the Trust Fund for the account of the District and for the benefit of the registered owners of the Refunding Bonds and of the Bonds Being Refunded, as their interests may appear, and shall maintain the Trust Fund and the separate accounts therein wholly segregated from other funds and securities on deposit with the Trustee, shall never commingle the Initial Cash Deposit and the Securities with other funds or securities of the Trustee and shall never at any time use, loan or borrow the same in any way so that sufficient funds shall be available to pay the interest requirements of the Refunded Bonds as the same accrue and become due and payable from time to time and to pay the principal of and redemption premium requirements on the Refunded Bonds as the same shall become due and payable on the date the Bonds Being Refunded are to be paid or redeemed as set forth in Exhibits "A" and "C" hereto which conform with similar schedules contained in the Special Report (collectively, the "Payment Schedules").

(B) The Trustee shall reinvest cash balances in excess of \$1,000.00 held in the Trust Fund on each January 1 and July 1 during the term hereof, to the extent not required for the payment of the principal of and redemption premium and interest on the Refunded Bonds on such date, in United States Treasury Certificates of Indebtedness, State and Local Government Series ("SLGS"), at a zero percent (0.0%) interest rate, maturing on the next succeeding semiannual debt service payment date for the Refunded Bonds (the "Restricted Reinvestment Obligations"), provided that amounts which may not be so invested shall be held in cash and shall not be invested. The Initial Cash Deposit shall be held in the Trust Fund in cash and shall not be invested. Such investments shall be made only to the extent permitted by, and shall be made in accordance with, the applicable statutes, rules and regulations governing such investments issued by the Bureau of Public Debt. Such rules and regulations currently require that a subscription for purchase of the investment be submitted at least seven (or, for subscriptions of less than \$10,000,000, five) but no more than 60 days prior to the date of investment. If the Department of the Treasury (or the Bureau of Public Debt) of the United States suspends the sale of SLGS causing the Trustee to be unable to purchase SLGS, then the Trustee will take the following actions: On the date the Trustee would have purchased SLGS had the Trustee been able to do so, the Trustee shall purchase non-callable and non-prepayable obligations issued or guaranteed as to full and timely payment by the United States of America maturing no more than 90 days after the date of purchase (the "Alternate Investments"). The purchase price of the Alternate Investment shall be as close as possible to the principal amount of the SLGS that would have been purchased on such date if they had been available for purchase and shall in no event be more than the amount payable at such

maturity on such investment. The Trustee shall purchase each Alternate Investment at a price no higher than the fair market value of the Alternate Investment and shall maintain records demonstrating compliance with this requirement. On the maturity of each Alternate Investment, the Trustee shall pay the difference between the total of the receipts on the Alternate Investment and the purchase price of the Alternate Investment to the District with a notice to the District that such amount must be paid to the Internal Revenue Service pursuant to Internal Revenue Service Revenue Procedure 95-47. If the Alternate Investment matures more than 29 days prior to the next succeeding interest payment date on the Refunded Bonds on which such proceeds will be needed to pay principal of and premium, if any, and interest on the Refunded Bonds, the Trustee shall treat such amounts as an invested balance available for reinvestment and shall take all reasonable steps to invest such amounts in SLGS (or additional Alternate Investments as provided in this Section). The Trustee shall hold balances not so invested in accordance with Section 4 hereof.

(C) The Trustee may sell or redeem the Securities in advance of their maturity dates and invest the proceeds of such sale or redemption or other moneys credited to the Trust Fund in connection with such sale or redemption in other non-callable obligations issued or guaranteed by the United States of America (the "Substitute Securities") only upon receipt of written instructions from the Superintendent of the District to do so and receipt by the parties hereto and the District of (1) an opinion in form and substance satisfactory to them from a nationally recognized bond counsel to the effect that such action will not affect adversely the status of the interest on the Bonds Being Refunded or the Refunding Bonds for federal income tax purposes and will not affect adversely the right of the District to issue obligations the interest on which is excludable from gross income for federal income tax purposes and (2) a report from a nationally recognized accountant or firm of accountants verifying the accuracy of the arithmetic computations of the adequacy of the proceeds from the liquidation together with any other moneys and the maturing principal of and interest on the Substitute Securities to be credited to the Trust Fund, to pay when due the interest on the Bonds Being Refunded and the principal and premiums on the Bonds Being Refunded as they become due at maturity or upon prior redemption. Upon any such sale or redemption of investments and reinvestment, any amounts not needed in the Trust Fund to provide for payments on the Bonds Being Refunded, as shown by such accountant's report, may be withdrawn from the Trust Fund at the direction of the District, returned to the District and applied for the benefit of the District in accordance with applicable law.

(D) If on the Delivery Date the Trustee did not receive any of the Securities (the "Failed Escrow Securities"), the Trustee may have accepted, as temporary substitutes, cash or, at the same purchase price, other obligations issued or guaranteed by the United States (the "Temporary Escrow Securities") the payments on which are scheduled to provide, as determined by an independent certified public accountant, along with such cash, at least the same

amounts of moneys on or before the same dates as the Failed Escrow Securities for which they were substituted. (The Trustee relied upon a report of a firm of certified public accountants that the condition in the preceding sentence was satisfied.) If the Temporary Escrow Securities were delivered, thereafter, upon delivery to the Trustee of the Failed Escrow Securities together with any amounts paid thereon subsequent to the Delivery Date, the Trustee shall return an amount of such cash and the Temporary Escrow Securities, and any amount paid, thereon subsequent to the Delivery Date, corresponding to the Failed Escrow Securities which the Temporary Escrow Securities replaced.

Section 3. The debt service on the Refunded Bonds shall be paid from the following sources in the order listed below:

(1) The Initial Cash Deposit.

(2) Cash receipts from the Securities, the Restricted Reinvestment Obligations, the Alternate Investments, the Substitute Securities or the Temporary Escrow Securities.

Amounts available from such sources shall be applied consistently with the Payment Schedules.

Section 4. Any moneys credited to the Trust Fund which are not invested in the Securities, the Restricted Reinvestment Obligations, the Alternate Investments, the Substitute Securities or the Temporary Escrow Securities as provided herein shall be held as a demand deposit and shall be secured in the same manner as deposits of public moneys or invested in direct general obligations of the United States of America and neither the Trustee nor the District nor any other person shall receive any investment return from the same.

Section 5. (A) The Trustee shall make timely payments from the Trust Fund to Wells Fargo Bank, National Association as the trustee for the Bonds Being Refunded, in the amounts and on the dates necessary to permit the payment when due as set forth in the Payment Schedules of the principal of and redemption premiums and interest on the Bonds Being Refunded as the same become due and payable or when the Bonds Being Refunded are to be redeemed.

(B) The District hereby irrevocably instructs the Trustee to, and the Trustee shall, as soon as possible, cause notice of the refunding of the Series 2004 Bonds Being Refunded, in the form as shown in Exhibit "D" hereto, to be mailed as provided in Exhibit "D" hereto and to the Municipal Securities Rulemaking Board.

(C) The District further hereby irrevocably instructs the trustee for the Series 2004 Bonds Being Refunded, for and on behalf of the District, to cause notice of redemption of the Series 2004 Bonds Being Refunded in the form as shown in Exhibit "E" hereto to be mailed, with such additional information as such deem appropriate, as provided in Exhibit "E" hereto, and to the Municipal Securities Rulemaking Board. (Notice of redemption of the Series 2002

Bonds Being Refunded was heretofore provided, and the same is ratified and confirmed.)

(D) Any costs incurred in mailing the notices described in (B) and (C) hereinabove may be billed to the District.

Section 6. If, at any time or times, there are insufficient funds on hand in the Trust Fund for the payment of the principal of and redemption premiums and interest on the Bonds Being Refunded as the same become due, or for the payment of the fees and expenses of the Trustee, the Trustee shall promptly notify the District, the District and Stifel, Nicolaus & Company, Incorporated (the "Underwriter") of such deficiency by telephone and by registered first class mail, postage prepaid.

Section 7. On or before each February 28 and August 31 during the term of this Escrow Trust Agreement, the Trustee shall submit to the District a report covering all moneys it has received and all payments it has made under the provisions hereof during the six-month period ending on the preceding July 15 or January 15. Each such report also shall list all investments and moneys on deposit with the Trustee as of the date of the report.

Section 8. The Trustee shall receive the sum of \$..... upon the date of delivery of the Refunding Bonds. Thereafter, the Trustee shall receive an annual fee of \$..... on July 1, 2014. The Trustee shall not make claim upon or expect payment from any amounts held hereunder for payment of any other amounts due or claimed to be due to the Trustee.

Section 9. When all amounts payable on the Bonds Being Refunded have become due and the trustee for the Bonds Being Refunded has on deposit all moneys necessary for the payment of such amounts, the Trustee shall on the business day next succeeding the date the last of the Bonds Being Refunded matures or is otherwise paid, transfer all moneys and investments credited to the Trust Fund in excess of the amounts needed to pay the amounts payable on the Bonds Being Refunded to the District to be applied in accordance with applicable law.

Section 10. The registered owners of the Refunding Bonds and of the Bonds Being Refunded, as their interests may appear, have a beneficial interest in the Trust Fund, and the Refunding Bonds shall be delivered to and accepted by the registered owners thereof in reliance upon the irrevocable character of the Trust Fund. It is therefore expressly recited, understood and agreed by the parties hereto that this Agreement shall not be revoked and shall not be amended in any manner which may adversely affect the rights herein sought to be protected until the provisions of this Agreement have been fully carried out.

Section 11. The Trustee shall be under no obligation to inquire into or be otherwise responsible for the performance or non-

performance by the District of any of his obligations or to protect any of the rights of the District under any of the proceedings with respect to the Bonds Being Refunded or the Refunding Bonds. The Trustee shall not be liable for any act done or step taken or omitted by it or for any mistake of fact or law or for anything which it may do or refrain from doing except for its negligence or its default in the performance of any obligation imposed upon it under the terms of this Agreement. The Trustee shall not be liable or responsible for any loss resulting from any investment made pursuant to this Agreement in compliance with the provisions hereof.

Section 12. The District shall have the right to audit the books, records and accounts of the Trustee insofar as they pertain to the Trust Fund.

Section 13. Except as otherwise provided herein, neither this Agreement nor the Trust Fund may be assigned by the Trustee without the prior written consent of the District unless the Trustee is required by law to divest itself of its interest in its corporate trust department or unless the Trustee sells or otherwise assigns all or substantially all of its corporate trust business, in which event the Trust Fund shall be continued by the successor in interest of the Trustee. Any trust company or national banking association into which the Trustee or its successor may be converted, merged or with which it may be consolidated, or to which it may sell or transfer all or substantially all of its corporate trust business as a whole shall be the successor of the Trustee with the same rights, powers, duties and obligations and subject to the same restrictions, limitations and liabilities as its predecessor, all without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

Section 14. If any section, paragraph, subdivision, sentence, clause or phrase hereof shall for any reason be held illegal or unenforceable, such decision shall not affect the validity of the remaining portions hereof. The parties hereby declare that they would have executed this Agreement and each and every other section, paragraph, subdivision, sentence, clause and phrase hereof, irrespective of the fact that any one or more sections, paragraphs, subdivisions, sentences, clauses or phrases hereof may be held to be illegal, invalid or unenforceable. If any provision hereof contains any ambiguity which may be construed as either valid or invalid, the valid construction shall be adopted. In construing this Agreement, it should be noted that the Refunding Bonds and the Bonds Being Refunded are intended to be obligations the interest on which is excludable from gross income under Section 103(a) of the Internal Revenue Code of 1986, as amended, and the provisions hereof should be construed to permit that result.

Section 15. Notice shall be sufficient hereunder, if it is contained in a writing to the District at 7501 E. Civic Circle, Prescott Valley, Arizona 86314, Attention: District Treasurer and to the Trustee at 707 Wilshire Blvd., 17th Floor, Los Angeles, California

90017, Attention: Corporate Trust Services, or any other address which may be designated from time to time by any party in writing delivered to the District or the Trustee, as applicable, or is provided by facsimile means in a form acceptable to the recipient.

Section 16. This Agreement shall be governed exclusively by the provisions hereof and by the applicable laws of the State of Arizona. This Agreement expresses the entire understanding and all agreements of the parties hereto with each other with respect to the subject matter hereof, and no party hereto has made or shall be bound by any agreement or any representation to any other party which is not expressly set forth in this Agreement.

Section 17. (A) To the extent applicable by provision of law, the Trustee acknowledges that this Agreement is subject to cancellation pursuant to Section 38-511, Arizona Revised Statutes, as amended, the provisions of which are incorporated herein and which provides that the District may within three years after its execution cancel any contract (including this Agreement) without penalty or further obligation made by the District if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the District is at any time while the contract or any extension of the contract is in effect, an employee or agent of any other party to the contract in any capacity or a consultant to any other party to the contract with respect to the subject matter of the contract.

(B) To the extent applicable under Section 41-4401, Arizona Revised Statutes, as amended, the Trustee shall comply with all federal immigration laws and regulations that relate to its employees and its compliance with the "e-verify" requirements under Section 23-214(A), Arizona Revised Statutes, as amended. The breach by the Trustee of the foregoing shall be deemed a material breach of this Agreement and may result in the termination of the services of the Trustee by the District. The District retains the legal right to randomly inspect the papers and records of the Trustee to ensure that the Trustee is complying with the foregoing. The Trustee shall keep such papers and records open for random inspection during normal business hours by the District. The Trustee shall cooperate with the random inspections by the District including granting the District entry rights onto its property to perform such random inspections and waiving its respective rights to keep such papers and records confidential.

(C) Pursuant to Sections 35-391.06 and 35-393.06, Arizona Revised Statutes, as amended, the Trustee does not have a scrutinized business operation in Sudan or Iran. For the purpose of this Section the term "scrutinized business operations" shall have the meanings set forth in Section 35-391 and 35-393, Arizona Revised Statutes, as amended, as applicable. If the District determines that the Trustee submitted a false certification, the District may impose remedies as provided by law including terminating the services of the Trustee.

Section 18. This Agreement may be executed in several counterparts, each of which shall be an original, all of which together shall constitute but one instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first above written.

PRONGHORN RANCH COMMUNITY FACILITIES DISTRICT

.....  
LARRY TARKOWSKI, DISTRICT MANAGER

WELLS FARGO BANK, NATIONAL ASSOCIATION, as the Trustee

By.....  
Authorized Representative

ACKNOWLEDGED BY WELLS FARGO BANK, NATIONAL ASSOCIATION, AS THE TRUSTEE FOR THE BONDS BEING REFUNDED

By.....  
Authorized Representative

EXHIBIT A-1

SERIES 2002 BONDS BEING REFUNDED

Dated as of April 1, 2002,  
Delivered April 25, 2002,  
Maturing on July 15, 2027, as follows:

<u>Maturity Date</u> (July 15)	<u>Principal</u> <u>Amount</u> <u>Outstanding</u>	<u>Interest</u> <u>Rates</u>	<u>Principal</u> <u>Amount</u> <u>Being Refunded</u>
2027	\$2,405,000.00	7.00%	\$2,405,000.00
<u>Debt</u> <u>Service</u> <u>Payment</u> <u>Date</u> *	<u>Principal</u> <u>Refunded</u>	<u>Interest</u>	<u>Debt Service</u> <u>Requirements</u> <u>of the</u> <u>Bonds Being</u> <u>Refunded</u>
.....	\$2,405,000.00		

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\* The Series 2002 Bonds Being Refunded are to be redeemed on ....., 2013, without premium.

EXHIBIT A-2

SERIES 2004 BONDS BEING REFUNDED

Dated as of September 16, 2004  
Delivered September 16, 2004,  
Maturing on July 15, 2014, through  
and including July 15, 2017 and  
July 15, 2029, as follows:

<u>Maturity Date</u> (July 15)	<u>Principal</u> <u>Amount</u> <u>Outstanding</u>	<u>Interest</u> <u>Rates</u>	<u>Principal</u> <u>Amount</u> <u>Being Refunded</u>
2014	\$ 115,000.00	5.45%	\$ 115,000.00
2015	120,000.00	5.55	120,000.00
2016	130,000.00	5.65	130,000.00
2017	135,000.00	5.70	135,000.00
2029	3,015,000.00	6.40	3,015,000.00

  

<u>Debt</u> <u>Service</u> <u>Payment</u> <u>Date*</u>	<u>Principal</u> <u>Refunded</u>	<u>Interest</u>	<u>Debt Service</u> <u>Requirements</u> <u>of the</u> <u>Bonds Being</u> <u>Refunded</u>
07/15/2014	\$ 3,515,000.00		

\* The Series 2004 Bonds Being Refunded are to be redeemed on July 15, 2014, without premium.

EXHIBIT B

TRUST FUND INVESTMENTS

United States Government Obligations to be received by the Trustee on the Delivery Date as follows:

<u>Type</u> <u>(SLGS)</u>	<u>Maturity</u> <u>Date</u>	<u>Par</u> <u>Amount</u>	<u>Rate</u>
<u>Allocable to Contribution from</u>			
Certificate	07/15/2014		
<u>Allocable to Net Proceeds</u>			
Certificate	07/15/2014		

EXHIBIT C

AMOUNTS SCHEDULED TO BE RECEIVED BY THE TRUSTEE AND AMOUNTS  
REQUIRED TO BE TRANSFERRED BY THE TRUSTEE TO THE TRUSTEE  
FOR THE BONDS BEING REFUNDED AND TO BE PAID ON THE BONDS  
BEING REFUNDED

<u>Date</u>	<u>Total Debt Service Requirements of the Refunded Bonds</u>	<u>Receipts from Securities Purchased With Proceeds of Sale of Bonds</u>	<u>Cash Balance</u>
/ /2013			
07/15/2013			
01/15/2014			
07/15/2014			

EXHIBIT D

NOTICE OF REFUNDING  
of  
PRONGHORN RANCH COMMUNITY  
FACILITIES DISTRICT GENERAL  
BONDS, SERIES 2004  
DATED AS OF SEPTEMBER 1, 2004,  
MATURING ON JULY 15, 2014  
THROUGH AND INCLUDING  
JULY 15, 2017, AND JULY 15 2029

Notice is hereby given that the above-described Bonds have been refunded in advance of their stated maturity date by the establishment of an irrevocable trust with Wells Fargo Bank, National Association, as trustee. According to a report by ....., certified public accountants, moneys and obligations issued or guaranteed by the United States of America, which have been deposited in the irrevocable trust, are scheduled to provide funds in amounts sufficient to pay all principal of and interest on the above-described Bonds as the same become due. The Bonds maturing on and after July 15, 2015, will be redeemed on July 15, 2014 at a price of par plus accrued interest, without premium.

Date: ....., 2013.

WELLS FARGO BANK, National  
Association, as Trustee

MAILING REQUIREMENTS:

This Notice of Refunding is to be mailed, by regular mail, postage prepaid, as soon as possible to the registered owners of the Series 2004 Bonds Being Refunded at the respective addresses shown on the registration books maintained by Wells Fargo Bank, National Association, as the trustee for the Series 2004 Bonds Being Refunded.

EXHIBIT E

NOTICE OF REDEMPTION  
of  
PRONGHORN RANCH COMMUNITY  
FACILITIES DISTRICT GENERAL  
BONDS, SERIES 2004  
DATED AS OF SEPTEMBER 1, 2004,  
MATURING ON JULY 15, 2015,  
THROUGH AND INCLUDING  
JULY 15, 2017 AND JULY 15, 2029

Notice is hereby given that the above-described Bonds will be redeemed prior to their stated maturity date on July 15, 2014.

Registered owners of the above-described Bonds are notified to present the same at the office of Wells Fargo Bank, National Association, on July 15, 2014, the date set for redemption. The above-described Bonds will be redeemed at a redemption price equal to the principal amount of each such Bond, plus interest accrued to the date of redemption, without premium. From and after July 15, 2014, no interest will be paid on the Bonds.

Dated: ....., 2014

PRONGHORN RANCH COMMUNITY  
FACILITIES DISTRICT

By WELLS FARGO BANK, National  
Association, as Trustee

MAILING REQUIREMENTS:

Not more than 60 nor less than 30 days prior to July 1, 2014, this Notice of Redemption of the Series 2004 Bonds Being Refunded is to be mailed, by first class mail, postage prepaid, to the registered owner of each Series 2004 Bond Being Refunded at the address shown on the registration books maintained by Wells Fargo Bank, National Association, as the trustee for the Series 2004 Bonds Being Refunded.

EXHIBIT F  
FORM OF PLACEMENT AGENT AGREEMENT



August 8, 2013

Mr. Larry Tarkowski  
District Manager  
Pronghorn Ranch Community Facilities District  
Town of Prescott Valley, Arizona  
7501 East Civic Circle  
Prescott Valley, AZ 86314

Re: \$6,000,000 (approximate)  
Pronghorn Ranch Community Facilities District  
District General Obligation Refunding Bonds  
Series 2013

Mr. Tarkowski:

RBC Capital Markets, LLC, (the "Placement Agent") offers to enter into this Placement Agreement with the Pronghorn Ranch Community Facilities District (the "Issuer" or "you"), which, upon your acceptance of this offer and subject to Paragraph 6 hereof, shall be binding upon both the Issuer and the Placement Agent. This offer is made subject to your acceptance of this Placement Agreement on or before 5:00 pm on \_\_\_\_\_, 2013 and, if not so accepted, will be subject to withdrawal by the Placement Agent upon notice delivered to your office at the address shown above at any time prior to your acceptance hereof. The above-captioned bonds (the "Bonds") are to be issued pursuant to a Resolution of the Board of Directors of the Pronghorn Ranch Community Facilities District (the "Resolution"). Unless otherwise indicated, each capitalized term contained herein shall have the meaning assigned to it in the Resolution. The Issuer acknowledges and agrees that: (i) the transaction contemplated by this Placement Agreement is an "arm's length", commercial transaction between the Issuer and the Placement Agent in which the Placement Agent is not acting as a municipal advisor, financial advisor or fiduciary to the Issuer; (ii) the Placement Agent has not assumed any advisory or fiduciary responsibility to the Issuer with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Placement Agent has provided other services or is currently providing other services to the Issuer on other matters); (iii) the only obligations the Placement Agent has to the Issuer with respect to the transaction contemplated hereby expressly are set forth in this Placement Agreement; and (iv) the Issuer has consulted its own legal, accounting, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate.

1. Upon the terms and conditions and upon the basis of the representations, warranties and covenants set forth herein, the Placement Agent hereby agrees to use its best efforts to locate a purchaser for all, but not less than all of the Bonds on terms consistent with the Resolution. With your consent, the Placement Agent has conducted preliminary discussions with \_\_\_\_\_ (the "Purchaser") to purchase the Bonds at a price of par. If the Purchaser does purchase the Bonds on the hereafter defined Closing Date, the Issuer will pay a placement fee equal to 1.50% of the par amount of Bonds issued, from Bond proceeds, to the Placement Agent on the Closing Date.
2. Simultaneously with the execution of this Placement Agreement, you will deliver or cause to be delivered to the Placement Agent a copy of the Resolution in substantially final form, duly approved and adopted and to be in full force and effect upon execution and delivery by the parties hereto.

3. You represent and warrant to and agree with the Placement Agent (and hereby it shall be a condition of the obligation of the Placement Agent to perform under this Placement Agreement) that you shall so represent and warrant as of the Closing Date that:
- (a) The Issuer is duly organized and validly existing under the laws of the State of Arizona (the “State”).
  - (b) The Issuer has complied materially, and reasonably expects, in all respects on the Closing Date to be in material compliance with all of the provisions of applicable State law.
  - (c) The Issuer, prior to the acceptance hereof, has duly adopted the Resolution, and the Issuer has duly authorized and approved the execution and delivery of all necessary closing documents and this Placement Agreement (collectively, the “Bond Documents”), as well as the performance of its obligations contained in the Bonds and the consummation by it of all other transactions contemplated hereby.
  - (d) The Issuer is not in breach of or default under any applicable law or administrative regulation of the State, any department, division, agency or instrumentality thereof, or of the United States or any applicable judgment or decree or any loan agreement, note, resolution, certificate, agreement or other instrument to which the Issuer is a party or is otherwise subject which breach or default would materially and adversely affect the Issuer or its ability to perform its duties and obligations under the Bond Documents; and the execution and delivery of this Placement Agreement, the adoption of the Resolution, the execution of the Bond Documents and the execution and the issuance of the Bonds and compliance with the provisions of each thereof will not conflict materially with or constitute a breach of or default under any applicable law or administrative regulation of the State or under any certificate, agreement, or other instrument to which the Issuer is a party or is otherwise subject which breach or default would materially and adversely affect the Issuer, its Bond Documents or its ability to perform its duties and obligations under the Bond Documents.
  - (e) All approvals, consents and orders of any governmental authority, board, agency or commission having jurisdiction that would constitute a condition precedent to the performance by the Issuer of its obligations hereunder and under the Bond Documents and the Bonds have been, or prior to the Closing Date will have been, obtained.
  - (f) No litigation is pending or, to the knowledge of the Issuer, threatened in any court in any way affecting the existence of the Issuer or the title of the members of the Issuer to their respective offices or seeking to restrain or to enjoin the issuance, sale or delivery of the Bonds, or the collection or application of the taxes from which the Bonds are to be payable under the Bond Documents to pay the principal of and interest on the Bonds, or in anyway contesting or affecting the validity or enforceability of the Bonds, the Resolution or this Placement Agreement, or contesting the powers of the Issuer or its members with respect to the Bonds.
  - (g) The Issuer will apply the proceeds of the Bonds in accordance with the applicable terms of the Resolution and the Series 2002 and the Series 2004 Indenture of Trust.
  - (h) On the Closing Date, the Placement Agent shall receive a copy of each of the following documents, each dated the Closing Date:
    - (i) a certified copy of the Resolution;
    - (ii) a certificate of an authorized officer of the Issuer that the Resolution and any supplements and this Placement Agreement are in full force and effect;

- (iii) opinions of your bond counsel, Greenberg Traurig LLP (“Bond Counsel”), dated the Closing Date in form and substance satisfactory to the Placement Agent;
- (iv) a certificate, dated as of the Closing Date and signed by an authorized officer of the Issuer, to the effect that (A) the representations, warranties and covenants of the Issuer contained herein are true and correct in all material respects on and as of the Closing Date, with the same effect as if made on the date of the delivery of the Bonds by the Issuer; (B) no litigation is pending or, to its knowledge, threatened in any court in any way affecting the existence of the Issuer or the titles of its officers or directors to their respective positions, or seeking to restrain or to enjoin the issuance, sale or delivery of the Bonds, or the collection of or application of the taxes to pay the principal of and premium, if any, and interest on the Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Bonds, the Resolution, the Bond Documents or this Placement Agreement, or contesting the powers of the Issuer or its authority with respect to the Bonds, the Resolution, the Bond Documents or this Placement Agreement (but in lieu of or in conjunction with such certificate, the Placement Agent may, in its sole discretion, accept certificates or opinions of counsel to the Issuer, acceptable to the Placement Agent, that in the opinion of such counsel the issues raised in any such pending or threatened litigation are without substance or that the contentions of all plaintiffs therein are without merit); and (C) the Issuer has complied in all material respects with the Resolution and the terms of the Bonds and satisfied all material conditions on its part to be performed or satisfied at or prior to the delivery of the Bonds;
- (v) a certificate under the Resolution as to the delivery of the Bonds and a certificate of the Issuer as to the receipt of payment therefore;
- (vi) a letter from the Purchaser in form and substance satisfactory to the Placement Agent; and
- (vii) such additional certificates, instruments or opinions as Bond Counsel, the Issuer or the Placement Agent may deem necessary or desirable.

All certificates, instruments, opinions and documents referred to above and any resolutions shall be in form and substance satisfactory to Bond Counsel, the Issuer and the Placement Agent.

If the obligations of the Placement Agent shall be terminated for any reason permitted hereby, neither the Placement Agent nor the Issuer shall be under further obligation hereunder.

4. At or prior to 12:00 p.m. on \_\_\_\_\_, 2013 (the “Closing Date”), you will deliver to, or at the direction of, the Purchaser the Bonds in definitive fully registered form duly executed, registered in the names and denomination specified by the Purchaser together with the other documents hereinabove mentioned, upon payment of the purchase price of the Bonds, net of the Placement Agent fees as set forth in Paragraph 1 hereof by wire and in immediately available funds. Delivery as aforesaid shall be made in the office of the District’s Bond Counsel, as shall have been mutually agreed upon and such payment shall be made simultaneously therewith. This payment and delivery is herein called the “Closing.”
5. Unless otherwise set forth herein, the representations and agreements in this Placement Agreement shall survive the delivery of the Bonds hereunder.
6. The Placement Agent’s obligation hereunder to use its best efforts to place the Bonds shall be subject to the performance by you of your obligations hereunder in all material respects at or prior to the Closing and the accuracy in all material respects of your representations and warranties contained herein and shall also be subject to the following conditions:

- (a) At the time of the Closing, the Resolution and all related documents of the Issuer with respect to the issuance of the Bonds shall be in full force and effect and shall not have been amended, modified or supplemented, except as may have been agreed to by the undersigned.
  - (b) The undersigned may terminate this Placement Agreement by notification in writing to you if at any time subsequent to the date hereof and at or prior to the Closing Date: (i) a stop order, ruling, regulation, proposed regulation or statement by or on behalf of the Securities and Exchange Commission shall be issued or made to the effect that the issuance, offering or sale of the Bonds without registration thereof or obligations of the general character of the Bonds is in violation of any provision of the Securities Act of 1933 or of the Trust Indenture Act of 1939; (ii) in the Congress of the United States, legislation shall be enacted or a bill shall be favorably reported out of committee of either house, or a decision by a court of the United States shall be rendered, or a ruling, regulation, proposed regulation or statement by or on behalf of the Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter shall be made, to the effect that securities of the issuer or of any similar body are not exempt from the registration, qualification or other requirements of the Securities Act of 1933 or the Trust Indenture Act of 1939; (iii) the United States shall have become engaged in hostilities which have resulted in a declaration of war or a national emergency; (iv) there shall have occurred a general suspension of trading on the New York Stock Exchange; or (v) a general banking moratorium shall have been declared by the United States, State of New York, or State of Arizona authorities.
  - (c) The Issuer shall have arranged for payment of the Placement Agent's fee from Bond proceeds at the time of Closing.
  - (d) You shall perform or have performed in all material respects at or prior to the Closing all of your obligations required under or specified in this Placement Agreement and the Resolution to be performed at or prior to the Closing.
7. On or before 12:00 p.m. on the business day before the Closing Date, the Purchaser shall deliver to the Trustee the names in which the Bonds are to be registered and the denominations thereof. At the Closing, contemporaneously with the receipt of the Bonds, the Purchaser will deliver to you a receipt therefor, in form satisfactory to Bond Counsel, signed by the Purchaser.
8. You shall pay, solely from the proceeds of the sale of the Bonds, upon or promptly after the Closing: (a) the cost of the preparation and printing of the Bonds; (b) the fees and disbursements of Bond Counsel and of any other counsel or consultants retained by you; (c) the fees and expenses of the Placement Agent and (d) fees and expenses of Purchaser's Counsel. The Issuer shall be under no obligation to pay any expenses incident to the performance of the obligations of the Placement Agent hereunder.
9. This Placement Agreement may be terminated at any time by the Issuer, upon five business days' prior notice to such effect to the Placement Agent, or by the Placement Agent upon five business days' prior notice to such effect to the Issuer. Any such termination, however, shall not affect the obligations of the Issuer under Section 8 hereof or the respective representations, warranties, agreements, covenants, rights or responsibilities of the parties made or arising prior to the termination of this Agreement.
10. The agreements and all representations and warranties herein set forth have been and are made for the benefit of the Placement Agent and the Issuer, and no other person shall acquire or have any right under or by virtue of this Placement Agreement.
11. This Placement Agreement shall become effective upon the execution of the acceptance hereof by an authorized officer of the Issuer and shall be valid and enforceable as of the time of such acceptance.

RBC CAPITAL MARKETS, LLC



By

Name Nicholas Dodd

Title Director

Date August 8, 2013

**ACCEPTANCE**

ACCEPTED this [\_\_\_\_\_] day of [\_\_\_\_\_] , 2013

By \_\_\_\_\_

Name \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_