

RESOLUTION NO. 23 _____

(QUAILWOOD MEADOWS COMMUNITY FACILITIES DISTRICT)

A RESOLUTION OF THE DISTRICT BOARD OF QUAILWOOD MEADOWS COMMUNITY FACILITIES DISTRICT APPROVING AND AUTHORIZING THE SALE AND ISSUANCE OF QUAILWOOD MEADOWS 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; APPROVING THE FORM AND AUTHORIZING THE EXECUTION OF A SERIES 2013 STANDBY CONTRIBUTION AGREEMENT, A PLACEMENT AGREEMENT AND AN ESCROW TRUST AGREEMENT RELATING TO SUCH BONDS; AWARDED A CONTRACT FOR THE PLACEMENT OF SUCH BONDS AND AUTHORIZING THE SUBSEQUENT LEVYING OF AN AD VALOREM TAX ON TAXABLE PROPERTY IN THE DISTRICT AND THE DISPOSITION OF CERTAIN OTHER REVENUES FOR THE PAYMENT OF SUCH BONDS

WHEREAS, on April 10, 2003, the Mayor and Common Council of the Town of Prescott Valley, Arizona (the "Town"), approved a development agreement with Empire Land, L.L.C., ("Empire") John B. and Deborah Rouwenhorst ("Rouwenhorsts"), and entities related to the Fain family for annexation, zoning and development of a mixed residential and commercial development known as "Quailwood Meadows"; and

WHEREAS, in accordance with such development agreement, the Mayor and Common Council of the Town subsequently adopted Resolution No. 1294 (August 12, 2004) creating Quailwood Meadows Community Facilities District (the "District") and approving a District Development, Financing Participation and Intergovernmental Agreement (the "Financing Agreement") with the District, Empire, and the Rouwenhorsts; and

WHEREAS, the Financing Agreement provided (among other things) that Empire would construct public infrastructure for Quailwood Meadows which the District would then purchase using bond proceeds and convey to the Town for operation and maintenance; and

WHEREAS, debt service on such bonds would be paid from annual ad valorem taxes levied by the District on property within its boundaries; and

WHEREAS, to regulate the tax rate, Empire would enter into (1) the Series 2004 Standby Contribution Agreement (the "2004 Contribution Agreement") with the District and a trustee to pay each year amounts needed to keep the rate at no more than \$3.00 per \$100 secondary assessed valuation, and (2) the Series 2004 Payment Agreement (the "2004 Payment Agreement") with the District to deposit ten percent (10%) of the bond principal to supplement tax revenues if amounts available under the 2004 Contribution Agreement were insufficient; and

WHEREAS, the District would also levy each year an additional ad valorem tax of \$0.30 per \$100 to pay costs to operate and maintain the infrastructure; and

WHEREAS, if those collections were insufficient, Empire would pay the shortfall up to \$30,000 (until July 1, 2020, or July 1 after the 900th building permit was issued, whichever is earlier); and

WHEREAS, based on these agreements, the Board issued the Bonds Being Refunded (as such term and other initially capitalized terms used herein are defined in Section 1 hereof) in the amount of \$6,940,000 on October 14, 2004; and

WHEREAS, in the course of developing Quailwood Meadows, Empire entered into its own security agreements with various banks to secure development loans; and

WHEREAS, Quailwood Meadows was very successful for a number of years, but unfortunately, the world-wide economic recession eventually had an impact and Empire and related entities filed for Chapter 11 bankruptcy protection on April 25, 2008; and

WHEREAS, at that point, Quailwood Meadows was a bit more than half built-out; and

WHEREAS, later, the bankruptcy was changed to a Chapter 7 liquidation; and

WHEREAS, on August 13, 2008, one group of banks led by Wells Fargo Bank, NA ("Wells Fargo") obtained an order from the bankruptcy court granting its motion for relief from the bankruptcy stay relative to its secured collateral (including undeveloped lots in Units IV and VII and the Townhomes in Quailwood Meadows); and

WHEREAS, on January 6, 2009, another group of banks led by Central Pacific Bank ("CPB") obtained an order granting relief in order to foreclose its interests in lots in Units IV, V, VI and VIII of Quailwood Meadows; and

WHEREAS, as of July 1, 2009, the bankruptcy trustee abandoned all of these lots from the bankruptcy estate; and

WHEREAS, CPB eventually foreclosed its interests on March 9, 2009; and

WHEREAS, Wells Fargo eventually applied to a California court to appoint a receiver to manage its interests, and a receiver was actually appointed on December 17, 2010 to manage the receivership estate (the "Receivership Estate"); and

WHEREAS, per Section § 9-500.05(D), Arizona Revised Statutes, and Section 14 of the Development Agreement, CPB and the Receivership Estate became successors-in-interest to Empire under the Development Agreement; and

WHEREAS, the banks and the receiver subsequently worked to sell the remaining undeveloped lots (557) in Quailwood Meadows; and

WHEREAS, in the process, staff for the Town and the District discussed with Everest Holdings (a potential purchaser) what the requirements of the Town and the District would be; and

WHEREAS, after considerable discussion and investigation, the Original Everest Entities were formed by Everest Holdings to purchase the lots from CPB and the Receivership Estate; and

WHEREAS, CPB, the Receivership Estate and the Original Everest Entities asked the Town and the District to approve assignments to the Development Agreement, the Financing Agreement, and the 2004 Payment Agreement and the 2004 Contribution Agreement; and

WHEREAS, they also asked the Town to approve an Amendment to the Development Agreement extending its term from April 10, 2015 to June 30, 2030; and

WHEREAS, finally, they asked the Town's Manager to make certain written determinations with regard to the Development Agreement relating to such things as fee credits, development of wells, and repair of existing public improvements; and

WHEREAS, on January 5, 2012, the Town's Manager delivered to C. Joseph Blackburn (President of Everest RFC, Inc.) a letter making the requested determinations (the "Town Commitment Letter"); and

WHEREAS, at a special meeting that same day, the Mayor and Common Council of the Town approved an Assignment and Assumption of Development Agreement (the "Development Agreement Assignment") with CPB, the Receivership Estate, and the Original Everest Entities; and

WHEREAS, the Mayor and Common Council of the Town also adopted Resolution No. 1778 approving Amendment No. 1 to the

Development Agreement and entered into an Assignment and Assumption of the Financing Agreement (the "Financing Agreement Assignment") with CPB, the Receivership Estate, the Original Everest Entities, and the District; and

WHEREAS, at another special meeting that day, the Board entered into the Financing Agreement Assignment, entered into an Assignment and Assumption of the 2004 Payment Agreement (the "2004 Payment Agreement Assignment") with CPB, the Receivership Estate, and the Original Everest Entities, and entered into an Assignment and Assumption of the 2004 Contribution Agreement (the "2004 Contribution Agreement Assignment") with CPB, the Receivership Estate, and the Original Everest Entities; and

WHEREAS, as a result of the Development Agreement Assignment, the Financing Agreement Assignment, the 2004 Payment Agreement Assignment and the 2004 Contribution Agreement Assignment, the Original Everest Entities fully assumed the benefits and burdens of the Development Agreement, the Financing Agreement, the 2004 Payment Agreement and the 2004 Contribution Agreement (but, with an understanding that certain limitations to the burdens therein would be applied going forward; for example, the contributions under the 2004 Contribution Agreement were expressly limited to \$315 per year per lot (not to exceed a total of \$1,000,000 over the term of the 2004 Financing Agreement)); and

WHEREAS, any contributions not made to-date by Empire would not be applied retroactively to the Original Everest Entities; and

WHEREAS, the requirement to annually pay up to \$30,000 towards maintaining infrastructure could terminate upon transfer of all remaining lots to homebuyers; and

WHEREAS, the Original Everest Entities would not be required to meet the net worth test that previously applied to Empire; and

WHEREAS, on the other hand, the Original Everest Entities expressly disclaimed any interest in the remainder of the original \$694,000 deposit (then approximately \$617,000) made pursuant to the 2004 Payment Agreement (the "Deposit"); and

WHEREAS, going forward, the Board and District staff would make decisions about the Tax Year Tax Amount based on the limitations and on the amount still available in the deposit; and

WHEREAS, on March 8, 2012, the Town and the Board were required to take the same actions again because one of the parties involved in creating the Original Everest Entities had changed; and

WHEREAS, each of the Original Everest Entities was a single-purpose entity created for the sole purpose of entering into

the transactions; provided, however, that, as of the date hereof, EH Quailwood Homes no longer owns any lots in the District; and

WHEREAS, on April 12, 2012, the Town and the Board were required to take the same actions yet again in order to approve minor amendments to the documents as requested by one of the parties; and

WHEREAS, the amendments (among other things) reflected a staged closing among the assignors (CPB and the Receivership Estate) and the assignee (the Original Everest Entities); and

WHEREAS, the Board has now determined that it is expedient to refund the Bonds Being Refunded and that the issuance of 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 three and four tenths percent (3.40%); and

WHEREAS, the Board hereby finds 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 Board also hereby finds that 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 shall enter in its minutes a record of the Bonds sold and their numbers and dates and levy and cause an *ad valorem* tax to be collected, at the same time and in the same manner as other taxes are levied and collected on all taxable property in the boundaries of the District sufficient, together with moneys from the sources described herein, to pay Debt Service when due; and

WHEREAS, the Board will receive a proposal from the Placement Agent for the placement of the Bonds and has determined that the Bonds be sold through negotiation pursuant thereto as a non-public sale; and

WHEREAS, pursuant to the Code and the Regulations, issuers of 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 also hereby further determines that the Procedures 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; and

WHEREAS, Subsection 1.12 in the 2004 Contribution Agreement and in the 2004 Payment Agreement would generally provide for termination of said agreements upon full payment of the Bonds Being Refunded (with written approval of the Board); and

WHEREAS, however, the District and the Everest Entities understand that, going forward, the limited contributions under the 2004 Contribution Agreement Assignment will remain an important part of any refunding and are needed to help secure the Bonds; and

WHEREAS, the District and Everest further understand that the Development Agreement Assignment, the Financing Agreement Assignment, the 2004 Payment Agreement Assignment and the 2004 Contribution Agreement Assignment were consideration for the Town Commitment Letter which the District and Everest Entities desire to leave in place despite any refunding; and

WHEREAS, therefore, in accordance with the Series 2004 Indenture of Trust and Security Agreement, dated December 1, 2004 (the "2004 Indenture") between the District and an indenture trustee (including, but not limited to Subsections 6.01(B), 7.01(B), 9.01(2) and 9.01(5)), it is understood by the District (by adoption of this Resolution) and by the District and the Everest Entities (by execution and delivery of the Series 2013 Standby Contribution Agreement) that all obligations resulting from the Town Commitment Letter, the Development Agreement Assignment, the Financing Agreement Assignment, the 2004 Payment Agreement Assignment and the 2004 Contribution Agreement Assignment as finally adopted on April 12, 2012 (and no others, including no other payment obligation by the Everest Entities), shall remain in full force and effect notwithstanding the refunding of the Bonds Being Refunded, issuance of the Bonds and any termination of the 2004 Indenture; provided, however, in no event shall the Original Everest Entities be obligated to pay, collectively, more than \$1,000,000 in the aggregate, under the foregoing agreements and the Series 2013 Standby Contribution Agreement; and

WHEREAS, it is further understood by the District and the Everest Entities that any remaining portion of the Deposit which was expressly disclaimed by the Everest Entities in the 2004 Payment Agreement Assignment will be used as part of the refunding; 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 DISTRICT BOARD AS FOLLOWS:

Section 1. For all purposes of this Resolution and the Series 2013 Standby Contribution Agreement, except as otherwise expressly provided or unless the context otherwise requires the terms defined in this Section, except when used in the form of Bond attached as Exhibit B, have the meanings assigned to them hereinabove and in this Section and include the plural as well as the singular:

"*Annual Payment*" means the difference, if any, between (i) the Total Debt Service and (ii) the Tax Year Tax Amount.

"*Authorized Denominations*" means \$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 of less than \$100,000 to effect redemptions.

"*Annual Debt Service Requirement*" means, for any Fiscal Year, the amount to be paid in such Fiscal Year with respect to Debt Service and Parity Debt Service during such Fiscal Year.

"*Board*" means the District Board of the District.

"*Board Resolution*" means a resolution of the Board certified by the District Clerk to be in full force and effect on the date of such certification.

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

"*Bond Fund*" means the fund of the District so defined in Section 9(d).

"*Bond Year*" means each one-year period beginning on the day after the expiration of the preceding Bond Year. The first Bond Year shall begin on the date of issue of the Bonds and shall end on the date selected by the 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 the arbitrage certificate of the District with respect to the Bonds. 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.

"*Bonds*" means all bonds authenticated and delivered hereunder.

"*Bonds Being Refunded*" means all of the District's remaining, outstanding General Obligation Bonds, Series 2004.

"*Business Day*" means any day other than a Saturday; a Sunday; or a legal holiday or equivalent (other than a moratorium) for banking institutions generally in the State. If any day designated herein or in the Series 2013 Standby Contribution Agreement is not a Business Day, such event shall occur on the immediately preceding Business Day.

"*Code*" means the Internal Revenue Code of 1986, as amended.

"*Debt Service*" means, collectively, (i) the principal of and interest and premium, if any, on the Bonds; (ii) expenses and costs of the District arising from the activities of the District, including particularly, but not by way of limitation, expenses and costs for agents or third parties required to administer the Bonds, levy and collect taxes for payment of the Bonds and provide for any purposes otherwise related to such activities of the District and (iii) amounts to pay the Rebate Requirement.

"*December Payment*" means the difference between the amount in the Series 2013 Tax Account on December 15 of each Fiscal Year and the amount necessary to pay Debt Service on the next succeeding January 15.

"*Enabling Act*" means Title 48, Chapter 4, Article 6, Arizona Revised Statutes, as amended.

"*Escrow Trust Agreement*" means the Escrow Trust Agreement, to be dated as of the first day of the month of the dated date of the Bonds, between the Trustee and the District in substantially the form attached hereto as Exhibit C.

"*EH Quailwood*" means EH Quailwood, LLC, a limited liability company organized and existing pursuant to the laws of the State of Delaware.

"*EH Quailwood Homes*" means EH Quailwood Homes, LLC, a limited liability company organized and existing pursuant to the laws of the State of Delaware.

"*EH Quailwood II*" means EH Quailwood II, LLC, a limited liability company organized and existing pursuant to the laws of the State of Delaware.

"*Everest Entities*" means EH Quailwood and EH Quailwood II.

"*Facilities*" means the facilities financed with proceeds of the sale of the Bonds Being Refunded.

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

"*Gross Proceeds*" means:

(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.

"*Interest Payment Date*" means each January 15 and July 15 commencing on the date determined as provided in Section 5.

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

"*Issue Price*" is as indicated in the arbitrage certificate of the District with respect to the Bonds, 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).

"*June Payment*" means the difference between the amount in the Series 2013 Tax Account on June 15 of each Fiscal Year and the amount necessary to pay Debt Service (without regard to any optional redemption) on the next succeeding July 15.

"*Maximum Annual Debt Service*" means, at the time of computation, the greatest Annual Debt Service Requirement for the then current or any succeeding Fiscal Year.

"*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.

"*Original Development Agreements*" means, collectively, the Town Commitment Letter, the Development Agreement, the Financing Agreement, the 2004 Payment Agreement and the 2004 Contribution Agreement.

"*Original Everest Entities*" means the Everest Entities and EH Quailwood Homes.

"*Parity Bonds*" means general obligation bonds of the District issued after the Bonds.

"*Parity Debt Service*" means, collectively, (i) the principal of and interest and premium, if any, on the Parity Bonds; (ii) expenses and costs of the District arising from the activities of the District, including particularly, but not by way of limitation, expenses and costs for agents or third parties required to administer the Parity Bonds, levy and collect taxes for payment of the Bonds and provide for any purposes otherwise related to such activities of the District and (iii) amounts to pay amounts similar to the Rebate Requirement for the Bonds with respect to Parity Bonds.

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

"*Placement Agent*" means Stifel, Nicolaus & Company, Incorporated.

"*Placement Agent Agreement*" means the proposal of the Placement Agent for the placement of the Bonds in substantially the form attached hereto as Exhibit E.

"*Prior Assignment Agreements*" means, collectively, the Development Agreement Assignment, the Financing Agreement Assignment, the 2004 Payment Agreement Assignment and the 2004 Contribution Agreement Assignment approved on April 12, 2012.

"*Procedures*" means the procedures attached hereto as Exhibit A.

"*Purchaser*" means the entity with which the Bonds are placed pursuant to Section 10 which while it owns the Bonds will be the registered owner thereof.

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

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

"*Regular Record Date*" for the interest payable on the Bonds on any Interest Payment Date means the first (1st) day (whether or not a Business Day) of the calendar month of such Interest Payment Date.

"*Regulations*" means regulations promulgated under the Code.

"*Series 2013 Expenses Account*" means the account of the Bond Fund so defined in Section 9(d).

"*Series 2013 Standby Contribution Agreement*" means that certain Series 2013 Standby Contribution Agreement, dated as the first day of the month of the dated date of the Bonds, by and between the District and the Everest Entities, attached hereto as Exhibit D.

"*Series 2013 Tax Account*" means the account of the Bond Fund so defined in Section 9(d).

"*State*" means the State of Arizona.

"*Tax-Exempt Obligations*" means obligations, the interest on which is intended to be excludable from the gross income of the owners thereof for federal income tax purposes.

"*Tax Year Tax Amount*" means the amount of property taxes which would be produced based upon (i) the then current secondary assessed valuation of taxable property within the boundaries of the District and (ii) a tax rate of \$3.00 per \$100 (or such lower rate as may be permitted as provided in the Series 2013 Standby Contribution Agreement) of secondary assessed valuation (assuming a five percent (5%) delinquency factor).

"*Total Debt Service*" means Debt Service (without regard to any optional redemption) due on the next succeeding January 15 plus Debt Service due on the next succeeding July 15.

"*Trustee*" means Wells Fargo Bank, National Association.

Section 2. (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.

(d) (1) Proceeds of the sale of the Bonds shall, along with the amounts described in subsection (e), be deposited with the Trustee, pursuant to the Escrow Trust Agreement. (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 Series 2013 Tax Account 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 the form attached hereto as Exhibit C 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 Wells Fargo Bank, National Association as indenture trustee pursuant to the Series 2004 Indenture of Trust and Security Agreement, dated as of December 1, 2004, with the District along with amounts held by Wells Fargo Bank, National Association in its separate capacity as depository trustee pursuant to the Series 2004 Depository Agreement, dated as of December 1, 2004, with the District shall be applied by the District Treasurer of the District 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) As to the taxes levied pursuant to Section 9(a), 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.

(g) The District Manager of the District is hereby authorized to execute and deliver the Series 2013 Standby Contribution Agreement, for and on behalf of the District, in substantially the form attached hereto as Exhibit D 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.

Section 3. The Bonds shall be designated "Quailwood Meadows Community Facilities District General Obligation Refunding Bonds, Series 2013."

Section 4. 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 and a quarter percent (5.25%)) and 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 (2.00%) 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 9 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 5. (a) The Bonds shall be separately numbered, by maturity, from 1 consecutively upwards; shall be fully registered Bonds without coupons; shall be in the Authorized Denominations and shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for or, if no interest has been paid 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 Purchaser to the account designated by such registered owner and thereafter to any entity to which they are transferred as hereinafter described at the close of business on 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 6. 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 7. 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 8. 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 9. (a) For each Fiscal Year while any Bond is outstanding, the Board shall annually levy and cause and *ad valorem* property tax to be collected, at the same time and in the same manner as other taxes are levied and collected on all taxable property in the District, to pay Debt Service (after giving effect to amounts available pursuant to the Series 2013 Standby Contribution Agreement for such purpose) and Parity Debt Service; 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. (The Bonds and any other general obligation bonds of the District hereafter issued shall be payable on a parity basis with respect to the collection and application of property tax revenues of the District, and such property taxes shall be allocated to each series of general obligation bonds in accordance with any Debt Service or Parity Debt Service then due after and, in either case, taking into account other funds held by the District for such payment. Property tax revenues allocated for any series of bonds shall be deposited into the applicable fund or account set aside for such series.)

(b) Neither the full faith and credit nor the general taxing power of 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 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.

(d) There is hereby created by the District the separate fund of the District designated its "Series 2013 Bond Fund" (hereinafter referred to as the "Bond Fund") and within the Bond Fund (1) a special account designated the "Series 2013 Tax Account" and (2) a special account designated the "Series 2013 Expenses Account." Such fund and accounts shall be kept separate and apart from and not commingled with any other funds or moneys and shall be used solely as provided herein. The money deposited to the Bond Fund, together with all investments thereof and investment income therefrom, shall be applied solely as provided in Section 9(e).

(e) The District shall, upon receipt, deposit to the credit of:

(1) The Series 2013 Tax Account:

(A) amounts, if any, paid to the District pursuant to Section 2.01(A)(2) of the Series 2013 Standby Contribution Agreement for which the District shall submit written requests as required by such section of the Series 2013 Standby Contribution Agreement;

(B) amounts collected by or remitted to the District to the extent provided in Section 9(a) which are allocated in the budget of the District for the applicable Fiscal Year for the payment of Debt Service (but not any amounts from such source which are to be applied to pay amounts due with respect to any bonds issued on a parity with the Bonds);

(C) amounts, if any, paid to the District pursuant to Section 2.01(b)(3) of the Series 2013 Standby Contribution Agreement for which the District shall submit written requests as required by such section of the Series 2013 Standby Contribution Agreement.

(D) such other funds as the District shall, at the option of the Board, deem advisable.

(2) The Series 2013 Expenses Account: amounts transferred from the Series 2013 Tax Account to the extent provided in Section 9(f)(1)(B).

(f) (1) (A) Amounts deposited in the Series 2013 Tax Account shall be applied, first, to the payment of any amounts due for the Rebate Requirement and then the payment of the whole amount then due and unpaid upon the Bonds, for principal of and premium, if any and interest on the Bonds on January 15 of the current Fiscal Year and July 15 of the next Fiscal Year and with interest (to the extent that such interest had been collected and payment thereof is legally enforceable at the respective rate or rates prescribed therefor in the Bonds) on overdue principal (and premium, if any), and in the case such proceeds shall be insufficient to pay in full the whole amount so due and unpaid upon such Bonds, then to the payment of such principal and interest without any preference or priority, ratably according to the aggregate amount so due.

(B) On July 16 of such next Fiscal Year, amounts remaining on deposit in the Series 2013 Tax Account shall be transferred to the Series 2013 Expenses Account.

2. Amounts deposited in the Series 2013 Expenses Account shall be applied to pay the expenses described in clause (ii) of the definition of Debt Service.

Section 10. (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 of 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 11. (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 the 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 for federal income tax purposes. Except as otherwise advised in a Bond Counsel's Opinion, (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 owners 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 12. (a) 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.

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

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

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

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

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

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

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

(2) the highest yield that is published or posted by the provider to be currently available from the provider on reasonably comparable certificates of deposit offered to the public.

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

(1) A bona fide solicitation in writing for a specified guaranteed investment contract, including all material

terms, is timely forwarded to all potential providers. The solicitation must include a statement that the submission of a bid is a representation that the potential provider did not consult with any other potential provider about its bid, that the bid was determined without regard to any other formal or informal agreement that the potential provider has with the 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.

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

Section 13. (a) In consideration of the purchase and acceptance of any and all of the Bonds issued hereunder by those who shall be the 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 owners of the Bonds.

(b) Without the consent of the owners of any Bonds, when authorized by Board Resolution, the Board may amend this Resolution or the District, when authorized by Board Resolution, may amend the Series 2013 Standby Contribution Agreement for any of the following purposes:

(1) to add to the conditions, limitations and restrictions on the authorized amount, terms or purposes of issue, authentication and delivery of Bonds, as herein set forth, any additional conditions, limitations and restrictions thereafter to be observed; or

(2) to evidence the succession of another entity to the District and the assumption by any such successor of the covenants of the District in this Resolution, in the Series 2013 Standby Contribution Agreement or in the Bonds contained; or

(3) to add to the covenants of the District for the benefit of the owners of all of the Bonds or

(4) to cure any ambiguity, to correct or supplement any provision in the Series 2013 Standby Contribution Agreement or in this Resolution which may be inconsistent with any other provision in the Series 2013 Standby Contribution Agreement or in this Resolution, or to make any other provisions, with respect to matters or questions arising under the Series 2013 Standby Contribution Agreement, which shall not be inconsistent with the provisions of the Series 2013 Standby Contribution Agreement or this Resolution, provided such action shall not adversely affect the interests of the owners of the Bonds.

(c) (i) With the consent of the owners of not less than a majority in aggregate principal amount of the Bonds affected by such amendment to the Series 2013 Standby Contribution Agreement or this Resolution, by Act of such owners delivered to the District, the District, when authorized by Board Resolution, may enter into an amendment or amendments to the Series 2013 Standby Contribution Agreement or this Resolution, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Series 2013 Standby Contribution Agreement or this Resolution or of modifying in any manner the rights of the owners of the Bonds under the Series 2013 Standby Contribution Agreement or this Resolution; provided, however, that no such amendment to the Series 2013 Standby Contribution Agreement or this Resolution shall, without the consent of the owner of each outstanding Bond affected thereby:

1. change the maturity of the principal of, or any installment of interest on, any Bond, or reduce the principal amount of, or the interest on, any Bond, or change the coin or currency in which, any Bond or the interest on any Bond is payable, or impair the right to institute suit for the enforcement of any such payment on or after the maturity thereof (or, in the case of redemption, on or after the redemption date); or

2. reduce the percentage in principal amount of the outstanding Bonds the consent of the owners of which is required for any such amendment to the Series 2013 Standby Contribution Agreement and this Resolution, or the consent of owners of which is required for any waiver provided for in this Resolution of compliance with certain provisions of this Resolution or certain defaults hereunder and their consequences; or

3. modify or alter when Bonds are outstanding; or

4. modify any of the provisions of this Section, except to increase any percentage provided thereby or to provide that certain other provisions of this Resolution cannot be modified or waived without the consent of the owner of each Bond affected thereby.

(ii) The District may in its discretion determine whether or not any Bonds would be affected by any amendment to the Series 2013 Standby Contribution Agreement or this Resolution and any such determination shall be conclusive upon every owner of Bonds, whether theretofore or thereafter authenticated and delivered hereunder. The District shall not be liable for any such determination made in good faith.

(iii) It shall not be necessary for any instrument (and the action embodied therein and evidenced thereby) of owners under this Section to approve the particular form of any proposed

amendment to the Series 2013 Standby Contribution Agreement or this Resolution, but it shall be sufficient if such instrument shall approve the substance thereof.

(d) In executing any amendment to the Series 2013 Standby Contribution Agreement or this Resolution permitted by this Section, the District shall be entitled to receive and shall be fully protected in relying upon, a Bond Counsel's Opinion stating that the adoption or execution of such amendment is authorized or permitted hereby.

(e) Upon the amendment of this Resolution or the Series 2013 Standby Contribution Agreement under this Section, this Resolution or the Series 2013 Standby Contribution Agreement, as applicable, shall be modified in accordance therewith, and such amendment shall form a part of this Resolution or the Series 2013 Standby Contribution Agreement, as applicable, for all purposes, and every owner of Bonds theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

(f) Bonds authenticated and delivered after the execution of any amendment to this Resolution or the Series 2013 Standby Contribution Agreement pursuant to this Section may bear a notation as to any matter provided for in such amendment to this Resolution or the Series 2013 Standby Contribution Agreement. If the District shall so determine, new Bonds so modified as to conform to any such amendment to this Resolution or the Series 2013 Standby Contribution Agreement may be prepared and executed by the District and authenticated and delivered in exchange for outstanding Bonds.

Section 14. (a) 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.

(b) Within 10 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.

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

Section 15. (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 hereby declares 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 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 District Board of Quailwood Meadows Community Facilities District this 10th day of October, 2013.

.....
Chairman, District Board, Quailwood Meadows Community Facilities District

ATTEST:

.....
District Clerk, Quailwood Meadows Community Facilities District

APPROVED AS TO FORM:

.....
District Counsel, Quailwood Meadows Community Facilities District

EXHIBITS:

- Exhibit A - Procedures
- Exhibit B - Form of Bond
- Exhibit C - Form of Escrow Trust Agreement
- Exhibit D - Form of Series 2013 Standby Contribution Agreement
- Exhibit E - Form of Placement Agent Agreement

CERTIFICATION

I hereby certify that the foregoing Resolution No.
was duly passed and adopted by the District Board of Quailwood Meadows
Community Facilities District, at a meeting held on the 10th day of
October, 2013, and the vote was ayes and nays.

.....
District Clerk, Quailwood Meadows
Community Facilities District

EXHIBIT A

PROCEDURES

WRITTEN POLICIES AND PROCEDURES
FOR TAX-ADVANTAGED OBLIGATIONS

Quailwood Meadows 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 (10%) limit on private business use (5 percent (5%) 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 (0%) 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% 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% 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)

QUAILWOOD MEADOWS COMMUNITY FACILITIES DISTRICT
GENERAL OBLIGATION REFUNDING BOND,
SERIES 2013

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

REGISTERED OWNER:

PRINCIPAL AMOUNT: DOLLARS

QUAILWOOD MEADOWS 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 sufficient together with any other moneys from sources available pursuant to the Enabling Act (including the Standby Contribution Agreement described hereinbelow) to pay debt service on the Bonds when due. EH Quailwood, LLC, EH Quailwood II, LLC and EQ Quailwood Homes, LLC (hereinafter referred to collectively as the "Everest Entities") entered into a Series 2013 Standby Contribution Agreement, dated as of 1, 2013 (the "Standby Contribution Agreement"), with the Issuer pursuant to which the Everest Entities will make payments to the Issuer to supplement tax revenues to pay principal and interest with respect to the Bonds. THE STANDBY CONTRIBUTION AGREEMENT MAY BE TERMINATED PRIOR TO THE MATURITY OF THE BONDS BY THE ISSUER UPON SATISFACTION OF CERTAIN CONDITIONS SET FORTH THEREIN. Reference is hereby made to the Resolution and the Standby Contribution Agreement for a complete rendition of their terms, particularly the limited source of payment and security they offer with respect to the Bonds. 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.

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

IN WITNESS WHEREOF, QUAILWOOD MEADOWS 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 District Board 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.

QUAILWOOD MEADOWS 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 Quailwood Meadows Community Facilities District General Obligation Refunding Bonds, Series 2013.

Date of Authentication:

.....
[District Clerk, Quailwood Meadows 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 Quailwood Meadows 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 2004 of the District are being paid or refunded on July 15, 2014 (the "Bonds Being Refunded" or the "Refunded Bonds"); and

WHEREAS, the District Board of the District, by resolution adopted on _____, 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 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 Bonds Being Refunded, for and on behalf of the District, to cause notice of redemption of the 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.

(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, 20... 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.

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.

QUAILWOOD MEADOWS 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

BONDS BEING REFUNDED

Dated as of December 1, 2004,
Delivered December 23, 2004,
Maturing on July 15, 2014, July 1, 2022
and July 1, 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	\$ 230,000	5.500%	\$ 230,000
2022	2,395,000	6.000	2,395,000
2029	3,240,000	6.125	3,240,000
<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>
January 15, 2014	--		
July 15, 2014	\$ 5,865,000	\$	\$

* The Bonds Being Refunded maturing on and after July 15, 2014 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 Proceeds of Bonds Being Refunded</u>			
Certificate	01/15/2014		
<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			
01/15/2014			
07/15/2014			

EXHIBIT D

NOTICE OF REFUNDING
of
QUAILWOOD MEADOWS COMMUNITY
FACILITIES DISTRICT GENERAL
OBLIGATION BONDS, SERIES 2004
DATED AS OF DECEMBER 1, 2004,
MATURING ON JULY 15, 2014
JULY 15, 2022, 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 Bonds Being Refunded at the respective addresses shown on the registration books maintained by Wells Fargo Bank, National Association, as the trustee for the Bonds Being Refunded.

EXHIBIT E

NOTICE OF REDEMPTION
of
QUAILWOOD MEADOWS COMMUNITY
FACILITIES DISTRICT GENERAL
OBLIGATION BONDS, SERIES 2004
DATED AS OF SEPTEMBER 1, 2004,
MATURING ON JULY 15, 2022,
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

QUAILWOOD MEADOWS 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 Bonds Being Refunded is to be mailed, by first class mail, postage prepaid, to the registered owner of each Bond Being Refunded at the address shown on the registration books maintained by Wells Fargo Bank, National Association, as the trustee for the Bonds Being Refunded.

EXHIBIT D

FORM OF SERIES 2013 STANDBY CONTRIBUTION AGREEMENT

THIS SERIES 2013 STANDBY CONTRIBUTION AGREEMENT, dated as of _____ 1, 2013 (hereinafter referred to as this "*Agreement*"), by and among Quailwood Meadows Community Facilities District, a community facilities district duly organized and validly existing, pursuant to the laws of the State of Arizona (hereinafter together with its successors referred to as the "*Issuer*"), and EH Quailwood, LLC, a limited liability company duly organized and validly existing pursuant to the laws of the State of Delaware, and EH Quailwood II, LLC, a limited liability company duly organized and validly existing pursuant to the laws of the State of Delaware (hereinafter referred to collectively as the "*Everest Entities*"),

W I T N E S S E T H:

WHEREAS, pursuant to a Resolution of the Board adopted on _____, 2013 (hereinafter referred to as the "*Bond Resolution*"), the Board (1) has authorized the sale and issuance of its General Obligation Refunding Bonds, Series 2013 (hereinafter referred to as the "*Series 2013 Bonds*") to refund all of the remaining, outstanding General Obligation Bonds, Series 2004 and (2) has entered in its minutes a record of the Series 2013 Bonds sold and their numbers and dates and will levy and cause an *ad valorem* tax to be collected, at the same time and in the same manner as other taxes are levied and collected on all taxable property in the boundaries of the Issuer sufficient, together with moneys from the sources described therein (including amounts available hereunder), to pay Debt Service (as such term is hereinafter defined) when due; and

WHEREAS, the Board has by the Bond Resolution duly authorized the issuance of the Series 2013 Bonds; and

WHEREAS, in consideration for the issuance of the Series 2013 Bonds by the Issuer and as a condition precedent to the execution and delivery of this Agreement and the issuance of the Series 2013 Bonds, the Everest Entities shall be obligated, jointly and severally, to contribute certain amounts for the benefit of the Issuer which shall, pursuant to, and for purposes of, the Enabling Act, be considered by the Issuer in levying taxes to pay Debt Service when due; and

WHEREAS, the Issuer may enter into this Agreement for public infrastructure purposes provided for by this Agreement with respect to the Issuer;

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

ARTICLE ONE

DEFINITIONS AND OTHER PROVISIONS
OF GENERAL APPLICATION

SECTION 1.01 *Definitions.*

For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

1. The terms in this Agreement have the meanings assigned to them hereinabove and hereinafter and in the recitals and Section 1 of the Bond Resolution.

2. The terms defined hereinabove, hereinafter and in the Bond Resolution have the meanings assigned to them hereinabove, hereinafter and in Section 1 of the Bond Resolution and include the plural as well as the singular.

3. All references in this instrument to designated "Articles," "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of this instrument as originally executed.

4. The words "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section, or other subdivision.

SECTION 1.02 *Notices, etc.*

A. Unless otherwise specifically provided herein, any request, demand, authorization, direction, notice, consent, waiver, payment or other document provided or permitted by this Agreement by the Issuer or the Everest Entities to be made upon, given or furnished to, or filed with,

1. the Issuer shall be sufficient for every purpose hereunder if in writing and mailed, first-class postage prepaid, to the Issuer addressed to it at c/o Town of Prescott Valley, Arizona, 7501 East Civic Circle, Prescott Valley, Arizona 86314, Attention: District Clerk, or at any other address previously furnished in writing to such person by the Issuer, or

2. the Everest Entities shall be sufficient for every purpose hereunder if in writing and mailed, first-class postage prepaid, to the Everest Entities addressed to them at 7337 E. Doubletree Ranch Rd., Suite C-185, Scottsdale, Arizona 85258, Attention: Chief Legal Officer, or at any other address previously furnished in writing to such person by the Everest Entities.

B. Where this Agreement provides for notice in any manner, such notice may be waived in writing by the Person entitled to

receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice.

SECTION 1.03 *Effect of Headings and Table of Contents.*

The Article and Section headings herein and in the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 1.04 *Successors and Assigns.*

All covenants and agreements in this Agreement by the Issuer and the Everest Entities shall bind their successors and assigns, whether so expressed or not.

SECTION 1.05 *Severability Clause.*

In case any provision in this Agreement or any application thereof shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions and applications shall not in any way be affected or impaired thereby.

SECTION 1.06 *Benefits of Agreement.*

Nothing in this Agreement, express or implied, shall give to any person, other than the parties hereto and their successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Agreement.

SECTION 1.07 *Governing Law.*

This Agreement shall be construed in accordance with and governed by the laws of the State and the federal laws of the United States of America.

SECTION 1.08 *Notice of Section 38-511, Arizona Revised Statutes, As Amended.*

The Issuer may, within three (3) years after its execution, cancel this Agreement, without penalty(s) or further obligation, if any person significantly involved in initiating, negotiating, securing, drafting or creating this Agreement on behalf of the Issuer is, at any time while this Agreement is in effect, an employee or agent of the Everest Entities in any capacity or a consultant to the Everest Entities with respect to the subject matter of this Agreement and may recoup any fee or commission paid or due any person significantly involved in initiating, negotiating, securing, drafting or creating this Agreement on behalf of the Issuer from the Everest Entities arising as the result of this Agreement. The Everest Entities have not taken nor shall take any action which could cause any person described in the preceding sentence to be or become an employee or agent of the Everest Entities in any capacity or a consultant to the Everest Entities with respect to the subject matter of this Agreement.

SECTION 1.09 *Notice of Section 44-4401, Arizona Revised Statutes.*

To the extent applicable under Section 44-4401, Arizona Revised Statutes, the Everest Entities each shall comply with all federal immigration laws and regulations that relate to their employees and their compliance with the "e-verify" requirements under Section 23-214(A), Arizona Revised Statutes. The breach by the Everest Entities of the foregoing shall be deemed a material breach of this Agreement and may result in the termination of this Agreement by the Issuer. The Issuer retains the legal right to randomly inspect the papers and records of the Everest Entities to ensure that the Everest Entities are complying with the foregoing. The Everest Entities shall keep such papers and records open for random inspections during normal business hours by the Issuer. The Everest Entities shall cooperate with the random inspections by the Issuer including granting the Issuer entry rights onto their property to perform such random inspections and waiving their respective rights to keep such papers and records confidential.

SECTION 1.10 *Further Assurances.*

A. The Issuer and the Everest Entities shall do, execute, acknowledge, and deliver all and every such further acts, conveyances and assurances as shall be reasonably required for accomplishing the purposes of this Agreement.

B. The Everest Entities shall cause this instrument and any instruments of further assurance, including financing statements, if any, to be promptly recorded, registered and filed, and to be kept recorded, registered and filed, and, when necessary, to re-record, re-register, and re-file the same, all in such manner and in such places as may be required by law, fully to preserve and protect the rights of the Issuer hereunder, and the Everest Entities shall execute any financing statement, continuation statement or other document required for such purposes.

SECTION 1.11 *Amendments.*

Pursuant to the provisions established in the Bond Resolution, this Agreement may be amended by an instrument in writing executed and delivered by each of the Issuer and the Everest Entities.

SECTION 1.12 *Termination.*

Subject to the last sentence of this Section, this Agreement shall terminate upon the earlier of the payment or the provision for the payment in full of all of the outstanding Series 2013 Bonds and receipt by the District Manager for three (3) consecutive Fiscal Years of evidence satisfactory to the District Manager that, for each such Fiscal Year, a tax rate of \$3.00 per \$100 of secondary assessed valuation of property within the boundaries of the Issuer owned by other than the Everest Entities or any entity owned or controlled (as

such term is used in the federal Securities Act of 1933, as amended) by, or which owns or controls (as such term is used in the federal Securities Act of 1933, as amended), any of them for such Fiscal Year would have been sufficient to pay Maximum Annual Debt Service for any subsequent Fiscal Year. Such evidence shall consist of a written projection, prepared by the financial adviser of the Issuer upon a written request of the Everest Entities, that is based upon the application of such secondary tax rate in light of the actual secondary assessed valuation of the property within the boundaries of the Issuer for each such Fiscal Year, assuming a delinquency factor equal to the greater of five percent (5%) and the historic, average, annual percentage delinquency factor for the Issuer as of such Fiscal Year and no credit for any fund balances or investment income accruing during such Fiscal Year. After receipt of proof of satisfaction of such condition, the Board shall approve in writing such termination, such approval not to be withheld unreasonably.

SECTION 1.13 *Beneficiaries.*

This Agreement is entered into by the Everest Entities with the Issuer for the benefit of the Issuer and the registered owners of the Series 2013 Bonds, from time to time, of the Series 2013 Bonds, all of whom shall be entitled to enforce performance and observance of this Agreement to the same extent as enforcement of remedies under the Bond Resolution.

SECTION 1.14 *Integration.*

This Agreement, when executed and delivered by the parties hereto, shall constitute the entire agreement among them with respect to the matters provided herein and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof.

* * *

ARTICLE TWO

PAYMENTS; RELATED MATTERS

SECTION 2.01 *Payments.*

A. 1. On February 15 of each Fiscal Year commencing the Fiscal Year ending in 2014, the Issuer shall determine (a) the Tax Year Tax Amount; (b) the Total Debt Service and (c) the Annual Payment.

2. On March 11 of each Fiscal Year commencing the Fiscal Year ending in 2014, the Issuer shall submit a written request to the Everest Entities for, and on March 15 the Everest Entities shall be obligated, jointly and severally, to pay, and shall pay, to the Issuer, the Annual Payment.

B. 1. On December 15 of each Fiscal Year commencing the Fiscal Year ending in 2014, the Issuer shall determine the December Payment.

2. On June 15 of each Fiscal Year commencing the Fiscal Year ending in 2014, the Issuer shall determine the June Payment.

3. On December 24 and June 24 of each Fiscal Year, the Issuer shall submit a written request to the Everest Entities for, and on December 24 and June 24, respectively, the Everest Entities shall be obligated, jointly and severally, to pay, and shall pay, to the Issuer, the December Payment and the June Payment, respectively.

C. The Everest Entities and EH Quailwood Homes have previously paid \$..... under the 2004 Contribution Agreement. Notwithstanding any provisions hereof to the contrary, the payments hereunder by the Everest Entities shall be limited to \$315 in the aggregate per year per lot then owned by the Everest Entities, not to exceed a total of \$..... (\$1,000,000 less the amount paid before or on the date of original issuance and delivery of the Bonds under the 2004 Contribution Agreement) over the term hereof.

D. Amounts shall be paid by the Everest Entities pursuant to Sections 2.01(A) (2) and (B) (3) only if the Issuer has with respect to the applicable tax year levied for Debt Service for that tax year a tax rate pursuant to Section 9(a) of the Bond Resolution of at least \$3.00 per \$100 of secondary assessed valuation; provided, however that the tax rate in any such tax year for such purpose may be less than \$3.00 if the Board expected that such lower rate would produce secondary ad valorem tax revenues sufficient to pay in full Debt Service.

E. All payments by the Everest Entities pursuant to the preceding subsections of this Section shall be paid to the Issuer in immediately available funds composed of lawful money of the United States of America.

F. The Original Development Agreements as modified by the Prior Assignment Agreements are and shall remain in full force and effect. Except as clarified hereinabove, nothing herein is intended to increase the payment obligations of the Everest Entities under the Original Development Agreements as modified by the Prior Assignment Agreements; provided, however, in no event shall the Original Everest Entities be obligated to pay, collectively, for than \$1,000,000 in the aggregate, under the foregoing agreements and this Agreement.

SECTION 2.02 *Nature of Obligations.*

The obligations of the Everest Entities pursuant to this Agreement shall be absolute and unconditional (except as set forth in Section 2.01 hereof) and shall remain in full force and effect until this Agreement is terminated. Such obligations shall not be affected,

modified or impaired upon the happening from time to time of any event, including, without limitation, any of the following, whether or not with notice to, or the consent of, the Everest Entities or any one of them:

A. the compromise, settlement, release or termination of any or all of the obligations, covenants or agreements of the Issuer or the Everest Entities or any one of them under the Bond Resolution or this Agreement; or

B. the failure to give notice to the Everest Entities or any one of them of the occurrence of an event of default under the terms and provisions of the Bond Resolution or this Agreement; or

C. the waiver of the payment, performance or observance by the Issuer or the Everest Entities or any one of them of any of the obligations, covenants or agreements of any of them contained in the Bond Resolution or this Agreement; or

D. the extension of the time for payment of any principal of or premium, if any, or interest on any Series 2013 Bond or the extension or renewal of the time for performance of any other obligations, covenants or agreements under or arising out of the Bond Resolution or this Agreement; or

E. the modification or amendment (whether material or otherwise) of any obligation, covenant or agreement set forth in the Bond Resolution or this Agreement; or

F. the taking or the omission of any of the actions referred to in the Bond Resolution or this Agreement (other than as set forth in Section 2.01 hereof); or

G. any failure, omission, delay or lack on the part of the Issuer, or the Everest Entities or any one of them to enforce, assert or exercise any right, power or remedy conferred on the Issuer in the Bond Resolution or this Agreement (except as set forth in Section 2.01 hereof), or any other act or acts on the part of the Issuer or any of the registered owners from time to time of the Series 2013 Bonds; or

H. the voluntary or involuntary liquidation, dissolution, sale or other disposition of all or substantially all the assets, marshaling of assets and liabilities, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition with creditors or re-adjustment of, or other similar proceedings affecting the Issuer, or the Everest Entities or any one of them or any of the assets of any of them or any allegation or contest of the validity of the Bond Resolution or this Agreement in any such proceeding; or

I. the release or discharge of the Issuer or the Everest Entities or any one of them from the performance or observance of any obligations, covenant or agreement contained in the Bond Resolution or this Agreement by operation of law; or

J. the default or failure of the Everest Entities or any one of them fully to perform any of their obligations set forth in this Agreement; or

K. the invalidity of the Bond Resolution, this Agreement or the Series 2013 Bonds.

SECTION 2.03 *Remedies.*

Upon the occurrence of any failure to pay amounts due hereunder, the Issuer, in its sole discretion, but subject to the provisions of the Bond Resolution, shall have the right to proceed directly against the Everest Entities, jointly and severally, under this Agreement without proceeding against or exhausting any other remedies which it may have against any other person, firm or corporation and without resorting to any other security held by it.

SECTION 2.04 *Waiver of Notice; Payment of Expenses.*

The Everest Entities hereby expressly waive notice from the Issuer or the registered owners from time to time of any of the Series 2013 Bonds of their acceptance and reliance on this Agreement. The Everest Entities shall be liable and obligated, jointly and severally, to pay and shall pay all costs, expenses and fees, including all reasonably attorneys' fees, which may be incurred by the Issuer in enforcing or attempting to enforce this Agreement following any default on the part of the Everest Entities hereunder, whether the same shall be enforce by suit or otherwise.

* * *

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed, and to be effective as of the day and year first above written, which date shall be deemed the date hereof for all purposes.

QUAILWOOD MEADOWS COMMUNITY FACILITIES
DISTRICT

By.....
District Manager

ATTEST:

.....
District Clerk

EH QUAILWOOD, LLC, a Delaware limited liability company

By: RFC, INC., an Arizona corporation, its Manager

By.....

Printed Name:.....

Title:.....

EH QUAILWOOD II, LLC, a Delaware limited liability company

By: RFC, INC., an Arizona corporation, its Manager

By.....

Printed Name:.....

Title:.....

EXHIBIT E

FORM OF PLACEMENT AGENT AGREEMENT

....., 2013

DISTRICT BOARD
QUAILWOOD MEADOWS COMMUNITY FACILITIES DISTRICT
TOWN OF PRESCOTT VALLEY, ARIZONA

Re: Quailwood Meadows Community Facilities District General
Obligation Refunding Bonds, Series 2013

Upon the terms and conditions and based upon the representations, warranties and covenants set forth herein, Stifel, Nicolaus & Company, Incorporated (the "Placement Agent") offers to enter into this Placement Agent Agreement (this "Placement Contract") with Quailwood Meadows Community Facilities District (the "Issuer"), which, upon acceptance of this offer and subject to Paragraph 5 hereof, shall be binding upon the Issuer and the Placement Agent. This offer is made subject to acceptance of this Placement Contract by the Issuer before or on, 2013, and, if not so accepted, will be subject to withdrawal by the Placement Agent upon notice delivered to your office at any time prior to acceptance hereof. 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.

The above-captioned bonds (the "Bonds") are to be issued pursuant to a Resolution of the District Board of the Issuer adopted on _____, 2013 (the "Bond Resolution").

1. The Placement Agent shall use its best efforts to locate purchasers for all, but not less than all, of the Bonds (the "Purchasers") at a purchase price determined as provided in the Bond Resolution (the "Purchase Price") and on terms consistent with the Bond Resolution. If the Purchasers purchase the Bonds on the hereinafter defined Closing Date, the Issuer will pay a placement fee equal to \$..... (the "Fee").

2. The undersigned, on behalf of the Issuer, but not individually, hereby represents and warrants to the Placement Agent (and it shall be a condition of the obligation of the Placement Agent to perform under this Purchase Contract that it shall be represented and warranted on the Closing Date) that:

(a) The Issuer is duly organized and validly existing under the laws of the State of Arizona (the "State") with power to adopt the Bond Resolution, perform the agreements on its part

contained therein and in the agreements approved thereby and issue the Bonds.

(b) The Issuer has complied and, in all respects on the Closing Date will be in compliance, with all of the provisions of applicable law of the State.

(c) The Issuer has duly adopted the Bond Resolution, and the Issuer has duly authorized and approved the execution and delivery of this Placement Contract and the Series 2013 Standby Contribution Agreement, to be dated as of the first day of the month of the dated date of the Bonds (the "Standby Contribution Agreement") by and among the Issuer and the Everest Entities (as such term is defined in the Bond Resolution) (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 or 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 Contract, the adoption of the Bond Resolution and the execution and issuance of the Bonds and compliance with the provisions of each will not conflict materially with or constitute a material 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 or its ability to perform its duties and obligations under the Bond Documents.

(e) No litigation is pending or overtly threatened in any court in any way affecting the existence of the Issuer or the title of the members of the District Board of the Issuer to their respective offices or seeking to restrain or to enjoin the sale, issuance or delivery of the Bonds, or the collection or pledge of any revenues pledged or to be pledged under the Bond Documents to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity or enforceability of the Bonds, the Bond Resolution or this Placement Contract, or contesting the powers of the Issuer or the members of the District Board with respect to the Bonds.

3. (a) At or prior to 11 a.m. M.S.T. on, 2013 (or such other date agreed to by the Issuer and the Placement Agent) ("the Closing Date"), the Bonds will be delivered, in

definitive fully registered form, duly executed, and, if to be delivered through The Depository Trust Company, New York, New York ("DTC"), registered in the name of Cede & Co., as the nominee of DTC, in denominations specified by the Purchasers, together with the other documents hereinabove mentioned, upon payment of the Purchase Price by wire transfer, in immediately available funds, to the Treasurer. Delivery as aforesaid shall be made at a time and place, as shall have been mutually agreed upon by authorized representatives of the Placement Agent and the Issuer, and such payment shall be made simultaneously therewith. This payment and delivery is herein called the "Closing."

(b) 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 Bond Resolution;

(ii) an opinion of Bond Counsel, Greenberg Traurig, LLP ("Bond Counsel") in form and substance satisfactory to the Placement Agent;

(iii) a certificate, signed by an authorized officer of the Issuer, to the effect that (i) 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 Closing Date; (ii) no litigation is pending or, to the knowledge of such officer, 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 sale, issuance or delivery of the Bonds, or the collection of any revenues or assets of the Issuer pledged or to be pledged to pay the principal of and interest on the Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Bonds, the Bond Resolution, the Standby Contribution Agreement or this Placement Contract, or contesting the powers of the Issuer or its authority with respect to the Bonds, the Bond Resolution or this Placement Contract (but in lieu of or in conjunction with such certificate, the Placement Agent may, in the sole discretion of an authorized representative thereof, accept certificates or opinions of counsel to the Issuer, acceptable to such representative, that in the opinion of such counsel the issues raised in any pending or threatened litigation are without substance or that the contentions of all plaintiffs therein are without merit) and (iii) the Issuer has complied in all material respects with the Bond 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 and

(iv) 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 authorized representatives of Bond Counsel, the Issuer and the Placement Agent.

4. The obligation of the Placement Agent to use its best efforts to place the Bonds shall be subject to the performance by the Issuer of the obligations thereof provided hereby in all material respects at or prior to the Closing, and the accuracy in all material respects of the representations and warranties of the Issuer contained herein and shall also be subject to the following conditions:

(a) The Bond Documents 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 Placement Agent;

(b) The Issuer shall have arranged for payment of the Fee at the time of the Closing and

(c) All of the other obligations of the Issuer required under or specified in this Placement Contract and the Bond Resolution to be performed at or prior to the Closing shall have been performed in all material respects.

5. This Placement Contract may be terminated by the Placement Agent by notification in writing to you at your office if at any time subsequent to the date hereof and at or prior to the Closing: (i) legislation shall be enacted by or introduced in the Congress of the United States or recommended to the Congress for passage by the President of the United States, or the Treasury Department of the United States or the Internal Revenue Service or any member of the Congress or the State legislature or favorably reported for passage to either House of the Congress by any committee of such House to which such legislation has been referred for consideration, a decision by a court of the United States or of the State or the United States Tax Court shall be rendered, or an order, ruling, regulation (final, temporary or proposed), press release, statement or other form of notice by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made or proposed, the effect of any or all of which would be to impose, directly or indirectly, federal income taxation upon interest received on obligations of the general character of the Bonds or, with respect to State taxation, of the interest on the Bonds or other action or events shall have transpired which may have the purpose or effect, directly or indirectly, of changing the federal income tax consequences or State income tax consequences of any of the transactions contemplated herein; (ii) 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 offering, sale and issuance 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; (iii) 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; (iv) the United States shall have become engaged in hostilities which have resulted in a declaration of war or a national emergency; (v) there shall have occurred a general suspension of trading on the New York Stock Exchange; (vi) a general banking moratorium shall have been declared by the United States, State of New York, or the State authorities; (vii) there shall have occurred since the date of this Placement Contract any materially adverse change in the affairs or financial condition of the Issuer or (viii) the purchase of and payment for the Bonds on the terms and conditions herein provided shall be prohibited by any applicable law, governmental authority, board, agency or commission.

6. There shall be paid 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 the Issuer and (c) the Fee. The Placement Agent shall be under no obligation to pay any expenses incident to this Placement Contract.

7. 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 Contract.

8. This Placement Contract 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. This Placement Contract may be executed in several counterparts, each of which shall be regarded as an original (with the same effect as if the signatures thereto and hereto were upon the same document) and all of which shall constitute one and the same document.

9. This Placement Contract shall be governed by and construed in accordance with the law of the State. As required by the provisions of Section 38-511, Arizona Revised Statutes, as amended, notice is hereby given that the State, its political subdivisions (including the Issuer) or any department or agency of either may, within three (3) years after its execution, cancel any contract, without penalty or further obligation, made by the State, its political subdivisions or any of the departments or agencies of either

if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the State, its political subdivisions or any of the departments or agencies of either is, any time while the contract or any extension of the contract is in effect, an employee or agent of any other party to the contract in any capacity or a consultant to any other party of the contract with respect to the subject matter of the contract. The cancellation shall be effective when written notice from the Governor or the chief executive officer or governing body of the political subdivision is received by all other parties to the contract unless the notice specifies a later time. The State, its political subdivisions or any department or agency of either may recoup any fee or commission paid or due to any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the State, its political subdivisions or any department or agency of either from any other party to the contract arising as the result of the contract. This Section is not intended to expand or enlarge the rights of the Issuer hereunder except as required by such Section. Each of the parties hereto hereby certifies that it is not presently aware of any violation of such Section which would adversely affect the enforceability of this Placement Contract and covenants that it shall take no action which would result in a violation of such Section.

10. If any provision of this Placement Contract shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions because it conflicts with any provisions of any Constitution, statute, rule of public policy, or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance or of rendering any other provision or provisions of this Placement Contract invalid, inoperative or unenforceable to any extent whatever.

Respectfully submitted,

STIFEL, NICOLAUS & COMPANY, INCORPORATED

.....
Robert A. Casillas, Managing Director

ACCEPTED this day of, 2013.

QUAILWOOD MEADOWS COMMUNITY FACILITIES
DISTRICT

By.....
District Manager