

**Board of Directors of the  
East Garrison Public Financing Authority  
County of Monterey, State of California**

**Resolution No. E/G 06-007**

- a. Accepting a request from East Garrison Partners to form a Mello-Roos Community Facilities District; )
- b. Determining to initiate and conduct proceedings necessary to form a Mello-Roos Community Facilities District for the East Garrison community; )
- c. Approving a Deposit and Reimbursement Agreement between the EGPPFA and East Garrison Partners; and )
- d. Authorizing the Chair of the Board to execute the Deposit and Reimbursement Agreement )

WHEREAS, East Garrison Partners I, LLC, a California limited liability company (the "Developer"), as an owner of certain real property situated in the County of Monterey, has filed with the Secretary (the "Secretary") of the East Garrison Public Financing Authority (the "Authority") a request (the "Request"), signed by an authorized representative of the Developer, containing the matters required by Sections 53318 and 53319 of the California Government Code and requesting the Board of Directors ("this Board") of the Authority to initiate and conduct legal proceedings pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982 (Sections 53311 and following, California Government Code, hereafter the "Act") for the establishment of a community facilities district to be known as "Community Facilities District No. 2006-1 (East Garrison Project), East Garrison Public Financing Authority, County of Monterey, State of California" ("CFD No. 2006-1") and for the conduct of the related landowner-voter election to authorize levy of a special tax upon the taxable property within CFD No. 2006-1 and issuance of special tax bonds, as shall be more fully established by said legal proceedings; and

WHEREAS, the real property proposed to be included within CFD No. 2006-1 is described by a Boundary Map attached to the Request as Exhibit A; and

WHEREAS, as stated in the Request, the proposed CFD No. 2006-1 is to be established for the purpose of financing the acquisition and construction of certain public capital facilities (the "Facilities"), certain public services (the "Services") and related incidental expenses of the proceedings and special tax bond financing, as described in Exhibit B to the Request; and

WHEREAS, the Developer represents in the Request that it anticipates becoming the owner of more than ten percent (10%) of all privately-owned real property described by Exhibit A to the Request; and

WHEREAS, the Authority has retained the law firm of Orrick, Herrington & Sutcliffe LLP to serve as special bond counsel ("Bond Counsel") to provide the legal services required to assist the Authority in (a) the formation of proposed CFD No. 2006-1, (b) the conduct of a landowner-voter election to authorize the levy of a special tax (the "Special Tax") upon the taxable property within proposed CFD No. 2006-1 and the issuance of special tax bonds (the "Special Tax

Bonds”) upon the security of the Special Tax and (c) the issuance, sale and delivery of the Special Tax Bonds, to be payable solely from the proceeds of the Special Tax; and

WHEREAS, Bond Counsel has prepared and filed with the Secretary, and the Secretary has made available to this Board at this meeting an agreement entitled “Deposit and Reimbursement Agreement” (the “Deposit Agreement”), between the Authority and the Developer, under the terms of which the Developer will deposit with the Authority \$75,000, which deposit and any additional amounts deposited with the Authority under the Deposit Agreement shall be sufficient to pay the estimated costs of the Authority in conducting the proceedings for formation of proposed CFD No. 2006-1 as requested by the Request; and

WHEREAS, the Developer has “in fact” deposited the \$75,000 specified by the Deposit Agreement; and

WHEREAS, the Request has been submitted in accordance with and contains the matters required by the provisions of Sections 53318 and 53319 of the Act.

NOW, THEREFORE, the Board of Directors of the East Garrison Public Financing Authority hereby resolves as follows:

Section 1. The Request is hereby found to be legally sufficient and is accepted by this Board, and this action shall be final and conclusive within the meaning of Section 53319 of the Act.

Section 2. The legal proceedings shall be initiated and conducted pursuant to the Act; provided that the Authority reserves entitlement, in accordance with the Act, to modify the boundaries of CFD No. 2006-1 and to modify the list of authorized public capital facilities and services from those submitted with the Request, as this Board in its discretion shall deem appropriate and in the public interest.

Section 3. The Deposit and Reimbursement Agreement, in the form on file with the Secretary and submitted to this Board at this meeting, is hereby approved. The Chair of the Authority is hereby authorized to execute and the Secretary to attest the execution of the Deposit and Reimbursement Agreement. PASSED AND ADOPTED this 11<sup>th</sup> day of April, 2006, by the following vote, to wit:

AYES: Supervisors Armenta, Calcagno, Lindley, Potter and Smith


NOES: None

ABSENT: None

I, Lew C. Bauman, Clerk of the Board of Supervisors of the County of Monterey, State of California, hereby certify that the foregoing is a true copy of an original order of said Board of Supervisors duly made and entered in the minutes thereof in Minute Book 73, on April 11, 2006.

Dated: April 12, 2006

Lew C. Bauman, Clerk of the Board of Supervisors,  
County of Monterey, State of California

By   
Darlene Drain, Deputy

## DEPOSIT AND REIMBURSEMENT AGREEMENT

East Garrison Public Financing Authority  
Community Facilities District No. 2006-1  
(East Garrison Project)

### RECITALS

A. The parties to this agreement are the EAST GARRISON PUBLIC FINANCING AUTHORITY (the "Authority"), a California joint exercise of powers authority organized and existing under the provisions of Sections 6500 and following, California Government Code, and a joint exercise of powers agreement, executed as of March 28, 2006, between the County of Monterey and the East Garrison Community Services District, and EAST GARRISON PARTNERS I, LLC, a California limited liability company (the "Developer").

B. The effective date and date of record of this agreement shall be April 11, 2006.

C. The Developer has submitted a request (the "Request") to the Authority, requesting that the Authority initiate and conduct proceedings for establishment of a community facilities district, pursuant to the Community Facilities Act of 1982 (the "Act") to be known as "Community Facilities District No. 2006-1 (East Garrison Project), East Garrison Public Financing Authority, County of Monterey, State of California" ("CFD No. 2006-1"), the proposed boundaries of which are described in Exhibit A to the Request. A prescribed portion of the property within the boundary shown on Exhibit A (the "Taxable Property") is to be made subject to a lien which will secure payment of a special tax obligation (the "Special Tax") to be imposed in accordance with a rate and method of apportionment of the special tax (the "Rate and Method of Apportionment") to be established and approved as a part of the proceedings pursuant to the Act.

D. The Request further requests the Authority to provide for issuance and sale of special tax bonds of the Authority on behalf of CFD No. 2006-1 (the "Bonds") pursuant to the Act upon the security of the unpaid special tax obligation recorded as a lien against the Taxable Property to finance (a) the cost and expense of acquiring, constructing and installing certain public facilities (the "Facilities") and (b) a portion of the cost and expense of certain public services to be provided within CFD No. 2006-1 (the "Services").

E. In the event the Authority is able to accomplish sale and delivery of the Bonds on terms and conditions satisfactory to the Authority, the Authority intends to utilize the proceeds of sale thereof to (1) reimburse the Developer for any deposit made pursuant to this agreement and (2) finance the acquisition, construction and installation of the Facilities, including certain authorized incidental expenses of CFD No. 2006-1 and the Facilities, together with the costs of issuance of the Bonds.

F. In consideration for the mutual undertakings of the parties stated herein, the parties agree as follows.

## AGREEMENT

1. The foregoing recitals are true and correct, and the parties expressly so acknowledge.

2. The Authority agrees to establish and maintain a special fund to be known as the "Community Facilities District No. 2006-1 Acquisition and Construction Fund" (the "Acquisition and Construction Fund"). Forthwith following execution of this agreement, the Developer agrees to make an initial deposit in the amount of \$75,000 to be deposited by the Authority in the Acquisition and Construction Fund. From the proceeds of the initial deposit and all subsequent deposits, if any, made by the Developer, the Authority is authorized to disburse amounts from the Acquisition and Construction Fund, from time to time, to pay preliminary and incidental costs and expenses incurred by the Authority in connection with the proceedings for CFD No. 2006-1. Without limiting the generality of the foregoing, the Authority may disburse amounts from said fund to pay third party invoices from consultants retained by the Authority to assist the Authority in such proceedings.

In the event that the balance in said fund is drawn down to an amount of less than \$5,000, the Authority may notify the Developer of such fact, and the Developer shall forthwith cause the Authority to be provided with an additional deposit as requested by the Authority to assure the continued availability of funds for the payment of such preliminary expenses.

3. The Authority agrees to proceed with all due diligence in conducting and completing the legal proceedings, leading to recording of a notice of special tax lien respecting the special tax obligation imposed upon the Taxable Property as a foreclosable lien upon such property. In preparing the estimate of the costs and expenses to be financed by the Special Tax and the Bonds, the Authority shall include an amount estimated to be sufficient to reimburse the Developer for the full amount of the deposits made and to be made by the Developer pursuant to this agreement. Thereafter, but only to the extent determined by the Authority to be feasible on the basis of the Authority's policies respecting the limitation of the principal amount of bond financing as a fraction of the appraised market values of property within CFD No. 2006-1, the Authority agrees to make allowance in the sizing of the Bonds for the reimbursement of such deposits; provided that it is expressly acknowledged by the Developer that this provision shall not be construed to obligate the Authority or either of its members to provide for such reimbursement if doing so would result in non-compliance with the Authority's policies respecting the limitation on the principal amount of bond financing as a fraction of the appraised values of the subject property within CFD No. 2006-1, and under no circumstance shall the Authority or either of its members be obligated to provide for such reimbursement from any source other than the proceeds of sale of the Bonds of CFD No. 2006-1.

4. Subject to compliance with the Authority's policies, the Authority shall utilize its best efforts to implement the proposed establishment of CFD No. 2006-1 and to accomplish issuance and sale of the Bonds to finance the authorized purposes of CFD No. 2006-1, including but not limited to reimbursement to the Developer for any deposits made by the Developer pursuant to this agreement and to finance the acquisition, construction and installation of the Facilities. The Developer acknowledges that the Governing Board of the Authority (the

“Board”) retains complete discretion over the terms and conditions of issuance of the Bonds and that if for any reason the Bonds are not issued on terms and conditions deemed satisfactory to the Authority, the Developer will have no right to recover any amounts deposited hereunder. If the Board determines to abandon the proceedings for the formation of CFD No. 2006-1 or the issuance and sale of the Bonds, any amounts deposited by the Developer hereunder which have not been spent and which are not held to cover future payments for which the Authority is obligated will be returned to the Developer.

5. In discharging its obligation to use its best efforts to accomplish a public offering and sale of the Bonds, the Authority will select a bond underwriting firm (the “Underwriter”) either through a competitive sale procedure or through a negotiated sale procedure, to be determined. To enable the Authority and the Authority’s Disclosure Counsel (“Disclosure Counsel”) to prepare an Official Statement to be utilized in connection with Underwriter’s public offering of the Bonds, the Developer agrees to provide such financial information, property value and ownership information, appraisal reports, development plan and development financing plan information, and such other information as Disclosure Counsel and the Underwriter may consider material in connection with preparing the Official Statement and determining feasibility and structure of the proposed bond issue. Such reports and information shall be provided to the Authority, Disclosure Counsel and the Underwriter at no cost to any of them, and the actual cost and expense of the Developer shall be eligible for reimbursement from proceeds of sale of the Bonds, provided that sufficient allowance has been made in the cost estimate and bond sale for that purpose.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed by their authorized representatives as of the effective date stated above.

EAST GARRISON PUBLIC FINANCING AUTHORITY

By   
Chair, Board of Directors

Date 4/12/06

ATTEST:  
Authority Secretary

By \_\_\_\_\_

EAST GARRISON PARTNERS I, LLC,  
a California limited liability company

By: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed by their authorized representatives as of the effective date stated above.

EAST GARRISON PUBLIC FINANCING AUTHORITY

By \_\_\_\_\_  
Chair, Board of Directors

Date \_\_\_\_\_

ATTEST:  
Authority Secretary

By \_\_\_\_\_

EAST GARRISON PARTNERS I, LLC,  
a California limited liability company

By: Woodman Development Company LLC,  
a California limited liability company, as a member

By: Woodman Development Company, Inc.,  
a California corporation, as its  
managing member

By: \_\_\_\_\_

Its: PRESIDENT

By: NACB

Its: Treasurer

By: Lyon East Garrison Company I, LLC,  
a California limited liability company, as a member

By: William Lyon Homes, Inc., a California  
corporation, as its managing member

By: \_\_\_\_\_

Its: Richard S. Robinson  
Senior Vice President

By: \_\_\_\_\_

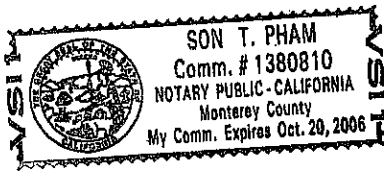
Its: Douglas F. Bauer  
Executive Vice President

**ALL-PURPOSE ACKNOWLEDGMENT**

State of California }  
 County of MONTEREY }

On APRIL 3<sup>RD</sup>, 2006 before me, SON PHAM, personally  
DATE

appeared WILLIAM A. SILVA & JOHN K. ANDERSON, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



WITNESS my hand and official seal.

*[Handwritten Signature]*  
 NOTARY'S SIGNATURE

PLACE NOTARY SEAL IN ABOVE SPACE

**OPTIONAL INFORMATION**

The information below is optional. However, it may prove valuable and could prevent fraudulent attachment of this form to an unauthorized document.

**CAPACITY CLAIMED BY SIGNER (PRINCIPAL)**

- INDIVIDUAL
- CORPORATE OFFICER \_\_\_\_\_  
TITLE(S)
- PARTNER(S)
- ATTORNEY-IN-FACT
- TRUSTEE(S)
- GUARDIAN/CONSERVATOR
- OTHER: \_\_\_\_\_

**DESCRIPTION OF ATTACHED DOCUMENT**

\_\_\_\_\_  
 TITLE OR TYPE OF DOCUMENT

\_\_\_\_\_  
 NUMBER OF PAGES

\_\_\_\_\_  
 DATE OF DOCUMENT

**SIGNER (PRINCIPAL) IS REPRESENTING:**

NAME OF PERSON(S) OR ENTITY(IES)  
 \_\_\_\_\_  
 \_\_\_\_\_

RIGHT  
 THUMBPRINT  
 OF  
 SIGNER

