

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described in this Official Statement, interest (and original issue discount) on the Series 2015 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the Series 2015 Bonds is exempt from State of California personal income taxes. See "TAX MATTERS."

\$4,655,000

**NORTHSTAR COMMUNITY SERVICES DISTRICT FINANCING AUTHORITY
LEASE REVENUE BONDS, SERIES 2015**

Dated: Date of Delivery

Due: June 1, as shown on inside cover

The Northstar Community Services District Financing Authority Lease Revenue Bonds, Series 2015 (the "Series 2015 Bonds") are payable from base rental payments (the "Base Rental Payments") to be made by the Northstar Community Services District (the "District") for the right to use certain real property consisting, initially, of the Northstar Fire Department Station 32 (the "Property") pursuant to a Sublease Agreement, dated as of June 1, 2015 (the "Sublease Agreement"), by and between the District, as lessee, and the Northstar Community Services District Financing Authority (the "Authority"), as lessor. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS." The Series 2015 Bonds are being issued to provide funds to (i) finance the cost of constructing an administration building for the District and (ii) pay the costs incurred in connection with the issuance of the Series 2015 Bonds. See "THE 2015 PROJECT." The District has covenanted under the Sublease Agreement to make all Base Rental Payments provided for therein, to include all such payments as a separate line item in its annual budgets, and to make all the necessary annual appropriations for such Base Rental Payments. The District's obligation to make Base Rental Payments is subject to abatement during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defects in title to the Property, there is substantial interference with the District's right to use and occupy any portion of the Property. See "RISK FACTORS — Abatements."

The Series 2015 Bonds will be issued pursuant to an Indenture, dated as of June 1, 2015 (the "Indenture") by and among the District, the Authority and the Trustee. The Series 2015 Bonds are being issued in fully registered book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Interest on the Series 2015 Bonds is payable semiannually on June 1 and December 1 of each year, commencing December 1, 2015. Purchasers will not receive certificates representing their interest in the Series 2015 Bonds. Individual purchases will be in principal amounts of \$5,000 or integral multiples thereof. Principal of and interest and premium, if any, on the Series 2015 Bonds will be paid by Wells Fargo Bank, National Association, as trustee (the "Trustee") to DTC for subsequent disbursement to DTC Participants who are obligated to remit such payments to the Beneficial Owners of the Series 2015 Bonds. See "THE SERIES 2015 BONDS — Book-Entry Only System" herein.

The Series 2015 Bonds are subject to redemption prior to maturity as described herein. See "THE SERIES 2015 BONDS — Redemption" herein.

The Series 2015 Bonds are special obligations of the Authority, payable solely from Base Rental Payments and the other assets pledged therefor under the Indenture. Neither the faith and credit nor the taxing power of the District or the State of California, or any political subdivision thereof, is pledged to the payment of the Series 2015 Bonds. The Authority has no taxing power.

The obligation of the District to make the Base Rental Payments does not constitute a debt of the District or the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the District or the State of California is obligated to levy or pledge any form of taxation or for which the District or the State of California has levied or pledged any form of taxation. The Authority has no power to tax.

The scheduled payment of principal of and interest when due on the Series 2015 Bonds will be guaranteed under an insurance policy to be issued concurrently with the issuance of the Series 2015 Bonds by Assured Guaranty Municipal Corp. ("AGM" or the "Insurer"). See "BOND INSURANCE" herein.



This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Series 2015 Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval as to their validity by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel. Stradling Yocca Carlson and Rauth, a Professional Corporation, Newport Beach, California, is also acting as Disclosure Counsel to the District. Certain legal matters will be passed upon for the District and the Authority by Downey Brand LLP, Sacramento, California, and for the Underwriter by Jones Hall, A Professional Law Corporation, San Francisco, California. It is anticipated that the Series 2015 Bonds in definitive form will be available for delivery to DTC in New York, New York on or about June 23, 2015.

STIFEL

\$4,655,000
NORTHSTAR COMMUNITY SERVICES DISTRICT FINANCING AUTHORITY
LEASE REVENUE BONDS, SERIES 2015

MATURITY SCHEDULE

\$2,010,000 Serial Bonds

<i>Maturity Date</i> <i>(June 1)</i>	<i>Principal</i> <i>Amount</i>	<i>Interest</i> <i>Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP[†]</i>
2016	\$ 85,000	2.000%	0.700%	101.214	66706KAA1
2017	95,000	2.000	1.170	101.586	66706KAB9
2018	95,000	2.000	1.560	101.258	66706KAC7
2019	100,000	2.000	1.860	100.528	66706KAD5
2020	100,000	3.000	2.080	104.296	66706KAE3
2021	105,000	3.000	2.330	103.695	66706KAF0
2022	105,000	4.000	2.550	109.166	66706KAG8
2023	110,000	4.000	2.680	109.381	66706KAH6
2024	115,000	4.000	2.830	109.182	66706KAJ2
2025	120,000	4.000	2.950	108.986	66706KAK9
2026	125,000	4.000	3.180	106.939 ^c	66706KAL7
2027	130,000	3.125	3.350	97.799	66706KAM5
2028	135,000	3.250	3.490	97.516	66706KAN3
2029	140,000	3.375	3.620	97.335	66706KAP8
2030	145,000	3.500	3.750	97.158	66706KAQ6
2031	150,000	3.625	3.860	97.220	66706KAR4
2032	155,000	3.750	3.960	97.424	66706KAS2

\$2,645,000 Term Bonds

\$860,000 4.000% Term Bonds due June 1, 2037, Yield 4.110% Price: 98.417 CUSIP[†] No. 66706KAT0
 \$1,785,000 4.000% Term Bonds due June 1, 2045, Yield 4.130% Price: 97.775 CUSIP[†] No. 66706KAU7

[†] Copyright 2015, American Bankers Association. CUSIP data herein is provided by Standard and Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. None of the District, the Authority or the Underwriter guarantee the accuracy of the CUSIP data.

^c Priced to first call date of June 1, 2025 at par.

No dealer, broker, salesperson or other person has been authorized by the District or the Authority to give any information or to make any representations in connection with the offer or sale of the Series 2015 Bonds other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the District or the Authority. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2015 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers or Owners of the Series 2015 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

This Official Statement and the information contained herein are subject to completion or amendment without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or the Authority or any other parties described herein since the date hereof. These securities may not be sold nor may an offer to buy be accepted prior to the time the Official Statement is delivered in final form. This Official Statement is being submitted in connection with the sale of the Series 2015 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the District. All summaries of documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget,” “intend” or similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the captions “DISTRICT FINANCIAL INFORMATION” and “RISK FACTORS.”

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The district does not plan to issue any updates or revisions to the forward-looking statements set forth in this Official Statement. In evaluating such statements, potential investors should specifically consider the various factors which could cause actual events or results to differ materially from those indicated by such forward-looking statements.

Assured Guaranty Municipal Corp. (“AGM”) makes no representation regarding the Series 2015 Bonds or the advisability of investing in the Series 2015 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “BOND INSURANCE” and Appendix G — “SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”

In connection with the offering of the Series 2015 Bonds, the Underwriter may overallocate or effect transactions that stabilize or maintain the market price of the Series 2015 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Series 2015 Bonds to certain dealers and dealer banks and banks acting as agent and others at prices lower than the public offering price stated on the cover page hereof and said public offering price may be changed from time to time by the underwriter.

The Series 2015 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained in such act and have not been registered or qualified under the securities laws of any state.

The District maintains a website; however, information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Series 2015 Bonds.

NORTHSTAR COMMUNITY SERVICES DISTRICT

**BOARD OF DIRECTORS OF
NORTHSTAR COMMUNITY SERVICES DISTRICT FINANCING AUTHORITY/
NORTHSTAR COMMUNITY SERVICES DISTRICT**

Frank Seelig, *Chair/President*

Darrell Smith, *Vice Chair/Vice President*

Cathy Stewart, *Director*

Nancy Ives, *Director*

Jeann Green, *Director*

DISTRICT STAFF

Mike Staudenmayer, *General Manager*

Greg Rosenthal, *Accounting Manager*

GENERAL COUNSEL TO THE AUTHORITY AND THE DISTRICT

Downey Brand LLP,
Sacramento, California

BOND COUNSEL AND DISCLOSURE COUNSEL

Stradling Yocca Carlson & Rauth,
a Professional Corporation
Newport Beach, California

TRUSTEE

Wells Fargo Bank, National Association
Los Angeles, California

TABLE OF CONTENTS

Page

INTRODUCTION 1
 Changes Since the Date of the Preliminary Official Statement 3

THE SERIES 2015 BONDS 3
 General 3
 Registration, Transfers and Exchanges 4
 Redemption 4
 Book-Entry Only System 6

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS 7
 Pledge of Revenues 7
 Base Rental Payments 7
 Additional Rental Payments 8
 Abatement 8
 Substitution, Addition and Removal of Property 9
 Action on Default 10
 Reserve Fund 10
 Insurance 11
 No Additional Bonds Except for Refunding Purposes Only 11

SOURCES AND USES OF FUNDS 12

BOND INSURANCE 12
 Insurance Policy 12
 Assured Guaranty Municipal Corp. 12

BASE RENTAL PAYMENT SCHEDULE 15

THE 2015 PROJECT 15

THE PROPERTY 15

THE AUTHORITY 16
 Organization and Membership 16

THE DISTRICT 16
 Board of Directors 17
 District Management 18
 Employee Relations 18

DISTRICT FINANCIAL INFORMATION 18
 Accounting and Financial Reporting 18
 Budget Procedure, Current Budget and Historical Budget Information 19
 General Fund Revenues, Expenditures and Changes in Fund Balance 20
 Comparative General Fund Balance Sheets of the District 21
 Comparison of District Audits and Budgets 22
 Major General Fund Revenues 22
 Property Taxes 22
 Top Twenty Secured Taxpayers 24
 Tax Collections and Delinquencies 24
 Parcel Tax for Road Capital and Forest Fuels Management 25
 Fees and Other Non-Tax Revenues 25
 Major General Fund Expenses 25
 Indebtedness 25
 Retirement System 26
 Other Post-Employment Benefits 31
 District Investment Policy 32
 Risk Management 32

TABLE OF CONTENTS
(continued)

	<i>Page</i>
RISK FACTORS	33
General Considerations – Security for the Series 2015 Bonds	33
Abatements	33
Natural Disasters.....	34
Hazardous Substances.....	34
Substitution, Addition and Removal of Property.....	35
Limited Recourse on Default; No Acceleration of Base Rental	35
Possible Insufficiency of Insurance Proceeds	36
Limitations on Remedies	36
Loss of Tax Exemption.....	36
No Liability of Authority to the Owners.....	36
Potential Impact of State of California Financial Condition on the District.....	37
Drought Impacts	37
CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS	37
Article XIII A of the State Constitution.....	38
Legislation Implementing Article XIII A	38
Article XIII B of the State Constitution.....	39
Articles XIII C and XIII D of the State Constitution	40
Proposition 62.....	41
Proposition 1A.....	41
Proposition 22.....	42
Proposition 26.....	42
Possible Future Initiatives.....	42
TAX MATTERS.....	43
CERTAIN LEGAL MATTERS	44
ABSENCE OF LITIGATION	45
UNDERWRITING	45
RATINGS	45
CONTINUING DISCLOSURE.....	45
FINANCIAL STATEMENTS OF THE DISTRICT	46
MISCELLANEOUS	46
APPENDIX A AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2014	A-1
APPENDIX B INFORMATION REGARDING THE REGION	B-1
APPENDIX C SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS.....	C-1
APPENDIX D PROPOSED FORM OF BOND COUNSEL OPINION.....	D-1
APPENDIX E FORM OF CONTINUING DISCLOSURE CERTIFICATE	E-1
APPENDIX F BOOK-ENTRY ONLY SYSTEM	F-1
APPENDIX G SPECIMEN MUNICIPAL BOND INSURANCE POLICY	G-1



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OFFICIAL STATEMENT

\$4,655,000

NORTHSTAR COMMUNITY SERVICES DISTRICT FINANCING AUTHORITY LEASE REVENUE BONDS, SERIES 2015

INTRODUCTION

This Official Statement (which includes the cover page and the appendices hereto) (the “Official Statement”), provides certain information concerning the sale and delivery of \$4,655,000 aggregate principal amount of Northstar Community Services District Financing Authority Lease Revenue Bonds, Series 2015 (the “Series 2015 Bonds”).

The net proceeds of the sale of the Series 2015 Bonds will be used to (i) finance the construction of an administration building for the Northstar Community Facilities District (the “District”) and (ii) pay the costs incurred in connection with the issuance of the Series 2015 Bonds.

The Series 2015 Bonds are equally and ratably payable from base rental payments (the “Base Rental Payments”) to be made by the District for the right to use certain real property consisting, initially, of the Northstar Fire Department Station 32 (the “Property”) pursuant to a Sublease Agreement, dated as of June 1, 2015 (the “Sublease Agreement”), between the District, as lessee, and the Northstar Community Services District Financing Authority (the “Authority”), as lessor.

The Series 2015 Bonds will be issued pursuant to an Indenture, dated as of June 1, 2015 (the “Indenture”), by and among the Authority, the District and Wells Fargo Bank, National Association, as trustee (the “Trustee”). Pursuant to the Indenture, the Authority may issue additional bonds (the “Additional Bonds”) payable from the Base Rental Payments on a parity with the Series 2015 Bonds, but only for the purpose of refunding the 2015 Bonds or any refunding bonds issued pursuant to the Indenture (the Series 2015 Bonds and any such Additional Bonds being collectively referred to as the “Bonds”). See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS — No Additional Bonds Except for Refunding Purposes Only.”

Pursuant to a Lease Agreement, dated as of June 1, 2015 (the “Lease Agreement”), by and between the District and the Authority, the District has leased the Property to the Authority. The Authority has subleased the Property to the District under the Sublease Agreement. The Sublease Agreement obligates the District to make Base Rental Payments to the Authority. Base Rental Payments are subject to complete or partial abatement in the event and to the extent that there is substantial interference with the District’s right to use and occupy the Property or any portion thereof. See “RISK FACTORS — Abatements.” Abatement of Base Rental Payments under the Sublease Agreement, to the extent that payment is not made from alternative sources as set forth below, would result in all Bond Owners receiving less than the full amount of principal of and interest on the Bonds. To the extent that proceeds of insurance are available, Base Rental Payments (or a portion thereof) may be made during periods of abatement.

The Trustee and the Authority have entered into an Assignment Agreement, dated as of June 1, 2015, pursuant to which the Authority has assigned to the Trustee for the benefit of the Bond Owners substantially all of the Authority’s right, title and interest in and to the Lease Agreement and the Sublease Agreement, including its right to receive the Base Rental Payments due under the Sublease Agreement and to enforce any remedies in the event of a default by the District.

The District will covenant under the Sublease Agreement to take such action as may be necessary to include all Rental Payments, which are comprised of Base Rental Payments and Additional Rental Payments (which include taxes and assessments affecting the Property, administrative costs of the Authority relating to the Property, fees and expenses of the Trustee and other amounts payable under the Sublease Agreement), due under the Sublease Agreement as a separate line item in its annual budgets and to make the necessary annual appropriations therefor, subject to abatement as described herein.

The Series 2015 Bonds are special obligations of the Authority, payable solely from base rental payments and the other assets pledged therefor under the Indenture. Neither the faith and credit nor the taxing power of the District or the State of California (the "State"), or any political subdivision thereof, is pledged to the payment of the Series 2015 Bonds. The Authority has no taxing power.

The obligation of the District to make the base rental payments does not constitute a debt of the District, the state or any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the District or the state is obligated to levy or pledge any form of taxation or for which the district or the state has levied or pledged any form of taxation.

In connection with the issuance of the 2015 Bonds, the Authority will establish a Reserve Fund and deposit a municipal bond debt service reserve insurance policy (the "Reserve Policy") issued by Assured Guaranty Municipal Corp. ("AGM" or the "Insurer") therein in an amount equal to the Reserve Requirement. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS — Reserve Fund" herein.

The District has agreed to provide, or cause to be provided, to the Municipal Securities Rulemaking Board for purposes of Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission certain annual financial information and operating data and, in a timely manner, notice of certain listed events. These covenants have been made in order to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5). See "CONTINUING DISCLOSURE" herein for a description of the specific nature of the annual report and notices of listed events and a summary description of the terms of the disclosure certificate pursuant to which such reports are to be made.

The Series 2015 Bonds are being issued in fully registered book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Interest on the Series 2015 Bonds is payable semiannually on June 1 and December 1 of each year, commencing December 1, 2015. Purchasers will not receive certificates representing their interest in the Series 2015 Bonds. Individual purchases will be in principal amounts of \$5,000 or integral multiples thereof. Principal of and interest on the Series 2015 Bonds will be paid by Wells Fargo Bank, National Association, as trustee (the "Trustee") to DTC for subsequent disbursement to DTC Participants which are obligated to remit such payments to the Beneficial Owners of the Series 2015 Bonds. See "THE SERIES 2015 BONDS — Book-Entry Only System" herein. The Series 2015 Bonds are subject to redemption prior to maturity as described herein. See "THE SERIES 2015 BONDS — Redemption."

Wells Fargo Bank, National Association, Los Angeles, California, will act as Trustee with respect to the Series 2015 Bonds. The Series 2015 Bonds will be issued subject to the approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel. Certain legal matters will be passed upon for the District and the Authority by Downey Brand LLP, Sacramento, California, and by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by Jones Hall, A Professional Law Corporation, San Francisco, California. The District's financial statements for the fiscal year ended June 30, 2014 included as Appendix A hereto have been audited by James Marta & Company LLP, Sacramento, California (the "Auditor"). See Appendix A — "AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2014" herein. The District's financial

statements are public documents and are included within this Official Statement without the prior approval of the Auditor. Accordingly, the Auditor has not performed any post-audit review of the financial condition of the District.

Certain events could affect the ability of the District to make the Base Rental Payments when due. See “RISK FACTORS” for a discussion of certain factors that should be considered, in addition to other matters set forth herein, in evaluating an investment in the Series 2015 Bonds.

The presentation of information, including tables of receipt of revenues, is intended to show recent historical information and, except for a budget discussion for Fiscal Year 2014-15, is not intended to indicate future or continuing trends in the financial position or other affairs of the District. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

The summaries or references to the Indenture, the Sublease Agreement, the Lease Agreement, the Assignment Agreement and other documents, agreements and statutes referred to herein, and the description of the Series 2015 Bonds included in this Official Statement, do not purport to be comprehensive or definitive, and such summaries, references and descriptions are qualified in their entirety by reference to each such document or statute. All capitalized terms used in this Official Statement (unless otherwise defined herein) which are defined in the Indenture or the Sublease Agreement shall have the meanings set forth therein, some of which are summarized in Appendix C — “SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS.”

Changes Since the Date of the Preliminary Official Statement

Bond Insurance and Reserve Policy. The scheduled payment of the principal of and interest on the Series 2015 Bonds will be guaranteed under an insurance policy to be issued concurrently with the issuance of the Series 2015 Bonds by the Insurer. See “BOND INSURANCE” herein. The Reserve Requirement will be satisfied by the deposit of the Reserve Policy into the Reserve Fund. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS—Reserve Fund” herein.

THE SERIES 2015 BONDS

General

The Series 2015 Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof. The Series 2015 Bonds will be dated as of and bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) from the dated date thereof at the rates set forth on the inside cover page hereof. Interest on the Series 2015 Bonds will be paid semiannually on June 1 and December 1 (each, an “Interest Payment Date”) of each year, commencing December 1, 2015.

Interest on the Series 2015 Bonds will be payable from the Interest Payment Date next preceding the date of authentication thereof unless (i) a Series 2015 Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date, (ii) a Series 2015 Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the dated date thereof, or (iii) interest on any Series 2015 Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date. Under the Indenture, “Record Date” is defined to mean the fifteenth day of the month next preceding an Interest Payment Date, whether or not such day is a Business Day. Interest will be paid in lawful money of the United States on each Interest Payment Date to the Persons in whose names the ownership of the Series 2015 Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below. Interest will be paid by check of the Trustee mailed by first class mail, postage prepaid, on each

Interest Payment Date to the Series 2015 Bond Owners at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date.

The principal and premium, if any, of the Series 2015 Bonds will be payable in lawful money of the United States of America upon presentation and surrender thereof upon maturity or earlier redemption at the Office of the Trustee. The Series 2015 Bonds will be subject to redemption as set forth herein.

Registration, Transfers and Exchanges

The Series 2015 Bonds will be issued as fully registered bonds, registered in the name of Cede & Co. as nominee of DTC, and will be available to actual purchasers of the Series 2015 Bonds (the “Beneficial Owners”) in the denominations set forth above, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants (as defined in Appendix F) as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Series 2015 Bonds. See “THE SERIES 2015 BONDS — Book-Entry Only System.”

Redemption

Optional Redemption. The Series 2015 Bonds maturing on or after June 1, 2026, shall be subject to optional redemption, in whole or in part, on any date on or after June 1, 2025 in denominations of \$5,000 or any integral multiple thereof, from and to the extent of prepaid Base Rental Payments paid pursuant to the Sublease Agreement, at a Redemption Price equal to the principal amount of the Series 2015 Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

Extraordinary Redemption. The Series 2015 Bonds are subject to redemption, in whole or in part, on any date, in denominations of \$5,000 or any integral multiple thereof, from and to the extent of any insurance proceeds or condemnation award received with respect to all or a portion of the Property and deposited by the Trustee in the Redemption Fund pursuant to the Indenture, at a Redemption Price equal to the principal amount of the Series 2015 Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

Mandatory Sinking Fund Redemption. The Term Bonds maturing on June 1, 2037 shall be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Principal Fund, on June 1, 2033, and on each June 1 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The Term Bonds maturing on June 1, 2037 so called for redemption shall be selected by the Trustee by lot and shall be redeemed at a redemption price for each such redeemed Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

Bonds Maturing June 1, 2037

<i>Redemption Dates (June 1)</i>	<i>Principal Amount</i>
2033	\$160,000
2034	165,000
2035	170,000
2036	180,000
2037 (maturity)	185,000

The Term Bonds maturing on June 1, 2045 shall be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Principal Fund, on June 1, 2038, and on each June 1 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The Term Bonds maturing on June 1, 2045 so called for redemption shall be selected by the Trustee by lot and shall be redeemed at a redemption price for each such redeemed Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

Bonds Maturing June 1, 2045

<i>Redemption Dates (June 1)</i>	<i>Principal Amount</i>
2038	\$195,000
2039	200,000
2040	210,000
2041	220,000
2042	225,000
2043	235,000
2044	245,000
2045 (maturity)	255,000

If the District purchases Term Bonds and delivers them to the Trustee at least 45 days prior to an applicable redemption date, the principal amount of the Term Bonds so purchased shall be credited to reduce the Sinking Fund Payment due on such redemption date for the applicable maturity of the Term Bonds. All Term Bonds purchased by the District and delivered to the Trustee shall be cancelled pursuant to the Indenture.

In the event of a partial Optional Redemption or Extraordinary Redemption of Term Bonds, each of the remaining Sinking Fund Payments for such Term Bonds, as described above, will be reduced, as nearly as practicable, on a pro rata basis.

Selection of Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the Bonds, the Trustee shall select the Bonds to be redeemed from all Bonds not previously called for redemption (a) with respect to any optional redemption of Bonds of a Series, among maturities of Bonds of such Series as directed in a Written Request of the Authority, (b) with respect to any redemption from and to the extent of any insurance proceeds or condemnation award received with respect to all or a portion of the Property and the corresponding provision of any Supplemental Indenture pursuant to which Additional Bonds are issued, among maturities of all Series of Bonds on a pro rata basis as nearly as practicable, and (c) with respect to any other redemption of Additional Bonds, among maturities as provided in the Supplemental Indenture pursuant to which such Additional Bonds are issued, and by lot among Bonds of the same Series with the same maturity in any manner which the Trustee in its sole discretion deems appropriate and fair. For purposes of such selection, all Bonds will be deemed to be comprised of separate \$5,000 denominations and such separate denominations will be treated as separate Bonds which may be separately redeemed.

Notice of Redemption. So long as the Bonds are held in book-entry form, notices of redemption will be mailed by the Trustee only to DTC and not to any Beneficial Owners. The Trustee on behalf and at the expense of the Authority will mail (by first class mail) notice of any redemption to the Insurer and the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, to the Securities Depositories and to one or more Information Services, at least 20 but not more than 60 days prior to the date fixed for redemption. Such notice will state the date of the notice, the redemption date, the redemption place and the Redemption Price and shall designate the CUSIP numbers, the Bond numbers and the maturity or maturities (except in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and will require that such Bonds be then surrendered at the principal corporate trust office of the Trustee for redemption at the Redemption Price, giving

notice also that further interest on such Bonds will not accrue from and after the date fixed for redemption. Such notice may state that such redemption is conditioned upon sufficient funds being on deposit on the redemption date to redeem the Bonds so called for redemption. Neither the failure to receive any notice so mailed, nor any defect in such notice, will affect the validity of the proceedings for the redemption of the Bonds or the cessation of accrual of interest thereon from and after the date fixed for redemption.

Partial Redemption of Bonds. Upon surrender of any Bonds redeemed in part only, the Authority will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of the same Series in authorized denominations equal in aggregate principal amount representing the unredeemed portion of the Bonds surrendered.

Effect of Notice of Redemption. Notice having been mailed as aforesaid, and moneys for the Redemption Price, and the interest to the applicable date fixed for redemption, having been set aside in the Redemption Fund, the Bonds will become due and payable on said date, and, upon presentation and surrender thereof at the principal corporate trust office of the Trustee, said Bonds will be paid at the Redemption Price thereof, together with interest accrued and unpaid to said date.

If, on said date fixed for redemption, moneys for the Redemption Price of all the Bonds to be redeemed, together with interest to said date, will be held by the Trustee so as to be available therefor on such date, and, if notice of redemption thereof has been mailed as aforesaid and not canceled, then, from and after said date, interest on said Bonds will cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the redemption of Bonds will be held in trust for the account of the Owners of the Bonds so to be redeemed without liability to such Owners for interest thereon. All Bonds paid at maturity or redeemed prior to maturity pursuant to the provisions of the Indenture will be canceled upon surrender thereof and destroyed.

Book-Entry Only System

General. DTC will act as securities depository for the Series 2015 Bonds. The Series 2015 Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Series 2015 Bond will be issued for each maturity of the Series 2015 Bonds, each in the initial aggregate principal amount of such maturity, and will be deposited with DTC. See Appendix F — "BOOK-ENTRY ONLY SYSTEM."

Transfer and Exchange of Bonds. The following provisions regarding the exchange and transfer of the Series 2015 Bonds apply only during any period in which the Series 2015 Bonds are not subject to DTC's book-entry system. While the Series 2015 Bonds are subject to DTC's book-entry system, their exchange and transfer will be effected through DTC and the Participants and will be subject to the procedures, rules and requirements established by DTC.

Any Bond may, in accordance with its terms, be transferred upon the books required to be kept by the Trustee pursuant to the provisions of the Indenture by the Person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. Whenever any Bond or Bonds will be surrendered for transfer, the Authority will execute and the Trustee will authenticate and will deliver a new Bond or Bonds of the same Series in a like aggregate principal amount, in any Authorized Denomination. The Trustee will require the Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

The Bonds may be exchanged at the principal corporate trust office of the Trustee for a like aggregate principal amount of Bonds of the same Series of other authorized denominations. The Trustee will require the payment by the Bond Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The Trustee is not obligated to make any transfer or exchange of Bonds of a Series during the period established by the Trustee for the selection of Bonds of such Series for redemption, or with respect to any Bonds of such Series selected for redemption.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS

Pledge of Revenues

The Series 2015 Bonds are equally and ratably payable from and secured by Base Rental Payments and certain amounts on deposit in the funds and accounts established under the Indenture. Base Rental Payments will be paid by the District from any and all legally available funds. See, “THE DISTRICT,” “DISTRICT FINANCIAL INFORMATION” and “RISK FACTORS.” The District has covenanted in the Sublease Agreement to take such action as may be necessary to include all Base Rental Payments and Additional Rental Payments due under the Sublease Agreement as a separate line item in its annual budgets and to make the necessary annual appropriations therefor.

The Authority, pursuant to the Assignment Agreement, will assign to the Trustee for the benefit of the Series 2015 Bond Owners all of the Authority’s right, title and interest in and to the Lease Agreement and the Sublease Agreement, including, without limitation, its right to receive Base Rental Payments to be paid by the District under and pursuant to the Sublease Agreement; provided that, the Authority will retain the rights to indemnification and to payment of reimbursement of its reasonable costs and expenses under the Sublease Agreement. The District will pay Base Rental Payments directly to the Trustee, as assignee of the Authority. See “—Base Rental Payments” below.

Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture, all of the Base Rental Payments and any other amounts (including proceeds of the sale of the Bonds) held in the Base Rental Payment Fund, the Interest Fund, the Principal Fund and the Redemption Fund are pledged by the Authority pursuant to the Indenture to secure the payment of the principal of, premium, if any, and interest on the Bonds in accordance with their terms, the provisions of the Indenture and the Act. Said pledge constitutes a first lien on such assets.

The Series 2015 Bonds are special obligations of the Authority, payable solely from base rental payments and the other assets pledged therefor under the Indenture. Neither the faith and credit nor the taxing power of the District or the State, or any political subdivision thereof, is pledged to the payment of the Series 2015 Bonds. The Authority has no taxing power.

Base Rental Payments

Rental Payments, including Base Rental Payments, will be paid by the District to the Authority for and in consideration of the right to use and occupy the Property and in consideration of the continued right to the quiet use and enjoyment thereof during each Rental Period for which such Rental Payments are to be paid. Each Base Rental Payment will be deposited with the Trustee no later than the 25th day of the month next preceding each Interest Payment Date (the “Base Rental Deposit Date”) on which such Base Rental Payment is due. All Base Rental Payments will be paid directly by the District to the Trustee, and if received by the Authority at any time will be transferred by the Authority to the Trustee within one Business Day after the receipt thereof. All Base Rental Payments received by the Trustee will be deposited by the Trustee in the Base Rental Payment Fund.

Pursuant to the Indenture, on the Business Day immediately preceding each Interest Payment Date and on the Business Day immediately preceding each Principal Payment Date, the Trustee will transfer amounts in the Base Rental Payment Fund as are necessary to the Interest Fund and the Principal Fund to provide for the payment of the interest on and principal (inclusive of Sinking Fund Payments then due) of the Series 2015 Bonds.

Scheduled Base Rental Payments relating to the Series 2015 Bonds are set forth below under the heading "BASE RENTAL PAYMENT SCHEDULE."

The obligation of the District to make the Base Rental Payments does not constitute a debt of the District or the State or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the District or the State is obligated to levy or pledge any form of taxation or for which the District or the State has levied or pledged any form of taxation.

Additional Rental Payments

For the right to use and occupy the Property, the Sublease Agreement requires the District to pay, as Additional Rental payments thereunder, in addition to the Base Rental Payments, such amounts as shall be required for the payment of the following:

(i) All taxes and assessments of any type or nature charged to the Authority or the District or affecting the Property or the respective interests or estates of the Authority or the District therein.

(ii) All reasonable administrative costs of the Authority relating to the Property including, but without limiting the generality of the foregoing, salaries, wages, fees and expenses, compensation and indemnification of the Trustee payable by the Authority under the Indenture, fees of auditors, accountants, attorneys or engineers, and all other necessary and reasonable administrative costs of the Authority or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Indenture or the Sublease Agreement or to defend the Authority and its members, officers, agents and employees.

(iii) Insurance premiums for all insurance required pursuant to the Sublease Agreement.

(iv) Any amounts with respect to the Sublease Agreement or the Bonds required to be rebated to the federal government in accordance with section 148(f) of the Internal Revenue Code of 1986.

(v) All other payments required to be paid by the District under the provisions of the Sublease Agreement or the Indenture, including amounts owed by the Authority to the Insurer under the Indenture or the Sublease Agreement.

Amounts constituting Additional Rental Payments payable under the Sublease Agreement will be paid by the District directly to the person or persons to whom such amounts are payable. The District will pay all such amounts when due or at such later time as such amounts may be paid without penalty or, in any other case, within 60 days after notice in writing from the Trustee to the District stating the amount of Additional Rental Payments then due and payable and the purpose thereof.

Abatement

Base Rental Payments and Additional Rental Payments are paid by the District in each Rental Period for and in consideration of the right to use and occupy the Property. Except as otherwise specifically provided in the Sublease Agreement, during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the District's right to use and occupy any portion of the Property, Rental Payments are subject to abatement proportionately, and the District waives the benefits of Civil Code Sections 1932(1), 1932(2) and 1933(4) and any and all other rights to terminate the Sublease Agreement by virtue of any such interference, and the Sublease Agreement will continue in full force and effect. The amount of such abatement will be agreed upon by the District and the Authority; provided, however, that the Rental Payments due for any Rental Period may not exceed the annual fair rental value of that portion of the Property available for use and occupancy by the

District during such Rental Period. Any such abatement will continue for the period commencing with the date of interference resulting from such damage, destruction, condemnation or title defect and, with respect to damage to or destruction of the Property, ending with the substantial completion of the work of repair or replacement of the Property, or the portion thereof so damaged or destroyed; and the term of the Sublease Agreement will be extended as provided in the Sublease Agreement, except that the term will in no event be extended ten years beyond the stated termination date of the Sublease Agreement. The Trustee cannot terminate the Sublease Agreement in the event of such substantial interference. Abatement of Base Rental Payments and Additional Rental Payments is not an event of default under the Sublease Agreement and does not permit the Trustee to take any action or avail itself of any remedy against the District. See Appendix C — “SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS — The Sublease Agreement — Rental Abatement.”

Notwithstanding the foregoing, to the extent that moneys are available for the payment of Rental Payments due under the Sublease Agreement in any of the funds and accounts established under the Indenture (including as a result of the availability of insurance proceeds), such Rental Payments will not be abated as provided above but, rather, will be payable by the District as a special obligation payable solely from said funds and accounts.

Substitution, Addition and Removal of Property

The Authority and the District may amend the Sublease Agreement to substitute alternate real property for any portion of the Property to add additional real property or to release a portion of the Property from the Sublease Agreement, upon compliance with all of the conditions set forth in the Sublease Agreement and described below. After a substitution or release, the portion of the Property for which the substitution or release has been effected will be released from the leasehold encumbrance of the Sublease Agreement.

The Sublease Agreement provides that there will be no reduction in or abatement of the Base Rental Payments due from the District thereunder as a result of such substitution or release. Any such substitution or release is subject to the following specific conditions precedent to such substitution or release:

(a) an independent certified real estate appraiser selected by the District finds (and delivers a certificate to the District and the Trustee setting forth its findings), or the District provides evidence acceptable to counsel providing the opinion of counsel referred to in (c) below substantiating that the Property, as constituted after such substitution or release, (i) has an annual fair rental value at least equal to the maximum Base Rental Payments payable by the District in any Rental Period, and (ii) has a useful life in excess of the final maturity of any Outstanding Bonds.

(b) the District obtains or causes to be obtained a CLTA or ALTA title insurance policy or policies with respect to any substituted property in an amount at least equal to the aggregate principal amount of any Outstanding Bonds, of the type and with the endorsements described in the Sublease Agreement;

(c) the District provides the Trustee with an opinion of counsel to the effect that such substitution or release will not, in and of itself, cause the interest on the Bonds to be included in gross income for federal income tax purposes;

(d) the District, the Authority and the Trustee execute, and the District causes to be recorded with the Placer County Recorder, any document necessary to reconvey to the District the portion of the Property being released and to include any substituted real property in the description of the Property contained in the Sublease Agreement and in the Lease Agreement; and

(e) the District provides notice of such substitution to any rating agency then rating the Bonds.

See Appendix C — “SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS — The Sublease Agreement — *Substitution or Release of the Property*”

Action on Default

Should the District default under the Sublease Agreement, the Trustee, as assignee of the Authority under the Sublease Agreement, may terminate the Sublease Agreement and recover certain damages from the District, or may retain the Sublease Agreement and hold the District liable for all Base Rental Payments thereunder on an annual basis, and will have the right to re-enter and re-let the Property. In the event such re-letting occurs, the District will be liable for any resulting deficiency in Base Rental Payments. Base Rental Payments may not be accelerated upon a default under the Sublease Agreement. See “RISK FACTORS — Limited Recourse on Default; No Acceleration of Base Rental.”

For purposes of certain actions of Bond Owners under the Indenture and the Lease Agreement, such as certain consents and amendments and the direction of remedies following default, Series 2015 Bond Owners do not act alone and may not control such matters to the extent such matters are not supported by the requisite number of the Owners of all Bonds and Additional Bonds, if any.

For a description of the events of default and permitted remedies of the Trustee (as assignee of the Authority) contained in the Sublease Agreement and the Indenture, see Appendix C — “SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS — The Sublease Agreement — Default” and “— The Indenture — Events of Default,” “— Other Remedies of the Trustee,” and “Limitation on Suits.”

Reserve Fund

The Indenture establishes a Reserve Fund to be held by the Trustee solely for the benefit of the Owners of the 2015 Bonds. The Trustee will deposit the Reserve Policy, which shall be in an amount sufficient to satisfy the Reserve Requirement, into the Reserve Account and apply moneys therein in accordance with the Indenture. The term “Reserve Requirement” means initially: (i) \$133,600; and thereafter (ii) 50% of the maximum payments of principal of and interest on the Bonds payable in any Bond Year. In lieu of cash, the Reserve Requirement may be satisfied, in part or in whole, by the deposit into the Reserve Fund of a credit instrument, including the Reserve Policy.

If three Business Days prior to any Interest Payment Date the moneys in the Base Rental Payment Fund are insufficient to make the transfers required by the Indenture with respect to the 2015 Bonds immediately prior to such Interest Payment Date, the Trustee will transfer from the Reserve Fund to the Base Rental Payment Fund the amount of such insufficiency. If as of the 1st day of the month preceding any Interest Payment Date there shall be any deficiency in the Reserve Fund (whether due to a payment therefrom or due to the fluctuation in market value of securities credited thereto, or otherwise), the Trustee shall promptly notify the District in writing of the amount of such deficiency and the District shall pay to the Trustee the amount of such deficiency at least 10 Business Days prior to the Interest Payment Date.

Semiannually, on or before each Interest Payment Date, the Trustee shall value the Reserve Fund at fair market value and any amounts on deposit in the Reserve Fund in excess of the Reserve Requirement shall be transferred to the Interest Fund. Except for such withdrawals, all moneys in the Reserve Fund will be used and withdrawn by the Trustee solely for the purpose of paying when due principal, sinking account payment, redemption price and interest with respect to the 2015 Bonds in the event that no other moneys under the Indenture are available therefor or to pay such amounts at maturity.

For the purpose of determining the amount in the Reserve Account, all Permitted Investments credited to the Reserve Fund will be valued at fair market value.

No transfer of moneys for deposit to the Reserve Fund in connection with the 2015 Bonds need be made if the amount contained therein is at least equal to the Reserve Requirement.

Insurance

The Sublease Agreement requires the District to maintain or cause to be maintained fire, lightning and special extended coverage insurance (which includes coverage for vandalism and malicious mischief, but need not include coverage for earthquake damage) on all improvements constituting any part of the Property in an amount equal to the greater of 100% of the replacement cost of such improvements or 100% of the outstanding principal amount of the Bonds. All insurance required to be maintained pursuant to the Sublease Agreement may be subject to a deductible in an amount not to exceed \$500,000. The District's obligation to maintain the insurance described above (except for rental interruption insurance) may be satisfied by self-insurance, provided such self-insurance complies with the requirements of the Sublease Agreement. See Appendix C — "SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS — The Sublease Agreement — Insurance."

The Sublease Agreement requires the District to maintain rental interruption insurance to cover the Authority's loss, total or partial, of Base Rental Payments resulting from the loss, total or partial, of the use of any part of the Property as a result of any of the hazards covered by the casualty insurance described in the preceding paragraph, in an amount sufficient at all times to pay an amount not less than the product of two times the maximum amount of Base Rental Payments scheduled to be paid during any Rental Period. The District is not permitted to self-insure its obligation to maintain rental interruption insurance.

The District is also required to maintain or cause to be maintained, throughout the term of the Sublease Agreement, a standard commercial general liability insurance policy or policies in protection of the District, the Authority and their respective members, officers, agents and employees, and worker's compensation insurance as described in Appendix C — "SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS — The Sublease Agreement — Insurance."

The District is required under the Sublease Agreement to provide, at its own expense, one or more CLTA or ALTA title insurance policies for the Property, in the aggregate amount of not less than the initial aggregate principal amount of the Series 2015 Bonds, insuring the fee interest of the District in the Property, the Authority's leasehold estate in the Property under the Lease Agreement, and the District's subleasehold estate in the Property under the Sublease Agreement, subject only to Permitted Encumbrances, and providing that all proceeds thereunder are payable to the Trustee for the benefit of the Owners.

No Additional Bonds Except for Refunding Purposes Only

The Authority may at any time issue one or more Series of Additional Bonds (in addition to the Series 2015 Bonds) payable from Base Rental Payments for refunding purposes only as provided in the Indenture on a parity with all other Bonds issued under the Indenture. Such Additional Bonds may only be issued subject to the conditions precedent set forth in the Indenture, which includes the requirement that annual debt service payable on the 2015 Bonds and any Additional Bonds that will be Outstanding after the issuance of such Additional Bonds will not exceed annual debt service on all 2015 Bonds and any Additional Bonds that were Outstanding prior to the issuance of such Additional Bonds in each Fiscal Year in which 2015 Bonds and Additional Bonds would have been Outstanding but for the issuance of such Additional Bonds. See Appendix C — "SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS — The Indenture — Additional Bonds."

SOURCES AND USES OF FUNDS

The sources and uses of funds with respect to the Series 2015 Bonds are shown below.

Sources

Principal Amount of Series 2015 Bonds	\$ 4,655,000.00
Net Original Issue Discount	(13,162.35)
Underwriter's Discount	<u>(69,501.91)</u>
Total Sources	<u>\$ 4,572,335.74</u>

Uses

Project Fund	\$ 4,400,000.00
Cost of Issuance Fund ⁽¹⁾	<u>172,335.74</u>
Total Uses	<u>\$ 4,572,335.74</u>

⁽¹⁾ Includes legal, financial advisory, rating agency, insurance premium, Reserve Policy premium, printing fees and other miscellaneous costs of issuance.

BOND INSURANCE

The information under this caption has been prepared by AGM for inclusion in this Official Statement. Neither the Authority nor the Underwriter has reviewed this information, nor do the Authority or the Underwriter make any representation with respect to the accuracy or completeness thereof. The following information is not complete and reference is made to Appendix G for a specimen of the Policy.

Insurance Policy

Concurrently with the issuance of the Bonds, AGM will issue its Municipal Bond Insurance Policy (the "Policy") for the Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as Appendix G to this Official Statement.

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

Assured Guaranty Municipal Corp.

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

AGM's financial strength is rated "AA" (stable outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees

scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings.

On November 13, 2014, KBRA assigned an insurance financial strength rating of “AA+” (stable outlook) to AGM. AGM can give no assurance as to any further ratings action that KBRA may take.

On July 2, 2014, S&P issued a credit rating report in which it affirmed AGM’s financial strength rating of “AA” (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On July 2, 2014, Moody’s issued a rating action report stating that it had affirmed AGM’s insurance financial strength rating of “A2” (stable outlook). On February 18, 2015, Moody’s published a credit opinion under its new financial guarantor ratings methodology maintaining its existing rating and outlook on AGM. AGM can give no assurance as to any further ratings action that Moody’s may take.

For more information regarding AGM’s financial strength ratings and the risks relating thereto, see AGL’s Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

Capitalization of AGM.

At March 31, 2015, AGM’s policyholders’ surplus and contingency reserve were approximately \$3,730 million and its net unearned premium reserve was approximately \$1,702 million. Such amounts represent the combined surplus, contingency reserve and net unearned premium reserve of AGM, AGM’s wholly owned subsidiary Assured Guaranty (Europe) Ltd. and 60.7% of AGM’s indirect subsidiary Municipal Assurance Corp.; each amount of surplus, contingency reserve and net unearned premium reserve for each company was determined in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference.

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

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2014 (filed by AGL with the SEC on February 26, 2015); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2015 (filed by AGL with the SEC on May 8, 2015).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof “furnished” under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC’s website at <http://www.sec.gov>, at AGL’s website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department

(telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

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

Miscellaneous Matters.

AGM or one of its affiliates may purchase a portion of the Bonds offered under this Official Statement and such purchases may constitute a significant portion of the Bonds offered. AGM or such affiliate may hold such the Bonds for investment or may sell or otherwise dispose of such Bonds at any time or from time to time.

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE."

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BASE RENTAL PAYMENT SCHEDULE

Following is the annual schedule of Base Rental Payments due with respect to the Series 2015 Bonds:

<i>Period Ending June 1</i>	<i>Series 2015 Bond Principal</i>	<i>Series 2015 Bond Interest</i>	<i>Total Series 2015 Bond Payments</i>
2016	\$ 85,000.00	\$ 161,441.94	\$ 246,441.94
2017	95,000.00	170,250.00	265,250.00
2018	95,000.00	168,350.00	263,350.00
2019	100,000.00	166,450.00	266,450.00
2020	100,000.00	164,450.00	264,450.00
2021	105,000.00	161,450.00	266,450.00
2022	105,000.00	158,300.00	263,300.00
2023	110,000.00	154,100.00	264,100.00
2024	115,000.00	149,700.00	264,700.00
2025	120,000.00	145,100.00	265,100.00
2026	125,000.00	140,300.00	265,300.00
2027	130,000.00	135,300.00	265,300.00
2028	135,000.00	131,237.50	266,237.50
2029	140,000.00	126,850.00	266,850.00
2030	145,000.00	122,125.00	267,125.00
2031	150,000.00	117,050.00	267,050.00
2032	155,000.00	111,612.50	266,612.50
2033	160,000.00	105,800.00	265,800.00
2034	165,000.00	99,400.00	264,400.00
2035	170,000.00	92,800.00	262,800.00
2036	180,000.00	86,000.00	266,000.00
2037	185,000.00	78,800.00	263,800.00
2038	195,000.00	71,400.00	266,400.00
2039	200,000.00	63,600.00	263,600.00
2040	210,000.00	55,600.00	265,600.00
2041	220,000.00	47,200.00	267,200.00
2042	225,000.00	38,400.00	263,400.00
2043	235,000.00	29,400.00	264,400.00
2044	245,000.00	20,000.00	265,000.00
2045	<u>255,000.00</u>	<u>10,200.00</u>	<u>265,200.00</u>
Total	\$ 4,655,000.00	\$ 3,282,666.94	\$ 7,937,666.94

THE 2015 PROJECT

The 2015 Project consists of the construction of an administration and engineering building for the District (the “2015 Project”). The single story building is expected to be approximately 8,200 square feet and will house all administration and technical personnel for the District. In addition, the building will include a 951 square foot board/public meeting room. The building will be constructed upon a prepared site owned by the District with existing underground utilities including a geothermal loop for heating, ventilating and air conditioning purposes.

THE PROPERTY

The Property shall initially consist of Northstar Fire Department Station 32 located at 9100 Highland View Road, Truckee, California (the “Fire Station”). The Fire Station consists of a two story, 10,500 square foot building located at mid-mountain and was completed in 2009 at a cost of approximately \$12.4 million. The insurable value of the Fire Station, exclusive of land value, is estimated at approximately \$6.3 million.

The District has the right to substitute or release all or portion of the Property subject to certain conditions precedent. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS — Substitution, Addition and Removal of Property.”

THE AUTHORITY

Organization and Membership

The Authority was formed pursuant to the provisions of Articles 1, 2 and 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “Act”) and the Joint Exercise of Powers Agreement, dated as of May 19, 2015, by and between the District and the Northstar Community Services District Community Facilities District No. 1, to assist in financing public capital improvements undertaken by either member. The Board of Directors of the District serves as the Governing Board of the Authority.

THE DISTRICT

Overview. The District was founded in 1990 to serve the mountain resort of Northstar California (previously Northstar-at-Tahoe) (“Northstar California”) and the surrounding residential community with governmental services. Northstar California is situated near the north shore of Lake Tahoe in Placer County, California, approximately 200 miles from the San Francisco Bay Area. The 3,170 acre resort features a 2,280 foot vertical drop downhill ski terrain accessed by 20 lifts, a snowmaking system, a cross-country ski center, day lodges, mountain top restaurants, and a mixed-use commercial village at the base of the mountain. Summer activities include an 18-hole golf course and a lift-served mountain bike park. On-site lodging options include a 170-room luxury Ritz Carlton hotel, and approximately 1,850 residential units, with additional residential development underway.

District Services. The District currently provides fire protection services, forest fuels management services, water services, sewer collection services, snow removal, road surface maintenance, recycling services, solid waste management and trail construction and maintenance to the Northstar community. The District receives property tax revenue from all parcels to support fire protection, snow removal and trail services. Road maintenance and forest fuels management (which involves treating the forest to reduce the threat of catastrophic wild fire) are funded primarily by a parcel tax charged to all parcels within the District. Water, sewer, solid waste and recycling services are funded wholly through user fee charges. The District maintains a variety of contracts with the resort operator, the County and developers to provide for additional revenue for certain services as well.

Subject to final approval by the Placer County Local Area Formation Commission, the District expects to acquire through annexation the neighboring water system currently owned by Placer County Water Agency (“PCWA”). This water system serves the communities of Martis Camp, Schaffer’s Mill, Lahontan and Hopkins Ranch (collectively, “Martis Valley”) for a total of 1,732 additional water customers at buildout. The District has been operating this system under contract with PCWA since 2009. The acquisition will provide the District with additional revenue to offset operational and other fixed costs while adding more diversification to the District’s emergency water supplies.

In addition, the District may annex an adjacent 662 acre parcel planned for development of approximately 760 residential units and limited commercial space. The District would provide all of its existing governmental services to this project. The project developer has performed initial studies and is now developing a draft environmental impact report which is expected to be released in the summer of 2015.

History. Development of Northstar began in the 1970’s, prior to the founding of the District. This first phase of development included the ski resort, which opened in December 1972, and a variety of single family detached residences and condominiums, the 18-hole golf course and club house facility. In 2004, Northstar Mountain Properties, LLC and related entities (“NMP”) began the process of developing an

expanded and enhanced master-planned community. Their plans contemplated development of a mixed use commercial village at the base of the ski resort, a luxury hotel and up to 1,800 additional residential units, as described further below. To help finance the backbone infrastructure for this expansion, the District formed the Northstar Community Services District Community Facilities District No. 1, the boundaries of which encompass this new master-planned community. In 2007, CNL Lifestyle Properties (a REIT) acquired the Northstar ski facilities, lodges and on-hill restaurants, commercial space in the new village and the golf course but leased the resort back to the prior owner, Booth Creek Ski Holdings, Inc., for all operations. In 2010, Vail Resorts purchased the lease and took over the resort operations. Vail Resorts also owns Heavenly Ski Resort at Lake Tahoe, Kirkwood Mountain Resort in the Lake Tahoe area, four ski resorts in Colorado (Vail, Breckenridge, Keystone, and Beaver Creek), and other ski resorts.

Recent Development Activity. The expanded master-planned community includes two major components – development in and around the village at the base of the ski resort, known as The Village at Northstar (the “Village”), and development in the mid-mountain area with ski-in, ski-out access to the resort trails, referred to as “Mountainside”. Substantially all of the major backbone infrastructure required for both components has been completed. Development of the Village was completed in 2006. The Village includes 213 luxury residential condominium units, 82,000 square feet of commercial space with a variety of restaurants and retail shops, and a public skating rink which offers ice skating in winter and roller skating in summer. Adjacent to the Village is a project called the Northside, developed with a 4,000 square foot recreation center, 34 Hyatt branded condominiums and 12 townhomes; an additional 37 condominium units are currently under construction, and 54 more residential units are planned. Full build out of Northside is expected by the end of 2017 with final sales to individual buyers expected by the end of 2018.

In 2009, the Ritz-Carlton was completed and opened in the Mountainside area, with 170 guest rooms and a 17,000 square foot spa. In addition to the guest rooms, the Ritz-Carlton also includes a private wing on the third floor, which includes 23 penthouse residences referred to as the Ritz Penthouses. The Ritz Carlton was the first Forbes Four-Star/AAA Five Diamond resort in the Lake Tahoe area and is accessible to the Village via gondola. In addition to the hotel, a total of 1,450 residential units are planned for Mountainside. To date, approximately 89 townhomes, condominiums and single family lots have been completed and sold. A 5,000 square foot recreation facility was completed in the fall of 2014. Eighteen townhomes are currently under construction and are expected to be completed in the fall of 2015. Full build out of this area is expected to take approximately 15-20 years.

For demographic information regarding the District see Appendix B – “INFORMATION REGARDING THE REGION.”

Board of Directors

The District’s operations are governed by an elected Board of Directors. The members of the Board of Directors and the expiration dates of their respective terms are as follows:

**NORTHSTAR COMMUNITY SERVICES DISTRICT
Board of Directors**

<i>Name</i>	<i>Term Expires</i>
Frank Seelig	2016
Darrell Smith	2018
Nancy Ives	2018
Jeann Green	2016
Cathy Stewart	2018

The Board of Directors appoints the General Manager who heads the executive branch of the government, implements Board of Directors directives and policies and manages the administrative and operational functions through the various departmental heads, who are appointed by the General Manager.

District Management

The General Manager's Office is responsible for the administrative supervision of all District activities. This task involves the continual evaluation of the provision of efficient, effective, and economical services to the citizens of the District. The General Manager's Office keeps the Board of Directors informed of District activities and services and implements the policy of the Board of Directors. The General Manager also serves as the Executive Director of the Authority.

Mike Staudenmayer, General Manager. Mr. Staudenmayer holds a B.S. in Civil Engineering from Lehigh University and has over 20 years of experience in engineering, resort development and utility management. He joined NCSD in 2004 as the District Engineer and has been the General Manager since 2006. Prior to coming to the Tahoe region, Mr. Staudenmayer worked in the San Francisco Bay Area and Park City, Utah on a variety of projects in an engineering and geomatics capacity for real estate development projects, the 2002 Winter Olympic facilities and resort expansion projects.

Other key personnel of the District include the Accounting Manager.

Greg Rosenthal, Accounting Manager. Mr. Rosenthal is a licensed Certified Professional Accountant in the State of California and holds a B.S. in Finance from the University of Florida. He joined the District in 2012 as the Accounting Manager.

Employee Relations

District full-time employees numbered 35 as of May 7, 2015, of which 19 employees were assigned to the Fire Department.

In accordance with the provisions of California Government Code Section 3500, the District recognizes two bargaining units: (1) Local 39 representing 8 members, and (2) Northstar Professional Firefighters Association representing 17 members.

Management and various unrepresented position classifications include a total of 10 full-time employees which are not represented by any bargaining unit. Contracts are in place for both bargaining units, with the contract with Local 39 terminating on June 30, 2019 and the contract with Northstar Professional Firefighters Association terminating on June 30, 2017.

DISTRICT FINANCIAL INFORMATION

Accounting and Financial Reporting

The District maintains its accounting records in accordance with Generally Accepted Accounting Principles (GAAP) and the standards established by the Governmental Accounting Standards Board (GASB). A report is prepared for the Board of Directors on a quarterly basis and for District Staff on a monthly basis which reviews fiscal performance to date against the budget. Combined financial statements are produced following the close of each fiscal year.

The Board of Directors employs an independent certified public accountant, who examines the financial statements of the District in accordance with generally accepted auditing standards, including tests of the accounting records and other auditing procedures as such accountant considers necessary. As soon as practicable, after the end of the fiscal year, a final audit and report is submitted by the independent accountant to the Board of Directors.

The accounts of the District are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various District funds are grouped, in the District's annual financial statements, into generic fund types, which include the General Fund, Capital Projects Fund, Water Enterprise Fund, Sewer Enterprise Fund and Fiduciary Fund.

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. It is expected that the Lease Payments will be paid for from amounts in the General Fund.

Budget Procedure, Current Budget and Historical Budget Information

The District currently uses a one-year budget cycle. At such time as the General Manager determines, each department head must furnish to the General Manager an estimate of revenues and expenditures for the department for the ensuing fiscal year, detailed in such manner as may be prescribed by the General Manager. In preparing the proposed budget, the General Manager reviews the estimates, holds conferences thereon with the respective department heads, and revises the estimates as he or she deems advisable. The budget for fiscal year 2014-15 was approved on June 18, 2014. The District is expected to present the fiscal year 2015-16 budget to the Board of Directors for adoption on or about June 23, 2015.

Prior to the beginning of the fiscal year of the budget cycle, the General Manager submits to the Board of Directors the proposed budget. The Board of Directors determines the time for the holding of a public hearing and causes a notice of public hearing to be published. Not less than ten days prior to the date of the public hearing, copies of the proposed budget are available for inspection by the public in the office of the Secretary to the Board of Directors. During the public hearing and after its conclusion, the Board of Directors further considers the proposed budget and makes any revisions thereto that it deems advisable. On or before June 30, of the year prior to the fiscal year of the budget cycle, the Board of Directors adopts the budget with revisions, if any, by the affirmative vote of at least a majority of the total members. From the effective date of the budget, the amounts stated as proposed expenditures become appropriated to the several departments, offices and agencies for the objects and purposes named. All appropriations lapse at the end of the fiscal year to the extent that they have not been expended, lawfully encumbered or affirmatively reappropriated by the Board of Directors during the adoption of the next year's budget. At a public meeting after the adoption of the budget the Board of Directors may amend or supplement the budget by motion adopted by three votes of the Board of Directors.

General Fund Revenues, Expenditures and Changes in Fund Balance

The table below presents the District's audited General Fund Statement of Revenues, Expenditures and Change in Fund Balance for fiscal years 2009-10 through 2013-14, as well as its adopted General Fund Budget for fiscal year 2014-15.

NORTHSTAR COMMUNITY SERVICES DISTRICT GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE FIVE YEAR COMPARISON

	<i>Fiscal Year Ending June 30,</i>					
	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Actual</i>	<i>Budget</i>
	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>	<i>2013-14</i>	<i>2014-15</i>
Revenues:						
Property taxes	\$ 4,283,470	\$ 3,792,256	\$ 3,906,265	\$ 3,971,252	\$ 3,978,774	\$ 4,027,000
Parcel tax for road capital and forest fuels management	565,851	576,451	590,585	601,731	640,352	656,700
Fees and other non-tax revenues	169,233	202,631	160,960	186,806	333,937	298,501
Interest	26,792	25,238	44,115	44,616	36,298	28,533
Fire mitigation fees	2,952	16,491	1,297	6,824	6,788	5,000
Service revenues	218,043	115,501	184,623	127,365	--	--
Administration fees	173,090	96,846	126,932	114,312	--	--
Grant revenue	31,415	31,415	183,433	33,738	371,918	70,000
Other	100,405	40,272	247,343	48,296	402,575	2,057,146 ⁽²⁾
Capital contribution	<u>8,295,309⁽¹⁾</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Subtotal	\$ 13,835,145	\$ 4,897,101	\$ 5,445,553	\$ 5,134,940	\$ 5,770,642	\$ 7,142,880
Expenditures:						
General government	\$ 336,190	\$ 425,842	\$ 264,917	\$ 810,945	\$ 48,115	48,704
Public safety	3,546,442	3,755,026	3,835,866	3,767,609	4,298,462	4,400,707
Streets	89,142	321,077	698,302	90,608	246,425	1,425,107 ⁽³⁾
Trails	104,692	118,169	120,538	102,933	619,853	1,928,773 ⁽⁴⁾
Capital outlay	<u>8,484,304⁽¹⁾</u>	<u>564,536</u>	<u>50,357</u>	<u>375,000</u>	<u>102,780</u>	<u>35,000</u>
Subtotal	\$ 12,560,770	\$ 5,184,650	\$ 4,969,980	\$ 5,147,095	\$ 5,315,635	\$ 7,838,291
Revenues less Expenses	\$ 1,274,375	\$ (287,549)	\$ 475,573	\$ (12,155)	\$ 455,007	\$ (695,411)
Transfers In (Out)	<u>(300,000)</u>	<u>--</u>	<u>(750,000)</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balance	\$ 974,375	\$ (287,549)	\$ (274,427)	\$ (12,155)	\$ 455,007	\$ (695,411)
Reserves						
Non-spendable	--	\$ 255,905	\$ 215,072	\$ 169,057	\$ 137,378	\$ 140,000
Committed	\$ 991,176	1,882,691	339,958	1,491,000	1,624,266	1,141,435
Unassigned	<u>5,792,035</u>	<u>4,357,066</u>	<u>5,666,195</u>	<u>4,549,023</u>	<u>4,902,443</u>	<u>4,687,241</u>
Total	<u>\$ 6,783,211</u>	<u>\$ 6,495,662</u>	<u>\$ 6,221,225</u>	<u>\$ 6,209,080</u>	<u>\$ 6,664,087</u>	<u>\$ 5,968,676</u>

(1) In fiscal year 2009-10, Mello-Roos special taxes were transferred from the District's Capital Projects Fund to the General Fund to be used to fund, in part, the construction of the Property. Such activity is accounted for in the capital contribution and increase in capital outlay in such fiscal year.

(2) Increase caused by additional Federal and State grant revenues used to offset increased trail expenditures. See footnote 4 below.

(3) Increase is the result of the repaving of existing roads within the District in fiscal year 2014-15. The majority of the expenditures will come from unassigned reserves.

(4) Increase caused by the construction of new trails in fiscal year 2014-15.

Source: Audited Financial Statements for fiscal years 2009-10 through 2013-14 and Adopted Budget for fiscal year 2014-15.

Comparative General Fund Balance Sheets of the District

The table below presents the District's audited General Fund Balance Sheets for fiscal years 2009-10 through 2013-14.

NORTHSTAR COMMUNITY SERVICES DISTRICT GENERAL FUND BALANCE SHEETS FIVE YEAR COMPARISON

	<i>Fiscal Year Ending June 30,</i>				
	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>
Assets					
Cash and cash equivalents	\$ 5,510,648	\$ 6,124,785	\$ 4,137,087	\$ 4,724,947	\$ 3,669,625
Investments	--	--	1,448,006	1,478,456	1,615,063
Accounts receivable:	51,303	55,119	117,488	68,341	265,526
Property taxes receivable	111,653	95,993	161,498	171,775	--
	--	--	--	--	1,257,296
Due from other governments	125,670	159,277	28,800	141,686	173,577
Due from developers	774,002	80,572	396,951	228,281	--
Due from trust fund	--	--	9,173	--	--
Prepaid expenses	2,105	69,887	215,072	169,057	137,378
Designated assets	991,176	255,905	--	--	--
Total Assets	<u>\$ 7,566,557</u>	<u>\$ 6,841,538</u>	<u>\$ 6,514,075</u>	<u>\$ 6,982,543</u>	<u>\$ 7,118,467</u>
Liabilities:					
Accounts payable	\$ 62,269	\$ 143,367	\$ 100,480	\$ 353,031	\$ 379,710
Due to other funds	5,746	588	97,102	213,100	--
Due to trust fund	386,205	--	--	19,340	--
Other accrued expenses	103,966	116,623	94,734	187,992	74,670
Deferred revenue	225,160	85,298	524	--	--
Total Liabilities	<u>\$ 783,346</u>	<u>\$ 345,876</u>	<u>\$ 292,840</u>	<u>\$ 773,463</u>	<u>\$ 454,380</u>
Fund Balances:⁽¹⁾					
Nonspendable ⁽²⁾	--	\$ 255,905	\$ 215,072	\$ 169,057	\$ 137,378
Committed ⁽³⁾	--	1,882,691	339,968	1,491,000	1,624,266
Unassigned ⁽⁴⁾	--	4,357,066	5,666,195	4,549,023	4,902,443
Designated for capital replacements	\$ 991,176	--	--	--	--
Undesignated	5,792,035	--	--	--	--
Total Fund Balances	<u>6,783,211</u>	<u>6,495,662</u>	<u>6,221,235</u>	<u>6,209,080</u>	<u>6,664,087</u>
Total Liabilities and Fund Balances	<u>\$ 7,566,557</u>	<u>\$ 6,841,538</u>	<u>\$ 6,514,075</u>	<u>\$ 6,982,543</u>	<u>\$ 7,118,467</u>

(1) In fiscal year 2010-11, the State implemented GASB 54 which introduced new fund classifications for the purpose of clarifying fund balance information. This table shows the prior fund classifications for fiscal year 2009-10 and the GASB 54 fund classifications for each fiscal year thereafter.

(2) Represents amounts that can be used only for specific purposes as designated by the Board of Directors.

(3) Represents amounts that are intended to be used for specific purposes as designated by the Board of Directors or General Manager.

(4) Represents all spendable amounts not contained in the other classifications.

Source: Audited Financial Statements for Fiscal 2009-10 through 2013-14.

Comparison of District Audits and Budgets

Set forth below are the General Fund budgets for fiscal years 2012-13, 2013-14 and 2014-15, and the audited results for fiscal years 2012-13 and 2013-14. During the course of each fiscal year, the budgets are amended and revised as necessary by the Board of Directors.

NORTHSTAR COMMUNITY SERVICES DISTRICT GENERAL FUND BUDGETS VS. AUDITS COMPARISON

	<i>Final Fiscal Year 2012-13 Budget</i>	<i>Fiscal Year 2012-13 Results</i>	<i>Adopted Fiscal Year 2013-14 Budget</i>	<i>Fiscal Year 2013-14 Results</i>	<i>Adopted Fiscal Year 2014-15 Budget</i>
Revenues					
Taxes and assessments	\$ 4,249,240	\$ 4,572,983	\$ 4,667,238	\$ 4,619,126	\$ 4,683,700
Fees and other non-tax revenue	211,159	186,806	253,140	333,937	298,501
Interest	91,000	44,616	--	36,298	28,533
Fire mitigation fees	3,000	6,824	6,000	6,788	5,000
Service revenue	213,000	127,365	--	--	--
Administrative fees	30,610	114,312	--	--	--
Grant revenue	66,337	33,738	774,292	371,918	70,000
Other Revenue	<u>38,000</u>	<u>48,296</u>	<u>138,000</u>	<u>402,575</u>	<u>2,057,146</u>
Total Revenues	\$ 4,902,346	\$ 5,134,940	\$ 5,838,670	\$ 5,770,642	\$ 7,142,880
Expenditures					
Current					
General Government	\$ 909,143	\$ 810,945	\$ 46,672	\$ 48,115	\$ 48,704
Public Safety	3,335,961	3,767,609	4,702,909	4,298,462	4,400,707
Streets	681,715	90,608	358,482	246,425	1,425,107
Trails	127,838	102,933	663,482	619,853	1,928,773
Capital Outlay/Debt Service	<u>369,723</u>	<u>375,000</u>	<u>106,222</u>	<u>102,780</u>	<u>35,000</u>
Total Expenditures	\$ 5,424,380	\$ 5,147,095	\$ 5,877,767	\$ 5,315,635	\$ 7,838,291

Source: Adopted Budgets of the District for fiscal years 2012-13, 2013-14 and 2014-15, Audited Financial Statements for fiscal years 2012-13 and 2013-14.

Major General Fund Revenues

The District derives its General Fund revenues from a variety of sources including ad valorem property taxes, a parcel tax for road capital and forest fuels management, fees and other non-tax revenues, administrative fees, and other miscellaneous revenues.

Property Taxes

Property tax receipts of \$3,978,774 provided the largest revenue source of the District, contributing approximately 68.9% of total General Fund revenues during fiscal year 2013-14. In California, property which is subject to *ad valorem* taxes is classified as “secured” or “unsecured.” The secured classification includes property on which any property tax levied by a county becomes a lien on that property. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens, arising pursuant to State Law, on the secured property, regardless of the time of the creation of other liens. The valuation of property is determined as of January 1 each year, and installments of taxes levied upon secured property become delinquent on the following December 10th and April 10th of the subsequent calendar year. Taxes on unsecured property are due July 1, and become delinquent August 31. For additional information on property taxes see “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Legislation Implementing Article XIII A – Method of Property Taxation.”

The table below sets forth the secured and unsecured assessed valuations for property in the District for the fiscal years 2005-06 through 2014-15. Assessed property values fell by 11.3% from their peak of \$1,522,070,308 in fiscal year 2009-10 to a recent low of \$1,347,820,970 in fiscal year 2010-11 before recovering. Property values can be reduced by a successful appeal regarding their current or base year assessed value or by sale at a lower price than reflected on the prior assessment roll. See APPENDIX B – “Information Regarding the Region – Assessment Appeals.” The information below has been provided by California Municipal Statistics, Inc. None of the Authority, the District or the Underwriter has independently verified the information and do not guarantee its accuracy.

**NORTHSTAR COMMUNITY SERVICES DISTRICT
ASSESSED VALUATION
FISCAL YEARS 2005-06 THROUGH 2014-15**

<i>Fiscal Year</i>	<i>Local Secured</i>	<i>Utility</i>	<i>Unsecured</i>	<i>Total</i>
2005-06	\$ 727,432,849	\$121,006	\$ 1,915,058	\$ 729,468,913
2006-07	926,781,813	121,006	1,529,720	928,432,539
2007-08	1,090,752,084	121,006	1,593,821	1,092,466,911
2008-09	1,385,594,525	121,006	6,193,804	1,391,909,335
2009-10	1,508,781,490	124,993	13,163,825	1,522,070,308
2010-11	1,335,536,901	124,993	12,159,076	1,347,820,970
2011-12	1,358,152,887	124,993	8,227,272	1,366,505,152
2012-13	1,372,151,793	124,993	8,344,050	1,380,620,836
2013-14	1,373,609,991	147,977	19,830,197	1,393,588,165
2014-15	1,378,586,360	147,977	17,386,810	1,396,121,147

Source: California Municipal Statistics, Inc.

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Top Twenty Secured Taxpayers

The following table identifies the twenty largest secured taxpayers in the District. The information below has been provided by California Municipal Statistics, Inc. None of the Authority, the District or the Underwriter has independently verified the information and do not guarantee its accuracy.

TOP TWENTY SECURED TAXPAYERS NORTHSTAR COMMUNITY SERVICES DISTRICT

	<i>Property Owner</i>	<i>Primary Land Use</i>	<i>2014-15 Assessed Valuation</i>	<i>% of Total⁽¹⁾</i>
1.	Trimont Land Company ⁽²⁾	Ski Resort	\$ 70,008,181	5.08%
2.	KW-Northstar Ventures LLC	Hotel	46,702,948	3.39
3.	Trailside Alpine LLC	Residential	19,364,000	1.40
4.	Ritz Carlton Development Company	Residential	19,266,105	1.40
5.	Northstar Group Commercial Properties	Residential	18,969,412	1.38
6.	Tahoe Escapes LLC	Residential	15,183,111	1.10
7.	Northstar Venture Penthouses LLC	Residential	14,502,365	1.05
8.	Northstar Mountain Properties LLC	Residential	9,801,139	0.71
9.	One Village Place Sun Belt LLC	Residential	6,824,543	0.50
10.	KG Sawmill Investors LLC	Apartments	5,947,229	0.43
11.	JMA RCH Tahoe I LLC	Residential	5,793,778	0.42
12.	Curtis MacNguyen, Trustee	Residential	5,777,732	0.42
13.	Richard D. Paterson, Trustee	Residential	5,510,887	0.40
14.	Welk Resorts Northstar LLC	Residential	5,180,167	0.38
15.	Welk Resorts Platinum Owners Association	Residential	5,130,313	0.37
16.	HJ Holdings LLC	Residential	4,655,450	0.34
17.	Ronald K. and Cindy C. Olander, Trustees	Residential	4,628,374	0.34
18.	Patrick and Laura Pohlen	Residential	4,540,792	0.33
19.	J. Thomas and M. Catherine VanBerkem, Trustees	Residential	4,354,900	0.32
20.	Lesla R. Faulkner	Residential	<u>4,122,829</u>	<u>0.30</u>
			\$276,264,255	20.04%

⁽¹⁾ 2014-15 Local Secured Assessed Valuation: \$1,378,586,360

⁽²⁾ Trimont Land Company is a subsidiary of Vail Resorts. See "THE DISTRICT—History."
Source: California Municipal Statistics, Inc.

Tax Collections and Delinquencies

The table below sets forth property tax collections and delinquencies in the District as of June 30 for fiscal years 2009-10 through 2013-14. Currently, the County operates under a statutory program entitled Alternate Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"). Under the Teeter Plan local taxing entities receive 100% of their tax levies net of delinquencies, but do not receive interest or penalties on delinquent taxes collected by the County. The District elected to enroll in the Teeter Plan; accordingly, the District's receipt of its property tax revenues is not impacted by delinquencies in payment, as well as by the collection of interest and penalties on past delinquencies. The information below has been provided by California Municipal Statistics, Inc. None of the Authority, the District or the Underwriter has independently verified the information and do not guarantee its accuracy.

**NORTHSTAR COMMUNITY SERVICES DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
FISCAL YEARS 2009-10 THROUGH 2013-14**

<i>Fiscal Year</i>	<i>Total Tax Levy</i>	<i>Current Tax Collections as of June 30</i>	<i>Percent of Levy Collected as of June 30</i>	<i>Amount Delinquent as of June 30</i>
2009-10	\$4,176,964	\$4,035,212	96.61%	\$141,753
2010-11	3,699,994	3,604,829	97.43	95,165
2011-12	4,779,868	4,704,770	98.43	75,098
2012-13	4,833,159	4,778,358	98.87	54,801
2013-14	3,817,636	3,775,388	98.89	42,248

Source: California Municipal Statistics, Inc.

Parcel Tax for Road Capital and Forest Fuels Management

The District receives certain of its revenues from a parcel tax levy for road capital and forest fuels management services. In fiscal year 2014-15, such revenues accounted for approximately 11.1% of General Fund revenues. Approved by the voters of the District in 1998, this parcel tax is levied annually at an equal amount among the parcels of the District and subject to an annual escalator.

Fees and Other Non-Tax Revenues

The District collects certain fees and receives certain other non-tax revenues, including fees for services provided to water and sewer enterprise activities and outside entities. Such fees and revenues provided approximately 5.8% of General Fund revenues in fiscal year 2013-14. It is possible that future revenues and expenditures will be affected by the drought conditions prevalent in the State. The District cannot predict what impact, if any, such drought conditions will have on its financial condition. See “RISK FACTORS—Drought Measures.”

Major General Fund Expenses

The District’s General Fund expenditures are primarily allocated towards public safety, including fire protection services, upkeep of the streets within the District, including snow plowing services, and maintenance of the trails within the District. In fiscal year 2013-14, allocations to such categories represented approximately 81.1%, 4.4% and 11.6% of General Fund expenditures respectively. Of the \$5,315,635 in General Fund expenditures made by the District in fiscal year 2013-14, \$1,816,172 went toward payroll and \$739,740 went towards PERS and Other Post-Employment Benefits. See “— Retirement System” and “— Other Post-Employment Benefits” below.

Indebtedness

No Long-Term or Short-Term Debt. Other than the 2015 Bonds, the District has no significant long-term or short-term debt.

The District formed the Northstar Community Services District Community Facilities District No. 1 (the “CFD”) in 2005 to finance certain public capital facilities and services. Three series of bonds secured by special taxes levied on real property within the CFD have been issued by the CFD (collectively, the “CFD Bonds”). The District administers the CFD but it has no financial obligation for the CFD Bonds, such bonds being solely an obligation of the CFD.

Estimated Direct and Overlapping Bonded Debt. The estimated direct and overlapping bonded debt of the District as of May 1, 2015 is shown in the table below. The information below has been derived from data assembled and reported to the District by California Municipal Statistics, Inc. None of the Authority, the District or the Underwriter has independently verified the information and do not guarantee its accuracy.

**NORTHSTAR COMMUNITY SERVICES DISTRICT
ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT
AS OF MAY 1, 2015**

2014-15 Assessed Valuation: \$1,396,121,147

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 5/1/15</u>
Sierra Joint Community College District School Facilities Improvement District No. 1	8.464%	\$ 2,568,060
Tahoe-Truckee Joint Unified School District	8.039	568,759
Tahoe-Truckee Joint Unified School District School Facilities Improvement District No. 1	14.769	5,962,977
Tahoe Forest Hospital District	8.462	8,454,384
Northstar Community Services District Community Facilities District No. 1	100.000	<u>110,040,000</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$127,594,180
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Placer County Certificates of Participation	2.373%	\$ 903,757
Placer County Office of Education Certificates of Participation	2.373	39,155
Sierra Joint Community College District Certificates of Participation	1.778	150,365
Tahoe-Truckee Joint Unified School District Certificates of Participation	8.039	180,596
Placer Mosquito and Vector Control District Certificates of Participation	2.373	92,784
Northstar Community Services District	100.000	- ⁽¹⁾
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		<u>\$1,366,657</u>
COMBINED TOTAL DEBT		\$128,960,837 ⁽²⁾

(1) Excludes the Series 2015 Bonds.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2014-15 Assessed Valuation:

Combined Direct Debt.....	-	%
Total Overlapping Tax and Assessment Debt.....	9.14%	
Combined Total Debt.....	9.24%	

Source: California Municipal Statistics, Inc.

Retirement System

This caption contains certain information relating to the California Public Employees Retirement System ("CalPERS"). The information is primarily derived from information produced by CalPERS, its independent accountants and actuaries. The District has not independently verified the information provided by CalPERS and makes no representations nor expresses any opinion as to the accuracy of the information provided by CalPERS.

The comprehensive annual financial reports of CalPERS are available on its Internet website at www.calpers.ca.gov. The CalPERS website also contains CalPERS' most recent actuarial valuation reports and other information concerning benefits and other matters. Such information is not incorporated by reference herein. The District cannot guarantee the accuracy of such information. Actuarial assessments are "forward-looking" statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

Summary of Plans. The District contributes to CalPERS, an agent multiple-employer public employee defined benefit pension plan, on behalf of 35 total District employees who participate in the District's Miscellaneous Plan or the District's Safety Plan. CalPERS provides retirement, disability and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State, including the District. The District's contributions to CalPERS for the fiscal years ending June 30, 2014, 2013 and 2012 were \$1,058,496, \$1,011,404 and \$851,120, respectively. The District projects that its contributions to CalPERS for the fiscal year ending June 30, 2015 will be \$1,040,187. As the result of a decrease in the employer contribution for safety employees effective in fiscal year 2015-16, the District projects that its contribution to CalPERS for the fiscal year ending June 30, 2016 will be \$956,484.

Required employer and employee contributions are determined from rates established by CalPERS based upon various actuarial assumptions which are revised annually. The District currently funds the normal pension costs, which are determined by CalPERS using the Entry Age Normal Actuarial Cost Method, as well as an amortization of the District's unfunded actuarial liability. For the fiscal year of the District ended June 30, 2014, the District's CalPERS contributions to the Miscellaneous Plan and Safety Plan were \$425,415 and \$633,081, respectively, which were equal to the annual required contribution (the "ARC") described below. For fiscal year 2014-15, the District's CalPERS contributions to its Miscellaneous Plan and Safety Plan are expected to be \$439,107 and \$579,925, respectively, which are equal to the respective ARCs. The contribution rates for fiscal year 2015-16 have been established at rates ranging from 6.237% to 12.055% for of annual covered payroll for the Miscellaneous Plan and from 11.153% to 18.524% of annual covered payroll for the Safety Plan.

All permanent employees of the District are eligible to participate in the Public Employees' Retirement Fund (the "PERS Fund") of CalPERS. Benefits vest after 5 years of service. Safety employees hired prior to March 24, 2012 who retire at or after age 50 are entitled to an annual retirement benefit payable monthly for life in an amount equal to the number of years worked multiplied by three percent (3%) of their average salary during the highest paid one year period (Tier 1). Safety employees hired on or after March 24, 2012 and prior to January 1, 2013, who retire at or after age 55 are entitled to an annual retirement benefit payable monthly for life in an amount equal to the number of years worked multiplied by three percent (3%) of their highest annual average salary over a three year period (Tier 2). Safety employees hired on or after January 1, 2013 who retire at or after age 57 are entitled to an annual retirement benefit payable monthly for life in an amount equal to the number of years worked multiplied by two and seven tenths percent (2.7%) of their highest annual average salary over a three year period (Tier 3). Miscellaneous employees hired prior to January 1, 2013 who retire at or after age 55 are entitled to an annual retirement benefit payable monthly for life in an amount equal to the number of years worked multiplied by two and seven tenths percent (2.7%) of their average salary during the highest-paid 1-year period (Tier 1). Miscellaneous employees hired on or after January 1, 2013, who retire at or after age 62 are entitled to an annual retirement benefit payable monthly for life in an amount equal to the number of years worked multiplied by two percent (2%) of their highest annual average salary over a three year period (Tier 2). Notwithstanding the foregoing, subject to certain preconditions, employees that previously worked for another entity that offered CalPERS benefits and who began employment with the District after the Tier 2 or Tier 3 dates set forth above would be treated as tier 1 employees for CalPERS purposes.

As set forth in the most recent actuarial report prepared by CalPERS, as of June 30, 2013 the District had an unfunded accrued liability of: (i) \$2,089,178 for Tier 1 Safety employees based on a market value of assets of \$7,205,855; (ii) \$1,118 for Tier 2 Safety employees based on a market value of assets of \$4,641; (iii) \$1,832,330 for Tier 1 Miscellaneous employees based on a market value of assets of \$4,411,901; and (iv) \$(218) for Tier 2 Miscellaneous employees based on a market value of assets of \$0.

The following table sets forth the schedule of funding for the District's Tier 1 Miscellaneous Plan.

<i>Valuation Date</i>	<i>Accrued Liability</i>	<i>Market Value of Assets</i>	<i>Unfunded Liability</i>	<i>Funded Ratio</i>	<i>Annual Covered Payroll</i>
06/30/11	\$5,275,746	\$3,635,157	\$1,640,589	68.9%	\$1,580,146
06/30/12	5,716,564	3,765,879	1,950,685	65.9	1,321,336
06/30/14	6,244,231	4,411,901	1,832,330	70.7	1,259,603

Source: CalPERS Actuarial Report Dated October 2014.

The following table sets forth the schedule of funding for the District's Tier 2 Miscellaneous Plan.

<i>Valuation Date</i>	<i>Accrued Liability</i>	<i>Market Value of Assets</i>	<i>Unfunded Liability</i>	<i>Funded Ratio</i>	<i>Annual Covered Payroll</i>
06/30/14	\$639	\$857	\$(218)	134.1%	\$48,194

Source: CalPERS Actuarial Report Dated October 2014.

The following table sets forth the schedule of funding for the District's Tier 1 Safety Plan.

<i>Valuation Date</i>	<i>Entry Age Normal Accrued Liability</i>	<i>Actuarial Value of Assets</i>	<i>Unfunded Actuarial Accrued Liability</i>	<i>Funded Ratio</i>	<i>Annual Covered Payroll</i>
06/30/11	\$8,227,186	\$6,492,709	\$1,734,477	78.9%	\$1,331,066
06/30/12	8,765,841	6,464,216	2,301,625	73.7	1,413,131
06/30/13	9,295,033	7,205,855	2,089,178	77.5	1,464,978

Source: CalPERS Actuarial Report Dated October 2014.

The following table sets forth the schedule of funding for the District's Tier 2 Safety Plan.

<i>Valuation Date</i>	<i>Accrued Liability</i>	<i>Market Value of Assets</i>	<i>Unfunded Liability</i>	<i>Funded Ratio</i>	<i>Annual Covered Payroll</i>
06/30/14	\$5,759	\$4,641	\$1,118	80.6%	\$40,581

Source: CalPERS Actuarial Report Dated October 2014.

CalPERS reported significant investment losses in 2009. CalPERS earnings reports for fiscal years 2009-10 through 2013-14 reported an investment gain of 13.0%, 21.7%, 1%, 12.5% and 18.4%, respectively. Future earnings performance may increase or decrease future contribution rates for plan participants, including the District. The CalPERS pension trust pays all retiree benefit payments associated with the District's Miscellaneous Plan and Safety Plan.

Actuarial Methods. The staff actuaries at CalPERS annually prepare an actuarial valuation which covers a fiscal year ending approximately 15 months before the actuarial valuation is delivered (thus, the actuarial valuations delivered to the District in January 2014 covered the District's fiscal year ended June 30, 2013). The actuarial valuations express the District's required contribution rates in percentages of covered payroll, which percentages the District must contribute in the fiscal year immediately following the fiscal year

in which the actuarial valuation is prepared (thus, the District's contribution rate derived from the actuarial valuation as of June 30, 2012, which was delivered in October 2013, affects the District's fiscal year 2014-15 required contribution rate). CalPERS rules require the District to implement the actuary's recommended rates. CalPERS provides a lump sum payment option that the District may opt to pay in July of each year, rather than having payment transmitted as a percentage of each reported biweekly payroll.

In calculating the annual actuarially recommended contribution rates, the CalPERS actuary calculates on the basis of certain assumptions the actuarial present value of benefits that CalPERS will fund under the CalPERS plans, which includes two components, the normal cost and the unfunded actuarial accrued liability (the "UAAL"). The normal cost represents the actuarial present value of benefits that CalPERS will fund under the CalPERS plans that are attributed to the current year, and the actuarial accrued liability represents the actuarial present value of benefits that CalPERS will fund that are attributed to past years. The UAAL represents an estimate of the actuarial shortfall between actuarial value of assets on deposit at CalPERS and the present value of the benefits that CalPERS will pay under the CalPERS plans to retirees and active employees upon their retirement. The UAAL is based on several assumptions such as, among others, the rate of investment return, average life expectancy, average age of retirement, inflation, salary increases and occurrences of disabilities. In addition, the UAAL includes certain actuarial adjustments such as, among others, the actuarial practice of smoothing losses and gains over multiple years (which is described in more detail below). As a result, the UAAL may be considered an estimate of the unfunded actuarial present value of the benefits that CalPERS will fund under the CalPERS plans to retirees and active employees upon their retirement and not as a fixed expression of the liability that the District owes to CalPERS under its CalPERS plans.

In each actuarial valuation, the CalPERS actuary estimates the actuarial value of the assets (the "Actuarial Value") of the CalPERS plans at the end of the fiscal year (which assumes, among other things, that the rate of return during that fiscal year equaled the assumed rate of return, currently 7.5%. As described below, these policies and actuarial assumptions have changed significantly in recent years and are expected to change or be modified further by CalPERS in the future. The CalPERS actuary uses a smoothing technique to determine Actuarial Value that is calculated based on certain policies. Certain significant recent changes in assumptions include the following:

1. On April 17, 2013, the CalPERS Board approved a plan: (i) to replace the current 15 year asset-smoothing policy with a 5-year direct-rate smoothing process; and (ii) to replace the current 30 year rolling amortization of unfunded liabilities with a 30-year fixed amortization period. CalPERS' Chief Actuary has stated that the revised approach provides a single measure of funded status and unfunded liabilities, less rate volatility in extreme years, a faster path to full funding and more transparency to employers such as the District about future contribution rates. These changes are expected to accelerate the repayment of unfunded liabilities (including CalPERS' fiscal year 2008-09 market losses described below) of the District's Miscellaneous Plan and Safety Plan in the near term; the exact magnitude of the potential contribution rate increases is not known at this time, but may be significant. These changes will be reflected beginning with the June 30, 2014 actuarial valuation affecting contribution rates for fiscal year 2015-16 and thereafter. As a preliminary estimate, the District has currently budgeted for increases in its annual pension contributions of approximately \$118,498 per year for the Miscellaneous Plan and the Safety Plan.

2. On March 14, 2012, the CalPERS Board approved a change in the inflation assumption used in the actuarial assumptions used to determine employer contribution rates. This reduced the assumed investment return from 7.75% to 7.5%, reduced the long-term payroll growth assumption from 3.25% to 3.0%, and adjusted the inflation component of individual salary scales from 3.25% to a merit scale varying by duration of employment, an assumed annual inflation component of 3% and an annual production growth of 0.25%. Although the full impact of such changes is not yet clear, CalPERS has estimated that they could result in net increases in future contribution levels of approximately 1% to 2%; however, the reduction in the inflation assumption could partially mitigate increases, if any, in the District's required annual contributions resulting from the reduction in the assumed investment rate of return, as described above.

In addition, in February 2010, the CalPERS Board adopted a resolution requiring additional contributions for any plan or pool if the cash flows hamper adequate funding progress by preventing the expected funded status on a market value of assets basis of the plan to either:

- Increase by at least 15% by June 30, 2043; or
- Reach a level of 75% funded by June 30, 2043.

Such contributions have been factored into the District's contribution rates set by CalPERS.

Changes in Pension Accounting Standards. Reporting obligations under GASB Statement No. 68 ("GASB 68") will commence with financial statements for fiscal year 2014-15. Under GASB 68, there are new standards for measuring and recognizing pension liabilities, deferred outflows and inflows of resources, and expense/expenditures. GASB 68 identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute such present value to periods of employee service.

AB 340. On September 12, 2012, the State Governor signed AB 340, which implements pension reform in California. Effective January 1, 2013, AB 340: (i) requires public retirement systems and their participating employers to share equally with employees the normal cost rate for such retirement systems; (ii) prohibits employers from paying employer paid member contributions to such retirement systems for employees hired after January 1, 2013; (iii) establishes a compulsory maximum non safety benefit formula of 2.5% at age 67; (iv) defines final compensation as the highest average annual pensionable compensation earned during a 36 month period; and (v) caps pensionable income at \$110,100 (\$132,120 for employees not enrolled in Social Security) subject to Consumer Price Index increases.

Other provisions reduce the risk of the District incurring additional unfunded liabilities, including prohibiting retroactive benefits increases, generally prohibiting contribution holidays, and prohibiting purchases of additional non-qualified service credit. If AB 340 is implemented fully, CalPERS estimates savings for local agency plans of approximately \$1.653 billion to \$2.355 billion over the next 30 years due primarily to increased employee contributions and, as the workforce turns over, lower benefit formulas that will gradually reduce normal costs. Savings specific to the District have not been quantified.

Provisions in AB 340 will not likely have a material effect on District's contributions in the short term. However, additional employee contributions, limits on pensionable compensation and higher retirement ages for new members will reduce the District's UAAL and potentially reduce District contribution levels in the long term.

Change in Pensionable Compensation. On August 21, 2014, the CalPERS Board approved changes to clarify the types of compensation upon which pension benefits are based, primarily for employees hired after January 1, 2013. Under the changes, the CalPERS Board identified several dozen specific types of compensation which will count toward pension benefit calculations, including temporary and special assignment payments and certain categories of tasks, and identified types of compensation that will not be included in pension benefit calculations. Although the changes could result in an increase in the District's future CalPERS contributions, it is not currently possible to quantify the magnitude of such increases. The District believes that any such changes would be immaterial to its CalPERS contributions.

For additional information relating to the District's plan, see Note 6 to the District's audited financial statements for fiscal year 2013-14 attached hereto as Appendix A.

No assurance can be provided that the District's CalPERS plan expenses will not increase significantly in the future.

Other Post-Employment Benefits

As previously stated, the District participates in CalPERS. The District is required to contribute minimum employer contributions incurred by the CalPERS medical program for the retiree’s lifetime or until coverage is discontinued. In fiscal year 2013-14, minimum employer contributions were \$119 per month per retiree. The District’s Board of Directors has historically only funded the plan on a pay-as-you-go basis. The Board reviews the funding requirements and policy annually.

The District’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded liabilities of the plan over an open-period basis using a 30 year amortization period.

Pursuant to the latest OPEB valuation report provided to the District by CalPERS (the “Valuation Report”), the following table shows the components of the District’s annual OPEB cost for the year ending June 30, 2013, the contribution including subsidy made, and changes in the District’s net OPEB obligation to the Plan.

Annual required contribution	\$ 95,127
Interest on net OPEB obligation	11,115
Adjustment to annual required contribution	<u>(11,740)</u>
Annual OPEB cost (expense)	94,502
Contribution including subsidy	<u>8,172</u>
Change in net OPEB obligation	86,330
Net OPEB obligation – beginning of year	<u>277,870</u>
Net OPEB obligation – end of year	<u>364,200</u>

Pursuant to the Valuation Report, the District’s annual OPEB cost, percentage of annual OPEB cost contributed to the plan, and net OPEB obligation for the year ended June 30, 2013, and the two succeeding years are set forth as follows:

<i>Fiscal Year Ended</i>	<i>Annual OPEB Cost</i>	<i>Percentage of Annual OPEB Costs Contributed</i>	<i>Net OPEB Obligation</i>
6/30/2013	\$ 94,502	9.0%	\$364,200
6/30/2014	100,679	10.0	454,451
6/30/2015	107,106	11.0	549,992

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress below presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

<i>Actuarial Valuation Date</i>	<i>Actuarial Accrued Liability</i>	<i>Actuarial Value of Assets</i>	<i>Unfunded Actuarial Accrued Liability</i>	<i>Funded Ratio</i>	<i>Annual Covered Payroll</i>
2010	\$ 632,805	\$0	\$ 632,805	0%	\$2,849,895
2013	820,225	0	820,225	0	2,937,660

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the Valuation Report dated June 30, 2013, the projected unit credit cost method was used. The actuarial assumptions included a discount rate of 4.0% per annum, salary increases of 3.25% per year and a general inflation rate of 3.0%. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll over 30 years on a closed basis.

District Investment Policy

The District invests its funds in accordance with the District’s Investment Policy, most recently amended in 2011. In accordance with Section 53600 *et seq.* of the California Government Code, idle cash management and investment transactions are the responsibility of the General Manager. The District’s Investment Policy sets forth the policies and procedures applicable to the investment of District funds and designates eligible investments. For more information regarding the District’s investments and its Investment Policy, see Note 2 to Appendix A — “AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2014” herein.

Risk Management

The District is a member of two jointly governed organizations, which provide coverage for various potential losses. For workers’ compensation losses, property, general and auto liability and auto physical damage, the District is a member of Special Districts Risk Management Authority (“SDRMA”). For property, general and auto liability and auto physical damage, the District’s fire department is a member of Fire Agencies Insurance Risk Authority (“FAIRA”).

SDRMA and FAIRA are governed by Boards consisting of representatives from member agencies. The Board controls the operations, including selection of management and approval of operating budgets, independent of any influence by the member agencies beyond their representation on the Board. Each member agency pays a contribution commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the joint powers authority. Full financial statements are available separately from the respective agencies. Condensed information for SDRMA and FAIRA are as follows:

	<i>SDRMA June 30, 2013</i>	<i>FAIRA June 30, 2013</i>
Total Assets	\$103,936,351	\$3,061,038
Total Liabilities	<u>48,290,854</u>	<u>6,127</u>
Net Position	55,645,497	3,054,911
Total Revenues	48,692,819	2,847,224
Total Expenses	<u>51,842,502</u>	<u>2,727,384</u>
Change in Net Position	(3,149,683)	119,840

All claims are investigated, valued, reserved, defended and/or settled in accordance with generally accepted insurance industry practices.

RISK FACTORS

The following factors, along with the other information in this Official Statement, should be considered by potential investors in evaluating the purchase of the Series 2015 Bonds. However, they do not purport to be an exhaustive listing of risks and other considerations which may be relevant to an investment in the Series 2015 Bonds. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.

General Considerations – Security for the Series 2015 Bonds

The Series 2015 Bonds are special obligations of the Authority, payable solely from Base Rental Payments and the other assets pledged under the Indenture. Neither the faith and credit nor the taxing power of the District or the State, or any political subdivision thereof, is pledged to the payment of the Series 2015 Bonds. The Authority has not taxing power.

The obligation of the District to make the Base Rental Payments does not constitute a debt of the District or the State or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the District or the State is obligated to levy or pledge any form of taxation or for which the District or the State has levied or pledged any form of taxation.

Although the Sublease Agreement does not create a pledge, lien or encumbrance upon the funds of the District, the District is obligated under the Sublease Agreement to pay the Base Rental Payments and Additional Rental Payments from any source of legally available funds and the District has covenanted in the Sublease Agreement that it will take such action as may be necessary to include all Base Rental Payments and Additional Rental Payments due under the Sublease Agreement as a separate line item in its annual budgets and to make necessary annual appropriations for all such Rental Payments, subject to abatement. The District is currently liable and may become liable on other obligations payable from general revenues.

The District has the capacity to enter into other obligations which may constitute additional charges against its revenues. To the extent that additional obligations are incurred by the District, the funds available to make Base Rental Payments may be decreased. In the event the District's revenue sources are less than its total obligations, the District could choose to fund other activities before making Base Rental Payments and other payments due under the Sublease Agreement. The same result could occur if, because of California Constitutional limits on expenditures, the District is not permitted to appropriate and spend all of its available revenues. However, the District's appropriations have never exceeded the limitation on appropriations under Article XIII B of the California Constitution. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS — Article XIII B of the State Constitution."

Abatements

In the event of substantial interference with the District's right to use and occupy any portion of the Property by reason of damage to, or destruction or condemnation of the Property, or any defects in title to the Property, Base Rental Payments will be subject to abatement. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS — Abatement." In the event that such portion of the Property, if damaged or destroyed by an insured casualty, could not be replaced during the period of time in which proceeds of the District's rental interruption insurance will be available in lieu of Base Rental Payments, plus the period for which funds are available from the funds and accounts established under the Indenture, or in the event that casualty insurance proceeds are insufficient to provide for complete repair or replacement of such

portion of the Property or redemption of the Series 2015 Bonds, there could be insufficient funds to make payments to Owners in full.

It is not always possible to predict the circumstances under which abatement of rental may occur. In addition, there is no statute, case or other law specifying how such an abatement of rental should be measured. For example, it is not clear whether fair rental value is established as of commencement of the lease or at the time of the abatement. If the latter, it may be that the value of the Property is substantially higher or lower than its value at the time of the execution and delivery of the Series 2015 Bonds. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the Series 2015 Bonds.

If damage, destruction, title defect or eminent domain proceedings with respect to the Property results in abatement of the Base Rental Payments related to such Property and if such abated Base Rental Payments, if any, together with moneys from rental interruption or use and occupancy insurance (in the event of any insured loss due to damage or destruction), and eminent domain proceeds, if any, are insufficient to make all payments of principal and interest with respect to the Series 2015 Bonds during the period that the Property is being replaced, repaired or reconstructed, then all or a portion of such payments of principal and interest may not be made. Under the Sublease Agreement and the Indenture, no remedy is available to the Series 2015 Bond Owners for nonpayment under such circumstances.

Natural Disasters

The District, like all California communities, may be subject to unpredictable seismic activity, fires, landslides, floods or other natural disasters. Northern California is a seismically active area, and the area in which the District is located has been the site of wildfires in the past. Seismic activity, wildfires and other natural disasters represent potential risks for damage to buildings, roads, bridges and property within the District. Land susceptible to seismic activity may be subject to liquefaction during the occurrence of a seismic event. No active faults are known to pass through the District. The closest active fault is the Polaris Fault which extends to the northeastern corner of the District. However, the greater Lake Tahoe region is a seismically active area and the land within the District will likely be subject to seismic shaking at some time in the future.

In the event of a severe earthquake, fire, landslide, flood or other natural disaster, there may be significant damage to both property and infrastructure in the District. See “— Drought Impacts” for a discussion of the effects on the District of the current drought in California. The potential direct and indirect consequences of a major natural disaster can easily exceed the resources of the District and would require a high level of self-help, coordination and cooperation.

Hazardous Substances

An additional environmental condition that may result in the reduction in the assessed value of property, and therefore property tax revenue available to make Base Rental Payments, would be the discovery of a hazardous substance that would limit the beneficial use of taxable property within the District. In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The owner or operator may be required to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the property within the District be affected by a hazardous substance, could be to reduce the marketability and value of the property by the costs of remedying the condition. The District is not aware of any hazardous substances located on the Property.

Substitution, Addition and Removal of Property

As discussed under “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS — Substitution, Addition and Removal of property,” the Authority and the District may amend the Sublease Agreement to substitute alternate real property for any portion of or add additional real property to the Property or to release a portion of the Property from the Sublease Agreement, upon compliance with all of the conditions set forth in the Sublease Agreement and summarized below. After a substitution or release, the portion of the Property for which the substitution or release has been effected will be released from the leasehold encumbrance of the Sublease Agreement. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS — Substitution, Addition and Removal of Property.”

Although the Sublease Agreement requires, among other things, that the Property, as constituted after such substitution or release, have an annual fair rental value at least equal to the maximum Base Rental Payments payable by the District in any Rental Period, it does not require that such Property have an annual fair rental value equal to the annual fair rental value of the Property at the time of substitution or release. Thus, a portion of the Property could be replaced with less valuable real property, or could be released altogether. Such a replacement or release could have an adverse impact on the security for the Series 2015 Bonds, particularly if an event requiring abatement of Base Rental Payments were to occur subsequent to such substitution or release. See Appendix C — “SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS — The Sublease Agreement — Substitution, Addition or Release of the Property.”

Limited Recourse on Default; No Acceleration of Base Rental

Failure by the District to make Base Rental Payments or other payments required to be made under the Sublease Agreement, or failure to observe and perform any other terms, covenants or conditions contained in the Sublease Agreement or in the Indenture for a period of 30 days after written notice of such failure and request that it be remedied has been given to the District by the Authority or the Trustee, constitute events of default under the Sublease Agreement and permit the Trustee or the Authority to pursue any and all remedies available. In the event of a default, notwithstanding anything in the Sublease Agreement or in the Indenture to the contrary, there is no right under any circumstances to accelerate the Base Rental Payments or otherwise declare any Base Rental Payments not then in default to be immediately due and payable, nor do the Authority or the Trustee have any right to re-enter or re-let the Property except as described in the Sublease Agreement.

The enforcement of any remedies provided in the Sublease Agreement and the Indenture could prove both expensive and time consuming. If the District defaults on its obligation to make Base Rental Payments with respect to the Property, the Trustee, as assignee of the Authority, may retain the Sublease Agreement and hold the District liable for all Base Rental Payments thereunder on an annual basis and enforce any other terms or provisions of the Sublease Agreement to be kept or performed by the District.

Alternatively, the Authority or the Trustee may terminate the Sublease Agreement, retake possession of the Property and proceed against the District to recover damages pursuant to the Sublease Agreement. Due to the specialized nature of the Property or any property substituted therefor pursuant to the Sublease Agreement and the restrictions on its use, no assurance can be given that the Trustee will be able to re-let the Property so as to provide rental income sufficient to make all payments of principal of, interest and premium, if any, on the Series 2015 Bonds when due, and the Trustee is not empowered to sell the Property for the benefit of the Owners of the Series 2015 Bonds. Any suit for money damages would be subject to limitations on legal remedies against cities in California, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS” and Appendix C — “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — The Sublease Agreement — Default.”

Possible Insufficiency of Insurance Proceeds

The Sublease Agreement obligates the District to keep in force various forms of insurance, subject to deductibles, for repair or replacement of the Property in the event of damage, destruction or title defects, subject to certain exceptions. The Authority and the District make no representation as to the ability of any insurer to fulfill its obligations under any insurance policy obtained pursuant to the Sublease Agreement and no assurance can be given as to the adequacy of any such insurance to fund necessary repair or replacement or to pay principal of and interest on the Series 2015 Bonds when due. In addition, certain risks, such as earthquakes and floods, are not required under the Sublease Agreement, and therefore, are not carried by the District. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS — Insurance.”

Limitations on Remedies

The rights of the Owners of the Series 2015 Bonds are subject to the limitations on legal remedies against cities in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Additionally, enforceability of the rights and remedies of the Owners of the Series 2015 Bonds, and the obligations incurred by the District, may become subject to the federal bankruptcy code (Title 11, United States Code) (the “Bankruptcy Code”) and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors’ rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the U.S. Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against cities in the State. Bankruptcy proceedings, or the exercise of powers by the Federal or State government, if initiated, could subject the Owners of the Series 2015 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights. Under Chapter 9 of the Bankruptcy Code, which governs the bankruptcy proceedings for public agencies such as the District, there are no involuntary petitions in bankruptcy. If the District were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners of the Series 2015 Bonds, the Trustee and the Authority could be prohibited from taking any steps to enforce their rights under the Sublease Agreement, and from taking any steps to collect amounts due from the District under the Sublease Agreement.

Loss of Tax Exemption

As discussed under the heading “TAX MATTERS,” the interest on the Series 2015 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of delivery of the Series 2015 Bonds, as a result of acts or omissions of the Authority or the District in violation of its covenants in the Indenture and the Sublease Agreement. Should such an event of taxability occur, the Series 2015 Bonds would not be subject to a special redemption and would remain Outstanding until maturity or until redeemed under the redemption provisions contained in the Indenture.

No Liability of Authority to the Owners

Except as expressly provided in the Indenture, the Authority will not have any obligation or liability to the Owners of the Series 2015 Bonds with respect to the payment when due of the Base Rental Payments by the District, or with respect to the performance by the District of other agreements and covenants required to be performed by it contained in the Sublease Agreement or the Indenture, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Indenture.

Potential Impact of State of California Financial Condition on the District

The State has experienced significant financial stress in recent years, with budget shortfalls in the several billions of dollars. There can be no assurance that, as a result of such State financial stress, the State will not significantly reduce revenues to local governments (including the District) or shift financial responsibility for programs to local governments as part of its efforts to address the State financial difficulties. Although the State is not a significant source of District revenues, no prediction can be made by the District as to what measures the State will adopt to respond to the current or potential future financial difficulties. There can be no assurance that State actions to respond to State financial difficulties will not adversely affect the financial condition of the District.

Drought Impacts

On January 17, 2014, the California Governor declared a drought state of emergency (the “Declaration”) with immediate effect which implemented certain orders on public entities in the State that provide water service. On April 1, 2015, the California Governor issued an executive order (the “Order,” and with the Declaration, the “Governor’s Actions”) extending the measures set forth in the Declaration and adopting certain additional orders. As a result of the Governor’s Actions, the District, as a public entity that provides water service to less than 3,000 connections, is required to promote water conservation by implementing a number of measures including enforcing either the limitation of outdoor irrigation to two days per week or the reduction of potable water usage within the District by 25 percent for the months of June 2015 through February 2016 as compared to the amount used for the same months in 2013.

To date, other than as stated above, the operations and revenues of the District have not been impacted by the drought or the State government’s response thereto. The State’s Water Resources Control Board recently adopted regulations that will require the District to limit outdoor irrigation to no more than two days per week. This rule has been in effect since fall of 2014 and is expected to be in place for the foreseeable future. The District is not currently experiencing any water supply shortage. The District owns two spring collection systems and a 180 acre foot reservoir in the mid-mountain area. Although spring flow production is lower than historical levels, the springs are still producing adequate water flows. In addition, the District has two wells in the vicinity of the golf course that produce water from the Martis Valley aquifer. Water production and levels in these wells have shown no impact from the drought to date. Recent studies indicate that the total production from the Martis Valley aquifer is significantly less than the average annual recharge rate.

While the District cannot predict the future impact of a continued drought, it does not currently anticipate that any such continued drought will have a significant impact on its operations or revenues. The District will be implementing a new rate structure on July 1, 2015 that is based on a recent rate study. Water rates will be 85% fixed with 15% of revenues based on actual consumption which will limit any revenue losses due to conservation mandates.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Principal of and interest on the Series 2015 Bonds are payable from Base Rental Payments made from the District’s General Fund. See the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS.” Articles XIII A, XIII B, XIII C and XIII D of the State Constitution, Propositions 62, 111, 218, 1A and 22, and certain other provisions of law discussed below are included in this Official Statement to describe the potential effect of these Constitutional and statutory measures on the ability of the District to levy taxes and spend tax proceeds for operating and other purposes.

Article XIII A of the State Constitution

On June 6, 1978, State voters approved Proposition 13, which added Article XIII A to the State Constitution. Article XIII A, as amended, limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service: (i) on indebtedness approved by the voters prior to December 1, 1978; (ii) on bonded indebtedness approved by a two-thirds vote on or after December 1, 1978, for the acquisition or improvement of real property; or (iii) bonded indebtedness incurred by a school district, community college district or county office of education for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters voting on the proposition. Article XIII A defines full cash value to mean “the county assessor’s valuation of real property as shown on the 1975-76 tax bill under “full cash value,” or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

Article XIII A has subsequently been amended to permit reduction of the “full cash value” base in the event of declining property values caused by damage, destruction or other factors, including a general economic downturn, to provide that there would be no increase in the “full cash value” base in the event of reconstruction of property damaged or destroyed in a disaster, and in other minor or technical ways.

Legislation Implementing Article XIII A

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by counties and distributed according to a formula among taxing agencies.

Increases in assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the “taxing area” based upon their respective “situs.” Any such allocation made to a local agency continues as part of its allocation in future years.

All taxable property is shown at full cash value on the tax rolls. Consequently, the tax rate is expressed as \$1 per \$100 of taxable value. All taxable property value included in this Official Statement is shown at 100 percent of taxable value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

Method of Property Taxation. Secured and unsecured properties are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property. The exclusive means of forcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes of the State for the amount of taxes that are delinquent. The taxing authority has four methods of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder’s Office in order to obtain a lien on certain property of the taxpayer, and (4) seizure and sale of personal property, improvement or possessory interest belonging or taxable to the assessee.

A ten percent penalty is added to delinquent taxes which have been levied with respect to property on the secured roll. In addition, beginning on the July 1 following a delinquency, interest begins accruing at the rate of 1 1/2% per month on the amount delinquent. Such property may thereafter be redeemed by the payment of the delinquent taxes and the ten percent penalty, plus interest at the rate of 1 1/2% per month to the

time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the county tax collector. A ten percent penalty also applies to the delinquent taxes or property on the unsecured roll, and further, an additional penalty of 1 1/2% per month accrues with respect to such taxes beginning on the varying dates related to the tax billing date. Because the District is enrolled in the Teeter Plan, its receipt of property tax revenues is not subject to delinquencies. See “—Tax Collections and Delinquencies.”

Legislation enacted in 1984 (Section 25 *et seq.* of the Revenue and Taxation Code of the State of California), provides for the supplemental assignment and taxation of property as of the occurrence of a change in ownership or completion of new construction. Previously, statutes enabled the assessment of such changes only as of the next tax lien date following the change and thus delayed the realization of increased property taxes from the new assessment for up to 14 months. Collection of taxes based on supplemental assessments occurs throughout the year. Taxes due are prorated according to the amount of time remaining in the tax year, with the exception of tax bills dated January 1 through May 31, which are calculated on the basis of the remainder of the current fiscal year and the full 12 months of the next fiscal year.

For a number of years, the State Legislature has shifted property taxes from cities, counties and special districts to the Educational Revenue Augmentation Fund. The term “ERAF” is often used as a shorthand reference for this shift of property taxes. In 1992-93 and 1993-94, in response to serious budgetary shortfalls, the State Legislature and administration permanently redirected over \$3 billion of property taxes from cities, counties, and special districts to schools and community college districts. The 2004-05 California State Budget included an additional \$1.3 billion shift of property taxes from certain local agencies, including the District, that was transferred in fiscal years 2004-05 and 2005-06.

On November 2, 2004, California voters approved Proposition 1A, which amended the State Constitution to significantly reduce the State’s authority over major local government revenue sources. See “— Proposition 1A” below.

Article XIII B of the State Constitution

In addition to the limits that Article XIII A imposes on property taxes that may be collected by local governments, certain other revenues of the State and most local governments are subject to an annual “appropriations limit” imposed by Article XIII B which effectively limits the amount of such revenues that such entities are permitted to spend. Article XIII B, approved by the voters in June 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to “proceeds of taxes,” which consist of tax revenues and the investment proceeds thereof, State subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed “the cost reasonably borne by such entity in providing the regulation, product or service.” “Proceeds of taxes” excludes tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on the appropriation of funds which are not “proceeds of taxes,” such as reasonable user charges or fees, and certain other non-tax funds. Article XIII B also does not limit appropriation of local revenues to pay debt service on bonds existing or authorized as of October 1, 1979, or subsequently authorized by the voters (such as the Bonds), appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. The appropriations limit may also be exceeded in case of emergency; however, the appropriations limit for the next three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The State and each local government entity has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services. Proposition 111 requires that each local government's actual appropriations be tested against its limit every two years.

If the aggregate "proceeds of taxes" for the preceding two-year period exceeds the aggregate limit, the excess must be returned to the agency's taxpayers through tax rate or fee reductions over the following two years.

The District's appropriations have never exceeded the limitation on appropriations under Article XIII B. For fiscal year 2014-15, the District's appropriations limit is \$10,846,786 and it projects that its appropriations subject to the limit will be \$4,363,863.

Articles XIII C and XIII D of the State Constitution

On November 5, 1996, State voters approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 adds Articles XIII C and XIII D to the State Constitution and contains a number of interrelated provisions affecting the ability of the District to levy and collect both existing and future taxes, assessments and property-related fees and charges. The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed below, and it is not possible at this time to predict with certainty the outcome of such determination.

Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the District require a majority vote and taxes for specific purposes, even if deposited in the District's General Fund, require a two-thirds vote. The voter approval requirements of Proposition 218 reduce the flexibility of the District to raise revenues for the General Fund, and no assurance can be given that the District will be able to impose, extend or increase such taxes in the future to meet increased expenditure needs.

Article XIII D also adds several provisions making it generally more difficult for local agencies to levy and maintain property-related fees, charges, and assessments for municipal services and programs, such as hearings and stricter and more individualized benefit requirements and findings. These provisions include, among other things: (i) a prohibition against assessments which exceed the reasonable cost of the proportional special benefit conferred on a parcel; (ii) a requirement that assessments must confer a "special benefit," as defined in Article XIII D, over and above any general benefits conferred; (iii) a majority protest procedure for assessments which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected party; and (iv) a prohibition against fees and charges which are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. If the District is unable to continue to collect some of its property related revenues, the services and programs funded with these revenues would have to be curtailed and/or the District's General Fund might have to be used to support them. The District is unable to predict whether or not in the future it will be able to continue all existing services and programs funded by the fees, charges and assessments in light of Proposition 218 or, if these services and programs are continued, which amounts (if any) would be used from the District's General Fund to continue to support such activities.

Article XIII C also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. This extension of the initiative power is not limited to taxes imposed on or after November 6, 1996, the effective date of Proposition 218, and could result in retroactive repeal or reduction in any existing taxes, assessments, fees and charges, subject to overriding federal constitutional principles relating to the impairments of contracts. Legislation implementing Proposition 218 provides that the initiative power provided for in Proposition 218 "shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after (the effective date of Proposition 218) assumes the

risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights” protected by the United States Constitution. However, no assurance can be given that the voters of the District will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the District’s General Fund.

Proposition 62

Proposition 62 was adopted by the voters at the November 4, 1986, general election and: (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities such as the District be approved by a two-thirds vote of the governmental entity’s legislative body and by a majority vote of the voters of the governmental entity voting in an election on the tax; (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax; (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed; (d) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIII A; (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities; and (f) requires that any tax imposed by a local governmental entity on or after July 1, 1985, be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

California appellate court cases have overturned the provisions of Proposition 62 pertaining to the imposition of taxes for general government purposes. However, the California Supreme Court upheld Proposition 62 in its decision on August 28, 1995 in *Fresno County Transportation Authority v. Guardino*. This decision reaffirmed the constitutionality of Proposition 62. Certain matters regarding Proposition 62 were not addressed in the Court’s decision, such as what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62, and whether the decision applies to charter cities. The District has not experienced any substantive adverse financial impact as a result of the passage of Proposition 62.

Proposition 1A

Proposition 1A, proposed by the State Legislature in connection with the State’s fiscal year 2004-05 budget, approved by the voters in November 2004 and generally effective in State fiscal year 2006-07, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A provides, however, that beginning in State fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. The State also will not be able to borrow from local property tax revenues for more than two fiscal years within a period of ten fiscal years. In addition, the State cannot reduce the local sales tax rate or restrict the authority of local governments to impose or change the distribution of the State-wide local sales tax. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the motor vehicle license fee rate currently in effect, 0.65% of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Proposition 1A may result in increased and more stable District revenues. The magnitude of such increase and stability is unknown and would depend on future actions by the State. However, Proposition 1A could also result in decreased resources being available for State programs. This reduction, in turn, could affect actions taken by the State to resolve budget difficulties. Such actions could include increasing State taxes, decreasing spending on other State programs or other action, some of which could be adverse to the District.

Proposition 22

Proposition 22, entitled “The Local Taxpayer, Public Safety and Transportation Protection Act,” was approved by the voters of the State on November 2, 2010. Proposition 22 eliminates or reduces the State’s authority: (i) to temporarily shift property taxes from cities, counties and special districts to schools; (ii) to use vehicle license fee revenues to reimburse local governments for State-mandated costs (the State will have to use other revenues to reimburse local governments); (iii) to redirect property tax increment from redevelopment agencies to any other local government; (iv) to use State fuel tax revenues to pay debt service on State transportation bonds; or (v) to borrow or change the distribution of State fuel tax revenues. In the California Supreme Court case affirming the dissolution of redevelopment agencies, the Court determined that Proposition 22 did not prevent the State Legislature from terminating redevelopment agencies.

Proposition 26

On November 2, 2010, State voters also approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (a) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (b) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (c) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (d) a charge imposed for entrance to or use of local government property, or the purchase, rental or lease of local government property; (e) a fine, penalty or other monetary charge imposed by the judicial branch of government or a local government as a result of a violation of law; (f) a charge imposed as a condition of property development; and (g) assessments and property-related fees imposed in accordance with the provisions of Article XIII D. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity. The District does not believe that Proposition 26 will adversely affect its revenues.

Possible Future Initiatives

Articles XIII A, XIII B, XIII C and XIII D and Propositions 218, 111, 62, 1A 22 and 26 were each adopted as measures that qualified for the ballot pursuant to the State’s initiative process. From time to time other initiative measures could be adopted, further affecting revenues of the District or the District’s ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Series 2015 Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the Series 2015 Bonds is exempt from State of California personal income tax. Bond Counsel notes that, with respect to corporations, interest on the Series 2015 Bonds may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of such corporations.

The difference between the issue price of a Series 2015 Bond (the first price at which a substantial amount of the Series 2015 Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to the owner of the Series 2015 Bond before receipt of cash attributable to such excludable income (with respect to the Series 2015 Bonds). The amount of original issue discount deemed received by the owner of a Series 2015 Bond will increase the owner's basis in the Series 2015 Bond. In the opinion of Bond Counsel original issue discount that accrues to the owner of a Series 2015 Bond is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Series 2015 Bonds is based upon certain representations of fact and certifications made by the District and others and is subject to the condition that the District complies with all requirements of the Code that must be satisfied subsequent to issuance of the Series 2015 Bonds to assure that interest (and original issue discount) on the Series 2015 Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Series 2015 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2015 Bonds. The District has covenanted to comply with all such requirements.

The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Series 2015 Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the Bond Owner's basis in the applicable Series 2015 Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a Bond Owner realizing a taxable gain when a Series 2015 Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Series 2015 Bond to the Owner. Purchasers of the Series 2015 Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel's engagement with respect to the Series 2015 Bonds terminates upon their issuance and Bond Counsel disclaims any obligation to update the matters set forth in its opinion. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income for federal income tax purposes of interest (and

original issue discount) due with respect to any Series 2015 Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

The Internal Revenue Service (the “IRS”) has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Series 2015 Bonds will be selected for audit by the IRS. It is also possible that the market value of the Series 2015 Bonds might be affected as a result of such an audit of the Series 2015 Bonds (or by an audit of similar securities). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Series 2015 Bonds to the extent that it adversely affects the exclusion from gross income of interest on the Series 2015 Bonds or their market value.

Subsequent to the issuance of the Series 2015 Bonds, there might be federal, state or local statutory changes (or judicial or regulatory interpretations of federal, state or local law) that affect the federal, state or local tax treatment of the Series 2015 Bonds or the market value of the Series 2015 Bonds. Legislative changes have been proposed in congress, which, if enacted, would result in additional federal income tax being imposed on certain owners of tax-exempt state or local obligations, such as the Series 2015 Bonds. The introduction or enactment of any of such changes could adversely affect the market value or liquidity of the Series 2015 Bonds. No assurance can be given that, subsequent to the issuance of the Series 2015 Bonds, such changes (or other changes) will not be introduced or enacted or interpretations will not occur. Before purchasing any of the Series 2015 Bonds, all potential purchasers should consult their tax advisors regarding possible statutory changes or judicial or regulatory changes or interpretations, and their collateral tax consequences relating to the Series 2015 Bonds.

Although Bond Counsel has rendered an opinion that the interest (and original issue discount) on the Series 2015 Bonds is excluded from gross income for federal income tax purposes provided that the District continues to comply with certain requirements of the Code, the ownership of the Series 2015 Bonds and the accrual or receipt of interest (and original issue discount) with respect to the Series 2015 Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Series 2015 Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences with respect to the Series 2015 Bonds.

Should the interest (and original issue discount) on the Series 2015 Bonds become includable in gross income for federal income tax purposes, the Series 2015 Bonds are not subject to early redemption as a result of such occurrence and will remain outstanding until maturity or until otherwise redeemed in accordance with the Resolution.

The form of Bond Counsel’s proposed opinion with respect to the Series 2015 Bonds is attached hereto in Appendix D.

CERTAIN LEGAL MATTERS

The validity of the Series 2015 Bonds and certain other legal matters are subject to the approving opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel. Stradling Yocca Carlson & Rauth, a Professional Corporation, is also acting as Disclosure Counsel for the District. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix D hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Bond Counsel and Disclosure Counsel will receive compensation from the District contingent upon the sale and delivery of the Series 2015 Bonds. From time to time, Bond Counsel represents the Underwriter on matters unrelated to the Series 2015 Bonds. Certain legal matters will be passed upon for the Underwriter by Jones Hall, A Professional Law Corporation, San Francisco, California. Counsel to the Underwriter will receive compensation contingent upon that issuance of the Series 2015 Bonds.

ABSENCE OF LITIGATION

To the best knowledge of the District and the Authority, there is no action, suit or proceeding pending or threatened either restraining or enjoining the execution or delivery of the Series 2015 Bonds, the Property, the Sublease Agreement, the Indenture or the payment of the Base Rental Payments, or in any way contesting or affecting the validity of the foregoing or any proceedings of the Authority or the District taken with respect to any of the foregoing.

UNDERWRITING

The Series 2015 Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the “Underwriter”). The Underwriter will purchase the Series 2015 Bonds from the Authority at an aggregate purchase price of \$4,572,335.74 (representing the principal amount of the Series 2015 Bonds, less \$13,162.35 of net original issue discount and less \$69,501.91 of Underwriter’s discount).

The Series 2015 Bonds are offered for sale at the initial prices stated on the inside cover page of this Official Statement, which may be changed from time to time by the Underwriter. The Series 2015 Bonds may be offered and sold to certain dealers at prices lower than the public offering prices.

RATINGS

Standard and Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”), is expected to assign its municipal bond rating of “AA” to the Series 2015 Bonds based on the issuance of the Policy by the Insurer at the time of issuance of the Series 2015 Bonds. See “BOND INSURANCE” herein. S&P has also assigned the Series 2015 Bonds an underlying rating of “A+.” Such ratings reflect only the views of such rating agency, and an explanation of the significance of the ratings may be obtained by contacting it at: Standard & Poor’s Ratings Services, 55 Water Street, New York, New York 10041. Such ratings are not a recommendation to buy, sell or hold the Series 2015 Bonds. There is no assurance that such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2015 Bonds.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of the Owners of the Series 2015 Bonds to provide annually certain financial information and operating data relating to the Series 2015 Bonds and the District (the “Annual Report”), and to provide notices of the occurrence of certain enumerated events. For a complete listing of items of information which will be provided in each Annual Report and further description of the District’s undertaking with respect to the Annual Report and certain enumerated events, see Appendix E — “FORM OF CONTINUING DISCLOSURE CERTIFICATE.” The Annual Report is to be provided by the District not later than February 1 after the end of the District’s fiscal year, commencing with the report for the 2014-15 fiscal year. The Annual Report will be filed by the District with the Municipal Securities Rulemaking Board. These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”).

Within the last five years, the District has not had any undertakings pursuant to the Rule. However, the CFD (as a related entity, though not an “obligor” under the Rule) had undertakings pursuant to the Rule in connection with the CFD Bonds. The CFD’s annual reports for fiscal years 2009-10, 2011-12, 2012-13 and 2013-14 did not include the financial statements of the CFD at the time such annual reports were filed. The CFD posted audited financial statements for fiscal year 2009-10 on June 15, 2011, for fiscal year 2011-12 on July 11, 2014, for fiscal year 2012-13 on February 11, 2015 and for fiscal year 2013-14 on May 18, 2015, and has now made all of the filings required by its undertakings. Going forward, the District expects that its

audited financial statements will be timely prepared and that the District and the CFD will satisfy their respective undertakings with respect to the Rule.

FINANCIAL STATEMENTS OF THE DISTRICT

Included herein as Appendix A are the audited financial statements of the District as of and for the year ended June 30, 2014, together with the report thereon dated May 14, 2015 of James Marta & Company, LLP, Sacramento, California, certified public accountants (the "Auditor"). Such audited financial statements have been included herein in reliance upon the report of the Auditor. The Auditor has not undertaken to update the audited financial statements of the District or its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to its report dated May 14, 2015.

MISCELLANEOUS

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof. Copies of the Indenture, the Sublease Agreement, the Lease Agreement and other documents are available, upon request, and upon payment to the District of a charge for copying, mailing and handling, from the District Clerk at the Northstar Community Services District, 908 Northstar Drive, Truckee, California 96161.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority or the District and the purchasers or Owners of any of the Series 2015 Bonds.

The execution and delivery of this Official Statement have been duly authorized by the Authority and the District.

**NORTHSTAR COMMUNITY SERVICES DISTRICT
FINANCING AUTHORITY**

By: /s/ Mike Staudenmayer
Executive Director

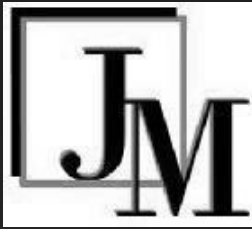
NORTHSTAR COMMUNITY SERVICES DISTRICT

By: /s/ Mike Staudenmayer
General Manager

APPENDIX A

**AUDITED FINANCIAL STATEMENTS OF THE DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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NORTHSTAR COMMUNITY SERVICES DISTRICT

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT**

FOR THE FISCAL YEAR ENDED

JUNE 30, 2014

JAMES MARTA & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

701 HOWE AVENUE, E3
SACRAMENTO, CA

(916) 993-9494
(916) 993-9489 FAX
WWW.JMCPA.COM

NORTHSTAR COMMUNITY SERVICES DISTRICT

JUNE 30, 2014

BOARD OF DIRECTORS

Frank Seelig - President

Darrell Smith – Vice President

Jeann Green - Director

Nancy Ives - Director

Cathy Stewart - Director

* * * *

General Manager
Mike Staudenmayer

NORTHSTAR COMMUNITY SERVICES DISTRICT

TABLE OF CONTENTS

JUNE 30, 2014

	<u>PAGE</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	4
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements	
Balance Sheet – Governmental Funds	14
Reconciliation of the Governmental Funds Balance Sheet To the Statement of Net Position	15
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	17
Statement of Net Position – Proprietary – Enterprise Funds	18
Statement of Revenues, Expenses and Changes in Net Position – Proprietary – Enterprise Funds	19
Statement of Cash Flows – Proprietary – Enterprise Funds	20
Statement of Net Position – Internal Service Funds	21
Statement of Revenues, Expenses and Changes in Net Position – Internal Service Funds	22
Statement of Cash Flows – Internal Service Funds	23
Statement of Net Position – Fiduciary Funds	24
Notes to the Basic Financial Statements	25

NORTHSTAR COMMUNITY SERVICES DISTRICT

TABLE OF CONTENTS

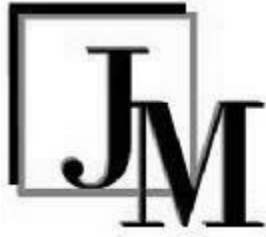
JUNE 30, 2014

REQUIRED SUPPLEMENTARY INFORMATION

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – General Fund	42
Schedule of Funding Progress – Other Postemployment Benefits	43
Notes to Required Supplementary Information	44

SUPPLEMENTARY INFORMATION

Statement of Changes in Assets and Liabilities – Fiduciary Funds	45
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James Marta & Company, LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Northstar Community Services District
Truckee, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Northstar Community Services District (the "District"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Northstar Community Services District as of June 30, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund and Schedule of Funding Progress – Other Postemployment Benefits, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information, which consists of the statement of changes in assets and liabilities for the fiduciary funds, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, which consists of the statement of changes in assets and liabilities for the fiduciary funds, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Matters

As further discussed in Note 1D to the financial statements, the District has created 3 internal service funds to recover the costs of providing certain services. These funds were part of the general fund in prior years.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

James Marta & Company LLP

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
May 14, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

NORTHSTAR COMMUNITY SERVICES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

This discussion and analysis section of the Northstar Community Services District's (District or NCSD) Financial Statements is intended to provide a narrative overview and analysis of the basic financial activities of the District as of and for the year ended June 30, 2014. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total net position at June 30, 2014 was \$ 66,318,517
- The District's total revenue (Inclusive of Capital Contributions): \$ 10,478,159
- Business-Type Activities total revenue (Inclusive of Capital Contributions):
 - Water: \$ 2,077,395
 - Sewer: \$ 2,625,465
- Governmental Activities total revenue: \$ 5,775,299
- The District's total expenses: \$ 10,762,341

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-wide Financial Statements present a broad overview of the District's finances. Within this view, all District operations are categorized and reported as either governmental or business-type activities. These government-wide statements are designed to be more business-like in that all activities are consolidated and provide a snapshot of the District as a whole.

The statement of net position focuses on resources available for future operations. In simple terms, this statement presents a snapshot of the total assets and total liabilities of the District and the net difference. The net difference is further separated into amounts invested in capital assets, net of related debt and amounts that are unrestricted.

The statement of activities focuses on the costs of the District's programs and the extent to which the programs rely on property taxes and other revenues. This statement simplifies the user's analysis when determining the extent to which programs are self-supporting and/or subsidized by general revenue.

Both of the previously mentioned government-wide financial statements distinguish functions of the District that are principally supported by taxes (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include general government, fire, fuels management, roads maintenance, snow removal, and trails maintenance. The business-type activities of the District include water, sewer, and solid waste.

Fund Financial Statements focus on the individual parts of the District, reporting the operations in more detail than the government-wide statements by providing information about the District's most significant funds. The fund financial statements separately focus on governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

NORTHSTAR COMMUNITY SERVICES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements to gain a better understanding of the long-term impact of near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities represented by the government-wide financial statements.

Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund and the Capital Projects Fund. The General Fund accounts for all financial resources except those required to be accounted for in another fund. The Capital Projects Fund accounts for the financial activities of the Northstar Community Services District Community Facilities District #1 (CFD), whose purpose is the acquisition and construction of major capital facilities within the District.

Proprietary Funds are used to account for activities by which the District provides goods or services on a fee basis. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The types of proprietary funds utilized by the District are enterprise funds and internal service funds.

Enterprise funds provide goods or services to the public for a fee. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The intent is that the costs of providing services be financed or recovered primarily through user charges. The District uses enterprise funds to account for water, sewer and solid waste operations.

Internal service funds account for goods and services provided on a cost-reimbursement basis by one department to another department within the District. The District uses internal service funds to account for maintenance operations, fleet, and administration.

Fiduciary Funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The types of fiduciary funds utilized by the District are agency funds. Agency Funds are used to account for the assets held by the District as an agent for the CFD.

Notes to the basic financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the District's financial condition.

Required supplementary information provides a budgetary comparison schedule for the General Fund in the Schedules of Revenues, Expenditures, and Changes in Fund Balance- Budget and Actual. It also provides a schedule showing the trend of the actuarially accrued liability for benefits compared to the actuarial value of accumulated plan assets in the Schedule of Funding Progress for Other Postemployment Benefits.

NORTHSTAR COMMUNITY SERVICES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

Supplementary information provides a schedule of a schedule of receipt and disbursement activity for the 2005 and 2006 series bonds of the CFD as represented in the Statement of Changes in Assets and Liabilities for Fiduciary Funds.

FINANCIAL ANALYSIS OF THE DISTRICT

One of the most important questions asked about the District's finances is "Is the District as a whole better off or worse off as a result of this year's activities?" The statement of activities reports information about the District's activities in a way that will help answer this question. The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities and the statement of net position report the net position and the changes in net position for the District. However, considerations should also be given to other non-financial factors such as changes in economic conditions, population growth, and new or changed governmental legislation.

A summary of the District's Statement of Net Position comparing the current and prior fiscal years is presented in Table A-1.

Table A-1
Statement of Net Position
6/30/2014

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
ASSETS						
Current assets	\$ 9,777,348	\$ 9,636,558	\$ 6,690,662	\$ 4,388,204	\$ 16,468,010	\$14,024,762
Capital assets	24,946,750	25,323,601	28,486,486	29,338,262	53,433,236	54,661,863
Total Assets	34,724,098	34,960,159	35,177,148	33,726,466	69,901,246	68,686,625
LIABILITIES						
Current liabilities	786,319	818,002	1,369,063	53,779	2,155,382	871,781
Noncurrent liabilities	1,178,904	1,032,171	248,443	179,974	1,427,347	1,212,145
Total liabilities	1,965,223	1,850,173	1,617,506	233,753	3,582,729	2,083,926
NET POSITION						
Investment in capital assets, net of related debt	24,946,750	25,323,601	28,486,486	29,338,262	53,433,236	54,661,863
Unrestricted	7,812,125	7,786,385	5,073,156	4,154,451	12,885,281	11,940,836
Total net position	<u>\$ 32,758,875</u>	<u>\$ 33,109,986</u>	<u>\$ 33,559,642</u>	<u>\$33,492,713</u>	<u>\$ 66,318,517</u>	<u>\$66,602,699</u>

Total net position amounted to \$66.32 million in fiscal year 2014. The major component of this category is "Investment in capital assets, net of related debt," which represents the District's investment in capital assets, net of the amount borrowed to purchase these assets. The District has not required long-term debt to fund capital projects. Therefore, "Investment in capital assets, net of related debt" is equal to "Capital assets" for both governmental and business-type activities. Total net position decreased by \$284,182 mostly due to a decrease in capital assets for both governmental and business-type activities due to an increase in accumulated depreciation.

NORTHSTAR COMMUNITY SERVICES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

Total assets for business-type activities increased \$1.45 million mainly due to an increase in current assets in the amount of \$2.30 million. Those current assets increased due to an increase in cash and cash equivalents for both water and sewer funds when compared to the prior fiscal year which came about mostly as a result of a 50 percent increase in the capital fee billing component of water and sewer rates.

Current liabilities for governmental activities decreased \$31,683; whereas business-type activities increased \$1.32 million mainly because of amounts due to other funds. This increase in the liability of the amount due to other funds for business-type activity is also represented by the current assets of the governmental activities which show an increased asset, due from other funds.

A condensed version of the Statement of Activities comparing the current and prior fiscal years is presented in Table A-2.

Table A-2
Statement of Activities
6/30/2014

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
REVENUE						
General Revenue						
NCSD property taxes	\$ 3,978,774	\$ 3,971,252			\$ 3,978,774	\$ 3,971,252
Snow and fuels mgt assessments	640,352	601,731			640,352	601,731
Interest earnings	40,955	55,246	\$ 47,028	\$ 23,194	87,983	78,440
Miscellaneous	-	48,296	50,710	26,917	50,710	75,213
Total general revenue	<u>4,660,081</u>	<u>4,676,525</u>	<u>97,738</u>	<u>50,111</u>	<u>4,757,819</u>	<u>4,726,636</u>
Program Revenues						
Capital contributions	-	-	-	1,153,162	-	1,153,162
Grants	371,918	33,738	-	-	371,918	33,738
Charges for services	<u>743,300</u>	<u>435,307</u>	<u>4,605,122</u>	<u>4,118,677</u>	<u>5,348,422</u>	<u>4,553,984</u>
Total revenue	<u>5,775,299</u>	<u>5,145,570</u>	<u>4,702,860</u>	<u>5,321,950</u>	<u>10,478,159</u>	<u>10,467,520</u>
EXPENSES						
General government	48,115	945,371			48,115	945,371
Public safety	4,182,062	3,767,609			4,182,062	3,767,609
Streets	236,154	90,608			236,154	90,608
Trails	609,582	102,933			609,582	102,933
Capital projects	482,822	967,182			482,822	967,182
Unallocated depreciation	567,675	571,402			567,675	571,402
Water and sewer			<u>4,635,931</u>	<u>3,655,036</u>	<u>4,635,931</u>	<u>3,655,036</u>
Total expenses	<u>6,126,410</u>	<u>6,445,105</u>	<u>4,635,931</u>	<u>3,655,036</u>	<u>10,762,341</u>	<u>10,100,141</u>
OTHER SOURCES (USES)						
Transfers In (Out)	<u>-</u>	<u>(2,031,483)</u>	<u>-</u>	<u>2,031,483</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	(351,111)	(3,331,018)	66,929	3,698,397	(284,182)	367,379
NET POSITION, beginning of year	<u>33,109,986</u>	<u>36,441,004</u>	<u>33,492,713</u>	<u>29,794,316</u>	<u>66,602,699</u>	<u>66,235,320</u>
NET POSITION, end of year	<u>\$ 32,758,875</u>	<u>\$ 33,109,986</u>	<u>\$ 33,559,642</u>	<u>\$ 33,492,713</u>	<u>\$ 66,318,517</u>	<u>\$ 66,602,699</u>

While the statement of net position shows the position of net assets, the statement of activities provides answers as to the nature and source of these changes.

NORTHSTAR COMMUNITY SERVICES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

Governmental activities:

Both property tax and snow and fuels management assessments saw an increase of 0.2% and 6.4%, respectively, over the prior year. Overall, however, general revenue was down 0.4%. This was due to a reduction of \$62,587 in miscellaneous revenue and interest earnings.

Program revenues increased by approximately 12%. This was mostly due to a 1,000% increase in grant revenue over the prior year. This grant revenue was used for the forest fuels management program (public safety) and trails. Charges for services represents a 70.8% increase over the prior year due to reimbursable activity within the public safety, streets, and trails divisions.

Overall expenditures were down by 4.9% which came from both decreases and increases. In prior years, administration was considered a component of general government. Because administration is now classified as an internal service fund, the only expenses left within general government are collection fees for property and parcel taxes and any investment fees. Streets and trails both experienced increases due to the 2013 slurry seal project (C14-021) and martis valley trail project (C14-022), respectively.

Business-Type activities:

Program revenues showed a decrease of 11.6% even though charges for services increased by 11.8%. This is because the District received a capital contribution of \$1.15 million in the prior year for the Glades Water and Sewer facilities.

Overall, expenses are 26.8% higher than the prior year. This is mainly due to the allocation of the internal service funds which are represented as part of other departmental expense within the statement of revenues, expenses and changes in net position for enterprise funds.

NORTHSTAR COMMUNITY SERVICES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

BUDGETARY HIGHLIGHTS

Each year the District Board of Directors adopts annual operating and capital budgets. The operating budget includes proposed expenses and the means of financing them. The operating budget remains in effect the entire year but may be revised by the Board of Directors as required. Budget vs. actual reports are provided to the Board of Directors on a quarterly basis and to management on a monthly basis.

Table A-3 shows current and prior fiscal year Budget vs. Actual comparison for the General Fund

Table A-3
Budget vs. Actual - General Fund
6/30/2014

	Budget		Actual		Variance Favorable / (Unfavorable)	
	2014	2013	2014	2013	2014	2013
	Revenue					
Taxes and assessments	\$ 4,667,238	\$ 4,249,240	\$ 4,619,126	\$ 4,572,983	\$ (48,112)	\$ 323,743
Fees and other non-tax revenue	253,140	211,159	333,937	186,806	80,797	(24,353)
Interest	-	91,000	36,298	44,616	36,298	(46,384)
Fire mitigation fees	6,000	3,000	6,788	6,824	788	3,824
Service revenue	-	213,000	-	127,365	-	(85,635)
Administrative fees	-	30,610	-	114,312	-	83,702
Grant revenue	774,292	66,337	371,918	33,738	(402,374)	(32,599)
Other	138,000	38,000	402,575	48,296	264,575	10,296
Total revenue	5,838,670	4,902,346	5,770,642	5,134,940	(68,028)	232,594
Expenditures						
Current						
General government	46,672	909,143	48,115	810,945	(1,443)	98,198
Public safety	4,702,909	3,335,961	4,298,462	3,767,609	404,447	(431,648)
Streets	358,482	681,715	246,425	90,608	112,057	591,107
Trails	663,482	127,838	619,853	102,933	43,629	24,905
Capital outlay	106,222	369,723	102,780	375,000	3,442	(5,277)
Total expenditures	5,877,767	5,424,380	5,315,635	5,147,095	562,132	277,285
Excess (deficiency) of revenue over expenditures before other sources	(39,097)	(522,034)	455,007	(12,155)	494,104	509,879
Other Sources						
Operating transfers from other sources	-	472,755	-	-	-	(472,755)
Excess (deficiency) of revenue and other sources over expenditures	\$ (39,097)	\$ (49,279)	\$ 455,007	\$ (12,155)	\$ 494,104	\$ 37,124

The District budgeted \$5.84 million in general fund revenue and recognized \$5.77 million. The District budgeted \$5.88 million in general fund expenditures and recognized \$5.32 million.

The budget to actual variance in revenue was mainly due to grant revenue being under budget by \$402,374 while fees and other non-tax revenue and other were over budget by \$80,797 and \$264,575, respectively. The \$562,132 or 9.6% budget to actual variance in expenditures was mainly due to decreased expenditures for the public safety and streets categories when compared to budget.

Overall, there is a favorable variance of \$494,104 when comparing budget to actual for the General Fund.

NORTHSTAR COMMUNITY SERVICES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

CAPITAL ASSETS

A comparison of Capital Assets for the current and prior fiscal year is presented in Table A-4.

Table A-4
Capital Assets at June 30, 2014

	FY 2014	FY 2013	Dollar Change	Percentage Change
Governmental Activities				
Land	\$ 7,598,216	\$ 7,598,216	\$ -	0%
Work in progress				
General fund	789,267	664,757	124,510	19%
Capital projects fund	117,341	117,341	-	0%
Buildings and improvements	15,963,267	15,955,026	8,241	0%
Equipment	1,066,054	1,007,981	58,073	6%
Vehicles and equipment	3,579,715	3,579,715	-	0%
Software	78,587	78,587	-	0%
	<u>29,192,447</u>	<u>29,001,623</u>	<u>190,824</u>	<u>1%</u>
Less accumulated depreciation	<u>(4,245,697)</u>	<u>(3,678,022)</u>	<u>(567,675)</u>	
Governmental activities capital assets, net	<u>24,946,750</u>	<u>25,323,601</u>	<u>(376,851)</u>	<u>-1%</u>
Business-type Activities				
Land	675,195	675,195	-	0%
Work in progress	384,330	372,607	11,723	3%
Building and improvements	20,167,905	20,167,905	-	0%
Equipment	840,353	840,353	-	0%
Vehicles and equipment	707,941	707,941	-	0%
Software	79,917	79,917	-	0%
Water/sewer system	19,027,191	19,027,191	-	0%
	<u>41,882,832</u>	<u>41,871,109</u>	<u>11,723</u>	<u>0%</u>
Less accumulated depreciation	<u>(13,396,348)</u>	<u>(12,532,847)</u>	<u>(863,501)</u>	<u>7%</u>
Business-type activities capital assets, net	<u>28,486,484</u>	<u>29,338,262</u>	<u>(851,778)</u>	<u>-3%</u>
Totals	<u>\$ 53,433,234</u>	<u>\$ 54,661,863</u>	<u>\$ (1,228,629)</u>	<u>-2%</u>

As indicated in Table A-4, the combined net capital assets of Governmental and Business-type Activities decreased by \$1.23 million, after considering accumulated depreciation. Governmental activities show an increase of \$190,824 before accumulated depreciation due mostly to the increase in work in progress for the general fund. Business-type activities show an increase of \$11,723 before accumulated depreciation.

NORTHSTAR COMMUNITY SERVICES DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

The increase in work in progress is representative of capital projects that are in progress, but were not yet completed as of 6/30/2014. For the general fund, these are the Springbrook utility billing module (C14-023), admin building (C14-015), rescue vehicle 32 replacement (C14-017), and the station 31 deck addition (C14-025). For business-type activities, the project is the water meter data collection system (C14-010).

LONG-TERM LIABILITIES

The District's long-term liabilities at year end included estimated compensated absences for employees totaling \$816,416 for governmental activities and \$131,204 for business-type activities. The long-term portion of retiree termination benefits was \$42,695. Long-term liabilities for Other Post-Employment Benefits (OPEB) for governmental activities and business-type activities totaled \$337,210 and \$117,241, respectively.

DEBT WITHOUT GOVERNMENT COMMITMENT

During 2005 and 2006, bonded debt was issued by a special assessment district known as the Northstar Community Services District Community Facilities District #1 to finance infrastructure improvements and facilities within the Northstar area. The District has no legal responsibility with respect to the re-payment of the debt associated with the bonds. However, the District is responsible for managing a portion of the construction and improvements financed by the CFD and it is also responsible as the CFD's agent for the receipts and disbursements of the CFD.

At June 30, 2013, the outstanding principal amount of bonded debt outstanding for the CFD was \$111,860,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Facing the general uncertainty in the economy, the District will continue to budget conservatively for general fund revenues in anticipation that the assessed value of property within the District will not rebound significantly in the upcoming year. Business-type revenue is expected to increase due to the District entering the fourth year of a five-year rate increase for services which also includes an increase in fees to support capital expenditures.

The District will continue to be mindful of expenditures and look for ways to capitalize on trends that will allow for economies of scale and the more efficient use of resources.

The District continues to contract with the Placer County Water Authority (PCWA) to manage the operation of specific PCWA water systems. The District will be reimbursed for District employee time and other costs associated with providing the service.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Northstar Community Services District, 908 Northstar Drive, Truckee, California.

BASIC FINANCIAL STATEMENTS

NORTHSTAR COMMUNITY SERVICES DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 6,269,160	\$ 3,683,657	\$ 9,952,817
Investments	1,615,063	2,333,769	3,948,832
Accounts receivable	308,351	330,104	638,455
Due from other governments	173,577	152,295	325,872
Due from other funds	1,272,542	-	1,272,542
Prepaid expenses	138,655	190,837	329,492
Capital assets, net	24,946,750	28,486,486	53,433,236
Total assets	<u>34,724,098</u>	<u>35,177,148</u>	<u>69,901,246</u>
LIABILITIES			
Accounts payable	662,048	78,024	740,072
Accrued liabilities	106,854	18,495	125,349
Due to other funds	-	1,272,544	1,272,544
Long-Term Liabilities:			
Due within one year	17,417	-	17,417
Due in longer than one year	1,178,904	248,443	1,427,347
Total liabilities	<u>1,965,223</u>	<u>1,617,506</u>	<u>3,582,729</u>
NET POSITION			
Investment in capital assets, net of related debt	24,946,750	28,486,486	53,433,236
Unrestricted	7,812,125	5,073,156	12,885,281
Total net position	<u>\$ 32,758,875</u>	<u>\$ 33,559,642</u>	<u>\$ 66,318,517</u>

NORTHSTAR COMMUNITY SERVICES DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

<u>Functions</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Governmental activities:						
General government	\$ 48,115	\$ -	\$ -	\$ (48,115)	\$ -	\$ (48,115)
Public safety	4,182,062	372,020	269,277	(3,540,765)	-	(3,540,765)
Streets	236,154	70,282	-	(165,872)	-	(165,872)
Trails	609,582	300,998	102,641	(205,943)	-	(205,943)
Capital projects	482,822	-	-	(482,822)	-	(482,822)
Unallocated depreciation	567,675	-	-	(567,675)	-	(567,675)
Total governmental activities	<u>\$ 6,126,410</u>	<u>\$ 743,300</u>	<u>\$ 371,918</u>	<u>(5,011,192)</u>	<u>-</u>	<u>(5,011,192)</u>
Business-type activities:						
Water	\$ 2,319,667	\$ 2,019,476	\$ -		(300,191)	(300,191)
Sewer	2,316,264	2,585,646	-		269,382	269,382
Total business-type activities	<u>\$ 4,635,931</u>	<u>\$ 4,605,122</u>	<u>\$ -</u>		<u>(30,809)</u>	<u>(30,809)</u>
General revenues:						
Property taxes				3,978,774	-	3,978,774
Snow and fuels management assessments				640,352	-	640,352
Capital contributions				-	-	-
Interest earnings				40,955	47,028	87,983
Miscellaneous revenue				-	50,710	50,710
Total general revenue				<u>4,660,081</u>	<u>97,738</u>	<u>4,757,819</u>
Change in net position				(351,111)	66,929	(284,182)
Net position - beginning of year				<u>33,109,986</u>	<u>33,492,713</u>	<u>66,602,699</u>
Net position - end of year				<u>\$ 32,758,875</u>	<u>\$ 33,559,642</u>	<u>\$ 66,318,517</u>

The accompanying notes are an integral part of these financial statements.

NORTHSTAR COMMUNITY SERVICES DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2014

ASSETS	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 3,669,627	\$ 2,229,335	\$ 5,898,962
Investments	1,615,063	-	1,615,063
Accounts receivables	265,526	-	265,526
Due from other funds	1,257,296	-	1,257,296
Due from other governments	173,577	-	173,577
Prepaid expenses	137,378	-	137,378
Total Assets	<u>\$ 7,118,467</u>	<u>\$ 2,229,335</u>	<u>\$ 9,347,802</u>
 LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$ 379,710	\$ 151,168	\$ 530,878
Other accrued expenses	74,670	-	74,670
Total Liabilities	<u>454,380</u>	<u>151,168</u>	<u>605,548</u>
 Fund Balance			
Nonspendable	137,378	-	137,378
Committed	1,624,266	2,078,167	3,702,433
Unassigned	4,902,443	-	4,902,443
Total Fund Balance	<u>6,664,087</u>	<u>2,078,167</u>	<u>8,742,254</u>
 Total Liabilities and Fund Balance	 <u>\$ 7,118,467</u>	 <u>\$ 2,229,335</u>	 <u>\$ 9,347,802</u>

NORTHSTAR COMMUNITY SERVICES DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

JUNE 30, 2014

Total Fund Balance - Governmental Funds	\$	8,742,254
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets: in governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.

Capital assets at cost		29,192,447
Accumulated depreciation		(4,245,697)

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Compensated Absences		(816,416)
Retiree Termination Benefits		(42,695)
Other Postemployment Benefits		(337,210)

Long-term liabilities already recognized in internal service funds		<u>266,192</u>
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Total net position - Governmental Activities:	\$	<u><u>32,758,875</u></u>
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NORTHSTAR COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS

JUNE 30, 2014

	General Fund	Capital Projects Fund	Total
REVENUE			
Taxes and assessments	\$ 4,619,126	\$ -	\$ 4,619,126
Fees and other non-tax revenue	333,937	-	333,937
Interest	36,298	4,657	40,955
Fire mitigation fees	6,788	-	6,788
Grant revenue	371,918	-	371,918
Other	402,575	-	402,575
Total revenue	<u>5,770,642</u>	<u>4,657</u>	<u>5,775,299</u>
EXPENDITURES			
General government	48,115	-	48,115
Public safety	4,298,462	-	4,298,462
Streets	246,425	-	246,425
Trails	619,853	-	619,853
Capital Outlay	102,780	350,238	453,018
Disbursements to developers	-	220,628	220,628
Total expenditures	<u>5,315,635</u>	<u>570,866</u>	<u>5,886,501</u>
Net change in fund balances	455,007	(566,209)	(111,202)
FUND BALANCE, beginning of year	<u>6,209,080</u>	<u>2,644,376</u>	<u>8,853,456</u>
FUND BALANCE, end of year	<u>\$ 6,664,087</u>	<u>\$ 2,078,167</u>	<u>\$ 8,742,254</u>

NORTHSTAR COMMUNITY SERVICES DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES

JUNE 30, 2014

Net Change in Fund Balances - Governmental Funds	\$	(111,202)
Amounts reported for governmental activities in the Statement of Activities are different because:		
<p>Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:</p>		
Expenditures for capital outlay		190,824
Depreciation expense		(567,675)
<p>Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and earned was:</p>		
		(87,774)
Amount transferred to internal service fund:		145,284
<p>Retiree termination benefits: In governmental funds, retiree termination benefits are measured by the amounts paid during the period. In the statement of activities, retiree termination benefits are measured by the amounts earned. The difference between retiree termination benefits paid and earned was:</p>		
		27,618
Amount transferred to internal service fund:		42,695
<p>Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. The difference between OPEB costs paid and earned was:</p>		
		(69,094)
Amount transferred to internal service fund:		78,213
		78,213
Changes in net position of governmental activities:	\$	(351,111)

NORTHSTAR COMMUNITY SERVICES DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY – ENTERPRISE FUNDS

FOR THE YEAR ENDED JUNE 30, 2014

<u>ASSETS</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ 1,364,876	\$ 2,318,781	\$ 3,683,657
Accounts receivable	199,379	130,725	330,104
Due from other governments	60,009	92,286	152,295
Investments	1,103,015	1,230,754	2,333,769
Prepaid expenses	94,851	95,986	190,837
Total current assets	<u>2,822,130</u>	<u>3,868,532</u>	<u>6,690,662</u>
Noncurrent assets:			
Property, land and equipment	30,568,358	11,314,476	41,882,834
Less: accumulated depreciation	<u>(7,565,687)</u>	<u>(5,830,661)</u>	<u>(13,396,348)</u>
Total noncurrent assets	<u>23,002,671</u>	<u>5,483,815</u>	<u>28,486,486</u>
Total assets	<u>25,824,801</u>	<u>9,352,347</u>	<u>35,177,148</u>
 <u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	71,116	6,908	78,024
Accrued wages and related items	12,013	6,482	18,495
Due to other funds	<u>792,497</u>	<u>480,047</u>	<u>1,272,544</u>
Total current liabilities	875,626	493,437	1,369,063
Noncurrent liabilities:			
Compensated absences	98,193	33,010	131,203
Other postemployment benefits liabilities	<u>58,620</u>	<u>58,620</u>	<u>117,240</u>
Total noncurrent liabilities	<u>156,813</u>	<u>91,630</u>	<u>248,443</u>
Total liabilities	<u>1,032,439</u>	<u>585,067</u>	<u>1,617,506</u>
 <u>NET POSITION</u>			
Invested in capital assets, net of related debt	23,002,671	5,483,815	28,486,486
Unrestricted	<u>1,789,691</u>	<u>3,283,465</u>	<u>5,073,156</u>
Total net position	<u>\$ 24,792,362</u>	<u>\$ 8,767,280</u>	<u>\$ 33,559,642</u>

NORTHSTAR COMMUNITY SERVICES DISTRICT

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION**

PROPRIETARY – ENTERPRISE FUNDS

FOR THE YEAR ENDED JUNE 30, 2014

OPERATING REVENUE	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Service charges	\$ 2,019,476	\$ 2,585,646	\$ 4,605,122
Other	35,710	15,000	50,710
Total operating revenue	2,055,186	2,600,646	4,655,832
OPERATING EXPENSES			
Wages	560,563	128,575	689,138
Employee benefits	277,000	84,894	361,894
Maintenance	97,400	15,747	113,147
Purchased services	-	1,043,942	1,043,942
Professional services	111,317	311,447	422,764
Utilities	92,208	4,741	96,949
Other departmental expense	507,868	464,081	971,949
Dues and memberships	708	579	1,287
Office and shop expense	17,792	4,887	22,679
Miscellaneous	38,968	9,712	48,680
Depreciation	615,843	247,659	863,502
Total operating expenses	2,319,667	2,316,264	4,635,931
Operating income (loss)	(264,481)	284,382	19,901
NONOPERATING REVENUE (EXPENSE)			
Interest revenue	22,209	24,819	47,028
CHANGE IN NET POSITION	(242,272)	309,201	66,929
NET POSITION, beginning of year	25,034,634	8,458,079	33,492,713
NET POSITION, end of year	\$ 24,792,362	\$ 8,767,280	\$ 33,559,642

NORTHSTAR COMMUNITY SERVICES DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY – ENTERPRISE FUNDS

FOR THE YEAR ENDED JUNE 30, 2014

	Water	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 2,017,554	\$ 2,597,347	\$ 4,614,901
Payments for services and supplies	(834,079)	(1,848,442)	(2,682,521)
Payments of employee salaries	(555,389)	(124,139)	(679,528)
Payments of employee benefits	(230,312)	(63,113)	(293,425)
Interfund reimbursements	938,523	547,121	1,485,644
Net cash provided (used) by operating activities	1,336,297	1,108,774	2,445,071
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(11,724)	-	(11,724)
Net cash provided (used) by capital and related financing activities	(11,724)	-	(11,724)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(337,119)	(344,541)	(681,660)
Interest received	36,065	41,964	78,029
Net cash provided (used) by investing activities	(301,054)	(302,577)	(603,631)
NET INCREASE (DECREASE) IN CASH	1,023,519	806,197	1,829,716
CASH AND CASH EQUIVALENTS, beginning of year	341,357	1,512,584	1,853,941
CASH AND CASH EQUIVALENTS, end of year	\$ 1,364,876	\$ 2,318,781	\$ 3,683,657
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (264,481)	\$ 284,382	\$ 19,901
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	615,843	247,659	863,502
(Increase) decrease in:			
Accounts receivable	(31,963)	3,431	(28,532)
Due from other funds	938,523	547,121	1,485,644
Due from other governments	(5,669)	(6,730)	(12,399)
Prepaid expenses	1,396	4,350	5,746
Increase (decrease) in:			
Accounts payable	30,786	2,344	33,130
Accrued wages	5,174	4,436	9,610
Compensated absences	36,110	11,203	47,313
OPEB	10,578	10,578	21,156
Net cash provided (used) by operating activities	\$ 1,336,297	\$ 1,108,774	\$ 2,445,071

NORTHSTAR COMMUNITY SERVICES DISTRICT

STATEMENT OF NET POSITION

INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED JUNE 30, 2014

ASSETS

Current assets:

Cash and cash equivalents	\$	370,198
Accounts receivable		42,825
Due from other funds		15,246
Prepaid expenses		<u>1,277</u>
Total assets		<u>429,546</u>

LIABILITIES

Current liabilities:

Accounts payable		131,170
Accrued wages and related items		<u>32,184</u>
Total current liabilities		163,354

Noncurrent liabilities:

Compensated absences		187,979
Other postemployment benefits liabilities		<u>78,213</u>
Total noncurrent liabilities		<u>266,192</u>

Total liabilities		<u>429,546</u>
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NET POSITION

Unrestricted	\$	<u>-</u>
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NORTHSTAR COMMUNITY SERVICES DISTRICT

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION**

INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED JUNE 30, 2014

OPERATING REVENUE	
Charges for services	\$ 2,369,142
Other	4,486
Total operating revenue	<u>2,373,628</u>
OPERATING EXPENSES	
District operations & maintenance	706,918
Fleet operations & maintenance	99,832
Administration	<u>1,579,808</u>
Total operating expenses	<u>2,386,558</u>
Operating income (loss)	(12,930)
NONOPERATING REVENUE (EXPENSE)	
Investment income	<u>12,930</u>
CHANGE IN NET POSITION	-
NET POSITION, beginning of year	-
NET POSITION, end of year	<u>\$ -</u>

NORTHSTAR COMMUNITY SERVICES DISTRICT

STATEMENT OF CASH FLOWS

INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED JUNE 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from internal charges	\$ 2,326,317
Cash received from other sources	4,486
Payments for employee salaries & benefits	(1,410,406)
Payments for services and supplies	<u>(585,344)</u>
Net cash provided by operating activities	335,053
CASH FLOWS FROM NONCAPITAL ACTIVITIES	
FINANCING ACTIVITIES	
Interfund transfers	(17,439)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>12,930</u>
NET INCREASE IN CASH	330,544
CASH AND CASH EQUIVALENTS, beginning of year	<u>39,654</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 370,198</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	(12,930)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:	
(Increase) decrease in:	
Accounts receivable	(42,825)
Prepaid expenses	(1,277)
Increase (decrease) in:	
Accounts payable	96,589
Accrued wages and related items	29,304
Compensated absences	187,979
Other postemployment benefits liabilities	<u>78,213</u>
Net cash provided by operating activities	<u>\$ 335,053</u>

NORTHSTAR COMMUNITY SERVICES DISTRICT

STATEMENT OF NET POSITION

FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2014

	Series 2005	Series 2006	
<u>ASSETS</u>	<u>Bonds</u>	<u>Bonds</u>	<u>Total</u>
Cash and cash equivalents	<u>9,742,503</u>	<u>5,279,219</u>	<u>\$ 15,021,722</u>
 <u>LIABILITIES</u>			
Due to others	<u>\$ 9,742,503</u>	<u>\$ 5,279,219</u>	<u>\$ 15,021,722</u>

NORTHSTAR COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION

Northstar Community Services District (the "District") was founded on November 20, 1990, and is an unincorporated political subdivision of the State of California. The District's operations are governed by an elected board of directors consisting of five members. The District provides fire protection services, fuels management services, water, sewer and solid waste services, snow removal and roads maintenance services to the citizens residing within District boundaries. In addition, the District is responsible for maintaining a multi-use recreational trail.

The financial statements of the District are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Reporting Entity

The Board of Directors is the level of government which has governance responsibilities over all activities related to operations of the District. The Board is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board, since Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

B. BASIS OF PRESENTATION

Government-wide Financial Statements

The statement of net position and the statement of activities display financial information about the District. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities.

The government-wide statement of net position presents information on all of the District's assets and liabilities, with the difference between the two presented as net position. Net position is reported as one of three categories: invested in capital assets, net of related debt; restricted or unrestricted. Restricted net position is further classified as either net position restricted by enabling legislation or net position that is otherwise restricted.

NORTHSTAR COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

B. BASIS OF PRESENTATION (CONTINUED)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is not allocated by function. Interest on long-term liabilities is considered an indirect expense and is reported separately in the Statement of Activities.

Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met. Expenses are recorded when liabilities are incurred.

Governmental Fund Financial Statements

Governmental fund financial statements (i.e. balance sheet and statement of revenues, expenditures and changes in fund balances) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after year-end.

NORTHSTAR COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used, or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

D. FUND ACCOUNTING

The accounts of the District are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District funds are as follows:

Governmental Funds:

General Fund is the general operating fund of the District. It is used to account for all transactions except those required or permitted by law to be accounted for in another fund.

Capital Projects Fund is used to account for the acquisition and construction of major capital facilities funded by special taxes levied by the Community Facilities District (CFD) for the benefit of CFD properties.

Proprietary – Enterprise Funds:

Water Fund is used to account for the delivery of water services.

Sewer Fund is used to account for the delivery of sewer and solid waste services.

NORTHSTAR COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

Internal Service Funds

The Northstar Community Services District employs the use of several Internal Service Funds. The District is the primary recipient of the goods and services provided by the Internal Service Funds and those funds recover their full cost of providing services, including the cost of capital assets (depreciation, related debt service, or estimated replacement cost) by charging the other District funds in which they support. The three Internal Service Funds utilized by the District are shown below:

Fund 010 - District Operations & Maintenance. This fund consists of the activities of the operations crew and engineering staff required in support of overall District operations.

Fund 020 - Fleet Operations & Maintenance. This fund consists of the fiscal activities required to purchase, maintain, and repair the vehicle and small equipment fleet that belong to the District, with the exception of vehicles and equipment specifically dedicated to Fire, Snow (blowers, sweeper, and grader), and PRD/CSA (Kodiak).

Fund 510 – Administration. This department includes the operational areas of General Management, Human Resources, Information Technology (IT)/Geographic Information System (GIS), Accounting functions, and the Board of Directors.

Fiduciary Funds:

The Agency Funds are used to account for assets held by the District as an agent for the bondholders. The financial activities of these funds are excluded from the government-wide financial statements, but are presented in separate fiduciary fund financial statements.

NORTHSTAR COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

E. CASH AND CASH EQUIVALENTS

For purposes of the statement of net position/balance sheet, the District considers all short-term highly liquid investments, including restricted assets, and amounts held with the fiscal agent to be cash and cash equivalents. Amounts held with the fiscal agent are available on demand to the District.

F. CAPITAL ASSETS

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost. Depreciation is recorded on all depreciable capital assets on a straight-line basis over the following estimated useful lives:

Buildings and Improvements	15 – 50	Years
Water and Sewer System	10 – 100	Years
Vehicles and Equipment	5 – 25	Years
Software	7	Years

G. DUE FROM OTHER GOVERNMENTS

The District's receivables include amounts due from other governmental agencies and consist mostly of tax revenues and user fees. Management has determined that the District's receivables are fully collectible. Accordingly, no allowance for doubtful accounts has been made.

H. COMPENSATED ABSENCES

District employees are entitled to certain compensated absences based on the length of their employment, which will be paid to them upon separation from the District. Compensated absences accumulate and are accrued when they are earned and reported as a liability in the government-wide financial statements.

I. FUND BALANCE

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*", the District is required to report fund balances in the following categories: Nonspendable, Restricted, Committed, Assigned and/or Unassigned.

Nonspendable Fund Balance reflects assets not in spendable form, either because they will never convert to cash (prepaid expense) or must remain intact pursuant to legal or contractual requirements.

Restricted Fund Balance reflects amounts that can be spent only for the *specific purposes* stipulated by constitution, external resource providers, or through enabling legislation.

NORTHSTAR COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

I. FUND BALANCE (CONTINUED)

Committed Fund Balance reflects amounts that can be used only for the *specific purposes* determined by a formal action of the government's highest level of decision-making authority: the Board of Directors. Commitments may be established, modified, or rescinded only through resolutions approved by the Board of Directors.

Assigned Fund Balance reflects amounts intended to be used by the government for *specific purposes* but do not meet the criteria to be classified as restricted or committed. Under the District's adopted policy, only the Board of Directors is authorized to assign amounts for specific purposes.

Unassigned Fund Balance represents the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

When expenditures are incurred for purposes of which restricted, committed, assigned and unassigned fund balances are available, the District considers restricted funds to have been spent first, followed by committed, assigned and unassigned, respectively.

J. USE OF ESTIMATES

The financial statements have been prepared in conformity with generally accepted accounting principles and, as such, include amounts based on managements' informed estimates and judgments, with consideration given to materiality. Actual results could differ from those amounts.

K. PROPERTY TAX

The District receives property taxes to support its operations. Secured property taxes are levied as an enforceable lien on property as of March 1. Taxes are payable in two installments, on December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County of Placer bills and collects the taxes for the District. Tax revenues are recognized by the District when received.

NORTHSTAR COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

2. CASH AND INVESTMENTS

A. CASH AND EQUIVALENTS

The District's cash balances at June 30, 2014 are:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Activities</u>	<u>Total</u>
Deposits:				
US Bank	\$ 657,953	\$ -	\$ -	\$ 657,953
Charles Schwab Money Market	9,202	6,011	-	15,213
Cash with Fiscal Agent:				
Wells Fargo Mello Roos Funds	2,229,335	-	\$ 15,021,722	17,251,057
Pooled Funds:				
Local Agency Investment Fund	3,372,670	3,677,646	-	7,050,316
Total Cash and Equivalents	<u>\$ 6,269,160</u>	<u>\$ 3,683,657</u>	<u>\$ 15,021,722</u>	<u>\$ 24,974,539</u>

Pooled Funds:

The District is a voluntary participant in Local Agency Investment Fund (LAIF), which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the state of California and the Pooled Money Investment Board. The State Treasurer's Office pools these funds with those of other governmental agencies in the state and invests the cash. The fair value of the District's investment in this pool, which approximates cost, is reported in the accompanying financial statements based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Funds are accessible and transferable to the master account with twenty-four hours' notice. The Pooled Money Investment Board has established policies, goals, and objectives to make certain that their goal of safety, liquidity, and yield are not jeopardized.

Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset backed securities, and floating rate securities issued by Federal Agencies, government-sponsored enterprises and corporations. The monies held in the LAIF are not subject to categorization by risk category. It is also not rated as to credit risk by a nationally recognized statistical rating organization.

LAIF is administered by the State Treasurer and audited annually by the Pooled Money Investment Board and the State Controller's Office. Copies of this audit may be obtained from the State Treasurer's Office: 915 Capitol Mall, Sacramento, California 95814.

NORTHSTAR COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

2. CASH AND INVESTMENTS (CONTINUED)

Deposits - Custodial Credit Risk

The carrying amount of the District's accounts was \$657,953 and the bank balances were \$673,311 at June 30, 2014. Deposits held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation. Should deposits exceed the insured limits, the balance is covered by collateral held by the bank in accordance with California law requiring the depository bank to hold collateral equal to 110% of the excess government funds on deposit. This collateral must be in the form of government-backed securities. All cash held by financial institutions at June 30, 2014 was fully insured or collateralized.

Cash with Fiscal Agent

At June 30, 2014, funds totaling \$15,021,722 were held at Wells Fargo Bank in various accounts related to the Special Tax Bonds issued in 2005 and 2006 for the construction of facilities and payment of the Special Tax Bonds.

B. INVESTMENTS

Authorized Deposits/Investments

Under provisions of the District's investment policy, and in accordance with Section 53601 of the California Government Code, The District may invest in the following types of investments:

<u>Authorized Investment Type</u>	<u>Investment Rating (S&P)</u>	<u>Maximum % of Portfolio</u>	<u>Limit Per Issuer</u>	<u>Maximum Maturity</u>
US Treasury bills, notes and bonds	AAA	70	None	5 Years
Government Agencies Securities	AAA	70	50%	5 Years
Local Agency Investment Fund (LAIF)	N/A	50	None	3 Years
Bonds, notes or other indebtedness of the State of California	AA	10	None	5 Years
Bankers Acceptances	N/A	20	10%	180 days
Commercial Paper	A1	15	10%	270 days
Time Deposits	Top 25% of peer group	20	\$500,000	2 Years
Repurchase Agreements	N/A	20	10%	N/A
Corporate Obligations	A	30	10%	5 Years
Mutual Funds	AAA	15	10%	3 Years
Other Government Sponsored Pools	AAAF	20	10%	3 Years

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The mutual funds are considered short term.

NORTHSTAR COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

As of June 30, 2014, The District had the following investments:

Investment Type	Fair Value	Investment Maturities		
		<1yr	1-3 yrs	>3yrs
Corporate Notes	\$ 2,430,735	\$ 256,424	\$ 1,031,602	\$ 1,142,709
Municipal Bonds	1,518,097	775,386	667,889	74,822
Total	\$ 3,948,832	\$ 1,031,810	\$ 1,699,491	\$ 1,217,531

Credit Risk

The District’s investment philosophy sets the tone for its policies, practices, procedures and objectives that control the investment function. The investment of funds will be guided by the primary goals of safety, liquidity, diversification, and reasonable market rate of return. The investment function will have additional goals of: assuring ongoing compliance with Federal, State, and local laws governing the investment of funds kept by the District, maintaining reserves for long term projects and contingencies, and establishing quality standards and limits to the type of investments made and with which institutions investments are placed. Goals will be carried out in the context of the “Prudent Investment Rule” which states that “investments shall be made with judgment and care under circumstances then prevailing which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.”

Credit Rating (S&P)	Municipal Bonds	Corporate Notes	Totals
AA+	\$ -	\$ 117,609	\$ 117,609
A	1,160,102	364,255	1,524,357
A-	357,994	494,735	852,729
BBB+	-	377,025	377,025
BBB	-	608,034	608,034
BBB-	-	469,078	469,078
Totals	\$ 1,518,096	\$ 2,430,736	\$ 3,948,832

Concentration of Credit Risk

The District places limits on the amount it may invest in anyone issuer. At June 30, 2014, the District had no concentration of credit risk.

Investments in securities of any one issuer consisting of 5% or more of total investments are as follows:

	Fair Value	% of Portfolio
California State General Obligation Bonds	\$ 1,160,102	29.38%
Illinois State General Obligation Bonds	\$ 357,994	9.07%

NORTHSTAR COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

3. PROPERTY AND EQUIPMENT

Capital assets activity for the year ended June 30, 2014, was as follows:

Governmental Activities:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Not subject to depreciation				
Land	\$ 7,598,216	\$ -	\$ -	\$ 7,598,216
Construction In Progress				
General Fund	664,757	124,510	-	789,267
Capital Project Fund	117,341	-	-	117,341
Total Not subject to Depreciation	<u>8,380,314</u>	<u>124,510</u>	-	<u>8,504,824</u>
Subject to Depreciation				
Buildings and Improvements	15,955,026	8,241	-	15,963,267
Equipment	1,007,981	58,073	-	1,066,054
Vehicles and Equipment	3,579,715	-	-	3,579,715
Software	78,587	-	-	78,587
Total depreciable	<u>20,621,309</u>	<u>66,314</u>	-	<u>20,687,623</u>
Less accumulated depreciation	(3,678,022)	(567,675)	-	(4,245,697)
Total capital assets, net	<u>\$ 25,323,601</u>	<u>\$ (376,851)</u>	<u>\$ -</u>	<u>\$ 24,946,750</u>

Business-Type Activities:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Not subject to depreciation				
Land	\$ 675,195	\$ -	\$ -	\$ 675,195
Construction In Progress	372,607	11,723	-	384,330
Total Not subject to Depreciation	<u>1,047,802</u>	<u>11,723</u>	-	<u>1,059,525</u>
Subject to Depreciation				
Buildings and Improvements	20,167,905	-	-	20,167,905
Equipment	840,353	-	-	840,353
Vehicles and Equipment	707,941	-	-	707,941
Software	79,917	-	-	79,917
Water /Sewer System	19,027,191	-	-	19,027,191
Total depreciable	<u>40,823,307</u>	-	-	<u>40,823,307</u>
Less accumulated depreciation	(12,532,847)	(863,501)	-	(13,396,348)
Total capital assets, net	<u>\$ 29,338,262</u>	<u>\$ (851,778)</u>	<u>\$ -</u>	<u>\$ 28,486,484</u>

NORTHSTAR COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

4. INTERFUND TRANSACTIONS

As of June 30, 2014, the interfund receivable and payable balances were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 1,257,296	
Water Fund		\$ 792,497
Sewer Fund		480,047
Internal Service Fund	<u>15,248</u>	
Total	<u>\$ 1,272,544</u>	<u>\$ 1,272,544</u>

5. CONTINGENCIES

As of June 30, 2014, the District did not have any pending litigation or potential non-disclosed liabilities that management believes would have a material effect on the financial statements.

6. EMPLOYEE RETIREMENT PLAN

A. PLAN DESCRIPTION

Northstar Community Services District participates in the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

B. FUNDING POLICY

The District makes the contributions required of active plan members, which is 7% of their salary, and Northstar Community Services District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013-2014 for employees in the Miscellaneous Plan was 20.731% of annual payroll for those receiving 2.7% at 55 and 6.250% for those receiving 2.0% at 62. For the Safety Plan, the contribution rate was 26.149% of annual payroll for those receiving 3% at 50 and 21.669% for those receiving 3% at 55. The contribution requirements of the plan members are established by the state statute. The District's contributions to CalPERS for the fiscal year ending June 30, 2014, 2013, and 2012 were \$1,058,495, \$1,011,401 and \$851,120, respectively, and equal 100% of the required contributions for each year.

NORTHSTAR COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

6. EMPLOYEE RETIREMENT PLAN (CONTINUED)

C. ANNUAL PENSION COST

The required contribution for the year ended June 30, 2014 was determined as part of the June 30, 2011 actuarial valuation using the entry age normal cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.30% to 14.20% for miscellaneous members, and (c) 3% cost-of-living adjustment. Both (a) and (b) include an inflation component of 2.75%. The actuarial value of the plan's assets was determined using a technique that stabilizes the effect of short-term volatility in the market value of investments over a two to five year period depending on the size of investment gain and/or losses. The plan's unfunded actuarial liability is being amortized over the remaining period of 21 years.

7. GENERAL LONG-TERM DEBT

A schedule of changes in long-term liabilities for the year ended June 30, 2014 is shown below:

Governmental Activities

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Due Within One Year
Other Postemployment benefits	\$ 268,116	\$ 77,812	\$ 8,718	\$ 337,210	\$ -
Retiree Termination Benefits	70,313	-	27,618	42,695	17,417
Compensated Absences	728,642	87,774	-	816,416	-
	<u>\$ 1,067,071</u>	<u>\$ 165,586</u>	<u>\$ 36,336</u>	<u>\$ 1,196,321</u>	<u>\$ 17,417</u>

Business-Type Activities

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Due Within One Year
Other Postemployment benefits	\$ 96,084	\$ 22,867	\$ 1,710	\$ 117,241	\$ -
Compensated Absences	83,890	47,314	-	131,204	-
	<u>\$ 179,974</u>	<u>\$ 70,181</u>	<u>\$ 1,710</u>	<u>\$ 248,445</u>	<u>\$ -</u>

NORTHSTAR COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

8. DEBT WITHOUT GOVERNMENT COMMITMENT

During 2005 and 2006, bonded debt was issued by a special assessment district known as Community Facilities District #1 (CFD) to finance infrastructure improvements and facilities within the District's boundaries. The District has no legal responsibility with respect to the payment of the debt and the proceeds will be used for various projects in the County of Placer and Northstar Community Services District. Therefore, the District has not recorded it as a liability. The debt is to be repaid from a special tax levied on properties within the CFD. The District is responsible for a portion of the construction and improvements financed by the special assessment district. Therefore, the related capital projects fund is reflected in the District's financial statements. The District also acts as the CFD's agent with respect to the receipts, disbursements and balances. These amounts are reported as agency fund transactions. The following includes information related to the outstanding debt as of June 30, 2014.

In December 2005, the Northstar Community Services District Community Facilities District No. 1 issued Special Tax Bonds, Series 2005 in the amount of \$56,125,000, with interest rates ranging from 3.80% to 5.55%.

In December 2006, the Northstar Community Services District Community Facilities District No. 1 issued Special Tax Bonds, Series 2006 in the amount of \$58,590,000, with interest rates ranging from 3.90% to 5.00%.

At June 30, 2014, the outstanding bonds consisted of the following:

Description	Date Of Issue	Interest Rates	Maturity Date Sept 1,	Amount of Original Issue	Outstanding July 1, 2013	Redeemed Current Year	Outstanding June 30, 2014
Series 2005	2005	3.80% - 5.55%	2036	\$ 56,125,000	\$ 54,975,000	\$ 465,000	\$ 54,510,000
Series 2006	2006	3.90% - 5.00%	2037	58,590,000	57,745,000	395,000	57,350,000
				<u>\$ 114,715,000</u>	<u>\$ 112,720,000</u>	<u>\$ 860,000</u>	<u>\$ 111,860,000</u>

NORTHSTAR COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

8. DEBT WITHOUT GOVERNMENT COMMITMENT (CONTINUED)

The annual requirements to pay the bonds outstanding as of June 30, 2014 are as follows:

Year Ended June 30	Principal	Interest	Total
2015	\$ 1,035,000	\$ 5,804,329	\$ 6,839,329
2016	1,220,000	5,751,491	6,971,491
2017	1,415,000	5,688,339	7,103,339
2018	1,625,000	5,614,970	7,239,970
2019	1,850,000	5,530,088	7,380,088
2020-2024	13,195,000	25,888,583	39,083,583
2025-2029	21,565,000	21,399,914	42,964,914
2030-2034	32,895,000	14,294,780	47,189,780
2035-2038	37,060,000	3,999,118	41,059,118
	<u>\$ 111,860,000</u>	<u>\$ 93,971,612</u>	<u>\$ 205,831,612</u>

9. OTHER POSTEMPLOYMENT BENEFITS

A. PLAN DESCRIPTION

Northstar Community Services District participates in the California Public Employees' Retirement System (CalPERS), an agent multiple-employer defined benefit healthcare plan as permitted under the Public Employees Medical and Hospital and Care Act (PEMHCA). The District is required to contribute minimum employer contributions incurred by the CalPERS medical program for the retiree's lifetime or until coverage is discontinued. In fiscal year 2014, minimum employer contributions were \$119 per month per retiree.

B. FUNDING POLICY

The District's Board of Directors is only funding the plan on a pay-as-you-go basis. The Board will review the funding requirements and policy annually.

NORTHSTAR COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

C. ANNUAL OPEB COST AND NET OPEB OBLIGATION

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over an amortization period of 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in its net OPEB obligation to the Retiree Health Plan:

	Admin	Fire	Operations	Fuels	Total
Annual required Contribution	\$ 17,741	\$ 58,281	\$ 23,225	\$2,788	\$ 102,035
Interest on net OPEB obligation	2,541	7,908	3,843	276	14,568
Adjustment to annual required contribution	(2,778)	(8,644)	(4,202)	(301)	(15,925)
 Annual OPEB cost (expense)	 17,504	 57,545	 22,866	 2,763	 100,678
Contributions made	(2,818)	(5,897)	(1,710)	(3)	(10,428)
 Increase in net OPEB obligation	 14,686	 51,648	 21,156	 2,760	 90,250
Net OPEB obligation - beginning of year	63,527	197,694	96,084	6,895	364,200
Net OPEB obligation - end of year	<u>\$ 78,213</u>	<u>\$249,342</u>	<u>\$ 117,240</u>	<u>\$9,655</u>	<u>\$454,450</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the last three fiscal years is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 107,533	7.33%	\$ 277,870
June 30, 2013	\$ 94,502	8.65%	\$ 364,200
June 30, 2014	\$ 100,678	10.36%	\$ 454,450

NORTHSTAR COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

9. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

D. METHODS AND ASSUMPTIONS

The annual required contribution was determined as part of a June 30, 2013 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 4.0% investment rate of return, (b) 3.25% projected annual salary increase and health care cost trend increasing 4.5% annually

10. NON-MONETARY TRANSACTION

The District entered into a barter transaction with Northstar Community Housing Corporation during the fiscal year ended June 30, 2007 in which water and sewer connection and user fees were exchanged for employee housing services. Employee housing services will end once the credit has been exhausted or in thirty years, whichever comes first. Any credit not used by the end of the 30-year period will be paid to the District. As a result of this transaction, the District has a prepaid asset in the proprietary funds balance sheet of \$190,837 at June 30, 2014.

11. FUND BALANCES

The District reports fund balances in accordance with Governmental Accounting Standards Board Statement No. 54. All fund balance categories are reported in the aggregate on the face of the balance sheet. All components of those fund balances and specific purposes are identified as follows:

	General Fund	Capital Projects Fund	Totals
Nonspendable:			
Prepaid Expenses	\$ 137,378	\$ -	\$ 137,378
Committed:			
Capital projects	-	2,078,167	2,078,167
Fire	836,691	-	836,691
Roads	261,332	-	261,332
Admin	526,243	-	526,243
Total committed	<u>1,624,266</u>	<u>2,078,167</u>	<u>3,702,433</u>
Unassigned	4,902,443	-	4,902,443
Total Fund Balances	<u>\$ 6,664,087</u>	<u>\$ 2,078,167</u>	<u>\$ 8,742,254</u>

NORTHSTAR COMMUNITY SERVICES DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

12. RISK MANAGEMENT

The District is a member of two jointly governed organizations, which provide coverage for various potential losses. For workers' compensation losses, property, general and auto liability and auto physical damage the District is a member of Special Districts Risk Management Authority (SDRMA). For property, general and auto liability and auto physical damage, the District's fire department is a member of Fire Agencies Insurance Risk Authority (FAIRA).

SDRMA and FAIRA are governed by Boards consisting of representatives from member agencies. The Board controls the operations, including selection of management and approval of operating budgets, independent of any influence by the member agencies beyond their representation on the Board. Each member agency pays a contribution commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the joint powers authority. Full financial statements are available separately from the respective agencies. Condensed information for SDRMA and FAIRA are as follows:

	<u>SDRMA</u> <u>June 30, 2014</u>	<u>FAIRA</u> <u>June 30, 2014</u>
Total Assets	\$ 103,447,984	\$ 3,248,917
Total Liabilities	\$ 50,078,187	\$ 132,423
Net Position	\$ 53,369,797	\$ 3,116,494
Total Revenues	\$ 52,110,542	\$ 2,949,790
Total Expenses	\$ 54,386,242	\$ 2,888,207
Change in Net Position	\$ (2,275,700)	\$ 61,583

13. SUBSEQUENT EVENTS

Management has reviewed its financial statements and evaluated subsequent events for the period of time from its year ended June 30, 2014 through May 14, 2015, the date the financial statements were issued. Management is not aware of any subsequent events other than the issuance of refunding bonds described below that would require recognition or disclosure in the accompanying financial statements.

In July 2014, the District issued Special Tax Refunding bonds to refund a portion of CFD No. 1 Special Tax Bonds, Series 2005 and Series 2006, fund a deposit to the parity reserve fund for the Bonds and pay the costs of issuance. Interest on the bonds is payable every September 1 and March 1 beginning on September 1, 2014. Principal on the bonds will be payable on September 1 beginning on September 1, 2015. The bonds will currently refund \$21,140,000 of the 2005 and 2006 Special Tax Bonds.

The bonds carry interest rates of 4.00% and 5.00% and will fully mature on September 1, 2026.

**REQUIRED SUPPLEMENTARY
INFORMATION**

NORTHSTAR COMMUNITY SERVICES DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL – GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		<u>(Unfavorable)</u>
REVENUE				
Taxes and assessments	\$ 4,667,238	\$ 4,667,238	\$ 4,619,126	\$ (48,112)
Fees and other non-tax revenue	253,140	253,140	333,937	80,797
Interest	-	-	36,298	36,298
Fire mitigation fees	6,000	6,000	6,788	788
Grant revenue	774,292	774,292	371,918	(402,374)
Other	138,000	138,000	402,575	264,575
Total revenue	<u>5,838,670</u>	<u>5,838,670</u>	<u>5,770,642</u>	<u>(68,028)</u>
EXPENDITURES				
General government	46,672	46,672	48,115	(1,443)
Public safety	4,702,909	4,702,909	4,298,462	404,447
Streets	358,482	358,482	246,425	112,057
Trails	663,482	663,482	619,853	43,629
Capital Outlay	106,222	106,222	102,780	3,442
Total expenditures	<u>5,877,767</u>	<u>5,877,767</u>	<u>5,315,635</u>	<u>562,132</u>
NET CHANGES IN FUND BALANCES	(39,097)	(39,097)	455,007	494,104
FUND BALANCE, beginning of year	<u>6,209,080</u>	<u>6,209,080</u>	<u>6,209,080</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ 6,169,983</u>	<u>\$ 6,169,983</u>	<u>\$ 6,664,087</u>	<u>\$ 494,104</u>

NORTHSTAR COMMUNITY SERVICES DISTRICT

**SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS**

FOR THE YEAR ENDED JUNE 30, 2014

<u>Actuarial Valuation Date</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (a)</u>	<u>Actuarial Value of Assets (b)</u>	<u>Unfunded Liability (UAAL) (a-b)</u>	<u>Funded Status (b/a)</u>	<u>Annual Covered Payroll (c)</u>	<u>UAAL as a % of payroll ([a-b]/c)</u>
June 30, 2010	\$ 632,805	\$ -	\$ 632,805	0%	\$ 2,849,895	22.2%
June 30, 2013	\$ 820,225	\$ -	\$ 820,225	0%	\$ 2,937,660	27.9%

NORTHSTAR COMMUNITY SERVICES DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014

PURPOSE OF SCHEDULES

A Budgetary Comparison Schedule

The District employs budget control by account codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Directors to provide for revised priorities. Expenditures cannot legally exceed appropriations by object level, which is a category of account codes such as salaries and benefits or charges for services. The originally adopted and final revised budget for the General Fund is presented as Required Supplementary Information. The budgeting is done on the cash basis which is an other comprehensive basis of accounting.

B - Schedule of Funding Progress - Other Postemployment Benefits

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets.

**SUPPLEMENTARY
INFORMATION**

NORTHSTAR COMMUNITY SERVICES DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

<u>ASSETS</u>	Balance <u>June 30, 2013</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance <u>June 30, 2014</u>
Cash and cash equivalents				
Series 2005 Bonds	\$ 10,308,969	\$ 2,878,236	\$ 3,444,702	\$ 9,742,503
Series 2006 Bonds	4,314,308	4,217,769	3,252,858	5,279,219
Total assets	<u>\$ 14,623,277</u>	<u>7,096,005</u>	<u>6,697,560</u>	<u>\$ 15,021,722</u>
<u>LIABILITIES</u>				
Due to others	<u>\$ 14,623,277</u>	<u>\$ 7,096,005</u>	<u>\$ 6,697,560</u>	<u>\$ 15,021,722</u>

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APPENDIX B

INFORMATION REGARDING THE REGION

The following information concerning the Town of Truckee, the County of Riverside (the "County") and the State of California (the "State") are presented as general background information. The Bonds are not an obligation of Truckee, the County or the State and the taxing the power of Truckee, the County and the State are not pledged to the payment of the Bonds.

The County and the Town of Truckee

The Northstar Community Services District's (the "District") is located in the County of Placer (the "County"). The County has an estimated area of 1,506 square miles. The County is bordered by the State of Nevada on the east, Nevada County on the north, Yuba and Sutter County on the west and by Sacramento and El Dorado Counties on the south, and is included in the four-county Sacramento Metropolitan Statistical Area. There are six incorporated cities in the County, with Auburn as the County seat. The communities of Roseville, Rocklin and Lincoln, in the southeastern valley area of Placer County, and the city of Auburn in the central Gold Country area of the County, comprise the County's principal population centers. The County's diverse economy and geography encompasses the California side of North Lake Tahoe, where tourism is the primary economic activity, and South Placer in the Sacramento metropolitan area, where the technology sector is the leading employer. The County has a large winter tourist industry with nine ski resorts and a wide variety of summer activities.

The Town of Truckee ("Truckee"), which neighbors the District, is located approximately ninety miles northeast of Sacramento and approximately twelve miles north of Lake Tahoe. The Town of Truckee occupies thirty-four square miles and has a population of approximately 17,000.

The District has been unable to locate publicly available sources that reflect the demographics of the District. However, the following seven tables reflect demographic information about the County as a whole and the Town of Truckee. While the County includes the District and the Town of Truckee borders the District, the information in the following seven tables may not accurately reflect the demographics of the District. The vast majority of residential units in the District are second homes. The District estimates a year-round residential population of 158 which is based upon the number of registered voters in the District. Assuming that the roughly 2,000 completed residential units are at full occupancy with an average of four persons per unit, the District's maximum population could reach 8,000. Combined with a peak skier day, the actual number of people within the District's area could conceivably reach 15,000. Most of the second home owners and day skier visitors are from the San Francisco Bay area.

Population

The following table summarizes population estimates for the Town of Truckee, the County and the State from 2001 through 2015.

**POPULATION ESTIMATES
THE COUNTY OF PLACER AND STATE OF CALIFORNIA
2001-2015**

<i>Year⁽¹⁾</i>	<i>Town of Truckee</i>	<i>Placer County⁽²⁾⁽³⁾</i>	<i>State of California⁽²⁾⁽³⁾</i>
2001	14,113	258,293	34,256,789
2002	14,533	270,845	34,725,516
2003	14,722	283,703	35,163,609
2004	15,043	296,712	35,570,847
2005	15,364	307,710	35,869,173
2006	15,527	317,437	36,116,202
2007	15,723	325,985	36,399,676
2008	15,975	333,805	36,704,375
2009	16,112	340,995	36,966,713
2010	16,166	347,133	37,223,900
2011	16,002	351,463	37,427,946
2012	15,981	358,147	37,680,593
2013	16,046	361,733	38,030,609
2014	16,087	366,678	38,357,121
2015	16,211	369,454	38,714,725

⁽¹⁾ January 1 estimate.

⁽²⁾ Population Estimates for 2001-2010 with 2000 and 2010 Census Counts.

⁽³⁾ Population Estimates for 2011-2015 with 2010 Benchmark

Source: California State Department of Finance, Demographic Research Unit.

Employment

The following table summarizes the annual labor force, employment and unemployment figures for 2009-2014 for the Town of Truckee, the County, the State and the nation as a whole.

TOWN OF TRUCKEE, COUNTY OF PLACER, STATE OF CALIFORNIA AND UNITED STATES AVERAGE ANNUAL CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT

<i>Year and Area</i>	<i>Labor Force</i>	<i>Employment⁽¹⁾</i>	<i>Unemployment⁽²⁾</i>	<i>Unemployment Rate (%)⁽³⁾</i>
2009				
Town of Truckee	9,670	8,810	860	8.9%
Placer County	179,800	161,100	18,700	10.4
California	18,215,100	16,182,600	2,032,600	11.2
United States ⁽⁴⁾	154,142,000	139,877,000	14,265,000	9.3
2010				
Town of Truckee	10,170	9,020	1,160	11.4%
Placer County	173,200	153,100	20,100	11.6
California	18,336,300	16,091,900	2,244,300	12.2
United States ⁽⁴⁾	153,889,000	139,064,000	14,825,000	9.6
2011				
Town of Truckee	10,190	9,100	1,090	10.7%
Placer County	173,700	154,900	18,800	10.8
State of California	18,419,500	16,260,100	2,159,400	11.7
United States ⁽⁴⁾	153,617,000	139,869,000	13,747,000	8.9
2012				
Town of Truckee	10,080	9,130	950	9.4%
Placer County	175,300	158,900	16,400	9.4
State of California	18,554,800	16,630,100	1,924,700	10.4
United States ⁽⁴⁾	154,975,000	142,469,000	12,506,000	8.1
2013				
Town of Truckee	10,000	9,220	780	7.8%
Placer County	175,900	162,300	13,600	7.7
State of California	18,671,600	17,002,900	1,668,700	8.9
United States ⁽⁴⁾	155,389,000	143,929,000	11,460,000	7.4
2014				
Town of Truckee	9,970	9,330	640	6.4%
Placer County	176,600	165,500	11,100	6.3
State of California	18,811,400	17,397,100	1,414,300	7.5
United States ⁽⁴⁾	155,922,000	146,305,000	9,617,000	6.2

(1) Includes persons involved in labor-management trade disputes.

(2) Includes all persons without jobs who are actively seeking work.

(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.

(4) Not strictly comparable with data for prior years.

Source: California Employment Development Department, March 2014 Benchmark and U.S. Department of Labor, Bureau of Labor Statistics.

Assessment Appeals

Property owners that dispute the value of their property may file an assessment appeal with the County Assessor. California Community Redevelopment Law, Health and Safety Code Section 33000, *et seq.* provides for Proposition 8 appeals and Base Year appeals. In most cases, an applicant files an assessment appeal because present market conditions, such as residential home prices or decreased lease rates, cause the property to be worth less than its assessed value. These market-driven appeals are referred to as Proposition 8 appeals. Although these reductions are temporary, the assessed values reduced pursuant to Proposition 8 are frequently reduced from their original value for multiple years until market conditions improve. Base Year appeals are when property owners challenge the original (basis) value of their property. Because a successful Base Year appeal could reduce the basis value used to compute future reassessments pursuant to Proposition 13, Base Year appeals may have a more long-term effect on assessed values as compared to Proposition 8 appeals.

According to the County Assessor data, there are currently 30 parcels in the District under appeal seeking a total reduction in assessed value of \$98,255,156. If all the appeals were approved, the assessed value of property within the District would be reduced by approximately 7%. However, the primary cause of this reduction is an appeal by Northstar California claiming that the property it operates, inclusive of its mountain resort, has a value of \$0. The District does not believe that Northstar California's appeal has any merit, so the result of these appeals should only have a minimal impact on the assessed value of property within the District.

APPENDIX C

SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS

The following statements are summaries of the Lease Agreement (“the Lease Agreement”), the Sublease Agreement (the “Sublease Agreement”), the Indenture (the “Indenture”) and the Assignment Agreement (the “Assignment Agreement”). **These statements are qualified in their entirety by reference to the full terms of the Lease Agreement, the Sublease Agreement, the Indenture and the Assignment Agreement, copies of which may be obtained from the District.**

DEFINITIONS OF CERTAIN TERMS

The following sets forth the definitions of certain words and terms used in this Summary of the Principal Legal Documents.

“**Act**” means the Marks-Roos Local Bond Pooling Act of 1985, commencing with Section 6584 of the California Government Code.

“**Additional Bonds**” means Bonds other than the Series 2015 Bonds issued under the Indenture in accordance with the provisions thereof.

“**Additional Rental Payments**” means all amounts payable by the District as Additional Rental Payments pursuant to the Sublease Agreement.

“**Assignment Agreement**” means the Assignment Agreement, by and between the Authority and the Trustee, dated as of June 1, 2015, as the same may be amended or supplemented pursuant to the provisions thereof.

“**Authority**” means the Northstar Community Services District Financing Authority, a joint exercise of powers entity organized and existing under and by virtue of the laws of the State of California.

“**Authorized Authority Representative**” means the Chair or the Executive Director of the Authority, and any other person authorized by the Board of Directors of the Authority to act on behalf of the Authority under or with respect to the Indenture.

“**Authorized District Representative**” means the President of the Board of Directors, the General Manager of the District and any other person authorized by the Board of Directors of the District to act on behalf of the District under or with respect to the Indenture.

“**Base Rental Payment Fund**” means the fund by that name established in accordance with the Indenture.

“**Base Rental Payments**” means all amounts payable to the Authority by the District as Base Rental Payments pursuant to the Sublease Agreement.

“**Base Rental Payment Schedule**” means the schedule of Base Rental Payments payable to the Authority from the District pursuant to the Sublease Agreement and attached thereto as Exhibit C.

“**Beneficial Owner**” means, whenever used with respect to a Book-Entry Bond, the person whose name is recorded as the beneficial owner of such Book-Entry Bond or a portion of such Book-Entry Bond by a Participant or the records of such Participant or such person’s subrogee.

“**Bonds**” means the Series 2015 Bonds and any Additional Bonds.

“**Book-Entry Bonds**” means the Bonds of a Series registered in the name of the nominee of DTC, or any successor securities depository for such Series of Bonds, as the registered owner thereof pursuant to the terms and provisions of the Indenture.

“**Business Day**” means a day which is not (a) a Saturday, Sunday or legal holiday, (b) a day on which banking institutions in the State of California, or in any state in which the principal corporate trust office of the Trustee is located, are required or authorized by law (including executive order) to close, or (c) a day on which the New York Stock Exchange is closed.

“**Certificate of the District**” means an instrument in writing signed by an Authorized District Representative. If and to the extent required by the provisions of the Indenture, each Certificate of the District will include the statements provided for in the Indenture.

“**Closing Date**” means June 23, 2015.

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

“**Construction Fund**” means the fund by that name established in accordance with the Indenture.

“**Continuing Disclosure Certificate**” means the Continuing Disclosure Certificate, dated as of June 1, 2015, executed by the District, as originally executed and as it may from time to time be amended in accordance with the terms thereof.

“**Costs of Issuance**” means all the costs of issuing and delivering the Bonds, including, but not limited to, all printing and document preparation expenses in connection with the Indenture, the Sublease Agreement, the Lease Agreement, the Assignment Agreement, the Bonds and the preliminary official statement and final official statement pertaining to the Bonds, rating agency fees, CUSIP Service Bureau charges, market study fees, legal fees and expenses of counsel with the issuance and delivery of the Bonds, any computer and other expenses incurred in connection with the execution and delivery of the Bonds, the initial fees and expenses of the Trustee and its counsel, the premiums with respect to the Insurance Policy and the Reserve Policy and other fees and expenses incurred in connection with the issuance and delivery of the Bonds, to the extent such fees and expenses are approved by the District.

“**Costs of Issuance Fund**” means the fund by that name established in accordance with the Indenture.

“**District**” means the Northstar Community Services District, a community services district duly organized and existing under and by virtue of the Constitution and laws of the State of California.

“**DTC**” means The Depository Trust Company, a limited-purpose trust company organized under the laws of the State of New York, and its successors as securities depository for any Series of Book-Entry Bonds, including any such successor appointed pursuant to the Indenture.

“**Defeasance Securities**” means (a) non-callable direct obligations of the United States of America (“Treasuries”), (b) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (c) subject to the prior written consent of the Insurer, pre-refunded municipal obligations rated “AAA” and “Aaa” by S&P and Moody’s, respectively, or (d) subject to the prior written consent of the Insurer, securities eligible for “AAA” defeasance under then-existing criteria of S&P or any combination thereof.

“Lease Agreement” means the Lease Agreement, dated as of June 1, 2015, by and between the District and the Authority, as originally executed and as it may from time to time be amended in accordance with the provisions thereof and of the Sublease Agreement.

“Indenture” means the Indenture, dated as of June 1, 2015, by and among the Authority, the District and the Trustee, as originally executed and as it may from time to time be amended or supplemented in accordance with the provisions thereof.

“Insurance Policy” means the insurance policy issued by the Insurer guaranteeing the scheduled payment of principal of and interest on the Series 2015 Bonds when due.

“Insurer” means Assured Guaranty Municipal Corp., a New York stock insurance company, or any successor thereto or assignee thereof.

“Interest Fund” means the fund by that name established in accordance with the Indenture.

“Interest Payment Date” means June 1 and December 1 of each year, commencing on December 1, 2015.

“Sublease Agreement” means the Sublease Agreement, dated as of June 1, 2015, by and between the District and the Authority, as originally executed and as it may be from time to time amended in accordance with the provisions thereof.

“Moody’s” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, except that if such corporation will no longer perform the function of a securities rating agency for any reason, the term “Moody’s” will be deemed to refer to any other nationally recognized securities rating agency selected by the Authority and approved by the Trustee.

“Net Insurance Proceeds” means any insurance proceeds or condemnation award in excess of \$50,000, paid with respect to any of the Property, remaining after payment therefrom of all reasonable expenses incurred in the collection thereof.

“Office of the Trustee” means the principal corporate trust office of the Trustee in Los Angeles, California, or such other office as may be specified to the Authority and the District by the Trustee in writing, except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the office or the agency of the Trustee at which, at any particular time, its corporate trust agency shall be conducted as specified to the Authority and the District by the Trustee in writing.

“Opinion of Counsel” means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the Authority or the District and satisfactory to and approved by the Trustee.

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except:

- (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;
- (b) Bonds with respect to which all liability of the Authority will have been discharged in accordance with the Indenture; and
- (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds will have been authenticated and delivered by the Trustee pursuant to the Indenture.

“**Owner**” means, with respect to a Bond, the Person in whose name such Bond is registered on the Registration Books.

“**Participant**” means any entity which is recognized as a participant by DTC in DTC’s book-entry system of maintaining records with respect to Book-Entry Bonds.

“**Participating Underwriter**” has the meaning ascribed thereto in the Continuing Disclosure Certificate.

“**Permitted Encumbrances**” means, with respect to the Property, as of any particular time, (a) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the District may, pursuant to provisions of the Sublease Agreement, permit to remain unpaid, (b) the Assignment Agreement, (c) the Sublease Agreement, (d) the Lease Agreement, (e) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law as normally exist with respect to properties similar to the Property for the purposes for which it was acquired or is held by the District, (f) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the Closing Date which the District certifies in writing will not affect the intended use of the Property or impair the security granted to the Trustee for the benefit of the Owners of the Bonds by the Indenture and the Assignment Agreement and to which the Authority and the District consent in writing, and (g) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the Closing Date which the District certifies in writing do not affect the intended use of the Property or impair the security granted to the Trustee for the benefit of the Owners of the Bonds by the Indenture and the Assignment Agreement and to which the Authority and the District consent in writing.

“**Permitted Investments**” means any of the following to the extent then permitted by the general laws of the State of California:

(1) (a) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America (“United States Treasury Obligations”), (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (d) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated (collectively “United States Obligations”). These include, but are not necessarily limited to:

- U.S. Treasury obligations
All direct or fully guaranteed obligations
- Farmers Home Administration
Certificates of beneficial ownership
- General Services Administration
Participation certificates
- U.S. Maritime Administration
Guaranteed Title XI financing
- Small Business Administration
Guaranteed participation certificates
Guaranteed pool certificates
- Government National Mortgage Association (GNMA)
GNMA-guaranteed mortgage-backed securities

- GNMA-guaranteed participation certificates
- U.S. Department of Housing & Urban Development
 - Local authority bonds
- Washington Metropolitan Area Transit Authority
 - Guaranteed transit bonds

(2) Federal Housing Administration debentures.

(3) The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

- Federal Home Loan Mortgage Corporation (FHLMC)
 - Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)
 - Senior debt obligations
- Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives)
 - Consolidated systemwide bonds and notes
- Federal Home Loan Banks (FHL Banks)
 - Consolidated debt obligations
- Federal National Mortgage Association (FNMA)
 - Senior debt obligations
 - Mortgage-backed securities (excluded are stripped mortgages securities which are purchased at prices exceeding their principal amounts)
- Student Loan Marketing Association (SLMA)
 - Senior debt obligations (excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date)
- Financing Corporation (FICO)
 - Debt obligations
- Resolution Funding Corporation (REFCORP)
 - Debt obligations

(4) Unsecured certificates of deposit, time deposits, and bankers' acceptances (having maturities of not more than 180 days) of any bank, including the Trustee and its affiliates, the short-term obligations of which are rated "A-1+" or better by S&P and "P-I" or better by Moody's.

(5) Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks, including the Trustee and its affiliates, which have capital and surplus of at least \$5 million.

(6) Commercial paper (having original maturities of not more than 270 days) rated "A-1+" by S&P and "Prime-1" by Moody's, including funds for which the Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Trustee provide investment advisory or other management services.

(7) Money market funds rated "AAm" or "AAm-G" or better by S&P and "AA" or better by Moody's.

(8) Repurchase agreements:

(a) With any domestic bank the long term debt of which is rated "AA" or better by S&P and Moody's (so long as an opinion is rendered that the repurchase agreement is a "repurchase agreement" as defined in the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") and that

such bank is subject to FIRREA), or any foreign bank rated at least “AA” by S&P and “Aaa” by Moody’s or “AAA” by S & P and at least “Aa” by Moody’s; provided the term of such repurchase agreement is for one year or less.

(b) With (i) any broker-dealer with “retail customers” which has, or the parent company of which has, long-term debt rated at least “AA” by S&P and “Aa” by Moody’s, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corp. (SIPC); provided that:

A. The market value of the collateral is maintained for United States Treasury Obligations, at the levels shown below under “Collateral Levels for United States Treasury Obligations”;

B. Failure to maintain the requisite collateral percentage will require the District or the Trustee to liquidate the collateral;

C. The Trustee, the District or a third party acting solely as agent therefor (the “Holder of the Collateral”) has possession of the collateral or the collateral has been transferred to the holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor’s books);

D. The repurchase agreement states, and an opinion of counsel is rendered to the effect, that the Trustee has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

E. The transferor represents that the collateral is free and clear of any third-party liens or claims;

F. An opinion is rendered that the repurchase agreement is a “repurchase agreement” as defined in the United States Bankruptcy Code;

G. There is or will be a written agreement governing every repurchase transaction;

H. Each of the District and the Trustee represents that it has no knowledge of any fraud involved in the repurchase transaction: and

I. The District and the Trustee receive an opinion of counsel (which opinion will be addressed to the District and the Trustee) that such repurchase agreement is legal, valid and binding and enforceable against the provider in accordance with its terms,

(9) State Obligations

(a) Direct general obligations of any state of the United States or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated “A” by Moody’s and “A” by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.

(b) Direct, general short-term obligations of any state agency or subdivision described in (a) above and rated “A-1+” by S&P and “Prime-1” by Moody’s.

(c) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (a) above and rated “AA” or better by S&P and “Aa” or better by Moody’s.

(10) Local Agency Investment Fund of the State of California.

(11) Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt of the guarantor, or in the case of a monoline financial guaranty insurance company the claims paying ability of the guarantor, is rated at least “AA” by S&P and “Aa” by Moody’s; provided, that prior written notice of an investment in the investment agreement is provided to S&P and, provided, further, by the terms of the investment agreement:

(a) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) on the Bonds;

(b) the invested funds are available for withdrawal without penalty or premium, at any time for purposes identified in the Indenture other than acquisition of alternative investment property upon not more than seven days prior notice (which notice may be amended or withdrawn at any time prior to the specified withdrawal date); provided that the Indenture specifically requires the Trustee or the District to give notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

(c) the investment agreement will state that it is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof;

(d) a fixed guaranteed rate of interest is to be paid on invested funds and all future deposits, if any, required to be made to restore the amount of such funds to the level specified under the Indenture;

(e) the Trustee and the District receive the opinion of domestic counsel (which opinion will be addressed to the District) that such investment agreement is legal, valid and binding and enforceable against the provider in accordance with its terms and of foreign counsel (if applicable);

(f) the investment agreement will provide that if during its term (A) the provider’s or the guarantor’s rating by either Moody’s or S&P is withdrawn or suspended or falls below “AA” or “Aa”, respectively, or, with respect to a foreign bank, below the ratings of such provider at the delivery date of the investment agreement, the provider must, at the direction of the District or the Trustee within 10 days of receipt of such direction, either (1) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider’s books) to the Trustee, the District or a Holder of the Collateral, United States Treasury Obligations which are free and clear of any third-party liens or claims at the Collateral Levels set forth below; or (2) repay the principal of and accrued but unpaid interest on the investment (the choice of (1) or (2) above will be that of the District or Trustee, as appropriate), and (B) the provider’s or the guarantor’s rating by either Moody’s or S&P is withdrawn or suspended or falls below “A”, or, with respect to a foreign bank, below “AA” or “Aa” by S&P or Moody’s, as appropriate, the provider must, at the direction of the District or the Trustee, within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the District or Trustee;

(g) the investment agreement will state, and an opinion of counsel will be rendered to the effect, that the Trustee has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Trustee is in possession); and

(h) the investment agreement must provide that if during its term (A) the provider will default in its payment obligations, the provider’s obligation under the investment agreement will, at the direction of the District or the Trustee, be accelerated and amounts invested and accrued but unpaid interest

thereon will be repaid to the District or Trustee, as appropriate, and (B) the provider will become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. (“event of insolvency”), the provider’s obligations will automatically be accelerated and amounts invested and accrued but unpaid interest thereon will be repaid to the District or Trustee, as appropriate.

(12) Pre-refunded municipal obligations rated “AAA” by S&P and “Aaa” by Moody’s meeting the following requirements:

(a) the municipal obligations are (i) not subject to redemption prior to maturity or (ii) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

(b) the municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

(c) the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations (“Verification”);

(d) the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations; and

(e) no substitution of a United States Treasury Obligation will be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and

(f) the cash or the United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

Collateral Levels For United States Treasury Obligations

Remaining Maturity

<i>Frequency of Valuation</i>	<i>1 year or less</i>	<i>5 years or less</i>	<i>10 years or less</i>	<i>15 years or less</i>	<i>30 years or less</i>
Daily	102	105	106	108	114
Weekly	103	111	112	114	120
Monthly	105	117	120	125	133
Quarterly	107	120	130	133	140

Further Requirements: (a) On each valuation date the District, the Trustee, or the custodian who will confirm to the District and the Trustee, will value the market value (exclusive of accrued interest) of the collateral, which market value will be an amount equal to the requisite collateral percentage times the principal amount of the investment (including unpaid accrued interest thereon) that is being secured, (b) in the event the collateral level is below its collateral percentage on a valuation date, such percentage will be restored within the following restoration periods: one Business Day for daily valuations, two Business Days for weekly and monthly valuations, and one month for quarterly valuations (the use of different restoration periods affect the requisite collateral percentage), (c) the District or the Trustee will terminate the repurchase agreement or the investment agreement, as the case may be, upon a failure to maintain the requisite collateral percentage after the restoration period and, if not paid by the counterparty in federal funds against transfer of the collateral, liquidate the collateral.

“Person” means an individual, corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Principal Fund” means the fund by that name established in accordance with the Indenture.

“Project Costs” means all costs of acquiring, constructing and installing the 2015 Project, including but not limited to:

(a) all costs which the Authority or the District will be required to pay to a seller or any other person under the terms of any contract or contracts for the purchase of the 2015 Project;

(b) all costs which the Authority or the District will be required to pay a contractor or any other person for the acquisition, construction and installation of the 2015 Project;

(c) obligations of the Authority or the District incurred for services (including obligations payable to the Authority or the District for actual out-of-pocket expenses of the Authority or the District) in connection with the acquisition, construction and installation of the 2015 Project, including reimbursement to the Authority or the District for all advances and payments made in connection with the 2015 Project prior to or after delivery of the Bonds;

(d) the actual out-of-pocket costs of the Authority or the District for test borings, surveys, estimates and preliminary investigations therefor, as well as for the performance of all other duties required by or consequent to the proper acquisition, construction and installation of the 2015 Project, including administrative expenses under the Sublease Agreement and under the Indenture relating to the acquisition, construction and installation of the 2015 Project; and

(e) any sums required to reimburse the Authority or the District for advances made by the Authority or the District for any of the above items or for any other costs incurred and for work done by the Authority or the District which are properly chargeable to the 2015 Project.

“Property” means the real property described in Exhibit A to the Sublease Agreement and the improvements located thereon.

“Rebate Fund” means the fund by that name established in accordance with the Indenture.

“Record Date” means the fifteenth day of the month next preceding an Interest Payment Date, whether or not such day is a Business Day.

“Redemption Fund” means the fund by that name established in accordance with the Indenture.

“Redemption Price” means the aggregate amount of principal of and premium, if any, on the Bonds upon the redemption thereof pursuant hereto.

“Registration Books” means the records maintained by the Trustee for the registration of ownership and registration of transfer of the Bonds pursuant to the Indenture.

“Rental Payments” means, collectively, the Base Rental Payments and the Additional Rental Payments.

“Rental Period” means the period from the Closing Date through May 30, 2016 and, thereafter, the twelve-month period commencing on June 1 of each year during the term of the Sublease Agreement.

“Reserve Fund” means the fund by that name created pursuant to the Indenture.

“Reserve Policy” means the municipal bond debt service reserve insurance policy relating to the Series 2015 Bonds issued by the Insurer.

“Reserve Requirement” means initially: (i) \$133,600; and thereafter (ii) 50% of the maximum payments of principal of and interest on the Bonds payable the bond year in which the calculation is being made or in any year thereafter. In lieu of cash, the Reserve Requirement may be satisfied, in part or in whole, by the deposit into the Reserve Fund of a credit instrument, including the Reserve Policy.

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, except that if such entity will no longer perform the functions of a securities rating agency for any reason, the term “S&P” will be deemed to refer to any other nationally recognized securities rating agency selected by the Authority and approved by the Trustee.

“Series” means the Series 2015 Bonds executed, authenticated and delivered on the Closing Date and identified pursuant to the Indenture and any Additional Bonds issued pursuant to a Supplemental Indenture and identified as a separate Series of Bonds.

“Series 2015 Bonds” means the Northstar Community Services District Financing Authority Lease Revenue Refunding Bonds, Series 2015” issued under the Indenture.

“Sinking Fund Payment” means the annual payment to be deposited in the Principal Fund to redeem a portion of the Term Bonds in accordance with the schedule set forth in the Indenture and any annual sinking fund payment schedule to retire any Additional Bonds which are designated as Term Bonds.

“Supplemental Indenture” means any supplemental indenture amendatory of or supplemental to the Indenture, but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

“Tax Certificate” means the Tax Certificate executed by the Authority and the District at the time of issuance of the Series 2015 Bonds relating to the requirements of Section 148 of the Code, as originally executed and as it may from time to time be amended in accordance with the provisions thereof.

“Term Bonds” means the Series 2015 Bonds maturing on June 1, 2037 and June 1, 2045 and any term maturities of an issue of Additional Bonds as specified in a Supplemental Indenture.

“Termination Date” means June 1, 2045, unless extended or sooner terminated as provided in the Sublease Agreement.

“Trustee” means the Wells Fargo Bank, National Association, a national banking association organized and existing under the laws of the United States, or any successor thereto as Trustee under the Indenture, appointed as provided in the Indenture.

“2015 Project” means the improvements, facilities and equipment described in Exhibit B to the Sublease Agreement.

“Written Request of the Authority” means a written request signed in the name of the Authority by an Authorized Authority Representative.

“Written Request of the District” means a written request signed in the name of the District by an Authorized District Representative.

THE LEASE AGREEMENT

The District leases to the Authority, and the Authority leases from the District, for the benefit of the Owners of the Bonds, the Property, subject only to Permitted Encumbrances for the term of the Lease Agreement. The parties intend that the Property will be leased back to the District pursuant to the Sublease Agreement. The parties further intend that, to the extent provided in the Lease Agreement and the Sublease Agreement, if an event of default occurs under the Sublease Agreement, the Authority, or its assignee, will have the right for the then remaining term of the Lease Agreement to (a) take possession of the Property, (b) if it deems it appropriate, cause an appraisal of the Property and a study of the then reasonable use thereof to be undertaken, and (c) relet the Property. The Lease Agreement may be sold or assigned, and the Property may be subleased, as a whole or in part, by the Authority with the prior written consent of the Insurer without the necessity of obtaining the consent of the District, if an event of default occurs under the Sublease Agreement. The Authority will, within 30 days after such an assignment, sale or sublease, furnish or cause to be furnished to the District a true and correct copy of such assignment, sale or sublease, as the case may be. The District agrees that, except with respect to Permitted Encumbrances, it will not mortgage, sell, encumber, assign, transfer or convey the Property or any portion thereof during the term of the Lease Agreement.

The term of the Lease Agreement commences on the Closing Date, and will remain in full force and effect from such date to and including June 1, 2045, unless such term is sooner extended or terminated as provided in the Lease Agreement. If, on June 1, 2045, the Bonds will not have been fully paid, or provision therefor made in accordance with the Indenture, or the Indenture will not be discharged by its terms or amounts are due to the Insurer, or if the Rental Payments payable under the Sublease Agreement will have been abated at any time, then the term of the Lease Agreement will be automatically extended until the date upon which all Bonds will be fully paid or amounts payable to the Insurer shall have been fully paid, or provision therefor made in accordance with the Indenture, and the Indenture will be discharged by its terms, except that the term of the Lease Agreement will in no event be extended more than ten years. If prior to June 1, 2055, all Bonds will be fully paid and amounts due to the Insurer have been paid, or provisions therefor made in accordance with the Indenture, and the Indenture will be discharged by its terms, the term of the Lease Agreement will end simultaneously therewith.

So long as the Insurance Policy is in full force and effect, the Insurer is a third party beneficiary to the Lease Agreement and the Lease Agreement shall not be amended, modified, supplemented or any provision waived without the prior written consent of the Insurer.

THE SUBLEASE AGREEMENT

Lease of Property

The Authority subleases to the District, and the District subleases from the Authority the Property, on the terms and conditions set forth in the Sublease Agreement, and subject to all Permitted Encumbrances.

Assignment and Subleasing

Neither the Sublease Agreement nor any interest of the District thereunder will be sold, mortgaged, pledged, assigned, or transferred by the District by voluntary act or by operation of law or otherwise. The Property may not be subleased in whole or in part by the District without the prior written consent of the Authority. Any such sublease will be subject to all of the following conditions:

(a) the Sublease Agreement and the obligation of the District to make all Rental Payments thereunder will remain the primary obligation of the District;

(b) the District will, within 30 days after the delivery thereof, furnish or cause to be furnished to the Authority and the Trustee a true and complete copy of such sublease;

(c) no such sublease by the District will cause the Property to be used for a purpose other than a governmental or proprietary function authorized under the provisions of the Constitution and laws of the State of California;

(d) any sublease of the Property by the District will explicitly provide that such sublease is subject to all rights of the Authority under the Sublease Agreement, including, the right to re-enter and re-let the Property or terminate the Sublease Agreement upon a default by the District; and

(e) the District will furnish the Authority and the Trustee with an Opinion of Counsel to the effect that such sublease will not, in and of itself, cause the interest on the Bonds to be included in gross income for federal income tax purposes.

Liens

In the event the District will at any time during the term of the Sublease Agreement cause any changes, alterations, additions, improvements, or other work to be done or performed or materials to be supplied, in or upon the Property, the District will pay, when due, all sums of money that may become due for, or purporting to be due for, any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the District in, upon, or about the Property and which may be secured by a mechanics', materialmen's or other lien against the Property or the Authority's interest therein, and will cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that, if the District desires to contest any such lien, it may do so as long as such contestment is in good faith. If any such lien will be reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and said stay thereafter expires, the District will forthwith pay and discharge said judgment.

Additions to Property

Subject to the Sublease Agreement, the District and any sublessee will, at its own expense, have the right to make additions, modifications and improvements to the Property. To the extent that the removal of such additions, modifications or improvements would not cause material damage to the Property, such additions, modifications and improvements will remain the sole property of the District or such sublessee, and neither the Authority nor the Trustee will have any interest therein. Such additions, modifications and improvements will not in any way damage the Property or cause it to be used for purposes other than those authorized under the provisions of state and federal law; and the Property, upon completion of any additions, modifications and improvements made pursuant to the Sublease Agreement, will be of a value which is at least equal to the value of the Property immediately prior to the making of such additions, modifications and improvements.

Term of the Sublease Agreement

The term of the Sublease Agreement will commence on the Closing Date and will end on the Termination Date, unless such term is extended or sooner terminated as provided in the Sublease Agreement. If on the Termination Date the Bonds will not be fully paid, or provision therefor made in accordance with the Indenture, or the Indenture will not be discharged by its terms, or if the Rental Payments will remain due and payable or will have been abated at any time and for any reason, then the term of the Sublease Agreement will be extended until the date upon which (i) all Bonds will be fully paid, or provision therefor made in accordance with the Indenture, or (ii) the Indenture will be discharged by its terms and all Rental Payments will have been paid in full. Notwithstanding the foregoing, the term of the Sublease Agreement will in no event be extended more than ten years beyond such Termination Date. Such extended date being the "Maximum Lease Term." If prior to the Termination Date, all Bonds will be fully paid, or provision therefor made in accordance with the Indenture and all amounts due to the Insurer shall have been paid, the Indenture will be discharged by its terms

and all Rental Payments will have been paid in full, the term of the Sublease Agreement will end simultaneously therewith.

Rental Payments

Subject to the provisions of the Sublease Agreement relating to a revision of the Base Rental Schedule, the District will pay to the Authority as Base Rental Payments (subject to the provisions of the Sublease Agreement) the amount at the times specified in the Base Rental Payment Schedule, a portion of which Base Rental Payments will constitute principal and a portion of which will constitute interest. If the term of the Sublease Agreement is extended pursuant to the Sublease Agreement, the obligation of the District to pay Rental Payments will continue to and including the Base Rental deposit Date preceding the date of termination of the Sublease Agreement. Upon such extension, the Base Rental Payments will be established so that they will be sufficient to pay all extended and unpaid Base Rental Payments; provided, however, that the Rental Payments payable in any Rental Period subsequent to such extension will not exceed the annual fair rental value of the Property.

The District will also pay, as Additional Rental Payments, such amounts as will be required for the payment of the following: all taxes and assessments of any type or nature charged to the Authority or the District or affecting the Property or the respective interests or estates of the Authority or the District therein; all reasonable administrative costs of the Authority relating to the Property including, but without limiting the generality of the foregoing, salaries, wages, fees and expenses, compensation and indemnification of the Trustee payable by the Authority under the Indenture, fees of auditors, accountants, attorneys or engineers, and all other reasonable and necessary administrative costs of the Authority or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Indenture or the Sublease Agreement or to defend the Authority and its members, officers, agents and employees; insurance premiums for all insurance required pursuant to the Sublease Agreement; any amounts with respect to the Sublease Agreement or the Bonds required to be rebated to the federal government in accordance with section 148(f) of the Code; and all other payments required to be paid by the District under the provisions of the Sublease Agreement or the Indenture, including interest on Insurer Advances (as defined in the Indenture) owed by the Authority to the Insurer, certain other amounts payable pursuant to the Indenture, all Policy Costs and amounts required to replenish the Reserve Fund to the Reserve Fund Requirement (as defined in the Indenture) and certain other amounts payable pursuant to the Sublease Agreement. Amounts constituting Additional Rental Payments payable under the Sublease Agreement will be paid by the District directly to the person or persons to whom such amounts will be payable. The District will pay all such amounts when due or at such later time as such amounts may be paid without penalty or, in any other case, within sixty (60) days after notice in writing from the Trustee to the District stating the amount of Additional Rental Payments then due and payable and the purpose thereof.

Payments of the Rental Payments for the Property during each rental period will constitute the total rental for said rental period.

Each installment of Base Rental Payments payable under the Sublease Agreement will be paid in lawful money of the United States of America to or upon the order of the Authority at the principal corporate trust office of the Trustee, or such other place or entity as the Authority will designate. Each Base Rental Payment will be deposited with the Trustee no later than the Base Rental Deposit Date preceding the Interest Payment Date on which such Base Rental Payment is due. Any Base Rental Payment which will not be paid by the District when due and payable under the terms of the Sublease Agreement will bear interest from the date when the same is due thereunder until the same will be paid at the rate equal to the highest rate of interest on any of the Outstanding Bonds. Notwithstanding any dispute between the Authority and the District, the District will make all Rental Payments when due without deduction or offset of any kind and will not withhold any Rental Payments pending the final resolution of any such dispute. In the event of a determination that the District was not liable for said Rental Payments or any portion thereof, said payments or excess of payments, as the case may be, will be credited against subsequent Rental Payments due under the Sublease Agreement or

refunded at the time of such determination. Amounts required to be deposited by the District with the Trustee pursuant to this paragraph on any date will be reduced to the extent of available amounts on deposit in the Base Rental Payment Fund, the Interest Fund or the Principal Fund.

Rental Abatement

Except as otherwise specifically provided in the Sublease Agreement, during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the District's right to use and occupy any portion of the Property, Rental Payments will be abated proportionately, and the District waives the benefits of California Civil Code Sections 1932(1), 1932(2) and 1933(4) and any and all other rights to terminate the Sublease Agreement by virtue of any such interference, and the Sublease Agreement will continue in full force and effect. The amount of such abatement will be agreed upon by the District and the Authority; provided, however, that the Rental Payments due for any Rental Period will not exceed the annual fair rental value of that portion of the Property available for use and occupancy by the District during such Rental Period. The District and the Authority will calculate such abatement and will provide the Trustee with a certificate setting forth such calculation and the basis therefor. Such abatement will continue for the period commencing with the date of interference resulting from such damage, destruction, condemnation or title defect and, with respect to damage to or destruction of the Property, ending with the substantial completion of the work of repair or replacement of the Property, or the portion thereof so damaged or destroyed; and the term of the Sublease Agreement will be extended as provided in the Sublease Agreement, except that the term will in no event be extended beyond the Maximum Lease Term.

Notwithstanding the foregoing, to the extent that moneys are available for the payment of Rental Payments in any of the funds and accounts established under the Indenture, Rental Payments will not be abated as provided above but, rather, will be payable by the District as a special obligation payable solely from said funds and accounts.

Prepayment of Rental Payments

(a) The District may prepay all or a portion of the Base Rental Payments attributable to the Series 2015 Bonds which are payable on or after June 1, 2026, from any source of available funds, on any date on or after June 1, 2025, by paying (i) all or a portion, as selected by the District, of the principal components of such Base Rental Payments, and (ii) the accrued but unpaid interest component of such Base Rental Payments to be prepaid to the date of such prepayment, without premium.

(b) The District may prepay, from any source of available funds, all or any portion of the Base Rental Payments attributable to the Series 2015 Bonds by depositing with the Trustee moneys or securities as provided, and subject to the terms and conditions set forth, in the Indenture sufficient to make such Base Rental Payments when due or to make such Base Rental Payments through a specified date on which the District has a right to prepay such Base Rental Payments as described above, and to prepay such Base Rental Payments on such prepayment date, at a prepayment price determined in accordance with subsection (a) above.

The District may prepay, from any source of available funds, all or any portion of the Base Rental Payments attributable to the Series 2015 Bonds by depositing with the Trustee moneys or securities as provided, and subject to the terms and conditions set forth, in the Indenture sufficient to make such Base Rental Payments when due or to make such Base Rental Payments through a specified date on which the District has a right to prepay such Base Rental Payments.

(c) If less than all of the Base Rental Payments attributable to the Series 2015 Bonds are prepaid pursuant to the Sublease Agreement then, as of the date of such prepayment pursuant to subsection (a) above, or the date of a deposit pursuant to subsection (b) above, the principal and interest components of such Base Rental Payments will be recalculated in order to take such prepayment into account. The District agrees that

if, following a partial prepayment of such Base Rental Payments, the Property is damaged or destroyed or taken by eminent domain, or a defect in title to the Property is discovered, the District will not be entitled to, and by such prepayment waives the right of, abatement of such prepaid Base Rental Payments and the District will not be entitled to any reimbursement of such Base Rental Payments.

(d) If all of the Base Rental Payments are prepaid in accordance with the provisions of the Sublease Agreement, then, as of the date of such prepayment as described in (a) above and, if applicable, the corresponding provisions of the Sublease Agreement relating to the prepayment of Base Rental Payments attributable to Additional Bonds, or the date of deposit pursuant to (b) above and, if applicable, such corresponding provisions, and payment of all other amounts owed under the Sublease Agreement, the term of the Sublease Agreement will be terminated.

(e) Prepayments of Base Rental Payments attributable to the Series 2015 Bonds made pursuant to the Sublease Agreement will be applied to the redemption of Series 2015 Bonds as provided in the Indenture.

(f) Before making any prepayment pursuant to the Sublease Agreement, the District will give written notice to the Authority specifying the date on which the prepayment will be made, which date will be not less than forty-five (45) nor more than sixty (60) days from the date such notice is given to the Authority.

Substitution or Release of the Property

The District will have the right to substitute alternate real property other than the 2015 Project for any portion of the Property or to release a portion of the Property from the Sublease Agreement. All costs and expenses incurred in connection with such substitution or release will be borne by the District. Notwithstanding any such substitution or release, there will be no reduction in or abatement of the Base Rental Payments due from the District under the Sublease Agreement as a result of such substitution or release. Any such substitution or release of any portion of the Property will be subject to the following specific conditions, which are made conditions precedent to such substitution or release:

(i) an independent certified real estate appraiser selected by the District will have found (and will have delivered a certificate to the District and the Trustee setting forth its findings) or the District shall have presented evidence acceptable to counsel providing the opinion of counsel substantiating that the Property, as constituted after such substitution or release, (A) has an annual fair rental value at least equal to the maximum Base Rental Payments payable by the District in any Rental Period, and (B) has a useful life in excess of the final maturity of any Outstanding Bonds;

(ii) the District will have obtained or caused to be obtained a CLTA or ALTA title insurance policy or policies with respect to any substituted property in the amount at least equal to the aggregate principal amount of any Outstanding Bonds of the type and with the endorsements described in the Sublease Agreement;

(iii) the District will have provided the Trustee with an Opinion of Counsel to the effect that such substitution or release will not, in and of itself cause the interest on the Bonds to be included in gross income for federal income tax purposes;

(iv) the District, the Authority and the Trustee will have executed, and the District will have caused to be recorded with the Placer County Recorder, any document necessary to reconvey to the District the portion of the Property being released and to include any substituted real property in the description of the Property contained in the Sublease Agreement and in the Lease Agreement;

(v) the District will have provided notice of such substitution to each rating agency then rating the Bonds at the request of the District or the Authority; and

- (vi) the District shall have obtained the prior written consent of the Insurer.

Insurance

The District will maintain or cause to be maintained, throughout the term of the Sublease Agreement, a standard commercial general liability insurance policy or policies in protection of the District, the Authority and their respective members, officers, agents and employees. Said policy or policies will provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the use or ownership of the Property. Said policy or policies will provide coverage in the minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in a single accident or event, and in a minimum amount of \$500,000 for damage to property (subject to a deductible clause of not to exceed \$100,000) resulting from a single event. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried or required to be carried by the District, and may be maintained in whole or in part in the form of self-insurance by the District, provided that such self-insurance complies with the provisions of the Sublease Agreement.

The District will maintain or cause to be maintained, throughout the term of the Sublease Agreement, workers' compensation insurance issued by a responsible carrier authorized under the laws of the State of California to insure employers against liability for compensation under the California Labor Code, or any act enacted as an amendment or supplement thereto or in lieu thereof, such workers' compensation insurance to cover all persons employed by the District in connection with the Property and to cover full liability for compensation under any such act; provided, however, that the District's obligations under this paragraph may be satisfied by self-insurance, provided that such self-insurance complies with the provisions of the Sublease Agreement.

The District will maintain or cause to be maintained, fire, lightning and special extended coverage insurance (which will include coverage for vandalism and malicious mischief, but need not include coverage for earthquake damage) on all improvements constituting any part of the Property in an amount equal to the greater of 100% of the replacement cost of such improvements or 100% of the outstanding principal amount of the Bonds. All insurance required to be maintained pursuant to this paragraph may be subject to a deductible in an amount not to exceed \$500,000. The District's obligations under this paragraph may be satisfied by self-insurance, provided such self-insurance complies with the provisions of the Sublease Agreement.

The District will maintain rental interruption insurance to cover the Authority's loss, total or partial, of Base Rental Payments resulting from the loss, total or partial, of the use of any part of the Property as a result of any of the hazards required to be covered by the insurance described in the preceding paragraph in an amount sufficient at all times to pay an amount not less than the product of two times the maximum amount of Base Rental Payments scheduled to be paid during any Rental Period. The District will not be permitted to self-insure this obligation under the Sublease Agreement.

The District will pay or cause to be paid when due the premiums for all insurance policies required by the Sublease Agreement, and will promptly furnish or cause to be furnished evidence of such payments to the Trustee. All such policies will provide that the Trustee will be given thirty (30) days notice of the expiration thereof, or any intended cancellation thereof. The Trustee will be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the Trustee.

The District will cause to be delivered to the Trustee on or before May 15 of each year, commencing May 15, 2016, a schedule of the insurance policies being maintained in accordance with the Sublease Agreement and a Certificate of the District stating that such policies are in full force and effect and that the District is in full compliance with the requirements of the Sublease Agreement. The Trustee will be entitled to rely upon said Certificate of the District as to the District's compliance with the Sublease Agreement. The Trustee will not be responsible for the sufficiency of coverage or amounts of such policies.

Insurance provided through a California joint powers authority of which the District is a member or with which the District contracts for insurance will be deemed to be self-insurance for purposes of the Sublease Agreement. Any self-insurance maintained by the District pursuant to the Indenture will comply with the following terms:

(a) the self-insurance program will be approved in writing by a professionally certified risk manager or by an independent insurance consultant;

(b) the self-insurance program will include an actuarially sound claims reserve fund out of which each self-insured claim will be paid, the adequacy of each such fund will be evaluated on an annual basis by a professionally certified risk manager or by an independent insurance consultant and any deficiencies in any self-insured claims reserve fund will be remedied in accordance with the recommendation of a professionally certified risk manager or such independent insurance consultant, as applicable;

(c) in the event the self-insurance program will be discontinued, the actuarial soundness of its claims reserve fund, as determined by a professionally certified risk manager or by an independent insurance consultant, will be maintained.

The insurance required by the Sublease Agreement will be provided by reputable insurance companies with claims paying abilities determined, in the reasonable opinion of a professionally certified risk manager or an independent insurance consultant, to be adequate for the purposes of the Sublease Agreement.

Title Insurance

The District will provide, at its own expense, one or more CLTA or ALTA title insurance policies for the Property, in the aggregate amount of not less than the initial aggregate principal amount of the Series 2015 Bonds. Said policy or policies will insure (a) the fee interest of the District in the Property, (b) the Authority's ground leasehold estate in the Property under the Lease Agreement, and (c) the District's subleasehold estate under the Sublease Agreement in the Property, subject only to Permitted Encumbrances. All Net Insurance Proceeds received under said policy or policies will be deposited with the Trustee and applied as provided in the Indenture. So long as any of the Bonds remain Outstanding, each policy of title insurance obtained pursuant to the Indenture or the Lease or required by the Indenture or the Sublease Agreement will provide that all proceeds thereunder will be payable to the Trustee for the benefit of the Bond Owners.

Eminent Domain

If all of the Property (or portions thereof such that the remainder is not usable for public purposes by the District) will be taken under the power of eminent domain or condemnation, the term of the Sublease Agreement will cease as of the day that possession will be so taken. If less than all of the Property will be taken under the power of eminent domain and the remainder is usable for public purposes by the District at the time of such taking, then the Sublease Agreement will continue in full force and effect as to such remainder, and the parties waive the benefits of any law to the contrary, and in such event there will be a partial abatement of the Rental Payments in accordance with the provisions of the Sublease Agreement. So long as any Bonds will be Outstanding, any award made in eminent domain proceedings for the taking of the Property, or any portion thereof, will be paid to the Trustee and applied to the redemption of Bonds as provided in the Indenture. Any such award made after all of the Bonds, and all other amounts due under the Indenture and under the Sublease Agreement, have been fully paid, will be paid to the Authority and to the District as their respective interests may appear.

Assignment

The District and the Authority acknowledge the assignment of the Sublease Agreement (except for the Authority's obligation and its rights to give consents or approvals pursuant to the Sublease Agreement) and the Base Rental Payments payable thereunder, to the Trustee pursuant to the Assignment Agreement.

Default

(a) (i) If the District will fail (A) to pay any Base Rental Payment payable under the Sublease Agreement when the same becomes due and payable, time being expressly declared to be of the essence in the Sublease Agreement, or (B) to keep, observe or perform any other term, covenant or condition contained in the Sublease Agreement or in the Indenture to be kept or performed by the District, or (ii) upon the happening of any of the events specified in paragraph (b) below, the District will be deemed to be in default under the Sublease Agreement and it will be lawful for the Authority to exercise any and all remedies available pursuant to law or granted pursuant to the Sublease Agreement. The District will in no event be in default in the observance or performance of any covenant, condition or agreement in the Sublease Agreement on its part to be observed or performed, other than as referred to in clause (i)(A) or (ii) of the preceding sentence, unless the District will have failed, for a period of thirty (30) days or such additional time as is reasonably required to correct any such default after notice by the Authority to the District properly specifying wherein the District has failed to perform any such covenant, condition or agreement. Upon any such default, the Authority, in addition to all other rights and remedies it may have at law, will have the option to do any of the following:

(1) To terminate the Sublease Agreement in the manner described in the Sublease Agreement on account of default by the District, notwithstanding any re-entry or re-letting of the Property as described in paragraph (2) below, and to re-enter the Property and remove all persons in possession thereof and all personal property whatsoever situated upon the Property and place such personal property in storage in any warehouse or other suitable place, for the account of and at the expense of the District. In the event of such termination, the District agrees to surrender immediately possession of the Property, without let or hindrance, and to pay the Authority all damages recoverable at law that the Authority may incur by reason of default by the District, including, without limitation, any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon the Property and removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions contained in the Sublease Agreement. Neither notice to pay Rental Payments or to deliver up possession of the Property given pursuant to law nor any entry or re-entry by the Authority nor any proceeding in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such re-entry or obtaining possession of the Property nor the appointment of a receiver upon initiative of the Authority to protect the Authority's interest under the Sublease Agreement will of itself operate to terminate the Sublease Agreement, and no termination of the Sublease Agreement on account of default by the District will be or become effective by operation of law or acts of the parties thereto, or otherwise, unless and until the Authority (upon direction of the Insurer) will have given written notice to the District of the election on the part of the Authority to terminate the Sublease Agreement. The District covenants and agrees that no surrender of the Property or of the remainder of the term of the Sublease Agreement or any termination of the Sublease Agreement will be valid in any manner or for any purpose whatsoever unless stated by the Authority by such written notice.

(2) Without terminating the Sublease Agreement, (a) to collect each installment of Rental Payments as the same become due and enforce any other terms or provisions of the Sublease Agreement to be kept or performed by the District, regardless of whether or not the District has abandoned the Property, or (b) to exercise any and all rights of entry and re-entry upon the Property. In the event the Authority does not elect to terminate the Sublease Agreement in the manner described in paragraph (1) above, the District will remain liable and agrees to keep or perform all covenants and conditions contained in the Sublease Agreement to be kept or performed by the District and, if the Property is not re-let, to pay the full amount of the Rental Payments to the end of the term of the Sublease Agreement or, in the event that the Property is re-let, to pay any deficiency in Rental Payments that results therefrom; and further agrees to pay

said Rental Payments and/or Rental Payment deficiency punctually at the same time and in the same manner as described above for the payment of Rental Payments under the Sublease Agreement, notwithstanding the fact that the Authority may have received in previous years or may receive thereafter in subsequent years Rental Payments in excess of the Rental Payments specified in the Sublease Agreement, and notwithstanding any entry or re-entry by the Authority or suit in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such re-entry or obtaining possession of the Property. Should the Authority elect to re-enter as provided in the Sublease Agreement, the District irrevocably appoints the Authority as the agent and attorney-in-fact of the District to re-let the Property, or any part thereof, from time to time, either in the Authority's name or otherwise, upon such terms and conditions and for such use and period as the Authority may deem advisable and to remove all persons in possession thereof and all personal property whatsoever situated upon the Property and to place such personal property in storage in any warehouse or other suitable place, for the account of and at the expense of the District, and the District indemnifies and agrees to save harmless the Authority from any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon and re-letting of the Property and removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions contained in the Sublease Agreement. The District agrees that the terms of the Sublease Agreement constitute full and sufficient notice of the right of the Authority to re-let the Property in the event of such re-letting without effecting a surrender of the Sublease Agreement, and further agrees that no acts of the Authority in effecting such re-letting will constitute a surrender or termination of the Sublease Agreement irrespective of the use or the term for which such re-letting is made or the terms and conditions of such re-letting, or otherwise, but that, on the contrary, in the event of such default by the District the right to terminate the Sublease Agreement will vest in the Authority to be effected in the sole and exclusive manner provided for in paragraph (1) above. The District further agrees to pay the Authority the cost of any alterations or additions to the Property necessary to place the Property in condition for re-letting immediately upon notice to the District of the completion and installation of such additions or alterations.

The District waives any and all claims for damages caused or which may be caused by the Authority in re-entering and taking possession of the Property as provided in the Sublease Agreement and all claims for damages that may result from the destruction of or injury to the Property and all claims for damages to or loss of any property belonging to the District, or any other person, that may be in or upon the Property.

(b) If (i) the District's interest in the Sublease Agreement or any part thereof be assigned or transferred, either voluntarily or by operation of law or otherwise, without the written consent of the Authority, and as described in the Sublease Agreement, or (ii) the District or any assignee will file any petition or institute any proceeding under any act or acts, state or federal, dealing with or relating to the subject or subjects of bankruptcy or insolvency, or under any amendment of such act or acts, either as a bankrupt or as an insolvent, or as a debtor, or in any similar capacity, wherein or whereby the District asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of the District's debts or obligations, or offers to the District's creditors to effect a composition or extension of time to pay the District's debts or asks, seeks or prays for reorganization or to elect a plan of reorganization, or for a readjustment of the District's debts, or for any other similar relief, or if any such petition or any such proceedings of the same or similar kind or character be filed or be instituted or taken against the District, or if a receiver of the business or of the property or assets of the District will be appointed by any court, except a receiver appointed at the instance or request of the Authority, or if the District will make a general assignment for the benefit of the District's creditors, or (iii) the District will abandon or vacate the Property, then the District will be deemed to be in default under the Sublease Agreement.

(c) In addition to the other remedies set forth in the Sublease Agreement, upon the occurrence of an event of default, the Authority and its assignee will be entitled to proceed to protect and enforce the rights vested in the Authority and its assignee by the Sublease Agreement or by law. The provisions of the Sublease Agreement and the duties of the District and of its board of directors, officers or employees will be enforceable by the Authority or its assignee by mandamus or other appropriate suit, action or proceeding in any court of

competent jurisdiction. Without limiting the generality of the foregoing, the Authority and its assignee will have the right to bring the following actions:

(i) *Accounting*. By action or suit in equity to require the District and its board of directors, officers and employees and its assigns to account as the trustee of an express trust.

(ii) *Injunction*. By action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Authority or its assignee.

(iii) *Mandamus*. By mandamus or other suit, action or proceeding at law or in equity to enforce the Authority's or its assignee's rights against the District (and its board of directors, officers and employees) and to compel the District to perform and carry out its duties and obligations under the law and its covenants and agreements with the District as provided in the Sublease Agreement.

In the event the Authority will prevail in any action brought to enforce any of the terms and provisions of the Sublease Agreement, the District agrees to pay a reasonable amount as and for attorney's fees incurred by the Authority in attempting to enforce any of the remedies available to the Authority under the Sublease Agreement.

Notwithstanding anything to the contrary contained in the Sublease Agreement, the Authority will have no right upon a default thereunder by the District to accelerate Rental Payments.

(d) Notwithstanding anything to the contrary contained in the Sublease Agreement, the termination of the Sublease Agreement by the Authority and its assignees on account of a default by the District thereunder will not effect or result in a termination of the Lease Agreement.

Failure of the Authority to take advantage of any default on the part of the District will not be, or be construed as, a waiver thereof, nor will any custom or practice which may grow up between the parties in the course of administering the Sublease Agreement be construed to waive or to lessen the right of the Authority to insist upon performance by the District of any term, covenant or condition of the Sublease Agreement, or to exercise any rights given the Authority on account of such default. A waiver of a particular default will not be deemed to be a waiver of any other default or of the same default subsequently occurring. The acceptance of Rental Payments under the Sublease Agreement will not be, or be construed to be, a waiver of any term, covenant or condition of the Sublease Agreement.

Amendments

The Sublease Agreement and the Lease Agreement may be amended and the rights and obligations of the Authority and the District thereunder may be amended at any time by an amendment thereto which will become binding upon execution and delivery by the Authority and the District but only with the prior written consent of the Insurer and the Owners of a majority of the principal amount of the Bonds then Outstanding pursuant to the Indenture, provided that no such amendment will (i) extend the payment date of any Base Rental Payments, reduce the interest component or principal component of any Base Rental Payments or change the prepayment terms and provisions, without the prior written consent of the Insurer and the Owner of each Bond so affected, or (ii) reduce the percentage of the principal amount of the Bonds the consent of the Owners of which is required for the execution of any amendment of the Sublease Agreement or the Lease Agreement.

The Sublease Agreement and the Lease Agreement and the rights and obligations of the Authority and the District thereunder may also be amended at any time by an amendment thereto which will become binding upon execution by the Authority and the District, but without the written consents of any Owners, but with the prior written consent of the Insurer, but only to the extent permitted by law and only for any one or more of the following purposes:

(a) to add to the agreements, conditions, covenants and terms required by the Authority or the District to be observed or performed in the Sublease Agreement or other agreements, conditions, covenants and terms thereafter to be observed or performed by the Authority or the District, or to surrender any right or power reserved therein to or conferred therein on the Authority or the District, and which in either case will not materially adversely affect the interests of the Owners;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained therein or in regard to questions arising thereunder which the Authority or the District may deem desirable or necessary and not inconsistent therewith, and which will not materially adversely affect the interests of the Owners, as evidenced by an Opinion of Bond Counsel;

(c) to make such additions, deletions or modifications as may be necessary or appropriate to assure the exclusion from gross income for federal income tax purposes of the interest on the Bonds;

(d) to provide for the substitution or release of a portion of the Property in accordance with the provisions of the Sublease Agreement:

(e) to provide for the issuance of Additional Bonds in accordance with the Indenture; or

(f) to make such other changes therein or modifications thereto as the Authority or the District may deem desirable or necessary, and which will not materially adversely affect the interests of the Owners as evidenced by an Opinion of Bond Counsel.

Provisions Relating to the Bond Insurer

So long as the Insurance Policy is in full force and effect, and notwithstanding anything in the Sublease Agreement to the contrary, the following provisions shall apply:

(a) The Insurer is deemed to be a third party beneficiary under the Sublease Agreement.

(b) The Sublease Agreement shall terminate no earlier than (i) the payment of all amounts due on the Bonds and all amounts due to the Insurer or (ii) ten (10) years from the final stated maturity date of the Bonds.

(c) The title insurance policies required by the Sublease Agreement must be provided in the form of an extended CLTA policy that names the District, the Authority and the Trustee as additional insureds. All encumbrances, and endorsements and restrictions to the policies must be acceptable to the Insurer. The policies may not permit the title insurer (i) to purchase any Bonds in lieu of providing payment under the policy unless, upon purchase, such Bonds are canceled, or (ii) to settle claims with any person other than the Trustee, acting with the consent of the Insurer.

(d) Any sale, substitution, release, transfer, lease, assignment, mortgage or encumbrance with respect to the Property shall be subject to the prior written consent of the Insurer.

(e) The District covenants and agrees, to the extent it may lawfully do so, that so long as any of the Series 2015 Bonds remain Outstanding and unpaid, the District will not exercise the power of condemnation with respect to the Property. The District further covenants and agrees, to the extent it may lawfully do so, that if for any reason the foregoing covenant is determined to be unenforceable or if the District should fail or refuse to abide by such covenant and condemns the Property, the appraised value of the Property shall not be less than the greater of (i) if such Series 2015 Bonds are then subject to redemption, the principal and interest components of the Series 2015 Bonds outstanding through the date of their redemption, or (ii) if such Bonds are not then subject to redemption, the amount necessary to defease such Bonds to the first available redemption date in accordance with the Indenture.

(f) The Authority shall pay or reimburse the Insurer for any and all charges, fees, costs and expenses that the Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security interest in the Indenture, the Lease Agreement or the Sublease Agreement, (ii) the pursuit of any remedies under the Indenture, the Lease Agreement or the Sublease Agreement or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to the Indenture, the Lease Agreement or the Sublease Agreement whether or not executed or completed, or (iv) any litigation or other dispute in connection with the Indenture, the Lease Agreement or the Sublease Agreement or the transactions contemplated thereby, other than costs resulting from the failure of the Insurer to honor its obligations under the Insurance Policy. The Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent in respect of the Lease Agreement or the Sublease Agreement.

(g) The District may only contest taxes, assessments, utility and other such charges with the respect to the Property upon notice to the Insurer and must pay such taxes, assessments, utility and other charges if requested to do so by the Insurer.

(h) The Sublease Agreement shall not be amended, supplemented, modified or any provision waived without the prior written consent of the Insurer.

THE INDENTURE

Costs of Issuance Fund

The Trustee will establish and maintain a separate special fund designated the “Costs of Issuance Fund.” On the Closing Date, there will be deposited in the Costs of Issuance Fund the amount specified in the Indenture. There will be additionally be deposited in the Costs of Issuance Fund the portion, if any, of the proceeds of the sale of any Additional Bonds required to be deposited therein under the Supplemental Indenture pursuant to which such Additional Bonds are issued.

The moneys in the Costs of Issuance Fund will be used and withdrawn by the Trustee from time to time to pay the Costs of Issuance upon submission of a Written Request of the Authority stating (a) the Person to whom payment is to be made, (b) the amount to be paid, (c) the purpose for which the obligation was incurred, (d) that such payment is a proper charge against the Costs of Issuance Fund, and (e) that such amounts have not been the subject of a prior disbursement from the Costs of Issuance Fund, in each case together with a statement or invoice for each amount requested thereunder. On the date that is three months after the Closing Date, and on such later date as may be specified in a supplemental Indenture, the Trustee will transfer any amounts then remaining in the Costs of Issuance Fund to the Interest Fund.

Construction Fund

The Trustee will establish and maintain a separate fund designated the “Construction Fund.” On the Closing Date there will be deposited in the Construction Fund the amount specified in the Indenture.

The moneys in the Construction Fund will be used and withdrawn by the Trustee from time to time to pay the Project Costs upon submission of a Written Request of the District stating (i) the Person to whom payment is to be made, (ii) the amount to be paid, (iii) the purpose for which the obligation was incurred, (iv) that such payment constitutes a Project Cost and is a proper charge against the Construction Fund, and (v) that such amounts have not been the subject of a prior disbursement from the Construction Fund, in each case together with a statement or invoice for each amount requested thereunder.

Upon the filing of a Written Certificate of the District stating that the 2015 Project has been completed and that all Project Costs have been paid, the Trustee will transfer and apply the amount, if any, remaining in

the Construction Fund at the District's sole discretion to either the Base Rental Payment Fund to be used for the purposes thereof or to the District to be used for the construction of capital improvements of the District.

Additional Bonds

Conditions for the Issuance of Additional Bonds. The Authority may at any time issue one or more Series of Additional Bonds (in addition to the Series 2015 Bonds) payable from Base Rental Payments as provided in the Indenture on a parity with all other Bonds theretofore issued under the Indenture, but only subject to the following conditions, which are conditions precedent to the issuance of such Additional Bonds:

(a) Annual debt service payable on the Series 2015 Bonds and any Additional Bonds that will be Outstanding after the issuance of such Additional Bonds will not exceed annual debt service on all Series 2015 Bonds and any Additional Bonds that were Outstanding prior to the issuance of such Additional Bonds in each Fiscal Year in which Series 2015 Bonds and Additional Bonds would have been Outstanding but for the issuance of such Additional Bonds, and the Sublease Agreement shall have been amended if and to the extent necessary in order for the schedule of future Base Rental Payments to conform to the debt service on the Bonds that will be Outstanding subsequent to the issuance of the Additional Bonds;

(b) The issuance of such Additional Bonds will have been authorized under and pursuant to the Indenture and will have been provided for by a Supplemental Indenture which will specify the following:

(1) The application of the proceeds of the sale of such Additional Bonds;

(2) The principal amount and designation of such Series of Additional Bonds and the denomination or denominations of the Additional Bonds;

(3) The date, the maturity date or dates, the interest payment dates and the dates on which mandatory sinking fund redemptions, if any, are to be made for such Additional Bonds; provided, however, that (i) the serial Bonds of such Series of Additional Bonds will be payable as to principal annually on December 1 of each year in which principal falls due, and the term Bonds of such Series of Additional Bonds will have annual mandatory sinking fund redemptions on December 1, (ii) the Additional Bonds will be payable as to Interest semiannually on June 1 and December 1 of each year, except that the first installment of interest may be payable on either June 1 or December 1 and will be for a period of not longer than twelve months and the interest will be payable thereafter semiannually on June 1 and December 1, (iii) all Additional Bonds of a Series of like maturity will be identical in all respects, except as to number or denomination, and (iv) serial maturities of serial Bonds or mandatory' sinking fund redemptions for term Bonds, or any combination thereof, will be established to provide for the redemption or payment of such Additional Bonds on or before their respective maturity dates;

(4) The redemption premiums and terms, if any, for such Additional Bonds;

(5) The form of such Additional Bonds;

(6) Such other provisions that are appropriate or necessary and are not inconsistent with the provisions of the Indenture;

(c) The Authority will be in compliance with all agreements, conditions, covenants and terms contained in the Indenture, in the Sublease Agreement and in the Lease Agreement required to be observed or performed by it;

(d) The Reserve Requirement shall be satisfied immediately following the issuance of such Additional Bonds; and

(e) The Authority shall be in compliance with all agreements, conditions covenant and terms contained in the Indenture, in the Sublease Agreement and in the Lease Agreement required to be observed or performed by it.

Nothing contained in the Indenture will limit the issuance of any bonds or other obligations payable from Base Rental Payments if, after the issuance and delivery of such bonds or other obligations, none of the Bonds theretofore issued under the Indenture will be Outstanding.

Procedure for the Issuance of Additional Bonds. At any time after the sale of any Additional Bonds in accordance with the Act, such Additional Bonds will be executed by the Authority for issuance under the Indenture and will be delivered to the Trustee and thereupon will be authenticated and delivered by the Trustee, but only upon receipt by the Trustee of the following:

(a) Certified copies of the Supplemental Indenture authorizing the issuance of such Additional Bonds, the amendment to the Sublease Agreement required by the Indenture and the amendment to the Lease Agreement, if any, required by the Indenture, together with satisfactory evidence that such amendment to the Sublease Agreement and such amendment to the Lease Agreement, if any, have been duly recorded;

(b) A Written Request of the Authority as to the delivery of such Additional Bonds;

(c) An opinion of Bond Counsel substantially to the effect that (i) the Indenture (including all Supplemental Indentures), the Sublease Agreement (including the amendment thereto required by the Indenture) and the Lease Agreement (including any amendment thereto required by the Indenture) have been duly authorized, executed and delivered by, and constitute the valid and binding obligations of, the Authority and the District, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and by the application of equitable principles and by the exercise of judicial discretion in appropriate cases and subject to the limitations on legal remedies against political subdivisions in the State of California), (ii) such Additional Bonds constitute valid and binding special obligations of the Authority payable solely from Base Rental Payments as provided in the Indenture and are enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and by the application of equitable principles and by the exercise of judicial discretion in appropriate cases and subject to the limitations on legal remedies against political subdivisions in the State of California), and (iii) the issuance of such Additional Bonds, in and of itself, will not adversely affect the exclusion of interest on the Bonds Outstanding prior to the issuance of such Additional Bonds from gross income for federal income tax purposes;

(d) a Written Certificate of the Authority that the requirements of the Indenture have been met;

(e) a Written Certificate of the District that the requirements of the Indenture have been met, and a Written Certificate of the District as to the fair rental value of the Property, after giving effect to the execution and delivery of the Additional Bonds, and to the use of proceeds received therefrom; and

(f) Such further documents as are required by the provisions of the Indenture or by the provisions of the Supplemental Indenture authorizing the issuance of such Additional Bonds.

So long as any of the Bonds remain Outstanding, the Authority will not issue any Additional Bonds or obligations payable from the Base Rental Payments, except pursuant to the Indenture.

Pledge of Base Rental Payments and Additional Rental; Base Rental Payment Fund

Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Base Rental Payments and any other amounts

(including proceeds of the sale of the Bonds) held in the Base Rental Payment Fund, the Interest Fund, the Principal Fund, the Reserve Fund and the Redemption Fund are pledged to secure the payment of the principal of premium, if any, and interest on the Bonds in accordance with their terms, the provisions of the Indenture and the Act. Said pledge will constitute a first lien on such assets.

All obligations of the Authority under the Indenture will be special obligations of the Authority, payable solely from Base Rental Payments and the other assets pledged therefor thereunder; provided, however, that all obligations of the Authority under the Bonds will be special obligations of the Authority, payable solely from Base Rental Payments and the other assets pledged therefor under the Indenture. Neither the faith and credit nor the taxing power of the Authority, the District or the State of California, or any political subdivision thereof, is pledged to the payment of the Bonds.

All Base Rental Payments will be paid directly by the District to the Trustee, and if received by the Authority at any time will be transferred by the Authority with the Trustee within one Business Day after the receipt thereof. All Base Rental Payments paid by the District will be deposited by the Trustee in the Base Rental Payment Fund.

Deposit of Base Rental Payments

The Trustee will transfer the amounts on deposit in the Base Rental Payment Fund, at the times and in the manner provided in the Indenture, to the following respective funds.

Interest Fund. On the Business Day immediately preceding each Interest Payment Date, the Trustee will transfer from the Base Rental Fund to the Interest Fund the amount, if any, necessary to cause the amount on deposit in the Interest Fund to be equal to the interest due on the Bonds on such Interest Payment Date.

Principal Fund. On the Business Day immediately preceding each June 1, commencing June 1, 2016, the Trustee will transfer from the Base Rental Fund to the Principal Fund the amount, if any, necessary to cause the amount on deposit in the Principal Fund to be equal to the principal amount of the Bonds due on such June 1, either as a result of the maturity thereof or mandatory sinking fund redemption payments required to be made with respect thereto. Moneys in the Principal Fund will be used by the Trustee for the purpose of paying the principal of the Bonds when due and payable at their maturity dates or upon earlier mandatory sinking fund redemption.

Reserve Fund. If three Business Days prior to any Interest Payment Date the moneys in the Base Rental Payment Fund are insufficient to make the transfers required to the Interest Fund and the Principal Fund, the Trustee will transfer from the Reserve Fund to the Base Rental Payment Fund the amount necessary to make the transfer required to the Interest Fund, and then the amount necessary to make the transfer required to the Principal Fund. If as of the 1st day of the month preceding any Interest Payment Date there shall be any deficiency in the Reserve Fund (whether due to a payment therefrom or due to the fluctuation in market value of securities credited thereto, or otherwise), the Trustee shall promptly notify the District in writing of the amount of such deficiency and the District shall pay to the Trustee the amount of such deficiency at least 10 Business Days prior to the Interest Payment Date. For the purpose of determining the amount in the Reserve Fund, all Permitted Investments credited to the Reserve Fund will be valued at fair market value. No transfer of moneys for deposit to the Reserve Fund in connection with the Series 2015 Bonds need be made if the amount contained therein is at least equal to the Reserve Requirement.

Upon receipt thereof by the Trustee, the Reserve Policy shall satisfy the Reserve Requirement. With the consent of the Insurer, another insurance policy or a surety bond may be also used to satisfy the Reserve Requirement in whole or in part if it is issued to the Trustee by a company licensed to issue an insurance policy guaranteeing the timely payment of debt service on municipal bonds, the claims paying ability of which company shall be rated in the highest rating category by S&P. The use of such insurance policy or surety bond shall be subject to the receipt by the Trustee of an opinion of counsel as to the due authorization, execution,

delivery and enforceability of such instrument in accordance with its terms, subject to applicable laws affecting creditors' rights generally and to the application of general equitable principles.

Redemption Fund. The Trustee, on the redemption date specified in the Written Request of the District filed with the Trustee at the time that any prepaid Base Rental Payment is paid to the Trustee pursuant to the Sublease Agreement, will deposit in the Redemption Fund that amount of moneys representing the portion of the Base Rental Payments designated as prepaid Base Rental Payments. Additionally, the Trustee will deposit in the Redemption Fund any amounts required to be deposited therein pursuant to the Indenture. Moneys in the Redemption Fund will be used by the Trustee for the purpose of paying the principal of and interest and premium, if any, on Additional Bonds redeemed pursuant to the corresponding provisions of the Supplemental Indenture pursuant to which such Additional Bonds are issued.

Application of Net Insurance Proceeds

If the Property or any portion thereof will be damaged or destroyed, subject to the further requirements of the Indenture, the District will, as expeditiously as possible, continuously and diligently prosecute or cause to be prosecuted the repair or replacement thereof, unless the District elects not to repair or replace the Property or the affected portion thereof in accordance with the provisions of the Indenture.

The Net Insurance Proceeds (other than Net Insurance Proceeds of rental interruption insurance), including the proceeds of any self-insurance, received on account of any damage or destruction of the Property or a portion thereof will as soon as possible be deposited with the Trustee and be held by the Trustee in a special account and made available for and, to the extent necessary, will be applied to the cost of repair or replacement of the Property or the affected portion thereof upon receipt of a Written Request of the District, together with invoices therefor. Pending such application, such proceeds may be invested by the Trustee as directed by the District in Permitted Investments that mature not later than such times as moneys are expected to be needed to pay such costs of repair or replacement.

Notwithstanding the foregoing, the District will, within sixty (60) days of the occurrence of the event of damage or destruction, notify the Trustee in writing as to whether the District intends to replace or repair the Property or the portions of the Property which were damaged or destroyed. If the District does intend to replace or repair the Property or portions thereof, the District will deposit with the Trustee the full amount of any insurance deductible to be credited to the special account.

If the damage, destruction or loss was such that there resulted a substantial interference with the District's right to the use or occupancy of the Property and an abatement of Rental Payments results from such damage or destruction pursuant to the Sublease Agreement, then the District will be required either to (a) apply sufficient funds from the insurance proceeds and other legally available funds to the replacement or repair of the Property or the portions thereof which have been damaged to the condition which existed prior to such damage or destruction, or (b) apply sufficient funds from the insurance proceeds and other legally available funds to the redemption, as set forth in the Indenture and the corresponding provisions of any Supplemental Indenture pursuant to which Additional Bonds are issued, in full of all the Outstanding Bonds or all of those Outstanding Bonds which would have been payable from that portion of the Base Rental Payments which are abated as a result of the damage or destruction. Funds to be applied to the redemption of Bonds in accordance with clause (b) above will be deposited in the Redemption Fund. If the District is not required to replace or repair the Property, or the affected portion thereof, as set forth in clause (a) above or to use such amounts to redeem Bonds as set forth in clause (b) above, then such proceeds will, if there is first delivered to the Trustee a Written Certificate of the District to the effect that the annual fair rental value of the Property after such damage or destruction, and after any repairs or replacements made as a result of such damage or destruction, is at least equal to 100% of the maximum amount of Base Rental Payments becoming due under the Sublease Agreement in the then current rental period or any subsequent rental period and the fair replacement value of the Property after such damage or destruction is at least equal to the principal amount of the Outstanding Bonds, be paid to the District to be used for any lawful purpose.

The proceeds of any award in eminent domain received in respect to the Property will be deposited by the Trustee in the Redemption Fund and applied to the redemption of Bonds pursuant to the Indenture and the corresponding provisions of any Supplemental Indenture pursuant to which Additional Bonds are issued.

Title Insurance

Proceeds of any policy of title insurance received by the Trustee in respect of the Property will be applied and disbursed by the Trustee as follows:

(a) if the District determines that the title defect giving rise to such proceeds has not substantially interfered with its use and occupancy of the Property and will not result in an abatement of Rental Payments payable by the District under the Sublease Agreement, such proceeds will be remitted to the District and used for any lawful purpose thereof, or

(b) if the District determines that the title defect giving rise to such proceeds has substantially interfered with its use and occupancy of the Property and will result in an abatement in whole or in part of Rental Payments payable by the District under the Sublease Agreement, then the Trustee will immediately deposit such proceeds in the Redemption Fund and such proceeds will be applied to the redemption of Bonds in the manner provided in the Indenture and the corresponding provisions of any Supplemental Indenture pursuant to which Additional Bonds are issued.

Investment of Moneys

Except as otherwise provided in the Indenture, all moneys in any of the funds or accounts established pursuant to the Indenture and held by the Trustee will be invested by the Trustee solely in Permitted Investments, as directed in writing by the Authority. Moneys in all funds and accounts held by the Trustee will be invested in Permitted Investments maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified in the Indenture; provided, however, that such Permitted Investments may be redeemed at par so as to be available on each Interest Payment Date. Absent timely written direction from the Authority, the Trustee will hold any funds held by it uninvested.

Subject to the provisions of the Indenture, all interest, profits and other income received from the investment of moneys in any fund or account established pursuant to the Indenture will be retained therein.

Permitted Investments acquired as an investment of moneys in any fund established under the Indenture will be credited to such fund. For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund will be valued by the Trustee at the cost thereof.

The Trustee may act as principal or agent in the making or disposing of any investment, Upon the Written Request of the Authority, the Trustee will sell or present for redemption any Permitted Investments so purchased whenever it will be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investments is credited, and the Trustee will not be liable or responsible for any loss resulting from any investment made or sold pursuant to the Indenture. For purposes of investment, the Trustee may commingle moneys in any of the funds and accounts established under the Indenture.

Covenants

Compliance with Agreements. The Trustee will not authenticate or deliver any Bonds in any matter other than accordance with the provisions of the Indenture, and the Authority and the District will not suffer or permit any default by them to occur under the Indenture, but will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms of the Indenture required to be complied with, kept, observed and performed by them.

Compliance with Lease Agreement and Sublease Agreement. The Authority and the District will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms contained in the Lease Agreement and the lease Agreement required to be complied with, kept, observed and performed by them and, together with the Trustee, will enforce the Lease Agreement and the Sublease Agreement against the other party thereto in accordance with their respective terms.

Observance of Laws and Regulations. The Authority, the District and the Trustee will faithfully comply with, keep, observe and perform all valid and lawful obligations or regulations now or later imposed on them by contract, or prescribed by any law of the United States of America or of the State of California, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or later acquired by them, including their right to exist and carry on their respective businesses, to the end that such franchises, rights and privileges will be maintained and preserved and will not become abandoned, forfeited or in any manner impaired.

Other Liens. The District will keep the Property and all parts thereof free from judgments and materialmen's and mechanics' liens and free from all claims, demands, encumbrances and other liens of whatever nature or character, and free from any claim or liability which materially impairs the District in conducting its business or utilizing the Property, and the Trustee at its option (after first giving the District ten (10) days' written notice to comply therewith and failure of the District to so comply within such ten-day period) may, but is in no event obligated to, defend against any and all actions or proceedings, or may pay or compromise any claim or demand asserted in any such actions or proceedings; provided, however, that, in defending against any such actions or proceedings or in paying or compromising any such claims or demands, the Trustee will not in any event be deemed to have waived or released the District from liability for or on account of any of its agreements and covenants contained in the Indenture, or from its liability under the Indenture and to perform such agreements and covenants.

So long as any Bonds are Outstanding, none of the Trustee, the Authority or the District will create or suffer to be created any pledge of or lien on the amounts on deposit in any of the funds or accounts created under the Indenture, other than the pledge and lien as provided for or permitted under the Indenture.

The Authority, the District and the Trustee will not encumber the Property other than in accordance with the Lease Agreement, the Sublease Agreement, the Indenture and the Assignment Agreement.

Prosecution and Defense of Suits. The District will promptly, upon request of the Trustee, take such action from time to time as may be necessary or proper to remedy or cure any cloud upon or defect in the title to the Property or any part thereof, whether now existing or later developing, will prosecute all actions, suits or other proceedings as may be appropriate for such purpose and will indemnify and save the Trustee harmless from all cost, damage, expense or loss, including attorneys' fees, which it or the Owners may incur by reason of any such cloud, defect, action, suit or other proceeding.

Accounting Records and Statements. The Trustee will keep proper accounting records in which complete and correct entries will be made of all transactions relating to the receipt, deposit and disbursement of the Base Rental Payments, and such accounting records will be available for inspection by the Authority and the District at reasonable hours and under reasonable conditions. The Trustee will, upon written request, make copies of the foregoing available to any Owner or his agent duly authorized in writing.

Recordation and Filing. The District will record, or cause to be recorded, with the appropriate District recorder, the Sublease Agreement, the Lease Agreement and the Assignment Agreement, or memoranda thereof.

Tax Covenants. Neither the Authority nor the District will take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest on any tax-exempt Bonds under Section 103 of the Code. Without limiting the generality of the foregoing, the

District will comply with the requirements of the Tax Certificate. This covenant will survive payment in full or defeasance of the Bonds.

Further Assurances. Whenever and so often as requested to do so by the Trustee, the Authority and the District will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Trustee all advantages, benefits, interests, powers, privileges and rights conferred or intended to be conferred upon it by the Indenture, the Assignment Agreement, the Lease Agreement or the Sublease Agreement.

Continuing Disclosure. The District will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Indenture, failure of the District to comply with the Continuing Disclosure Certificate will not constitute an event of default under the Indenture; provided, however, that the Trustee may (and, at the written direction of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Bonds, and upon being indemnified to its reasonable satisfaction therefor, will) or any holder or beneficial owner of Bonds may take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Events of Default

If an event of default (within the meaning of the Sublease Agreement) will happen, then such event of default will constitute an event of default under the Indenture. The Trustee shall give notice, as assignee of the Authority, of an event of default under the Sublease Agreement to the District. In each and every case during the continuance of an event of default, the Trustee may and, at the direction of the Owners of not less than a majority of the aggregate principal amount of Bonds then Outstanding, and upon being indemnified to its reasonable satisfaction therefor, will, upon notice in writing to the District and the Authority, exercise any of the remedies granted to the Authority under the Sublease Agreement and, in addition, take whatever action at law or in equity may appear necessary or desirable to enforce its rights as assignee pursuant to the Assignment Agreement or to protect and enforce any of the rights vested in the Trustee or the Owners by the Indenture or by the Bonds, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement or for the enforcement of any other legal or equitable right, including any one or more of the remedies set forth in the Indenture.

Other Remedies of the Trustee

Subject to the provisions of the Indenture, the Trustee will have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the Authority or the District or any member, officer or employee thereof, and to compel the Authority or the District or any such member, officer or employee to perform or carry out its or his or her duties under law and the agreements and covenants required to be performed by it or him or her contained in the Indenture;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee; or

(c) by suit in equity upon the happening of any default under the Indenture to require the Authority and the District to account as the trustee of an express trust.

Nothing in the Indenture will be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owner any plan of reorganization, arrangement, adjustment or composition affecting the Bonds or the rights of any Owner thereof, or to authorize the Trustee to vote in respect of the claim of any Owner in any such proceeding without the approval of the Owners so affected.

A waiver of any default or breach of duty or contract by the Trustee will not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Trustee to exercise any right or remedy accruing upon any default or breach of duty or contract will impair any such right or remedy or will be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Trustee by law or by the Indenture may be enforced and exercised from time to time and as often the Trustee will deem expedient.

If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee or any Owner, then subject to any adverse determination, the Trustee, such Owner, the Authority and the District will be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Subject to the provisions of the Indenture, no remedy in the Indenture conferred upon or reserved to the Trustee is intended to be exclusive of any other remedy, and each such remedy will be cumulative and will be in addition to every other remedy given under the Indenture or now or later existing at law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any law. The assertion or employment of any right or remedy under the Indenture, or otherwise, will not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Except as expressly provided in the Indenture, the Authority will not have any obligation or liability to the Owners with respect to the payment when due of the Base Rental Payments by the District, or with respect to the performance by the District of the other agreements and covenants required to be performed by it contained in the Sublease Agreement or the Indenture, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Indenture.

Except for the payment when due of the Base Rental Payments and the performance of the other agreements and covenants required to be performed by it contained in the Sublease Agreement, the Lease Agreement or the Indenture, the District will not have any obligation or liability to the Owners with respect to the Indenture or the preparation, execution, delivery or transfer of the Bonds or the disbursement of the Base Rental Payments by the Trustee to the Owners, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Indenture.

Except as expressly provided in the Indenture, the Trustee will not have any obligation or liability to the Owners with respect to the payment when due of the Base Rental Payments by the District, or with respect to the performance by the Authority or the District of the other agreements and covenants required to be performed by them contained in the Sublease Agreement, the Lease Agreement or the Indenture.

All payments received by the Trustee with respect to the rental of the Property after a default by the District pursuant to the Sublease Agreement (including, without limitation, any proceeds received in connection with the sale, assignment or sublease of the Authority's right, title and interest in the Lease Agreement), and all damages or other payments received by the Trustee for the enforcement of any rights and powers of the Trustee under the Sublease Agreement, will be deposited into the Base Rental Payment Fund and as soon as practicable thereafter applied, together with all other funds held under the Indenture (except funds in the Rebate Fund):

- (a) to the payment of all amounts due the Trustee under the Indenture; and
- (b) to the payment of all amounts then due for principal and interest on the Bonds, in respect of which, or for the benefit of which, money has been collected (other than Bonds which have become payable prior to such event of default and money for the payment of which is held by the Trustee), ratably without preference or priority of any kind, according to the amounts of principal and interest, respectively, on such Bonds due and payable; and

(c) to the payment of all amounts then due for principal of the Bonds, in respect of which, or for the benefit of which, money has been collected (other than Bonds which have become payable prior to such event of default and money for the payment of which is held by the Trustee), ratably without preference or priority of any kind, according to the amounts of principal of such Bonds due and payable; and

(d) to the payment of amounts due and payable to the Insurer not paid pursuant to (b) and (c) above.

All rights of action and claims under the Indenture or the Bonds may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee will be brought in its own name as trustee of an express trust, and any recovery of judgment will, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Owners in respect of which such judgment has been recovered.

Limitation on Suits

No Owner of any Bond will have any right to institute any proceeding, judicial or otherwise, with respect to the Indenture, or for the appointment of a receiver or Trustee, or for any other remedy under the Indenture, unless (a) such Owner has previously given written notice to the Trustee of a continuing event of default; (b) the Owners of not less than 25% of the aggregate principal amount of Bonds then Outstanding will have made written request to the Trustee to institute proceedings in respect of such event of default in its own name as Trustee under the Indenture; (c) such Owner or Owners will have afforded to the Trustee indemnity reasonably satisfactory to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee for sixty (60) days after its receipt of such notice, request and offer of indemnity will have failed to institute any such proceedings; and (e) no direction inconsistent with such written request has been given to the Trustee during such sixty-day period by the Owners of a majority of the aggregate principal amount of Bonds then Outstanding; it being understood and intended that no one or more Owners will have any right in any manner whatever by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the rights of any other Owner of Bonds, or to obtain or seek to obtain priority or preference over any other Owner or to enforce any right under the Indenture, except in the manner provided in the Indenture and for the equal and ratable benefit of all the Owners of Bonds.

The Trustee

The Authority appoints and employs the Trustee to receive, deposit and disburse the Base Rental Payments, to authenticate, deliver and transfer the Bonds and to perform the other functions contained in the indenture, all in the manner provided in the Indenture and subject to the conditions and terms of the Indenture. By executing and delivering the Indenture, the Trustee accepts the appointment and employment referred to above and accepts the rights and obligations of the Trustee provided in the Indenture, subject to the conditions and terms of the Indenture. Other than when an event of default has occurred and is continuing, the Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture, and no implied covenants or obligations will be read into the Indenture against the Trustee. In case an event of default has occurred and is continuing, the Trustee will exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs. The Trustee covenants and agrees that it will not encumber the Property.

The Authority may by an instrument in writing remove the Trustee initially a party to the Indenture and any successor thereto unless an event of default will have occurred and then be continuing, and will remove the Trustee initially a party to the Indenture and any successor thereto if at any time (a) requested to do so by an instrument or concurrent instruments in writing signed by the Owners of a majority in aggregate principal amount of Bonds at the time Outstanding (or their attorneys duly authorized in writing), or (b) the

Trustee will cease to be eligible in accordance with the following sentence, and will appoint a successor Trustee, but the Trustee and any successor Trustee will be a bank or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least fifty million dollars (\$50,000,000) and subject to supervision or examination by federal or state authorities. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of the Indenture the combined capital and surplus of such bank or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee may at any time resign by giving written notice of such resignation to the Authority and the District and by giving notice, by first-class mail, postage prepaid, of such resignation to the Owners of the Bonds at their addresses appearing on the Registration Books. Upon receiving such notice of resignation, the Authority will promptly appoint a successor Trustee by an instrument in writing; provided, however, that in the event the Authority does not appoint a successor Trustee within thirty (30) days following receipt of such notice of resignation, the resigning Trustee may, at the expense of the Authority, petition the appropriate court having jurisdiction to appoint a successor Trustee. Any resignation or removal of a Trustee and appointment of a successor Trustee will become effective only upon acceptance of appointment by the successor Trustee.

Modification or Amendments to Indenture

The Indenture and the rights and obligations of the Authority, the District, the Owners of the Bonds and the Trustee may be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority, the District and the Trustee may enter into with the written consent of the Insurer and the Owners of a majority in aggregate principal amount of all Bonds then Outstanding, which will have been filed with the Trustee. No such modification or amendment will (i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or the rate of interest thereon, or extend the time of payment, without the consent of the Insurer and the Owner of each Bond so affected, or (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or (iii) permit the creation of any lien on the Base Rental Payments and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture or deprive the Owners of the Bonds of the lien created by the Indenture on such Base Rental Payments and other assets (except as expressly provided in the Indenture), without the consent of the Owners of all of the Bonds then Outstanding. It will not be necessary for the consent of the Bond Owners to approve the particular form of any Supplemental Indenture, but it will be sufficient if such consent will approve the substance thereof.

The Indenture and the rights and obligations of the Authority, the District, the Trustee and the Owners may also be modified or amended from time to time at any time by a Supplemental Indenture, which the Authority, the District and the Trustee may enter into without the consent of any Bond Owners for any one or more of the following purposes.

(a) to add to the covenants and agreements of the Authority or the District in the Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power reserved to or conferred upon the Authority or the District under the Indenture;

(b) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision contained in the Indenture;

(c) to provide for the issuance of one or more Series of Additional Bonds, and to provide the terms and conditions under which such Series of Additional Bonds may be issued, subject to and in accordance with the provisions of the Indenture;

(d) to modify, amend or supplement the Indenture in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute later in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;

(e) to modify, amend or supplement the Indenture in such manner as to cause interest on the Bonds to be excludable from gross income for purposes of federal income taxation by the United States of America; and

(f) with the prior written consent of the Insurer, in any other respect whatsoever as the Authority and the District may deem necessary or desirable, provided that such modification or amendment does not materially adversely affect the interests of the Bond Owners under the Indenture, in the opinion of Bond Counsel filed with the Authority, the District and the Trustee.

Promptly after the execution by the Authority, the District and the Trustee of any Supplemental Indenture, the Trustee will mail a notice (the form of which will be furnished to the Trustee by the Authority), by first class mail postage prepaid, setting forth in general terms the substance of such Supplemental Indenture, to the Owners of the Bonds at the respective addresses shown on the Registration Books. Any failure to give such notice, or any defect therein, will not, however, in any way impair or affect the validity of any such Supplemental Indenture.

No Supplemental Indenture will modify any of the rights or obligations of the Trustee without its prior written consent.

Upon the execution of any Supplemental Indenture pursuant to the Indenture, the Indenture will be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Authority, the District, the Trustee and all Owners of Bonds Outstanding will thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture will be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Bonds delivered after the execution of any Supplemental Indenture pursuant to the Indenture may, and if the Authority so determines will, bear a notation by endorsement or otherwise in form approved by the Authority and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand of the Owner of any Bonds Outstanding at the time of such execution and presentation of his Bonds for the purpose at the principal corporate trust office of the Trustee a suitable notation will be made on such Bonds. If the Supplemental Indenture will so provide, new Bonds so modified as to conform, in the opinion of the Authority and the Trustee, to any modification or amendment contained in such Supplemental Indenture, will be prepared and executed by the Authority and authenticated by the Trustee, and upon demand of the Owners of any Bonds then Outstanding will be exchanged at the principal corporate trust office of the Trustee, without cost to any Bond Owner, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amount of the same interest rate and maturity.

The provisions of the Indenture will not prevent any Bond Owner from accepting any amendment as to the particular Bonds held by such Owner.

Discharge of Indenture

If the Insurance Policy is in full force and effect, the provisions of the Indenture under the heading "PROVISIONS RELATING TO BOND INSURANCE" shall govern the discharge of the Indenture. Otherwise, if the Authority will pay or cause to be paid or there will otherwise be paid to the Owners of all Outstanding Bonds the principal thereof and the interest and premium, if any, thereon at the times and in the manner stipulated in the Indenture, then the Owners of such Bonds will cease to be entitled to the pledge of the

Base Rental and the other assets as provided in the Indenture, and all agreements, covenants and other obligations of the Authority and the District to the Owners of such Bonds under the Indenture will thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee will execute and deliver to the Authority and the District all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee will pay over or deliver to the District all money or securities held by it pursuant to the Indenture which are not required for the payment of the principal of and interest and premium, if any, on such Bonds.

Subject to the provisions of the above paragraph, when any of the Bonds will have been paid and if, at the time of such payment, the Authority and the District will have kept, performed and observed all of the covenants and promises in such Bonds and in the Indenture required or contemplated to be kept, performed and observed by them on or prior to that time, then the Indenture will be considered to have been discharged in respect of such Bonds and such Bonds will cease to be entitled to the lien of the Indenture and such lien and all covenants, agreements and other obligations of the Authority and the District under the Indenture will cease, terminate become void and be completely discharged as to such Bonds.

Notwithstanding the satisfaction and discharge of the Indenture or the discharge of the Indenture in respect of any Bonds, those provisions of the Indenture relating to the maturity of the Bonds, interest payments and dates thereof, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, non-presentment of Bonds, and the duties of the Trustee in connection with all of the foregoing, will remain in effect and will be binding upon the Trustee and the Owners of the Bonds and the Trustee will continue to be obligated to hold in trust any moneys or investments then held by the Trustee for the payment of the principal of and interest and premium, if any, on the Bonds, to pay to the Owners of Bonds the funds so held by the Trustee as and when such payment becomes due. Notwithstanding the satisfaction and discharge of the Indenture or the discharge of the Indenture in respect of any Bonds, those provisions of the Indenture relating to the compensation and indemnity of the Trustee will remain in effect and will be binding upon the Trustee, the District, and the Authority.

If moneys will have been set aside and held by the Trustee for the payment or redemption of any Bonds and the interest thereon at the maturity or redemption date thereof, such Bonds will be deemed to have been paid within the meaning and with the effect provided in the Indenture. Any Outstanding Bonds will prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in the Indenture if (a) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the Authority will have given to the Trustee in form satisfactory to it irrevocable instructions to mail, on a date in accordance with the provisions of the Indenture, notice of redemption of such Bonds on said redemption date, said notice to be given in accordance with the Indenture, (b) there will have been deposited with the Trustee either (i) money in an amount which will be sufficient, or (ii) Defeasance Securities that are not subject to redemption other than at the option of the holder thereof, the interest on and principal of which when paid will provide money which, together with the money, if any deposited with the Trustee at the same time, will, as verified by an independent certified public accountant, be sufficient to pay when due the interest to become due on such Bonds on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and premium, if any, on such Bonds, and (c) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority will have given the Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the owners of such Bonds that the deposit required by clause (b) above has been made with the Trustee and that such Bonds, are deemed to have been paid in accordance with the Indenture and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and premium, if any, on such Bonds.

Notwithstanding any provisions of the Indenture, to the extent permitted by law, any moneys held by the Trustee in trust for the payment of the principal of or premium or interest on, any Bonds and remaining unclaimed for two years after the date of deposit of such moneys, will be repaid to the Authority free from the trusts created by the Indenture, and all liability of the Trustee with respect to such moneys will thereupon

cease; provided, however, that before the repayment of such moneys to the Authority as aforesaid, the Trustee may (at the cost of the Authority) first mail, by first class mail postage prepaid, to the Owners of Bonds which have not yet been paid, at the respective addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Authority of the moneys held for the payment thereof.

Provisions Relating to Bond Insurance.

Notwithstanding anything to the contrary in the Indenture, so long as the Insurance Policy is in full force and effect, the Authority, the District and the Trustee agree to comply with the following provisions:

(a) The prior written consent of the Insurer shall be a condition precedent to the deposit of any credit instrument other than the Reserve Policy provided in lieu of a cash deposit into the Reserve Fund. Amounts on deposit in the Reserve Fund shall be applied solely to the payment of debt service due on Outstanding Series 2015 Bonds.

(b) The Insurer shall be deemed to be the sole Owner of the Series 2015 Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Owners of the Series 2015 Bonds are entitled to take pursuant to the Indenture pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Trustee. In furtherance thereof and as a term of the Indenture and each Series 2015 Bond, the Trustee (solely with respect to the Series 2015 Bonds) and each Owner of the Series 2015 Bonds appoint the Insurer as their agent and attorney-in-fact with respect to the Series 2015 Bonds and agree that the Insurer may at any time during the continuation of any proceeding by or against the Authority or the District under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding") direct all matters relating to such Insolvency Proceeding, including without limitation, (A) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a "Claim"), (B) the direction of any appeal of any order relating to any Claim, (C) the posting of any surety, supersedeas or performance bond pending any such appeal, and (D) the right to vote to accept or reject any plan of adjustment. In addition, the Trustee (solely with respect to the Series 2015 Bonds) and each Owner of the Series 2015 Bonds delegate and assign to the Insurer, to the fullest extent permitted by law, the rights of the Trustee (solely with respect to the Series 2015 Bonds) and each Owner of the Series 2015 Bonds in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding. Remedies granted to the Owners shall expressly include mandamus.

(c) No grace period for a covenant default shall exceed 30 days or be extended for more than 60 days, without the prior written consent of the Insurer. No grace period shall be permitted for payment defaults.

(d) The Insurer is deemed a third party beneficiary to the Indenture.

(e) Upon the occurrence of an extraordinary, optional or mandatory sinking fund redemption in part, the selection of Series 2015 Bonds to be redeemed shall be subject to the approval of the Insurer. The exercise of any provision of the Indenture which permits the purchase of Series 2015 Bonds in lieu of redemption shall require the prior written approval of the Insurer if a Series 2015 Bond so purchased is not cancelled upon purchase.

(f) The Indenture shall not be amended, supplemented, modified or any provision waived without the prior written consent of the Insurer.

(g) The rights granted to the Insurer under the Indenture to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Insurance Policy. Any exercise by the Insurer of such rights is merely an exercise of the Insurer's contractual rights and shall not be construed

or deemed to be taken for the benefit, or on behalf, of the Owners of the Bonds and such action does not evidence any position of the Insurer, affirmative or negative, as to whether the consent of the Owners of the Bonds or any other person is required in addition to the consent of the Insurer.

(h) Only (1) cash, (2) non-callable direct obligations of the United States of America (“Treasuries”), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) subject to the prior written consent of the Insurer, pre-refunded municipal obligations rated “AAA” and “Aaa” by S&P and Moody’s, respectively, or (5) subject to the prior written consent of the Insurer, securities eligible for “AAA” defeasance under then-existing criteria of S&P or any combination thereof, shall be used to effect defeasance of the Bonds unless the Insurer otherwise approves.

To accomplish defeasance of the Series 2015 Bonds, the Authority shall cause to be delivered to the Insurer (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the Insurer (“Accountant”) verifying the sufficiency of the escrow established to pay the Series 2015 Bonds in full on the maturity or redemption date (“Verification”), (ii) an escrow deposit agreement (which shall be acceptable in form and substance to the Insurer) and (iii) an opinion of nationally-recognized bond counsel to the effect that the Series 2015 Bonds are no longer “Outstanding” under the Indenture; each Verification and defeasance opinion shall be acceptable in form and substance to the Insurer. The Insurer shall be provided with final drafts of the above-referenced documentation not less than five Business Days prior to the funding of the escrow.

Series 2015 Bonds shall be deemed “Outstanding” under the Indenture unless and until they are in fact paid and retired or the above criteria are met.

(i) Amounts paid by the Insurer under the Insurance Policy shall not be deemed paid for purposes of the Indenture and the Series 2015 Bonds relating to such payments shall remain Outstanding and continue to be due and owing until paid by the Authority in accordance with the Indenture. The Indenture shall not be discharged unless all amounts due or to become due to the Insurer have been paid in full or duly provided for.

(j) Each of the Authority, the District and the Trustee covenant and agree to take such action (including, as applicable, filing of UCC financing statements and continuations thereof) as is necessary from time to time to preserve the priority of the pledge of the Rental Payments under applicable law.

(k) Claims upon the Insurance Policy and payments by and to the Insurer.

If, on the third Business Day prior to the related scheduled interest payment date or principal payment date (“Payment Date”) there is not on deposit with the Trustee after making all transfers and deposits required under the Indenture, moneys sufficient to pay the principal of and interest on the Series 2015 Bonds due on such Payment Date, the Trustee shall give notice to the Insurer and to its designated agent (if any) (the “Insurer’s Fiscal Agent”) by telephone or teletype of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Series 2015 Bonds due on such Payment Date, the Trustee shall make a claim under the Insurance Policy and give notice to the Insurer and the Insurer’s Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Series 2015 Bonds and the amount required to pay principal of the Series 2015 Bonds, confirmed in writing to the Insurer and the Insurer’s Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the Insurance Policy.

The Trustee shall designate any portion of payment of principal on Series 2015 Bonds paid by the Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Series 2015 Bonds registered to the then-current Owners of the Series 2015 Bonds, whether DTC or its nominee or otherwise, and shall issue a replacement Series 2015 Bond to the Insurer, registered in the name of Assured Guaranty Municipal Corp., in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Series 2015 Bond shall have no effect on the amount of principal or interest payable by the Authority on any Series 2015 Bond or the subrogation rights of the Insurer.

The Trustee shall keep a complete and accurate record of all funds deposited by the Insurer into the Policy Payments Account (defined below) and the allocation of such funds to payment of interest on and principal of any Series 2015 Bond. The Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

Upon payment of a claim under the Insurance Policy, the Trustee shall establish a separate special purpose trust account for the benefit of Owners of the Series 2015 Bonds referred to as the "Policy Payments Account" and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Insurance Policy in trust on behalf of Owners of the Series 2015 Bonds and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to Owners of the Series 2015 Bonds in the same manner as principal and interest payments are to be made with respect to the Series 2015 Bonds under the sections of the Indenture regarding payment of Series 2015 Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything in the Indenture to the contrary, the Authority agrees to pay to the Insurer (i) a sum equal to the total of all amounts paid by the Insurer under the Insurance Policy (the "Insurer Advances"); and (ii) interest on such Insurer Advances from the date paid by the Insurer until payment thereof in full, payable to the Insurer at the Late Payment Rate per annum (collectively, the "Insurer Reimbursement Amounts"). "Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in The City of New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Series 2015 Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. The Authority covenants and agrees that the Insurer Reimbursement Amounts are secured by a lien on and pledge of the Revenues and payable from such Revenues on a parity with debt service due on the Bonds.

Funds held in the Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee. Any funds remaining in the Policy Payments Account following a Series 2015 Bond payment date shall promptly be remitted to the Insurer.

(l) The Insurer shall, to the extent it makes any payment of principal of or interest on the Series 2015 Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Insurance Policy (which subrogation rights shall also include the rights of any such recipients in connection with any Insolvency Proceeding). Each obligation of the Authority to the Insurer under the Indenture or under the Sublease Agreement shall survive discharge or termination of such documents.

(m) The Authority shall pay or reimburse the Insurer any and all charges, fees, costs and expenses that the Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in the Indenture, the Lease Agreement or the Sublease Agreement; (ii) the pursuit of any remedies under the Indenture, the Lease Agreement or the Sublease Agreement or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, the

Indenture, the Lease Agreement or the Sublease Agreement whether or not executed or completed, or (iv) any litigation or other dispute in connection with the Indenture, the Lease Agreement or the Sublease Agreement or the transactions contemplated thereby, other than costs resulting from the failure of the Insurer to honor its obligations under the Insurance Policy. The Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Indenture, the Lease Agreement or the Sublease Agreement,

(n) After payment of reasonable fees and expenses of the Trustee, the application of funds realized upon default shall be applied to the payment of expenses of the Authority or rebate only after the payment of past due and current debt service on the Bonds and amounts required to restore the Reserve Fund to the Reserve Requirement.

(o) The Insurer shall be entitled to pay principal or interest on the Series 2015 Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Authority (as such terms are defined in the Insurance Policy), whether or not the Insurer has received a Notice of Nonpayment (as such terms are defined in the Insurance Policy) or a claim upon the Insurance Policy.

(p) The notice address of the Insurer is: Assured Guaranty Municipal Corp., 31 West 52nd Street, New York, New York 10019, Attention: Managing Director- Surveillance, Re: Policy No. 216922-N, Telephone: (212) 974-0100; Telecopier: (212) 339-3556. In each case in which notice or other communication refers to an Event of Default, then a copy of such notice or other communication shall also be sent to the attention of the General Counsel and shall be marked to indicate "URGENT MATERIAL ENCLOSED."

(q) The Insurer shall be provided with the following information by the District or the Trustee, as the case may be:

(i) Annual audited financial statements within two hundred seventy (270) days after the end of the District's fiscal year (together with a certification of the District that it is not aware of any default or Event of Default under the Indenture or the Sublease Agreement), and the District's annual budget within thirty (30) days after the approval thereof together with such other information, data or reports as the Insurer shall reasonably request from time to time.

(ii) Notice of any draw upon the Reserve Fund within two Business Days after knowledge thereof other than (i) withdrawals of amounts in excess of the Reserve Requirement and (ii) withdrawals in connection with a refunding of Bonds;

(iii) Notice of any default actually known to the Trustee or Authority within five Business Days after knowledge thereof;

(iv) Prior notice of the advance refunding or redemption of any of the Series 2015 Bonds, including the principal amount, maturities and CUSIP numbers thereof;

(v) Notice of the resignation or removal of the Trustee and the appointment of, and acceptance of duties by, any successor thereto;

(vi) Notice of the commencement of any proceeding by or against the Authority or the District commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding");

(vii) Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the Bonds;

(viii) A full original transcript of all proceedings relating to the execution of any amendment, supplement, or waiver to the Indenture or the Sublease Agreement; and

(ix) All reports, notices and correspondence to be delivered to Bondholders under the terms of the Indenture or the Sublease Agreement.

(r) The Insurer shall have the right to receive such additional information as it may reasonably request.

(s) The Authority and the District will permit the Insurer to discuss the affairs, finances and accounts of the Authority or the District or any information the Insurer may reasonably request regarding the security for the Bonds with appropriate officers of the Authority or the District and will use commercially reasonable efforts to enable the Insurer to have access to the facilities, books and records of the Authority on any Business Day upon reasonable prior notice.

(t) The Trustee shall notify the Insurer of any known failure of the Authority to provide notices, certificates and other information under the Indenture, the Lease Agreement or the Sublease Agreement.

(u) Notwithstanding satisfaction of the other conditions to the issuance of Additional Bonds set forth in the Indenture, no such issuance may occur (1) if an Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) exists unless such default shall be cured upon such issuance and (2) unless the Reserve Fund is fully funded at Reserve Requirement (including the proposed issue) upon the issuance of such Additional Bonds, in either case unless otherwise permitted by the Insurer.

(v) In determining whether any amendment, consent, waiver or other action to be taken, or any failure to take action, under the Indenture would adversely affect the security for the Bonds or the rights of the Owners of the Bonds, the effect of any such amendment, consent, waiver, action or inaction shall be considered as if there were no Insurance Policy.

(w) No contract shall be entered into or any action taken by which the rights of the Insurer or security for or sources of payment of the Bonds may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Insurer.

(x) Any interest rate exchange agreement (“Swap Agreement”) entered into by the District or the Authority, secured by and payable from Rental Payments, shall meet the following conditions: (i) the Swap Agreement must be entered into to manage the interest costs relate to, or a hedge against (a) assets then held, or (b) debt then outstanding, and (ii) the Swap Agreement shall not contain any leverage element or multiplier component greater than 1.0x unless there is a matching hedge arrangement which effectively off-sets the exposure from any such element or component. Unless otherwise consented to in writing by the Insurer, any net settlement, breakage or other termination amount then in effect shall be subordinate to debt service on the Bonds and on any debt on parity with the Bonds. Neither the District nor the Authority shall terminate a Swap Agreement unless it demonstrates to the satisfaction of the Insurer prior to the payment of any such termination amount that such payment will not cause the District to be in default under the Indenture or the Sublease Agreement, including but not limited to, any monetary obligations thereunder. All counterparties or guarantors to any Swap Agreement must have a rating of at least “A-” and “A3” by S&P and Moody’s, respectively. If the counterparty or guarantor’s rating falls below “A-” and “A3” by S&P and Moody’s, respectively, the counterparty or guarantor shall execute a credit support annex to the Swap Agreement, which credit support annex shall be acceptable to the Insurer.

Provisions Relating to the Reserve Policy.

(a) The Authority shall repay any draws under the Reserve Policy and pay all related reasonable expenses incurred by the Insurer and shall pay interest thereon from the date of payment by the Insurer at the Late Payment Rate. In the event JPMorgan Chase Bank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such national bank as the Insurer shall specify. If the interest provisions of this subparagraph (a) shall result in an effective rate of interest which, for any period, exceeds the limit of the usury or any other laws applicable to the indebtedness created in the Indenture, then all sums in excess of those lawfully collectible as interest for the period in question shall, without further agreement or notice between or by any party to the Indenture, be applied as additional interest for any later periods of time when amounts are outstanding under the Indenture to the extent that interest otherwise due under the Indenture for such periods plus such additional interest would not exceed the limit of the usury or such other laws, and any excess shall be applied upon principal immediately upon receipt of such moneys by the Insurer, with the same force and effect as if the Authority had specifically designated such extra sums to be so applied and the Insurer had agreed to accept such extra payment(s) as additional interest for such later periods. In no event shall any agreed-to or actual exaction as consideration for the indebtedness created in the Indenture exceed the limits imposed or provided by the law applicable to this transaction for the use or detention of money or for forbearance in seeking its collection.

Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively, "Policy Costs") shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw.

Amounts in respect of Policy Costs paid to the Insurer shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to the Insurer on account of principal due, the coverage under the Reserve Policy will be increased by a like amount, subject to the terms of the Reserve Policy. The obligation to pay Policy Costs shall be secured by a valid lien on all revenues and other collateral pledged as security for the Bonds (subject only to the priority of payment provisions set forth under the Indenture).

All cash and investments in the Reserve Fund established for the Series 2015 Bonds shall be transferred to the Interest Fund and the Principal Fund for payment of debt service on Series 2015 Bonds before any drawing may be made on the Reserve Policy or any other credit facility credited to the Reserve Fund in lieu of cash ("Credit Facility"). Payment of any Policy Costs shall be made prior to replenishment of any such cash amounts. Draws on all Credit Facilities (including the Reserve Policy) on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Reserve Fund. Payment of Policy Costs and reimbursement of amounts with respect to other Credit Facilities shall be made on a pro-rata basis prior to replenishment of any cash drawn from the Reserve Fund. For the avoidance of doubt, "available coverage" means the coverage then available for disbursement pursuant to the terms of the applicable alternative credit instrument without regard to the legal or financial ability or willingness of the provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw.

(b) If the Authority shall fail to pay any Policy Costs in accordance with the requirements of subparagraph (a) hereof, the Insurer shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Indenture other than (i) acceleration of the maturity of the Series 2015 Bonds or (ii) remedies which would adversely affect owners of the Series 2015 Bonds.

(c) The Indenture shall not be discharged until all Policy Costs owing to the Insurer shall have been paid in full. The Authority's obligation to pay such amounts shall expressly survive payment in full of the Series 2015 Bonds.

(d) The Trustee shall ascertain the necessity for a claim upon the Reserve Policy in accordance with the provisions of subparagraph (a) hereof and provide notice to the Insurer in accordance with the terms of the Reserve Policy at least five Business Days prior to each date upon which interest or principal is due on the Bonds. Where deposits are required to be made by the Authority with the Trustee to the Interest Fund or the Principal Fund for the Bonds more often than semi-annually, the Trustee shall be instructed to give notice to the Insurer of any failure of the Authority to make timely payment in full of such deposits within two Business Days of the date due.

THE ASSIGNMENT AGREEMENT

Pursuant to the Assignment Agreement, the Authority, for good and valuable consideration, the receipt of which is acknowledged, sells, assigns and transfers to the Trustee, irrevocably and absolutely, without recourse, for the benefit of the owners of the Bonds, all of its right, title and interest in and to the Lease Agreement and the Sublease Agreement, including, without limitation, its right to receive the Base Rental Payments to be paid by the District under and pursuant to the Sublease Agreement. The Trustee accepts the foregoing assignment, subject to the terms and provisions of the Indenture, and all such Base Rental Payments will be applied and the rights so assigned will be exercised by the Trustee as provided in the Sublease Agreement and the Indenture.

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APPENDIX D

PROPOSED FORM OF BOND COUNSEL OPINION

June 23, 2015

Northstar Community Services District Financing Authority
Truckee, California

Re: *\$4,655,000 Northstar Community Services District Financing Authority Lease Revenue Bonds, Series 2015*

Ladies and Gentlemen:

We have acted as bond counsel to the Northstar Community Services District Financing Authority (the "Authority") in connection with the issuance by the Authority of \$4,655,000 Northstar Community Services District Financing Authority Lease Revenue Bonds, Series 2015 (the "Bonds"), pursuant to the provisions of Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Bond Law"), and pursuant to an Indenture, dated as of June 1, 2015 (the "Indenture"), by and among the Authority, Northstar Community Services District (the "District") and Wells Fargo Bank, National Association, as Trustee. The Bonds have been issued by the Authority to provide funds to acquire and construct public improvements and pay costs of issuance, and will be principally secured by lease payments to be made by the District pursuant to a Lease Agreement, dated as of June 1, 2015 (the "Lease"), by and between the Authority and the District, and a Sublease Agreement dated as of June 1, 2015 (the "Sublease," and, together with the Lease, the "Leases"), by and between the Authority and the District. We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion. This opinion is based on current statutory and constitutional law and published court decisions as of the date hereof. Capitalized terms used herein and not otherwise defined shall have the meaning ascribed thereto in the Indenture.

As to questions of fact material to our opinion, we have relied upon representations of the Authority contained in the Indenture and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing we are of the opinion, under existing law, as follows:

1. The Authority is a joint exercise of powers authority duly organized and validly existing under the laws of the State of California with the full power to enter into the Indenture and the Leases, to perform the agreements on its part contained therein and to issue the Bonds.

2. The Indenture and the Leases have each been duly approved by the Authority and constitute the valid and binding obligations of the Authority enforceable against the Authority in accordance with their respective terms, except to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights generally, by the exercise of judicial discretion in accordance with general principles of equity or otherwise in appropriate cases, and by the limitations on legal remedies against public agencies in the State of California. The Indenture creates a valid pledge of the Base Rental Payments and other moneys pledged under the Indenture, subject to the provisions of the Indenture.

3. The Bonds have been duly and validly authorized by the Authority and are legal, valid and binding limited obligations of the Authority, enforceable in accordance with their terms and the terms of the

Indenture, except as the same may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights generally, by the exercise of judicial discretion in accordance with general principles of equity or otherwise in appropriate cases, and by the limitations on legal remedies against public agencies in the State of California. The Bonds are limited obligations of the Authority payable solely from the Base Rental Payments and other moneys pledged under the Indenture as provided in the Indenture, but are not a debt of the District, the State of California or any other political subdivision thereof within the meaning of any constitutional or statutory limitation, and, neither the faith and credit nor the taxing power of the District, the State of California, or any of its political subdivisions is pledged for the payment thereof. The Authority has no taxing power.

4. Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that, with respect to corporations, such interest (and original issue discount) will be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of corporations.

5. Interest (and original issue discount) on the Bonds is exempt from State of California personal income tax.

6. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bond Owner will increase the Bond Owner's basis in the applicable Bond. Original issue discount that accrues to the Bond Owner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals or corporations (as described in paragraph 4 above) and is exempt from State of California personal income tax.

7. The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium which must be amortized under Section 171 of the Code; such amortizable Bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the owner.

The opinions expressed in paragraphs (4) and (6) above as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Bonds are subject to the condition that the District complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements. Except as set forth in paragraphs (4), (5), (6) and (7) above, we express no opinion as to any tax consequences related to the Bonds.

Certain requirements and procedures contained or referred to in the Indenture, the Leases and Tax Certificate may be changed, and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in the Indenture, the Leases and Tax Certificate, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. We express no opinion as to

the effect on the exclusion of interest on the Bonds from gross income for federal income tax purposes on and after the date on which any such change occurs or action is taken upon the advice or approval of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

The opinions expressed herein are based upon an analysis of existing statutes, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We call attention to the fact that the foregoing opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions or events are taken (or not taken) or do occur (or do not occur). Our engagement with respect to the Bonds terminates upon their issuance, and we disclaim any obligation to update the matters set forth herein.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds and expressly disclaim any duty to advise the owners of the Bonds with respect to the matters contained in the Official Statement and any other offering material relating to the Bonds.

We have not made or undertaken to make an investigation of the state of title to any of the real property described in the Leases or of the accuracy or sufficiency of the description of such property contained therein, and we express no opinion with respect to such matters.

Respectfully submitted,

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APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate, dated as of June 1, 2015 (the “Disclosure Certificate”) is executed and delivered by the Northstar Community Services District (the “District”) in connection with the execution and delivery of the Northstar Community Services District Financing Authority’s (the “Authority”) \$4,655,000 Lease Revenue Bonds, Series 2015 (the “Bonds”).

WHEREAS, the Bonds are being issued pursuant to an Indenture, dated as of June 1, 2015 (the “Indenture”), by and among the Authority, the District and Wells Fargo Bank, National Association, as trustee (the “Trustee”).

WHEREAS, the Bonds are payable from the base rental payments to be made by the District under the Lease Agreement, dated as of June 1, 2015 (the “Lease Agreement”), between the District, as lessee, and the Authority, as lessor; and

WHEREAS, this Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Underwriter in complying with the Rule (defined below).

NOW, THEREFORE, the District covenants as follows:

SECTION 1. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Comprehensive Annual Financial Report provided by the District pursuant to, and as described in, Sections 2 and 3 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Disclosure Representative” shall mean the General Manager of the District, the Finance Director of the District, or their designee, or such other officer or employee as the District shall designate in writing from time to time.

“Dissemination Agent” shall mean the District, or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

“Listed Events” shall mean any of the events listed in Section 4(a) and (b) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“Official Statement” shall mean the Official Statement relating to the Bonds, dated June 9, 2015.

“Repository” shall mean the Municipal Securities Rulemaking Board, which can be found at <http://emma.msrb.org>.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of California.

“Underwriter” shall mean the original Underwriter of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

SECTION 2. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent, not later than February 1 following the end of the District’s fiscal year (which presently ends on June 30), commencing with the report for the fiscal year ending June 30, 2015 (the “Annual Report Date”), provide to the MSRB an Annual Report which is consistent with the requirements of Section 3 of this Disclosure Certificate. The Annual Report shall be provided to the MSRB in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 3 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from and later than the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report.

The Annual Report shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months. The District’s fiscal year is currently effective from July 1 to the immediately succeeding June 30 of the following year. The District will promptly notify the MSRB and the Dissemination Agent (if other than the District) of a change in the fiscal year dates. The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the District and shall have no duty or obligation to review such Annual Report.

(b) If by five (5) Business Days prior to the Annual Report Date, the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall notify the District of such non-receipt.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the Annual Report Date, the Dissemination Agent shall provide in a timely manner to the MSRB (with a copy to the Trustee and the Underwriter) a notice, in substantially the form attached as Exhibit A.

(d) Unless the District has done so pursuant to Section 3(a) above, the Dissemination Agent (if other than the District) shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the District, file a certificate with the District to the effect that the Annual Report has been provided pursuant to this Disclosure Certificate, stating, to the extent it can confirm such filing of the Annual Report, the date it was provided.

SECTION 3. Content of Annual Reports. The District's Annual Report shall contain or include by reference the following:

(a) The District's audited financial statements, prepared in accordance with generally accepted auditing standards for municipalities in the State of California. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 2(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not contained in the audited financial statements filed pursuant to the preceding subsection (a) by the date required by Section 2 hereof, updates of the Tables under the heading "DISTRICT FINANCIAL INFORMATION" entitled "Assessed Valuation" and "Property Tax Levies and Collections" in substantially the form set forth in the Official Statement.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each such other document so included by reference.

SECTION 4. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 4, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) days after the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposal Issue (IRS Form 5701-TEB);
6. Tender Offers;
7. Defeasances;
8. Rating changes; and
9. Bankruptcy, insolvency, receivership or similar proceedings.

Note: For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or

governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) Pursuant to the provisions of this Section 4, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material in a timely manner not more than ten (10) days after occurrence:

1. unless described in Section 4(a)(5), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
2. modifications to the rights of Bondholders;
3. Bond calls;
4. release, substitution or sale of property securing repayment of the Bonds;
5. non-payment related defaults;
6. the consummation of a merger, consolidation, or acquisition involving the District or the Authority or the sale of all or substantially all of the assets of the District or the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and
7. appointment of a successor or additional trustee or the change of the name of a trustee.

(c) If the District determines that knowledge of the occurrence of a Listed Event under subsection (b) would be material under applicable federal securities laws, and if the Dissemination Agent is other than the District, the District shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to file a notice of such occurrence with the MSRB in an electronic format as prescribed by the MSRB in a timely manner not more than ten (10) Business Days after the event.

(d) If the District determines that the Listed Event under subsection (b) would not be material under applicable federal securities laws and if the Dissemination Agent is other than the District, the District shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence.

(e) The District hereby agrees that the undertaking set forth in this Disclosure Certificate is the responsibility of the District and, if the Dissemination Agent is other than the District, the Dissemination Agent shall not be responsible for determining whether the District's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

SECTION 5. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 6. Termination of Reporting Obligation. The obligations of the District, the Trustee and the Dissemination Agent under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 4(c).

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing thirty days written notice to the District and the Trustee. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the District and shall have no duty to review any information provided to it by the District. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the District in a timely manner and in a form suitable for filing.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule; provided, the Dissemination Agent shall have first consented to any amendment that modifies or increases its duties or obligations hereunder. In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 4(c), and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

No Bond holder or Beneficial Owner may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the District satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the District shall have refused to comply therewith within a reasonable time.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the District

for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. In performing its duties hereunder, the Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the District, the Bond holders, or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, if any, the Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

NORTHSTAR COMMUNITY SERVICES DISTRICT

By: _____
General Manager

ATTEST:

Board Secretary

EXHIBIT A

**NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Northstar Community Services District Financing Authority
Name of Issue: Northstar Community Services District Financing Authority Lease Revenue Bonds,
Series 2015
Date of Issuance: June 23, 2015

NOTICE IS HEREBY GIVEN that the Northstar Community Services District (the “District”) has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate, dated as of June 1, 2015, executed by the District. [The District anticipates that the Annual Report will be filed by _____.]

Dated: _____

[DISSEMINATION AGENT]

By: _____

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APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Series 2015 Bonds, payment of principal, premium, if any, accreted value and interest on the Series 2015 Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Series 2015 Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2015 Bonds (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

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

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an

authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

6. Redemption notices shall be sent to DTC. If less than all of the Securities within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

9. If applicable, a Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to tender/remarketing agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to tender/remarketing agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to tender/remarketing agent's DTC account.

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

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

APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY



**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: _____ Policy No: -N
BONDS: \$ in aggregate principal amount of _____ Effective Date: _____
Premium: \$ _____

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
31 West 52nd Street, New York, N.Y. 10019
(212) 974-0100

Form 500NY (5/90)

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