
FIRST AMENDMENT
TO
FISCAL AGENT AGREEMENT
by and between
CITY OF SAN MARCOS
COMMUNITY FACILITIES DISTRICT NO. 91-01
and
MUFG UNION BANK, N.A.,
as Fiscal Agent

Dated October 1, 2014

Relating to:
\$_____
City of San Marcos
Community Facilities District No. 91-01
2004 Special Tax Refunding Bonds

**FIRST AMENDMENT
TO
FISCAL AGENT AGREEMENT**

THIS FIRST AMENDMENT TO FISCAL AGENT AGREEMENT (the “First Amendment”), dated as of October 1, 2014, is made and entered into by and between the City of San Marcos Community Facilities District No. 91-01 (the “District”), a community facilities district organized and existing under and by virtue of the laws of the State of California, and MUFG Union Bank, N.A., formerly Union Bank of California, N.A., a national banking association organized and existing under the laws of the United States of America, as fiscal agent (the “Fiscal Agent”) to amend that certain Fiscal Agent Agreement (the “Agreement”) made and entered into as of September 1, 2004, by and between the District and the Fiscal Agent.

W I T N E S S E T H:

WHEREAS, the District and the Fiscal Agent entered into the Agreement to provide for the issuance of the \$_____ City of San Marcos Community Facilities District No. 91-01 2004 Special Tax Refunding Bonds (the “Bonds”), the disbursement of the proceeds of the Bonds, the disposition of special taxes securing the Bonds, and the administration and payment of the Bonds; and

WHEREAS, the Bonds were purchased by the San Marcos Public Facilities Authority (the “Authority”) from the proceeds of the Authority Bonds that were issued pursuant to the Authority Indenture; and

WHEREAS, the Authority Bonds are secured by a pledge of certain revenues which include all amounts derived from Bonds as well as from certain other series of bonds issued by the District and secured by special tax revenues received from the levy of special taxes within other improvement areas within the District; and

WHEREAS, as a result of a combination of favorable conditions in the municipal bond market and the level of development, diversity of ownership and increase in value of the properties within the District for which the Bonds were issued and sold, the City Council of the City of San Marcos, acting as the legislative body of the District, desires to issue special tax refunding bonds for the purpose of defeasing the Authority Bonds pursuant to the provisions of the Authority Indenture and discharging the Authority’s liability with respect to the Authority Bonds and thereby also discharging the District’s liability with respect to the Bonds; and

WHEREAS, the provisions of the Agreement regarding the discharge of the Bonds are defective in that such provisions do not provide for the discharge of the Bonds as a result of the defeasance and discharge of the Authority Bonds pursuant to the terms of the Authority Indenture so long as the Bonds are owned by the Authority at the time of the defeasance and redemption of the Authority Bonds;

WHEREAS, the District desires to amend the Fiscal Agent Agreement to provide that the defeasance and redemption of the Authority Bonds will cause the discharge of the Bonds; and

WHEREAS, the Authority, as the owner of the Bonds, has consented to such an amendment.

NOW, THEREFORE, the District and the Fiscal Agent hereby agree as follows:

Section 1. **Definitions.** Unless the context otherwise requires, the terms defined in Section 1.03 of the Agreement shall, for purposes of this First Amendment, have the meanings specified in such Section 1.03.

Section 2. **Amendment of Section 10.01 of the Agreement.** The following shall be added to the end of Section 10.01 of the Agreement:

“Notwithstanding the foregoing, so long as the Bonds are owned by the Authority, the entire indebtedness on the Bonds Outstanding shall be discharged simultaneously with and upon the discharge of the Authority Bonds pursuant to Section 10.01 of the Authority Indenture resulting from the irrevocable deposit with the Authority Trustee pursuant to Section 10.01(b) of the Authority Indenture of money or Defeasance Obligations (as defined in the Authority Indenture) to pay or redeem all of the Authority Bonds then Outstanding (as defined in the Authority Indenture). The Fiscal Agent shall, upon receipt of written instructions from an Authorized Officer, transfer the moneys on deposit in the funds and accounts established hereunder to fund the foregoing deposit with the Authority Trustee and/or to the Fiscal Agent for any additional Bonds issued for the purpose of funding the foregoing deposit.”

Section 3. **Effective Date of Amendment.** The Authority, as the owner of all of the Bonds Outstanding, having waived the requirement for the mailing of the notice of this First Amendment and the filing of the proof of mailing of such notice, this First Amendment shall become effective as of the date of execution thereof by the parties hereto.

Section 4. **Counterparts.** This First Amendment may be executed in counterparts, each of which shall be deemed an original.

IN WITNESS WHEREOF, the District has caused this First Amendment to be executed in its name and the Fiscal Agent has caused this First Amendment to be executed in its name, all as of October __, 2014.

CITY OF SAN MARCOS COMMUNITY
FACILITIES DISTRICT NO. 91-01

By: _____
City Manager

MUFG UNION BANK, N.A., as Fiscal
Agent

By: _____
Authorized Officer

FIRST AMENDMENT
TO
FISCAL AGENT AGREEMENT
by and between
CITY OF SAN MARCOS
COMMUNITY FACILITIES DISTRICT NO. 99-01
and
MUFG UNION BANK, N.A.,
as Fiscal Agent

Dated October 1, 2014

Relating to:
\$_____
City of San Marcos
Community Facilities District No. 99-01
(Improvement Area __)
Special Tax Refunding Bonds

**FIRST AMENDMENT
TO
FISCAL AGENT AGREEMENT**

THIS FIRST AMENDMENT TO FISCAL AGENT AGREEMENT (the “First Amendment”), dated as of October 1, 2014, is made and entered into by and between the City of San Marcos Community Facilities District No. 99-01 (the “District”), a community facilities district organized and existing under and by virtue of the laws of the State of California, and MUFG Union Bank, N.A., formerly Union Bank of California, N.A., a national banking association organized and existing under the laws of the United States of America, as fiscal agent (the “Fiscal Agent”) to amend that certain Fiscal Agent Agreement (the “Agreement”) made and entered into as of _____ 1, 2004, by and between the District and the Fiscal Agent.

W I T N E S S E T H:

WHEREAS, the District and the Fiscal Agent entered into the Agreement to provide for the issuance of the \$_____ City of San Marcos Community Facilities District No. 99-01 (Improvement Area __) Special Tax Refunding Bonds (the “Bonds”), the disbursement of the proceeds of the Bonds, the disposition of special taxes securing the Bonds, and the administration and payment of the Bonds; and

WHEREAS, the Bonds were purchased by the San Marcos Public Facilities Authority (the “Authority”) from the proceeds of the Authority Bonds that were issued pursuant to the Authority Indenture; and

WHEREAS, the Authority Bonds are secured by a pledge of certain revenues which include all amounts derived from Bonds as well as from certain other series of bonds issued by the District and secured by special tax revenues received from the levy of special taxes within other improvement areas within the District; and

WHEREAS, as a result of a combination of favorable conditions in the municipal bond market and the level of development, diversity of ownership and increase in value of the properties within the Improvement Area for which the Bonds were issued and sold, the City Council of the City of San Marcos, acting as the legislative body of the District, desires to issue special tax refunding bonds for the purpose of defeasing the Authority Bonds pursuant to the provisions of the Authority Indenture and discharging the Authority’s liability with respect to the Authority Bonds and thereby also discharging the District’s liability with respect to the Bonds; and

WHEREAS, the provisions of the Agreement regarding the discharge of the Bonds are defective in that such provisions do not provide for the discharge of the Bonds as a result of the defeasance and discharge of the Authority Bonds pursuant to the terms of the Authority Indenture so long as the Bonds are owned by the Authority at the time of the discharge of the Authority Bonds;

WHEREAS, the District desires to amend the Fiscal Agent Agreement to provide that the defeasance and discharge of the Authority Bonds will cause the discharge of the Bonds; and

WHEREAS, the Authority, as the owner of the Bonds, has consented to such an amendment.

NOW, THEREFORE, the District and the Fiscal Agent hereby agree as follows:

Section 1. **Definitions.** Unless the context otherwise requires, the terms defined in Section 1.03 of the Agreement shall, for purposes of this First Amendment, have the meanings specified in such Section 1.03.

Section 2. **Amendment of Section 10.03 of the Agreement.** The following shall be added to the end of Section 10.03 of the Agreement:

“Notwithstanding the foregoing, so long as the Bonds are owned by the Authority, the entire indebtedness on the Bonds Outstanding shall be discharged simultaneously with and upon the discharge of the Authority Bonds pursuant to Section 10.01 of the Authority Indenture resulting from the irrevocable deposit with the Authority Trustee pursuant to Section 10.01(b) of the Authority Indenture of money or Defeasance Obligations (as defined in the Authority Indenture) to pay or redeem all of the Authority Bonds then Outstanding (as defined in the Authority Indenture). The Fiscal Agent shall, upon receipt of written instructions from an Authorized Officer, transfer the moneys on deposit in the funds and accounts established hereunder to fund the foregoing deposit with the Authority Trustee and/or to the Fiscal Agent for any additional Bonds issued for the purpose of funding the foregoing deposit.”

Section 3. **Effective Date of Amendment.** The Authority, as the owner of all of the Bonds Outstanding, having waived the requirement for the mailing of the notice of this First Amendment and the filing of the proof of mailing of such notice, this First Amendment shall become effective as of the date of execution thereof by the parties hereto.

Section 4. **Counterparts.** This First Amendment may be executed in counterparts, each of which shall be deemed an original.

IN WITNESS WHEREOF, the District has caused this First Amendment to be executed in its name and the Fiscal Agent has caused this First Amendment to be executed in its name, all as of October __, 2014.

CITY OF SAN MARCOS COMMUNITY
FACILITIES DISTRICT NO. 99-01

By: _____
City Manager

MUFG UNION BANK, N.A., as Fiscal
Agent

By: _____
Authorized Officer

FIRST AMENDMENT
TO
FISCAL AGENT AGREEMENT
by and between
CITY OF SAN MARCOS
COMMUNITY FACILITIES DISTRICT NO. 99-01
and
MUFG UNION BANK, N.A.,
as Fiscal Agent

Dated October 1, 2014

Relating to:
\$_____
City of San Marcos
Community Facilities District No. 99-01
(Improvement Area F2/V2)
Special Tax Bonds, Series 2006

**FIRST AMENDMENT
TO
FISCAL AGENT AGREEMENT**

THIS FIRST AMENDMENT TO FISCAL AGENT AGREEMENT (the “First Amendment”), dated as of October 1, 2014, is made and entered into by and between the City of San Marcos Community Facilities District No. 99-01 (the “District”), a community facilities district organized and existing under and by virtue of the laws of the State of California, and MUFG Union Bank, N.A., formerly Union Bank of California, N.A., a national banking association organized and existing under the laws of the United States of America, as fiscal agent (the “Fiscal Agent”) to amend that certain Fiscal Agent Agreement (the “Agreement”) made and entered into as of November 1, 2006, by and between the District and the Fiscal Agent.

W I T N E S S E T H:

WHEREAS, the District and the Fiscal Agent entered into the Agreement to provide for the issuance of the \$_____ City of San Marcos Community Facilities District No. 99-01 (Improvement Area F2/V2) Special Tax Bonds, Series 2006 (the “Bonds”), the disbursement of the proceeds of the Bonds, the disposition of special taxes securing the Bonds, and the administration and payment of the Bonds; and

WHEREAS, the Bonds were purchased by the San Marcos Public Facilities Authority (the “Authority”) from the proceeds of the Authority Bonds that were issued pursuant to the Authority Indenture; and

WHEREAS, the Authority Bonds are secured by a pledge of certain revenues which include all amounts derived from Bonds as well as from certain other series of bonds issued by the District and secured by special tax revenues received from the levy of special taxes within other improvement areas within the District; and

WHEREAS, as a result of a combination of favorable conditions in the municipal bond market and the level of development, diversity of ownership and increase in value of the properties within the Improvement Area for which the Bonds were issued and sold, the City Council of the City of San Marcos, acting as the legislative body of the District, desires to issue special tax refunding bonds for the purpose of defeasing the Authority Bonds pursuant to the provisions of the Authority Indenture and discharging the Authority’s liability with respect to the Authority Bonds and thereby also discharging the District’s liability with respect to the Bonds; and

WHEREAS, the provisions of the Agreement regarding the discharge of the Bonds are defective in that such provisions do not provide for the discharge of the Bonds as a result of the defeasance and discharge of the Authority Bonds pursuant to the terms of the Authority Indenture so long as the Bonds are owned by the Authority at the time of the defeasance and redemption of the Authority Bonds;

WHEREAS, the District desires to amend the Fiscal Agent Agreement to provide that the defeasance and redemption of the Authority Bonds will cause the discharge of the Bonds; and

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Section 3. **Effective Date of Amendment.** The Authority, as the owner of all of the Bonds Outstanding, having waived the requirement for the mailing of the notice of this First Amendment and the filing of the proof of mailing of such notice, this First Amendment shall become effective as of the date of execution thereof by the parties hereto.

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IN WITNESS WHEREOF, the District has caused this First Amendment to be executed in its name and the Fiscal Agent has caused this First Amendment to be executed in its name, all as of October __, 2014.

CITY OF SAN MARCOS COMMUNITY
FACILITIES DISTRICT NO. 99-01

By: _____
City Manager

MUFG UNION BANK, N.A., as Fiscal
Agent

By: _____
Authorized Officer

INDENTURE OF TRUST

By and Between

SAN MARCOS PUBLIC FINANCING AUTHORITY

and

**MUFG UNION BANK, N.A.,
as Trustee**

Dated as of October 1, 2014

Relating to

\$ _____

**San Marcos Public Financing Authority
Special Tax Revenue Refunding Bonds, Series 2014A**

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INDENTURE OF TRUST

THIS INDENTURE OF TRUST (the "Indenture") dated as of October 1, 2014, by and between the SAN MARCOS PUBLIC FINANCING AUTHORITY, a joint exercise of powers authority organized and existing under and by virtue of the laws of the State of California (the "Authority"), and MUFG UNION BANK, N.A., a national banking association, organized and existing under the laws of United States of America and having a corporate trust office in Los Angeles, California, as trustee (the "Trustee").

WITNESSETH:

WHEREAS, the Authority is a joint exercise of powers authority duly organized and existing under and pursuant to that certain Amended and Restated Joint Exercise of Powers Agreement, dated January 10, 2012, between the City of San Marcos (the "City") and the San Marcos Fire Protection District (the "Fire Protection District"), and under the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act"), and is authorized pursuant to Article 4 of the Act (the "Bond Law") to borrow money for the purpose of financing the acquisition of bonds, notes and other obligations to provide financing and refinancing for capital improvements of member entities of the Authority and other local agencies including, but not limited to, community facilities districts formed by either the City or the Fire Protection District; and

WHEREAS, the San Marcos Public Facilities Authority, for the purpose of acquiring certain special tax bonds (the "Prior Special Tax Bonds"), previously issued its \$33,805,000 Special Tax Revenue Refunding Bonds, 2004 Series A, its \$3,690,000 Special Tax Revenue Refunding Bonds, 2004 Series B and \$13,660,000 Special Tax Revenue Bonds, 2006 Series A (collectively, the "Prior Public Facilities Authority Bonds"); and

WHEREAS, as a result of favorable interest rate conditions in the municipal bond market the Authority and the Community Facilities Districts (defined below) desire to defease and refund the Prior Public Facilities Authority Bonds; and

WHEREAS, the Authority, for the purpose of acquiring the Special Tax Refunding Bonds (defined below) the proceeds of which will be utilized to defease and refund the Prior Public Facilities Authority Bonds and to discharge the Prior Special Tax Bonds (defined below), has determined to issue its Special Tax Revenue Refunding Bonds, Series 2014A in the principal amount of \$_____ (the "Bonds") pursuant to and secured by this Indenture providing for the issuance of the Bonds, all in the manner provided herein; and

WHEREAS, in order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and to secure the payment of the principal thereof, premium, if any, and interest thereon, the Authority has authorized the execution and delivery of this Indenture; and

WHEREAS, the Authority certifies that all acts and proceedings required by law necessary to make the Bonds, when executed by the Authority, authenticated and delivered by the Trustee, and duly issued, the valid, binding and legal special obligations of the Authority, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of the Indenture have been in all respects duly authorized;

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that in order to secure the payment of the principal of and the interest and premium (if any) on all Bonds at any time issued and outstanding under this Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the Owners thereof, and for other valuable considerations, the receipt whereof is hereby acknowledged, the Authority does hereby covenant and agree with the Trustee, for the benefit of the respective Owners from time to time of the Bonds, as follows:

ARTICLE I

DEFINITIONS; AUTHORIZATION AND PURPOSE OF BONDS; EQUAL SECURITY

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section 1.01 shall, for all purposes of this Indenture and of any certificate, opinion or other document herein mentioned, have the meanings herein specified, to be equally applicable to both the singular and plural forms of any of the terms herein defined.

“Act” means Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State of California.

“Agreement” means that certain Amended and Restated Joint Exercise of Powers Agreement, dated January 10, 2012, by and between the City and the Fire Protection District and as hereafter duly amended and supplemented from time to time, creating the Authority for the purposes, among other things, of assisting the City and the Fire Protection District in the financing and refinancing of Public Capital Improvements, as such term is defined in the Bond Law.

“Annual Debt Service” means, for each Bond Year, the sum of (a) the interest payable on the Outstanding Bonds in any Bond Year and (b) the principal amount of the Outstanding Bonds, including mandatory sinking fund payments, scheduled to be paid in such Bond Year.

“Authority” means the San Marcos Public Financing Authority, a joint powers authority organized and existing under the Agreement and under and by virtue of the laws of the State of California.

“Authority Administrative Expenses” means all actual costs and expenses incurred in connection with the administration of the Bonds, including but not limited to: (a) the fees and expenses payable to the Trustee, and its counsel, and other Persons for professional services rendered in connection with the administration, continuing disclosure and rebate obligations of or for the Bonds; and (b) fees and expenses of Independent Accountants for preparation of audits required by this Indenture.

“Authorized Denomination” means the principal amount or maturity amount, as applicable, of \$5,000 or any integral multiple thereof.

“Authorized Representative” means: (a) with respect to the Authority, its Chairman, Vice Chairman, Executive Director, Secretary, Treasurer, or any other Person designated as an Authorized Representative of the Authority by a certificate of the Authority signed by its Executive Director and filed with the Community Facilities District, the Authority and the Trustee; (b) with respect to the City, its Mayor, Vice Mayor, City Manager, or Finance Director, or any other Person designated as an Authorized Representative of the City by a certificate signed on behalf of the City by its City Manager and filed with the Authority and the Trustee; (c) with respect to the Community Facilities Districts, the Authorized Representative of the City, or any other Person designated as an Authorized Representative of the City by a certificate signed on behalf of the Community Facilities Districts by the City Manager and filed with the Authority and the Trustee; and (d) with respect to the Trustee, the President, any Vice President, any

Assistant Vice President, any Senior Authorized Officer, or any Trust Officer of the Trustee, and when used with reference to any act or document also means any other Person authorized to perform such act or sign any document by or pursuant to a resolution of the Board of Directors of the Trustee or the by-laws of the Trustee. An Authorized Representative may by written instrument designate any Person to act on his or her behalf.

“Bond Counsel” means the law firm of Best Best & Krieger LLP, San Diego, California, and any successor firm or any other firm of nationally recognized bond counsel acceptable to the Authority.

“Bond Law” means the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of the Act (commencing with Section 6584), as amended from time to time.

“Bond Purchase Agreement” means an agreement to purchase the Bonds by and among the Underwriter of the Bonds, the Authority, and the Community Facilities Districts.

“Bond Year” means each twelve-month period beginning on September 2 of each year and ending on September 1 of the following year. With respect to the Bonds, the first such Bond Year shall begin on the Closing Date and end on September 1, 2015.

“Bonds” means the \$_____ San Marcos Public Financing Authority Special Tax Revenue Refunding Bonds, Series 2014A.

“Business Day” means a day which is not a Saturday, Sunday, or legal holiday on which banking institutions in the State of California, or in any state in which the Principal Office of the Trustee is located, or the New York Stock Exchange are closed. If any payment hereunder is due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day with the same effect as if made on such previous day.

“Certificate of Authentication” means the Trustee’s Certificate of Authentication, the form of which is attached hereto in Exhibit D.

“City” means the City of San Marcos, a municipal corporation organized under its charter and the laws of the State.

“Closing Date” means the date on which the Bonds are delivered to the Underwriter thereof.

“Community Facilities District No. 91-01” or **“CFD No. 91-01”** means the City of San Marcos Community Facilities District No. 91-01, a community facilities district formed pursuant to the Mello-Roos Act.

“Community Facilities District No. 99-01” or **“CFD No. 99-01”** means the City of San Marcos Community Facilities District No. 99-01, a community facilities district formed pursuant to the Mello-Roos Act.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Authority relating to the authorization, issuance, sale and delivery of the Bonds and the Special Tax Refunding Bonds, including but not limited to underwriter’s discount, printing expenses, rating agency fees, filing and recording fees, initial fees, expenses and charges and first annual administrative fee of the Trustee and fees of its counsel, fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals, fees and charges for preparation, execution and safekeeping of the Bonds and the Special Tax Refunding Bonds, and any other cost, charge or fee in connection with the original issuance of the Bonds and the Special Tax Refunding Bonds.

“Defeasance Obligations” means those investments identified in paragraph A of the Permitted Investments specified in Exhibit E hereto and which are non-callable.

“DTC” shall have the meaning given such term in Section 2.05 hereto.

“Event of Bankruptcy” means, with respect to any Person, the filing of a petition in bankruptcy or the commencement of a proceeding under the United States Bankruptcy Code or any other applicable

law concerning insolvency, reorganization or bankruptcy by or against such Person as debtor, other than any involuntary proceeding which has been finally dismissed without entry of an order for relief or similar order as to which all appeal periods have expired.

“Event of Default” means any of the events of default specified in Section 7.01.

“Fire Protection District” means the San Marcos Fire Protection District.

“Fiscal Agent” means MUFG Union Bank, N.A., or its successor, as Fiscal Agent under the Fiscal Agent Agreement.

“Fiscal Agent Agreement” or **“Fiscal Agent Agreements”** means the Fiscal Agent Agreement or Fiscal Agent Agreements, each dated as of October 1, 2014, by and between the CFD No. 91-01 or CFD No. 99-01, as applicable, and the Fiscal Agent as originally executed or as it or they may from time to time be supplemented, modified or amended, pertaining to any series of Special Tax Refunding Bonds.

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period hereafter selected and designated as the official fiscal year period of the Authority and certified to the Trustee in writing by an Authorized Representative of the Authority.

“Improvement Area” means the improvement areas of CFD No. 99-01 as identified in Exhibit A hereto.

“Improvement Areas” means, collectively, each of the Improvement Areas.

“Indenture” means this Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended.

“Independent Accountant” means any nationally recognized firm of certified public accountants or firm of such accountants duly licensed or registered or entitled to practice and practicing as such under the laws of the State, appointed by the Authority, and who, or each of whom:

- (a) is, in fact, independent and not under domination of the Authority, the City or the Community Facilities Districts;
- (b) does not have any substantial interest, direct or indirect, with the Authority, the City or the Community Facilities Districts; and
- (c) is not connected with the Authority, the City or the Community Facilities Districts as an officer or employee of the Authority, the City or the Community Facilities Districts, but who may be regularly retained to make reports to the Authority, the City or the Community Facilities Districts.

“Independent Financial Consultant” means any financial consultant or firm of such financial consultants appointed by the Authority and who, or each of whom:

- (a) is judged by the Authority to have experience with respect to the financing of public capital improvement projects;
- (b) is, in fact, independent and not under the domination of the Authority, the City, or the Community Facilities Districts;
- (c) does not have any substantial interest, direct or indirect, with the Authority, the City, or the Community Facilities Districts; and
- (d) is not connected with the Authority, the City, or the Community Facilities Districts as an officer or employee of the Authority, the City, or the Community Facilities Districts, but who may be regularly retained to make reports to the Authority, the City, or the Community Facilities Districts.

“Information Services” means the Electronic Municipal Market Access System (referred to as “EMMA”), a facility of the Municipal Securities Rulemaking Board (at <http://emma.msrb.org>); and, in accordance with then current guidelines of the Securities and Exchange Commission, and such other addresses and/or such other services providing information with respect to called bonds as the Authority may designate in a Written Certificate of the Authority delivered to the Trustee.

[**“Insurance Policy”** means the municipal bond insurance policy issued by the Insurer insuring the payment when due of the principal of an interest on the Bonds as provided therein.]

[**“Insurer”** means _____.]

“Interest Account” means the account by that name established with the Trustee with respect to the Bonds pursuant to the Indenture and to be administered as prescribed in Section 5.03.

“Interest Payment Date” means March 1 and September 1, commencing March 1, 2015.

“Maximum Annual Debt Service” means, as of any date of calculation, the largest Annual Debt Service, during the current or any future Bond Year.

“Mello-Roos Act” means the Mello-Roos Community Facilities Act of 1982, as amended, being California Government Code Sections 53311 *et seq.*

“Moody’s” means Moody’s Investors Service, its successors and assigns.

“Nominee” shall have the meaning given such term in Section 2.05 hereto.

“Outstanding” when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 11.12) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under this Indenture except (a) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with Section 10.02, including particular Bonds (or portions of Bonds) described in Section 11.12; and (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to this Indenture. When used as of any particular time with reference to any Series of the Special Tax Refunding Bonds, “Outstanding” shall have the meaning given such term in the applicable Fiscal Agent Agreement.

“Owner” or **“Bond Owner,”** whenever used herein with respect to a Bond, means the Person in whose name the ownership of such Bond is registered on the Registration Books.

“Qualified Reserve Fund Instrument” [shall have the meaning given such term upon receipt of a commitment from the Insurer.]

“Permitted Investments” means any of the investments listed in Exhibit E hereto.

“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 Account” means the account by that name established with the Trustee with respect to the Bonds pursuant to the Indenture and to be administered as provided in Section 5.04.

“Principal Office” means such corporate trust office of the Trustee as may be designated from time to time by written notice from the Trustee to the Authority, initially being in Los Angeles, California, except that with respect to presentation of Bonds for payment or for registration of transfer or exchange or maintenance of the Registration Books, such term shall mean the office of the Trustee at which its corporate agency business shall be conducted.

“Principal Prepayments” means any amounts received by the Trustee representing a prepayment of principal of any Series of Special Tax Refunding Bonds, whether at maturity of such Series of Special Tax Refunding Bonds or upon the prior redemption, prepayment or acceleration thereof.

“Prior Public Facilities Authority Bonds” means:

1. the \$33,805,000 San Marcos Public Facilities Authority Special Tax Revenue Refunding Bonds, 2004 Series A;

2. the \$3,690,000 San Marcos Public Facilities Authority Special Tax Revenue Refunding Bonds, 2004 Series B; and

3. the \$13,660,000 San Marcos Public Facilities Authority Special Tax Revenue Bonds, 2006 Series A;

“Prior Special Tax Bonds” means each series of special tax bonds specified in Exhibit B,

“Proceeds” means the face amount of the Bonds, plus accrued interest and original issue premium, if any, less original issue discount, if any.

“Proportionate Share” means, as of the date of calculation for any Series of the Special Tax Refunding Bonds when computing the proportionate share allocable to such Special Tax Refunding Bonds among all Outstanding Special Tax Refunding Bonds, the ratio derived by dividing the scheduled Debt Service (as such term is defined in the applicable Fiscal Agent Agreement) on such Series of Special Tax Refunding Bonds due and payable in the preceding Bond Year (as such term is defined in the applicable Fiscal Agent Agreement) by the aggregate Debt Service on all Special Tax Refunding Bonds due and payable in such Bond Year.

“Rebate Fund” means the fund by that name established with the Trustee with respect to the Bonds pursuant to the Indenture and to be administered as prescribed in Section 5.08.

“Record Date” means the fifteenth (15th) day of the month (whether or not such day is a Business Day) preceding each Interest Payment Date.

“Redemption Account” means the account by that name established with the Trustee with respect to the Bonds pursuant to the Indenture and to be administered as provided in Section 5.06.

“Registration Books” means the records maintained by the Trustee for the registration of ownership and registration of transfer of the Bonds pursuant to Section 2.05.

“Representation Letter” means the letter of representations from the Authority to, or other instrument or agreement of the Authority with, DTC in which the Authority, among other things, makes certain representations to such depository with respect to the Bonds, the payment thereof and delivery of notices with respect thereto.

“Requisition” means a written requisition signed in the name of the Authority by its Authorized Representative.

“Reserve Fund” means the fund by that name established and held by the Trustee with respect to the Bonds pursuant to the Indenture and to be administered as provided in Section 5.07.

“Reserve Fund Credit Amount” means, as to a Series of Special Tax Refunding Bonds as of the date of calculation, the cash then on deposit in the Reserve Fund multiplied by the Proportionate Share attributable to such Series of Special Tax Refunding Bonds.

“Reserve Requirement” means, as of any date of calculation, an amount equal to the least of (a) 125% of the average Annual Debt Service on the Bonds for that and any subsequent Bond Year; (b) 100% of the Maximum Annual Debt Service on the Bonds for that or any subsequent Bond Year; or (c) 10% of the issue price (within the meaning of section 148 of the Tax Code) of the Bonds.

“Residual Account” means the account by that name established and held by the Trustee with respect to the Bonds pursuant to the Indenture and to be administered as provided in Section 5.05.

“Revenue Fund” means the fund by that name established and held by the Trustee with respect to the Bonds pursuant to the Indenture and to be administered as provided in Section 5.01 and 5.02.

“Revenues” means, with respect to the Bonds: (a) all amounts derived from the Special Tax Refunding Bonds and (b) investment income with respect to the funds and accounts established hereunder (excepting therefrom the Administrative Expense Fund (as defined in each Fiscal Agent Agreement) and the Rebate Fund).

“RMA” shall have the meaning given such term in the Fiscal Agent Agreement applicable to a particular Series of Special Tax Refunding Bonds.

“S&P” means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, its successors and assigns.

“Securities Depositories” means The Depository Trust Company, 55 Water Street, 25th Floor, New York, N.Y. 10041-0099 Attn. Call Notification Department, Fax (212) 855-5004; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Authority may designate in a Written Certificate of the Authority delivered to the Trustee.

“Special Record Date” means the date established by the Trustee pursuant to Section 2.02 as a record date for the payment of defaulted interest on the Bonds, if any.

“Special Tax Refunding Bonds” means, collectively, each series of special tax bonds specified in Exhibit C hereto. Each such series of Special Tax Refunding Bonds may be referred to as a **“Series.”**

“Special Tax Refunding Bonds Prepayment Reserve Fund Credit” means, as to any parcel within an Improvement Area for which the Special Tax obligation is to be prepaid pursuant to the RMA applicable thereto, the amount, if any, by which the Reserve Requirement will be reduced as a consequence of the mandatory redemption of Bonds from Principal Prepayments that resulted from such prepayment of such Special Tax obligation.

“Special Tax Refunding Bonds Purchase Fund” means the fund by that name established and held by the Trustee with respect to the Bonds pursuant to the Indenture and to be maintained as provided in Section 3.03.

“Special Taxes” has the meaning given such term in the applicable Fiscal Agent Agreement.

“Supplemental Indenture” means a Supplemental Indenture of Trust providing for any matter herein authorized, entered into by and between the Authority and the Trustee pursuant to the provisions of this Indenture.

“Tax Certificate” means the certificate delivered by the Authority upon the delivery of the Bonds relating to Section 148 of the Code, or any functionally similar replacement certificate.

“Tax Code” means the Internal Revenue Code of 1986, as amended from time to time. Any reference to a provision of the Tax Code shall include the applicable Regulations promulgated with respect to such provision.

“Tax Regulations” means temporary and permanent regulations promulgated under Section 103 and related sections of the Tax Code.

“Trustee” means MUFG Union Bank, N.A., or its successor, as Trustee hereunder as provided in Section 8.01, or such other trustee as shall be named, provided such other trustee shall meet the requirements of Article VIII hereof.

“Underwriter” means Stifel, Nicolaus & Company, Incorporated.

“Written Certificate” and **“Written Request”** of the Authority or a Community Facilities District, mean, respectively, a written certificate or written request signed in the name of the Authority by its Authorized Representative or in the name of such Community Facilities District by its Authorized Representative. Any such certificate or request may, but need not, be combined in a single instrument

with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by Section 1.02, each such certificate or request shall include the statements provided for in Section 1.02.

Section 1.02. Content of Certificates and Opinions. Any certificate or opinion made or given by an officer of the Authority or a Community Facilities District may be based, insofar as it relates to legal or accounting matters, upon a certificate or opinion of or representation by counsel, an accountant or a financial consultant, unless such officer knows, or in the exercise of reasonable care should have known, that the certificate, opinion or representation with respect to the matters upon which such certificate or statement may be based, as aforesaid, is erroneous. Any such certificate or opinion made or given by counsel, an accountant or a financial consultant may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the Authority or such Community Facilities District, as the case may be) upon a certificate or opinion of or representation by an officer of the Authority or such Community Facilities District, unless such counsel, accountant or financial consultant knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which such Person's certificate or opinion or representation may be based, as aforesaid, is erroneous. The same officer of the Authority or a Community Facilities District, or the same counsel, accountant or financial consultant, as the case may be, need not certify to all of the matters required to be certified under any provision of this Indenture, but different officers, counsel, accountants or financial consultants may certify to different matters, respectively.

Section 1.03. Interpretation. Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to include the neuter, masculine or feminine gender, as appropriate.

Headings of articles and sections herein and the table of contents hereto, are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

All references herein to "Articles," "Sections," and other subdivisions are to the corresponding Articles, Sections, or subdivisions of this Indenture; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

Section 1.04. Authorization and Purpose of Bonds. The Authority has reviewed all proceedings heretofore taken relative to the authorization of the Bonds and has found, as a result of such review, and hereby finds and determines, that all things, conditions and acts required by law to exist, happen and/or be performed precedent to and in the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the Authority is now authorized under the Agreement and the Bond Law and each and every requirement of law, to issue the Bonds in the manner and form provided in this Indenture. Accordingly, the Authority hereby authorizes the issuance of the Bonds pursuant to the Bond Law and this Indenture for the purpose of providing funds to acquire the Special Tax Refunding Bonds from the Community Facilities District.

Section 1.05. Indenture Constitutes Contract; Equal Security. In consideration of the acceptance of the Bonds by the Owners thereof, this Indenture shall be deemed to be and shall constitute a contract between the Authority and the Owners from time to time of the Bonds; and the covenants and agreements herein set forth to be performed on behalf of the Authority shall be for the equal and proportionate benefit, security and protection of all Owners of the Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds over other Bonds by reason of the number or

date thereof or the time of sale, execution or delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or herein.

ARTICLE II

THE BONDS

Section 2.01. Authorization of Bonds. The Authority hereby authorizes the issuance of the Bonds hereunder and under the Bond Law, the Bonds to constitute special obligations of the Authority, for the purpose of providing moneys to finance the acquisition by the Authority of the Special Tax Refunding Bonds. The Bonds shall be issued in the principal amount of \$_____, are hereby designated the “San Marcos Public Financing Authority Special Tax Revenue Refunding Bonds, Series 2014A,” and shall be issued for the purpose of acquiring the Special Tax Refunding Bonds. This Indenture constitutes a continuing agreement with the Owners from time to time of the Bonds to secure the full and timely payment of the principal of and interest on all such Bonds, subject to the covenants, provisions and conditions herein.

Section 2.02. Terms of the Bonds. The Bonds shall be issued in fully registered form without coupons in any Authorized Denomination. The Bonds shall be dated the Closing Date, shall mature (subject to prior redemption) on September 1 in each of the years and in the amounts and shall bear interest at the rate or rates per annum, calculated on the basis of a 360-day year of twelve 30-day months, set forth in the Indenture. The Bonds shall mature on the dates and in the respective principal amounts and shall bear interest at the respective rates per annum, as follows:

Maturity Date
(September 1)

Principal
Amount

Interest Rate
Per Annum

Interest on the Bonds shall be payable from the Interest Payment Date next preceding the date of authentication thereof unless (i) a 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 shall bear interest from such Interest Payment Date; (ii) a Bond is authenticated on or before the first Record Date, in which event interest thereon shall be payable from the Dated Date provided in the form of the Bonds; or (iii) interest on any

Bond is in default as of the date of authentication thereof, in which event interest thereon shall be payable from the date to which interest has been paid in full, payable on each Interest Payment Date. Interest shall be paid on each Interest Payment Date to the Persons in whose names the ownership of the Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below. Interest on any Bond which is not punctually paid or duly provided for on any Interest Payment Date shall be payable to the Person in whose name the ownership of such Bond is registered on the Registration Books at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice of which shall be given to such Owner not less than fifteen (15) days prior to such Special Record Date. Interest shall be paid by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Bond Owners at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date; or by wire transfer made on such Interest Payment Date to any Owner of \$1,000,000 or more in aggregate principal amount of Bonds who shall have requested such transfer pursuant to written notice filed with the Trustee on or before the preceding Record Date.

The principal of the Bonds shall be payable in lawful money of the United States of America upon presentation and surrender thereof at the Principal Office of the Trustee. Payment of principal on any Bond shall be made only upon presentation and surrender of such Bond at the Principal Office of the Trustee.

The Bonds shall be subject to redemption as provided in Article IV.

Section 2.03. Transfer of Bonds. Any Bond may, in accordance with its terms, be transferred upon the Registration Books by the Person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Trustee. The Trustee shall not be obligated to make any transfer of Bonds during the period selected by the Trustee for the selection of Bonds for redemption, or with respect to any Bonds selected for redemption.

Whenever any Bond or Bonds shall be surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and shall deliver a new Bond or Bonds for a like aggregate principal amount or maturity amount, as applicable, in an Authorized Denomination. The Trustee shall require the Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

Section 2.04. Exchange of Bonds. The Bonds may be exchanged at the Principal Office of the Trustee for a like aggregate principal amount or maturity amount, as applicable, of Bonds of Authorized Denominations and of the same maturity. The Authority may charge a reasonable sum for each new Bond issued upon any exchange (except in the case of any exchange of temporary Bonds for definitive Bonds and except in the case of the first exchange of any definitive Bond in the form in which it is originally issued) and shall 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 shall not be obligated to make any exchange of Bonds during the period selected by the Trustee for the selection of Bonds for redemption, or with respect to any Bonds selected for redemption.

Section 2.05. Registration Books/Book-Entry. The Trustee will keep or cause to be kept, at the Principal Office of the Trustee, sufficient records for the registration and transfer of ownership of the Bonds, which shall be open to inspection during regular business hours and upon reasonable notice by the Authority; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the Bonds as hereinbefore provided.

The Bonds shall be initially executed and delivered in the form of a single, fully registered Bond for each maturity (which may be typewritten). Upon initial execution and delivery, the ownership of such Bond shall be registered in the Bond Register in the name of the Nominee identified below as nominee of the Depository Trust Company, New York, New York and its successors and assigns (the “Depository” or “DTC”). Except as hereinafter provided, all of the outstanding Bonds shall be registered in the Bond Register in the name of the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to this Section (the “Nominee”).

With respect to the Bonds registered in the Bond Register in the name of the Nominee, neither the Authority nor the Trustee shall have any responsibility or obligation to any broker-dealers, banks and other financial institutions from time to time for which the Depository holds Bonds as securities depository (the “Participant”) or to any person on behalf of which such a Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, neither the Authority nor the Trustee shall have any responsibility or obligation (unless the Authority is at such time the Depository) with respect to (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in the Bonds; (ii) the delivery to any Participant or any other person, other than an Owner of a Bond as shown in the Bond Register, of any notice with respect to the Bonds, including any notice of prepayment; (iii) the selection by the Depository and its Participants of the beneficial interests in the Bonds to be prepaid in the event the Authority prepays the Bonds in part; or (iv) the payment to any Participant or any other person, other than an Owner of a Bond as shown in the Bond Register, of any amount with respect to principal of or interest on the Bonds. The Authority and the Trustee may treat and consider the person in whose name each Bond is registered in the Bond Register as the holder and absolute Owner of such Bond for the purpose of payment of principal and interest with respect to such Bond, for the purpose of giving notices of prepayment, if applicable, and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Authority shall pay all principal of and interest on the Bonds only to or upon the order of the respective Owner of a Bond, as shown in the Bond Register, or his respective attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Authority’s obligations with respect to payment of principal of and interest on the Bonds to the extent of the sum or sums so paid. No person other than an Owner of a Bond, as shown in the Bond Register, shall receive a Bond evidencing the obligation of the Authority to make payments of principal and interest pursuant to this Indenture. Upon delivery by the Depository to the Owners of the Bonds, and the Authority of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to Record Date, the word “Nominee” in this Indenture shall refer to such nominee of the Depository.

In order to qualify the Bonds for the Depository’s book-entry system, the Authority is executing and delivering to the Depository a Representation Letter in the form prescribed by Depository. The execution and delivery of the Representation Letter shall not in any other way limit the provisions of this Section or in any other way impose upon the Authority any obligation whatsoever with respect to persons having interests in the Bonds other than the Owners of the Bonds, as shown on the Bond Register. In addition to the execution and delivery of the Representation Letter, the Authority shall take such other actions, not inconsistent with this Indenture, as are reasonably necessary to qualify the Bonds for the Depository’s book-entry program.

In the event (i) the Depository determines not to continue to act as securities depository for the Bonds, or (ii) the Depository shall no longer so act and gives notice to the Authority of such determination, then the Authority will discontinue the book-entry system with the Depository. If the Authority determines to replace the Depository with another qualified securities depository, the Authority shall prepare or direct the preparation of a new single, separate, fully registered Bond, per maturity, registered in the name of such successor or substitute qualified securities depository or its nominee. If the Authority fails to identify another qualified securities depository to replace the Depository then the Bonds

shall no longer be restricted to being registered in the Bond Register in the name of the Nominee, but shall be registered in whatever name or names Owners of the Bonds transferring or exchanging Bonds shall designate, in accordance with provisions of Sections 2.03 or 2.04, hereof, and the Authority shall prepare and deliver Bonds to the Owners thereof for such purpose.

In the event of a reduction in aggregate principal amount of Bonds outstanding or an advance refunding of part of the Bonds outstanding, DTC in its discretion, (a) may request the Authority to prepare and issue a new Bond, or (b) may make an appropriate notation on the Bond indicating the date and amounts of such reduction in principal, but in such event, the Bond Register maintained by the Trustee shall be conclusive as to what amounts are outstanding on the Bond, except in the case of final maturity in which case the Bond must be presented to the Trustee prior to payment.

Notwithstanding any other provisions of this Indenture to the contrary, so long as any Bond is registered in the name of the Nominee, all payments with respect to principal of and interest on such Bond, and all notices with respect to such Bond, shall be made and given, respectively, as provided in the Representation Letter or as otherwise instructed by the Depository and acceptable to the Authority.

The initial Depository under this Article shall be DTC. The initial Nominee shall be Cede & Co., as Nominee of DTC.

Section 2.06. Form and Execution of the Bonds. The Bonds shall be in the form set forth in Exhibit D hereto and shall otherwise comply with the requirements of this Indenture. The Bonds shall be executed in the name and on behalf of the Authority with the manual or facsimile signature of its Chairman (or any duly authorized deputy to the Chairman) attested by the manual or facsimile signature of its Secretary. The Bonds shall then be delivered to the Trustee for authentication by it. In case any of the officers who shall have signed or attested any of the Bonds shall cease to be such officer or officers of the Authority before the Bonds so signed or attested shall have been authenticated or delivered by the Trustee, or issued by the Authority, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the Authority as though those who signed and attested the same had continued to be such officers of the Authority, and also any Bonds may be signed and attested on behalf of the Authority by such Persons as at the actual date of execution of such Bonds shall be the proper officers of the Authority although at the nominal date of such Bonds any such Person shall not have been such officer of the Authority.

Only such of the Bonds as shall bear thereon a Certificate of Authentication, substantially in the form set forth in Exhibit D hereto, manually executed by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of or on behalf of the Trustee shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

The Bonds shall be issued substantially in the form attached hereto as Exhibit D with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

Section 2.07. Temporary Bonds. The Bonds may be issued in temporary form exchangeable for definitive Bonds when ready for delivery. Any temporary Bonds may be printed, lithographed or typewritten, shall be of such Authorized Denominations as may be determined by the Authority, shall be in fully registered form without coupons and may contain such reference to any of the provisions of this Indenture as may be appropriate. Every temporary Bond shall be executed by the Authority and authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the Authority issues temporary Bonds it will execute and deliver definitive Bonds as promptly thereafter as practicable, and thereupon the temporary Bonds shall be surrendered, for cancellation, at the Principal Office of the Trustee and the Trustee shall authenticate and deliver in

exchange for such temporary Bonds an equal aggregate principal amount or maturity amount, as applicable, of definitive Bonds of Authorized Denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Indenture as definitive Bonds authenticated and delivered hereunder.

Section 2.08. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Authority, at the expense of the Owner of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by it and delivered to, or upon the order of, the Authority. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence be satisfactory to them and indemnity satisfactory to it shall be given, the Authority, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in replacement for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall have been called for redemption, instead of issuing a replacement Bond, the Trustee may pay the same without surrender thereof upon receipt of the above-mentioned indemnity). The Authority may require payment by the Owner of a sum not exceeding the actual cost of preparing each replacement Bond issued under this Section and of the expenses which may be incurred by the Authority and the Trustee. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Authority whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of this Indenture with all other Bonds secured by this Indenture.

ARTICLE III

ISSUANCE OF THE BONDS; APPLICATION OF PROCEEDS

Section 3.01. Issuance of the Bonds. Upon execution and delivery of this Indenture, the Authority shall execute and deliver the Bonds to the Trustee for authentication and delivery to the Underwriter thereof upon the written request of the Authority.

Section 3.02. Application of Proceeds of the Bonds. Upon the receipt of payment for the Bonds on the Closing Date, the Trustee shall apply the proceeds of sale thereof by depositing \$_____ (representing the aggregate principal amount of the Bonds of \$_____ [*plus* the aggregate net original issue premium of \$_____/less the aggregate new original issue discount of \$_____] , *less* the aggregate Underwriter's discount of \$_____):

- (a). \$_____ shall be deposited in the Special Tax Refunding Bonds Purchase Fund;
- (b). \$_____ shall be deposited in the Costs of Issuance Fund; and
- (c). \$_____ shall be deposited in the Reserve Fund which is equal to fifty percent of the initial Reserve Requirement as of the Closing Date.

Upon receipt of the Qualified Reserve Fund Credit Instrument, the Trustee shall deposit such instrument in the Reserve Fund.

Section 3.03. Special Tax Refunding Bonds Purchase Fund. The Trustee shall establish and maintain a separate fund to be known as the "Special Tax Refunding Bonds Purchase Fund" into which shall be deposited the proceeds of the sale of the Bonds pursuant to Section 3.02. The Trustee shall use

the proceeds of the Bonds in the Special Tax Refunding Bonds Purchase Fund to purchase the Special Tax Refunding Bonds on the Closing Date as directed in writing by the Authority.

The Special Tax Refunding Bonds shall, upon receipt by the Trustee, be deposited by the Trustee in the Special Tax Refunding Bonds Purchase Fund and maintained therein until such Special Tax Refunding Bonds mature, are redeemed or otherwise disposed of pursuant to this Indenture.

Section 3.04. Costs of Issuance Fund. The Trustee shall establish and maintain a separate fund to be held by the Trustee known as the “Costs of Issuance Fund” into which shall be deposited the amounts set forth in subparagraph (b) of Section 3.02. The moneys in the Costs of Issuance Fund shall be used to pay Costs of Issuance from time to time upon receipt of a Requisition of the Authority. On the date which is one hundred eighty (180) days following the Closing Date, or upon the earlier receipt by the Trustee of a Written Request of the Authority stating that all Costs of Issuance have been paid, the Trustee shall transfer all remaining amounts in the Costs of Issuance Fund to the Revenue Fund and the Trustee shall close the Costs of Issuance Fund.

Section 3.05. Additional Funds and Accounts. The Trustee may establish additional accounts or subaccounts of the funds and accounts described herein as the Trustee shall deem necessary in furtherance of its duties pursuant to this Indenture. Additionally, the Authority may request the establishment of such additional accounts as it deems necessary to meet its obligations pursuant to Article VI hereof and the Trustee shall establish such accounts.

Section 3.06. Validity of Bonds. The validity of the authorization and issuance of the Bonds is not dependent on and shall not be affected in any way by any proceedings taken by the Authority or the Trustee with respect to or in connection with the acquisition of the Special Tax Refunding Bonds. The recital contained in the Bonds that the same are issued pursuant to the constitution and laws of the State of California shall be conclusive evidence of their validity and of compliance with the provisions of law in their issuance.

ARTICLE IV

REDEMPTION OF BONDS

Section 4.01. Redemption; Special Mandatory Redemption.

(a) **Optional Redemption of the Bonds.** The Bonds maturing on and after September 1, 20__ are subject, at the option of the Authority, to call and redemption from any available source of funds prior to their stated maturity on any date on or after September 1, 20__, as a whole or in part, and by lot, at a redemption price equal to the principal amount of the Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

For purposes of the selection of Bonds for redemption pursuant to this subsection (a), the Bonds shall be selected for redemption among maturities by the Authority (evidenced pursuant to a Written Certificate of the Authority delivered to the Trustee at least 60 days prior to the redemption date or such later date as shall be acceptable to the Trustee) on such basis that the debt service on the Special Tax Refunding Bonds on each Interest Payment Date will be sufficient to pay debt service on the Bonds on such Interest Payment Date, as shall be demonstrated in a report of an Independent Financial Consultant filed with the Trustee; provided, however, that no such report need be filed with the Trustee if, after such redemption, no Bonds will be Outstanding.

(b) Mandatory Redemption of the Bonds from Principal Prepayments of the Special Tax Refunding Bonds. The Bonds shall be subject to redemption on any Interest Payment Date, prior to maturity, as a whole or in part from such maturities, as are selected by the Authority, from and to the extent of Principal Prepayments with respect to the Special Tax Refunding Bonds at the following redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed), together with accrued interest thereon to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
March 1, 2015 through March 1, 20__	103%
September 1, 20__ and March 1, 20__	102
September 1, 20__ and March 1, 20__	101
September 1, 20__ and any Interest Payment Date thereafter	100

The principal amount of the Bonds to be redeemed pursuant to this subsection (b) from any such Principal Prepayments shall be the greatest principal amount of Bonds, the redemption price of which is less than or equal to such Principal Prepayments, as specified in a Written Request of the Authority delivered to the Trustee. In the event that a Fiscal Agent for any Series of the Special Tax Refunding Bonds shall mail notice of redemption of any such Special Tax Refunding Bonds which will produce Principal Prepayments, the Trustee shall concurrently mail notice of the redemption of Bonds pursuant to this subsection (b), such redemption to occur on the date fixed for redemption of such Special Tax Refunding Bonds. On the date of such redemption of such Special Tax Refunding Bonds, the proceeds of any such redemption shall be applied by the Trustee to pay the redemption price of Bonds pursuant to this subsection (b).

For purposes of the selection of Bonds for redemption pursuant to this subsection (b), the Bonds shall be selected for redemption among maturities by the Authority (evidenced pursuant to a Written Certificate of the Authority delivered to the Trustee at least 60 days prior to the redemption date or such later date as shall be acceptable to the Trustee) on such basis that the debt service on the Special Tax Refunding Bonds on each Interest Payment Date will be sufficient to pay debt service on the Bonds on such Interest Payment Date, as shall be demonstrated in a report of an Independent Financial Consultant filed with the Trustee; provided, however, that no such report need be filed with the Trustee if, after such redemption, no Bonds will be Outstanding.

(c) Mandatory Sinking Fund Redemption. The Outstanding Bonds maturing on September 1, 20__, are subject to mandatory sinking fund redemption in part on September 1, 20__, and on each September 1 thereafter to maturity, by lot, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date of redemption, without premium, as follows:

<u>Sinking Fund Redemption Date (September 1)</u>	<u>Principal Amount</u>
20__	
20__	
20__ (maturity)	

The Outstanding Bonds maturing on September 1, 20__, are subject to mandatory sinking fund redemption in part on September 1, 20__, and on each September 1 thereafter to maturity, by lot, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date of redemption, without premium, as follows:

<u>Sinking Fund Redemption Date (September 1)</u>	<u>Principal Amount</u>
20__	
20__	
20__	
20__ (maturity)	

If some but not all of the Bonds maturing on September 1, 20__ and September 1, 20__ are redeemed pursuant to subsection (a) above, the principal amount of the Bonds maturing on September 1, 20__ and September 1, 20__ to be redeemed pursuant to this subsection (c) on any subsequent September 1 will be reduced, by \$5,000 or an integral multiple thereof, as designated by the Authority in a Certificate of the Authority filed with the Trustee; provided, however, that the aggregate amount of such reductions shall not exceed the aggregate amount of Bonds maturing on September 1, 20__ and September 1, 20__ redeemed pursuant to subsection (a) above.

If some but not all of the Bonds maturing on September 1, 20__ and September 1, 20__ are redeemed pursuant to subsection (b) above, the principal amount of the Bonds maturing on September 1, 20__ and September 1, 20__ to be redeemed pursuant to the subsection (c) on any subsequent September 1 shall be reduced by the aggregate principal amount of the Bonds maturing on September 1, 20__ and September 1, 20__ redeemed pursuant to subsection (b) above, such reduction to be allocated among redemption dates, as determined by the Trustee, so that following such redemption the remaining principal amount of each sinking fund payment on the Bonds maturing on September 1, 20__ and September 1, 20__ will match the principal payment on the Special Tax Refunding Bonds due and payable on the same date, notice of which determination shall be given by the Trustee to the Authority.

Section 4.02. Purchase in Lieu of Redemption. In lieu of redemption under Section 4.01(a) or 4.02(b), moneys in the Redemption Account may be used and withdrawn by the Trustee for purchase of Outstanding Bonds, upon the filing with the Trustee of a Written Certificate of the Authority requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Written Certificate may provide, but in no event may Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase, unless a greater purchase price is permitted under the Act and the Authority determines that it will have sufficient amounts in the Revenue Fund, following such purchase, to pay the principal of and interest on the Bonds as the same shall be due and payable.

Section 4.03. Selection of Bonds of a Maturity for Redemption. Whenever provision is made in this Indenture for the redemption of less than all of the Bonds of a maturity, the Trustee shall select the Bonds to be redeemed from all Bonds of such maturity not previously called for redemption, by lot in any manner which the Authority in its sole discretion shall deem appropriate and fair. For purposes of such selection, all Bonds shall be deemed to be comprised of separate \$5,000 Authorized Denominations and such separate Authorized Denominations shall be treated as separate Bonds which may be separately redeemed.

Section 4.04. Notice of Redemption.

(a) **Contents of Notice.** Notice of redemption shall be mailed by the Trustee, by first class mail, postage prepaid, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the Registration Books and to the Securities Depositories and the Information Services at least 30 days but not more than 60 days prior to the redemption date. Neither the failure to receive such notice nor any defect in the notice so mailed will affect the sufficiency of the proceedings for redemption of such Bonds or the cessation of accrual of interest on the redemption date. Each notice of redemption shall state the redemption date, the place or places of redemption, the CUSIP numbers and the Bond numbers of the Bonds to be redeemed, and in the case of Bonds to be redeemed in part only, the respective Authorized Denominations of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Bonds the principal amount relating thereto or of said specified portion of the principal thereof in the case of a Bond to be redeemed in part only, plus accrued interest, if any, and through which date such interest will accrue, and that from and after such date interest thereon shall cease to accrue and shall require that such Bonds be then surrendered at the Principal Office of the Trustee. Neither the failure of any Bond Owner to receive any notice so mailed nor any defect therein shall affect the sufficiency of the proceedings for redemption of any Bonds nor the cessation of accrual of interest thereon.

(b) **Conditional Notice of Redemption.** Any notice of optional redemption of the Bonds delivered in accordance with this Section 4.04 may be conditional and if any condition stated in the notice of redemption shall not have been satisfied on or prior to the redemption date, said notice shall be of no force and effect and the Authority shall not be required to redeem such Bonds and the redemption shall not be made and the Trustee shall within a reasonable time thereafter give notice, to the persons and in the manner in which the notice of redemption was given, that such condition or conditions were not met and that the redemption was cancelled.

The Authority may rescind any optional redemption and notice thereof for any reason on any date on or prior to the date fixed for redemption by causing written notice of the rescission to be given to the owners of the Bonds so called for redemption. Any optional redemption and notice thereof shall be rescinded if for any reason on the date fixed for redemption moneys are not available in the Redemption Account or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Bonds called for redemption. Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the owner of any Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission.

(c) **Given On Behalf of the Authority.** Notice of redemption of Bonds shall be given by the Trustee, at the expense of the Authority, for and on behalf of the Authority.

Section 4.05. Partial Redemption of Bonds. In the event that only a portion of any Bond is called for redemption, upon surrender of such Bond the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond of Authorized Denominations equal in aggregate principal amount or maturity amount, as applicable, representing the unredeemed portion of the Bond to be redeemed.

Section 4.06. Effect of Notice of Redemption. Notice having been given as aforesaid, and moneys for the redemption (including the interest to the applicable date of redemption and including any applicable premium), having been set aside in the Redemption Fund or any of the accounts therein, the Bonds to be redeemed shall become due and payable on said date of redemption, and, upon presentation

and surrender thereof at the Principal Office of the Trustee, said Bonds shall be paid at the redemption price thereof, together with interest, accrued and unpaid to said date of redemption and premium, if any.

If, on said date of redemption, moneys for the redemption of the Bonds to be redeemed, together with interest to said date of redemption, shall be held by the Trustee so as to be available therefor on such date of redemption, and, if notice of redemption thereof shall have been given as aforesaid and not cancelled, then, from and after said date of redemption, interest represented by such Bonds shall cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the redemption of Bonds shall be held in trust for the account of the Owners of the Bonds so to be redeemed without liability for interest thereon.

All Bonds paid at maturity or redeemed prior to maturity pursuant to the provisions of this Article IV shall be cancelled upon surrender thereof and destroyed and the Trustee shall deliver a certificate of destruction of such Bonds to the Authority.

Notice of the special redemption of Bonds shall be given upon receipt of notice of prepayment of the Special Tax Refunding Bonds.

ARTICLE V

REVENUES; FUNDS AND ACCOUNTS

Section 5.01. Pledge and Assignment.

(a) Subject only to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein, all of the Revenues and any other amounts (including proceeds of the sale of the Bonds) held in any fund or account established pursuant to this Indenture (including the Reserve Fund but excluding the Residual Account and the Rebate Fund) are hereby pledged by the Authority to secure the full and timely payment of the principal of and interest and premium, if any, of the Bonds in accordance with their terms and the provisions of this Indenture. Said pledge shall constitute a first lien on and security interest in such assets and shall attach, be perfected, and be valid and binding from and after delivery of the Bonds by the Trustee, and the Revenues and other items pledged hereunder shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act.

(b) Subject to the provisions of this Indenture, the Authority hereby pledges and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Revenues, all of the moneys, and securities in the funds and accounts created hereunder (including the Reserve Fund but excluding the Residual Account and the Rebate Fund), as their interests appear, and other amounts pledged in paragraph (a) above and all of the right, title, and interest of the Authority in the Special Tax Refunding Bonds. The Authority shall collect and receive, or cause to be collected and received by the Trustee, all such Revenues, and Revenues collected or received by the Authority, or collected and received by the Trustee on behalf of the Authority, shall be deemed to be held, and to have been collected or received, by the Authority, in trust, and shall be paid to the Trustee as set forth herein. The Trustee also shall be entitled to and may take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, by itself, all of the rights of the Authority and all of the obligations of the Community Facilities Districts under and with respect to the Special Tax Refunding Bonds.

Section 5.02. Establishment of Revenue Fund; Allocation of Revenues. The Authority shall establish with the Trustee a special fund designated the "Revenue Fund" which the Trustee shall maintain and hold in trust. Within the Revenue Fund, the Trustee shall establish special accounts designated as the

“Principal Account,” the “Interest Account,” the “Redemption Account,” and the “Residual Account.” Such fund and accounts shall be held and maintained as separate and distinct funds and accounts. All Revenues, except for investment earnings on the Reserve Fund which shall be applied according to Section 5.07, shall be promptly transferred to the Trustee by the Authority and deposited by the Trustee upon receipt thereof in the Revenue Fund. All Revenues deposited with the Trustee shall be held, disbursed, allocated, and applied by the Trustee only as provided in this Indenture.

On or before each Interest Payment Date, the Trustee shall transfer all Revenues (other than Revenues representing Principal Prepayments and Revenues resulting from the optional redemption of Special Tax Refunding Bonds which shall be transferred as described below) then in the Revenue Fund into the following funds and accounts based upon the following deposit requirements and in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any deposit is made to any account subsequent in priority:

(a) The Trustee shall deposit in the Interest Account an amount which, together with the amounts then on deposit therein, including amounts, if any, transferred by the Trustee from the Reserve Fund pursuant to Section 5.07, is sufficient to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest coming due and payable on the Bonds on such Interest Payment Date and any amount of interest previously due and unpaid.

(b) The Trustee shall deposit in the Principal Account, if necessary, an amount which, together with the amounts then on deposit therein, including amounts, if any, transferred from the Reserve Fund pursuant to Section 5.07, is sufficient to cause the aggregate amount on deposit in the Principal Account to equal the amount of principal or mandatory sinking account payment coming due and payable on the Bonds within the Bond Year and any amount of principal previously due and unpaid.

(c) The Trustee shall deposit in the Reserve Fund, if necessary, an amount which is sufficient to cause the aggregate amount on deposit in the Reserve Fund to equal the Reserve Requirement.

(d) On or after any Interest Payment Date on which the amount on deposit in the Revenue Fund was inadequate to make the transfers described in (a) and (b) above as a result of a default in the scheduled payment of principal of and/or interest on the Special Tax Refunding Bonds, the Trustee shall immediately notify the Finance Director of the amount of such payment default. In the event that the Trustee receives all or any portion of the principal of and/or interest on the Bonds the payment of which is in default, the Trustee shall disburse or transfer such funds in the following order of priority: (i) for deposit in the Reserve Fund such amount as shall be necessary to replenish the amount of any transfers from the Reserve Fund to the Interest Account or the Principal Account resulting from such payment default; and (ii) for deposit in the Revenue Fund any amount remaining following the transfer required pursuant to (i).

(e) The Trustee shall deposit in the Rebate Fund, if necessary, an amount which is sufficient to cause the aggregate amount on deposit in the Rebate Fund to equal the amount of any payment then required to be made to the United States.

(f) On June 30, after making the deposits required under subsections (a), (b), (c), (d) and (e) above for the preceding March 1 Interest Payment Date and making the determination that there are adequate revenues on deposit with the Fiscal Agent and available to make the scheduled Debt Service payment on the Special Tax Refunding Bonds due on the following September 1 Interest Payment Date, and on September 1 of each year, after making the deposits required under subsections (a), (b), (c), (d) and (e) above for such September 1 Interest Payment Date, the Trustee shall transfer all amounts remaining on deposit in the Revenue Fund to the Residual Account.

The Trustee shall deposit in the Redemption Account those Revenues representing Principal Prepayments and which are to be used for the mandatory redemption of the Bonds. The Trustee shall deposit in the Redemption Account those Revenues resulting from the optional redemption of the Special Tax Refunding Bonds, and which the Authority has directed the Trustee to use for the optional redemption of the Bonds.

Section 5.03. Application of Interest Account. Subject to the provisions of this Indenture, all amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it shall become due and payable or, at the Written Request of the Authority filed with the Trustee, to apply to the payment of accrued interest on any Bonds purchased by the Authority pursuant to Section 5.06 in lieu of redemption pursuant to Article IV. Any amounts on deposit in the Interest Account on September 2 of any year during the term of the Bonds shall be transferred from the Interest Account to the Revenue Fund for reallocation pursuant to Section 5.02.

Section 5.04. Application of Principal Account. Subject to the provisions of this Indenture, all amounts in the Principal Account shall be used and withdrawn by the Trustee solely to pay the principal or maturity amount, as applicable, of the Bonds upon the stated maturity thereof or upon any prior redemption of the Bonds with the proceeds of mandatory sinking payments. Any amounts on deposit in the Principal Account on September 2 of any year during the term of the Bonds shall be transferred from the Principal Account to the Revenue Fund for reallocation pursuant to Section 5.02.

Section 5.05. Application of Residual Account. Amounts in the Residual Account shall no longer be considered Revenues and are not pledged to repay the Bonds. So long as the Special Tax Refunding Bonds are outstanding under the terms of the Fiscal Agent Agreements, on July 1 and September 2 of each year, the remaining balance in the Residual Account shall, except as provided below, be transferred to the Special Tax Fund (as such term is defined in the Fiscal Agent Agreements) established and held by the Fiscal Agent for each Series of Special Tax Refunding Bonds proportionately based on their respective Proportionate Share. Notwithstanding the foregoing, in the event that the Special Tax Refunding Bonds have been paid in full or defeased, then any amounts in the Residual Account shall be paid by the Trustee to the Authority to be used for any lawful purpose.

The amount of the transfer to the Special Tax Fund for a Series of Special Tax Refunding Bonds calculated pursuant to the preceding paragraph shall be reduced by the amount of any outstanding deficiency, as of the date of such transfer, in the payment of debt service on such Special Tax Refunding Bonds occurring in the Bond Year ending the September 1st immediately preceding such transfer date.

Section 5.06. Establishment and Application of Redemption Account. The Authority shall establish a special account within the Revenue Fund designated as the "Redemption Account," which account the Trustee shall maintain and hold in trust as a separate and distinct account within such fund. The Trustee shall deposit in the Redemption Account any amounts required or permitted to be applied to the redemption of Bonds pursuant to Section 4.01 (a) or (b) hereunder.

Subject to the provisions of this Indenture, all amounts deposited in the Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of redeeming the Bonds in the manner and upon the terms and conditions specified in Section 4.01 (a) or (b) at the next succeeding date of redemption for which notice has been given and at the redemption prices then applicable. At any time prior to selection of Bonds for such notice of redemption, the Trustee may, at the Written Request of the Authority, apply amounts on deposit in the Redemption Account to the purchase of such Bonds, for cancellation, at public or private sale, as and when and at prices not exceeding the par amount thereof (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account).

Section 5.07. Establishment and Application of Reserve Fund. The Trustee shall establish a special fund which fund the Trustee shall maintain and hold in trust as a separate and distinct fund designated as the "Reserve Fund." On the Closing Date, the Trustee shall deposit in the Reserve Fund the amount specified in subparagraph (c) of Section 3.02 representing fifty percent of Reserve Requirement as of that date and the Qualified Reserve Fund Credit Instrument representing fifty percent of the Reserve Requirement as of that date.

There shall be maintained in the Reserve Fund an amount, together with any Qualified Reserve Fund Credit Instrument, equal to the Reserve Requirement.

Moneys in the Reserve Fund shall be used solely for the purposes set forth in this Section 5.07. Subject to the limitations set forth in the following paragraph, amounts in the Reserve Fund shall be applied to pay the principal of, including sinking fund payments, and interest on the Bonds when due in the event that the moneys in the Interest Account and/or the Principal Account of the Revenue Fund are insufficient therefor. If the amounts in the Interest Account and/or the Principal Account of the Revenue Fund are insufficient to pay the principal of, including sinking fund payments, or interest on the Bonds when due, the Trustee shall withdraw from the Reserve Fund for deposit in the Interest Account and/or the Principal Account, as applicable, moneys necessary for such purposes. All cash and investments in the Reserve Fund, if any, shall be transferred for payment of debt service on the Bonds before any draw may be made on the Qualified Reserve Fund Credit Instrument.

[The provisions of the Qualified Reserve Fund Credit Instrument pertaining to a draw thereon shall be inserted upon receipt of a commitment from the Insurer to provide such instrument.]

In addition, cash amounts, if any, in the Reserve Fund may be applied in connection with an optional redemption pursuant to Section 4.01(a) or a mandatory redemption pursuant to Section 4.01(b) or a defeasance pursuant to Section 10.01 hereof of the Bonds in whole or in part in accordance with the following sentence, or when the balance therein equals the principal and interest due on the Bonds to and including maturity to pay the principal of and interest due on the Bonds to maturity. Any amounts that would otherwise be on deposit in the Reserve Fund following any such optional redemption, mandatory redemption or defeasance that will be in excess of the Reserve Requirement following such event shall be applied toward such optional redemption, mandatory redemption or defeasance, as applicable.

In the event that the Trustee receives a Written Request of a Community Facilities District notifying the Trustee of the Prepayment of the Special Tax obligation for any parcel within an Improvement Area and requesting the transfer of the applicable Special Tax Refunding Bonds Prepayment Reserve Fund Credit to the Fiscal Agent for the Series of the Special Tax Refunding Bonds issued for such Improvement Area, the Trustee shall transfer from the cash then on deposit in the Reserve Fund, not less than five (5) Business Days prior to the redemption date of the Special Tax Refunding Bonds, an amount equal to the Special Tax Refunding Bonds Prepayment Reserve Fund Credit to such Fiscal Agent.

The Trustee shall, pursuant to a Written Certificate of the Authority, transfer from the cash amount then on deposit in the Reserve Fund on the final maturity date of each Series of Special Tax Refunding Bonds, an amount equal to the Reserve Fund Credit Amount applicable to such Series of Special Tax Refunding Bonds, minus the amount of any transfer previously made necessitated as a result of a deficiency in the scheduled payment of principal of or interest on such Series of Special Tax Refunding Bonds which has not previously been reimbursed. Notwithstanding the foregoing, if the amount of such transfer would result in the balance of the cash, together with the amount of any Qualified Reserve Fund Instrument, following such transfer to be less than the Reserve Requirement applicable following the maturity of such Series of Special Tax Refunding Bonds, the amount of such transfer shall be reduced so that such balance equals such Reserve Requirement. The amount to be transferred shall be

transferred to the Interest Account and the Principal Account as a credit against the payments due on such Series of Special Tax Refunding Bonds on such date with such amount being deposited first to the Interest Account as a credit on the interest due on such bonds on such date and the balance being deposited to the Principal Account as a credit on the principal due of such bonds on such date.

On each September 2nd during the term of the Bonds, the Trustee shall calculate the Reserve Requirement for the Bond Year commencing on such September 2nd. If the amount then on deposit in the Reserve Fund exceeds the Reserve Requirement as of the date of such calculation (the "Excess Reserve Fund Amount"), the Trustee shall not less than five (5) Business Days thereafter transfer the Excess Reserve Fund Amount from the cash then on deposit in the Reserve Fund to the Revenue Fund.

Investment earnings on the investment of money on deposit in the Reserve Fund shall be deposited in the Reserve Fund.

Section 5.08. Establishment and Application of the Rebate Fund. The Trustee shall establish when needed and maintain a separate fund to be held by the Trustee and known as the "Rebate Fund." The Trustee shall, in accordance with written directions received from an Authorized Representative of the Authority, deposit into the Rebate Fund moneys transferred by the Fiscal Agent pursuant to the provisions of the applicable Fiscal Agent Agreement or Fiscal Agent Agreements. The Rebate Fund shall be held either uninvested or invested only in Permitted Investments described in clause B(5) of the definition thereof at the written direction of the Authority. Moneys on deposit in the Rebate Fund shall be applied only to payments made to the United States, to the extent such payments are required by the Tax Certificate. The Trustee shall, upon written request and direction of an Authorized Representative of the Authority, make such payments to the United States.

The Trustee may rely conclusively upon the Authority's determinations, calculations and certifications required by this Section. The Trustee shall have no responsibility to independently make any calculation or determination or to review the Authority's calculations hereunder. The Trustee's sole responsibilities under this Section 5.08 are to follow the written instructions of the Authority pertaining hereto. The Authority shall be responsible for any fees and expenses incurred by the Trustee pursuant to Section 5.09.

The Trustee shall, upon written request and direction from an Authorized Representative of the Authority, transfer to or upon the order of the Authority any moneys on deposit in the Rebate Fund in excess of the amount, if any, required to be maintained or held therein in accordance with the Tax Certificate.

Section 5.09. Investment of Moneys. Except as otherwise provided herein, all moneys in any of the funds or accounts established pursuant to the Indenture shall be invested by the Authority solely in Permitted Investments, or, if such fund or account is held by the Trustee solely in Permitted Investments, as directed in writing by the Authority two (2) Business Days prior to the making of such investment. Such investment instructions shall certify that the investment is a Permitted Investment. Permitted Investments may be purchased at such prices as the Authority shall determine. All Permitted Investments shall be acquired subject to any restrictive instructions given to the Trustee pursuant to Section 6.07 and such additional limitations or requirements consistent with the foregoing as may be established by the Written Request of the Authority. Moneys in any funds and accounts shall 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 this Indenture. Absent timely written direction from the Authority, the Trustee shall invest any funds held by it in Permitted Investments described in clause B(5) of the definition thereof.

Except as provided in Section 5.07 with respect to the Reserve Fund and Section 5.08 with respect to the Rebate Fund, all interest, profits and other income received from the investment of moneys in any fund or account established pursuant to this Indenture shall be deposited in the Revenue Fund. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Permitted Investments equal to the amount of accrued interest, if any, paid as part of the purchase price of such Permitted Investments shall be credited to the fund from which such accrued interest was paid.

Permitted Investments acquired as an investment of moneys in any fund established under this Indenture shall be credited to such fund. Except as otherwise provided in the next sentence, all investments of amounts deposited in any fund or account created by or pursuant to this Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of section 148 of the Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Indenture or the Code) at Fair Market Value. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under the applicable provisions of the Code shall be valued at their present value (within the meaning of section 148 of the Code). The Trustee shall not be liable for verification of the application of such sections of the Code.

The Trustee or an affiliate may act as principal or agent in the making or disposing of any investment and shall be entitled to its customary fee therefor. Upon the Written Request of the Authority, or as required for the purposes of the provisions of this Indenture, the Trustee shall sell or present for redemption, any Permitted Investments so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal, or disbursement from the fund to which such Permitted Investments are credited, and the Trustee shall not be liable or responsible for any loss resulting from any investment made or sold pursuant to this Section 5.09.

Investments purchased with funds on deposit in the Reserve Fund not payable on demand shall be restricted to maturities of five years or less.

The Trustee shall furnish the Authority periodic cash transaction statements which include detail for all investment transactions effected by the Trustee or brokers selected by the Authority. Upon the Authority's election, such statements will be delivered via the Trustee's online service and upon electing such service, paper statements will be provided only upon request. The Authority waives the right to receive brokerage confirmations of security transactions effected by the Trustee as they occur, to the extent permitted by law. The Authority further understands that trade confirmations for securities transactions effected by the Trustee will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker.

ARTICLE VI

PARTICULAR COVENANTS

Section 6.01. Punctual Payment. The Authority shall punctually pay or cause to be paid the principal, premium, if any, and interest to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of this Indenture, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in this Indenture and received by the Authority or the Trustee.

Section 6.02. Extension of Payment of Bonds. The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims

for interest shall not be entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal, of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this Section shall be deemed to limit the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

Section 6.03. Against Encumbrances. The Authority shall not create, or permit the creation of, any pledge, lien, charge, or other encumbrance upon the Revenues and other assets pledged or assigned under this Indenture while any of the Bonds are outstanding, except the pledge and assignment created by this Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the Bond Law, and reserves the right to issue other obligations for such purposes.

Section 6.04. Power to Issue Bonds and Make Pledge Assignment. The Authority is duly authorized pursuant to law to issue the Bonds and to enter into this Indenture and to pledge and assign the Revenues, the Special Tax Refunding Bonds and other assets purported to be pledged and assigned, respectively, under this Indenture in the manner and to the extent provided in this Indenture. The Bonds and the provisions of this Indenture are and will be the legal, valid, and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee, subject to the provisions of Article VIII, shall at all times, to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bond Owners under this Indenture against all claims and demands of all Persons whomsoever.

Section 6.05. Accounting Records and Financial Statement. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the Bond proceeds, the Revenues, the Special Tax Refunding Bonds and all funds and accounts established with the Trustee pursuant to this Indenture. Such books of record and account shall be available for inspection by the Authority, the Independent Financial Consultant, the Underwriter, and the Community Facilities Districts, during regular business hours and upon reasonable notice and under reasonable circumstances as agreed to by the Trustee.

The Authority shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with generally accepted accounting principles, in which complete and accurate entries shall be made of all transactions relating to the Bond proceeds, the Revenues, the Special Tax Refunding Bonds and all funds and accounts established pursuant to this Indenture (other than those records and accounts kept by the Trustee). Such books of record and account shall be available for inspection by the Trustee, the Independent Financial Consultant and the Community Facilities Districts, during regular business hours and upon twenty-four (24) hours notice and under reasonable circumstances as agreed to by the Authority.

Section 6.06. Waiver of Laws. The Authority shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in this Indenture or in the Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the Authority to the extent permitted by law.

Section 6.07. Tax Covenants. The Authority will not directly or indirectly use or permit the use of any proceeds of the Bonds or any other funds of the Authority or take or omit to take any action that would cause the Bonds to be “private activity bonds” within the meaning of Section 141 of the Tax Code, or obligations which are “federally guaranteed” within the meaning of Section 149(b) of the Tax Code. The Authority will not allow five percent (5%) or more of the proceeds of the Bonds to be used in the

trade or business of any non-governmental units and will not loan five percent (5%) or more of the proceeds of the Bonds to any non-governmental units.

The Authority covenants that it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on the Bonds under Section 103 of the Tax Code. The Authority will not directly or indirectly use or permit the use of any proceeds of the Bonds or any other funds of the Authority, or take or omit to take any action, that would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148(a) of the Tax Code. To that end, the Authority will comply with all requirements of Section 148 of the Tax Code to the extent applicable to the Bonds. In the event that at any time the Authority is of the opinion that for purposes of this Section it is necessary to restrict or limit the yield on the investment of any moneys held under this Indenture or otherwise the Authority shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

Without limiting the generality of the foregoing, the Authority agrees that there shall be paid from time to time all amounts required to be rebated to the United States of America pursuant to Section 148(f) of the Tax Code and any temporary, proposed or final Treasury Regulations as may be applicable to the Bonds from time to time. This covenant shall survive payment in full or defeasance of the Bonds.

Notwithstanding any provision of this Section, if the Authority shall obtain an opinion of Bond Counsel to the effect that any action required under this covenant is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Tax Code, the Trustee may rely conclusively on such opinion in complying with the provisions hereof, and the covenant hereunder shall be deemed to be modified to that extent.

Section 6.08. Collection of Revenues. The Authority shall cause to be collected and paid to it all Revenues payable with respect to the Special Tax Refunding Bonds promptly as such Revenues become due and payable, and shall vigorously enforce and cause to be enforced all rights of the Authority and the Trustee under and with respect to the Special Tax Refunding Bonds. Upon any failure of the Authority to perform as required by this Section 6.08, the Trustee shall, subject to the provisions of Article VIII hereof, take appropriate actions to collect and cause the Revenues to be paid to the Trustee.

Section 6.09. Special Tax Refunding Bonds. The Authority, the Trustee and the applicable Community Facilities District may at any time consent to, amend or modify any Series of the Special Tax Refunding Bonds pursuant to the terms of the applicable Fiscal Agent Agreement, (i) with the prior consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, or (ii) without the consent of any of the Owners, if such amendment or modification is for any one or more of the following purposes:

(a) to add to the covenants and agreements contained in such Special Tax Refunding Bonds, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power therein reserved to or conferred upon such Community Facilities District; or

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in such Special Tax Refunding Bonds, or in any other respect whatsoever as such Community Facilities District may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not materially adversely affect the interests of the Owners of the Bonds; or

(c) to amend any provision thereof to the extent necessary to comply with the Code, but only if and to the extent such amendment will not adversely affect the exclusion from gross income of the interest on any of the Bonds under the Code, in the opinion of nationally-recognized bond counsel.

Section 6.10. Limitation on Defeasance, Sale and Refunding of Special Tax Refunding Bonds. The Authority shall not consent to a sale, defeasance or optional redemption of any Special Tax Refunding Bonds unless the Authority shall provide to the Trustee a certificate of an Independent Financial Consultant or an Independent Accountant, certifying that after giving effect to the sale, defeasance or redemption, cash flows from the remaining outstanding Special Tax Refunding Bonds will be sufficient to satisfy the ongoing requirement for payment of principal of and interest on the Bonds.

Section 6.11. Further Assurances. The Authority will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in this Indenture.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES OF BOND OWNERS

Section 7.01. Events of Default. The following events shall be Events of Default:

(a) if default by the Authority shall be made in the due and punctual payment of the principal of any Bonds when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for sinking fund redemption or otherwise;

(b) if default shall be made in the due and punctual payment of any installment of interest on any Bonds when and as the same shall become due and payable;

(c) if default shall be made by the Authority in the observance of any of the other covenants, agreements or conditions on its part in this Indenture or in the Bonds contained, if such default shall have continued for a period of thirty (30) days after written notice thereof which grace period shall not be extended beyond sixty (60) days, Trustee or the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding as determined in Section 11.12 hereof; provided, however, if the failure stated in the notice can be corrected, but not within the applicable period, the Authority, the Trustee, and such Owners shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Authority within the applicable period and diligently pursued until the default is corrected;

(d) the occurrence of an Event of Bankruptcy with respect to the Authority; and

(e) the occurrence of a default under any Special Tax Refunding Bond.

Section 7.02. Acceleration. The Bonds are not subject to acceleration.

Section 7.03. Remedies of Bond Owners. Subject to the provisions of Sections 7.07 and 7.08, any Bond Owner shall have the right, for the equal benefit and protection of all Bond Owners similarly situated:

(a) by mandamus, suit, action, or proceeding, to compel the Authority and its members, officers, agents or employees to perform each and every term, provision and covenant contained in this

Indenture and in the Bonds, and to require the carrying out of any or all such covenants and agreements of the Authority and the fulfillment of all duties imposed upon it by the Bond Law;

(b) by suit, action, or proceeding in equity, to enjoin any acts or things which are unlawful, or the violation of any of the Bond Owners, rights; or

(c) upon the happening of any Event of Default, by suit, action, or proceeding in any court of competent jurisdiction, to require the Authority and its members and employees to account as if it and they were the trustees of an express trust.

Section 7.04. Application of Revenues and other Funds After Default. If an Event of Default shall occur and be continuing, all Revenues and any other funds then held or thereafter received by the Authority shall, immediately upon receipt by the Authority, be transferred by the Authority to the Trustee and be deposited by the Trustee in the Revenue Fund and all amounts held in the Revenue Fund by the Trustee and all Revenues and any other funds then held or thereafter received by the Authority or the Trustee under any of the provisions of this Indenture shall be applied by the Trustee as follows and in the following order:

(a) To the payment of any fees and expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the Bonds and payment of reasonable charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under, this Indenture;

(b) To the payment of the principal of and interest then due with respect to the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of this Indenture, as follows:

First: To the payment to the Persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the Persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the Persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by call for redemption, with interest on the overdue principal at the rate borne by the respective Bonds on the date of maturity or redemption, and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the Persons entitled thereto, without any discrimination or preference.

Section 7.05. Trustee to Represent Bond Owners. Subject to the provisions of Sections 7.03 and 7.07, the Trustee is hereby irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to the Owners under the provisions of the Bonds, this Indenture, the Bond Law and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bond Owners, the Trustee in its discretion may, and upon the written request of the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, as determined pursuant to Section 11.12 hereof, and upon being indemnified to its satisfaction therefor, shall proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit,

mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee and such Owners under the Bonds, this Indenture, the applicable Supplemental Indenture, the Bond Law or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under this Indenture, pending such proceedings. All rights of action under this Indenture, or the Bonds or otherwise 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 suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of the Owners of such Bonds, subject to the provisions of this Indenture.

Section 7.06. Appointment of Receivers. Upon the occurrence of an Event of Default hereunder, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Owners of the Bonds under this Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Revenues and other amounts pledged hereunder, pending such proceedings, with such powers as the court making such appointment shall confer.

Section 7.07. Bond Owners' Direction of Proceedings. The Owners of a majority in aggregate principal amount of the Bonds then Outstanding, as determined pursuant to Section 11.12 hereof, shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction, to direct the method of conducting all remedial proceedings taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law and the provisions of this Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bond Owners not parties to such direction.

Section 7.08. Limitation on Bond Owners' Right to Sue. No Owner of any Bonds shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Indenture, the Agreement, the Bond Law or any other applicable law with respect to such Bonds, unless (a) such Owner shall have given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, as determined pursuant to Section 11.12 hereof, shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (c) such Owner or said Owners shall have tendered to the Trustee indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy hereunder or under law; it being understood and intended that not one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb, or prejudice the security of this Indenture or the rights of any other Owner of the Bonds, or to enforce any right under the Bonds, this Indenture, the Bond Law or other applicable law, with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of this Indenture.

Section 7.09. Absolute Obligation of Authority. Nothing in Section 7.08 or in any other provision of this Indenture or in the Bonds contained shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the principal of and interest on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon call for redemption, as herein provided, but only out of the Revenues and other assets herein pledged therefor and received by the Authority or the Trustee, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

Section 7.10. Termination of Proceedings. In case any proceedings taken by the Trustee or any one or more Bond Owners on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Bond Owners, then in every such case the Authority, the Trustee and the Bond Owners, object to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the Authority, the Trustee and the Bond Owners shall continue as though no such proceedings had been taken.

Section 7.11. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

Section 7.12. No Waiver of Default. No delay or omission of the Trustee or of any Owner of the Bonds to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by this Indenture to the Trustee or to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient.

ARTICLE VIII

THE TRUSTEE

Section 8.01. Duties and Liabilities of Trustee.

(a) The Trustee shall, prior to an Event of Default, and after the curing or waiving of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in this Indenture. The Trustee shall, during the existence of any Event of Default which has not been cured or waived, exercise such of the rights and powers vested in it by this 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.

(b) The Authority may remove the Trustee at any time unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, as determined pursuant to Section 11.12 hereof (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with subsection (e) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee and thereupon shall appoint a successor Trustee by an instrument in writing. Notwithstanding anything herein to the contrary, the Trustee must at all times be the same entity (at the same branch office) as the Fiscal Agent for the Special Tax Refunding Bonds.

(c) The Trustee may at any time resign by giving written notice of such resignation by first class mail, postage prepaid, to the Authority and the Bond Owners at the respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee by an instrument in writing. The Trustee shall not be relieved of its duties until such successor Trustee has accepted appointment.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within forty-five (45) days following giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Bond Owner (on behalf of himself and all other Bond Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture shall signify its acceptance of such appointment by executing and delivering to the Authority and to its predecessor Trustee a written acceptance thereof, and to the predecessor Trustee an instrument indemnifying the predecessor Trustee for any costs or claims arising during the time the successor Trustee serves as Trustee hereunder, and after payment by the Authority of all unpaid fees and expenses of the predecessor Trustee, the successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the written Request of the Authority or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Authority shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties, and obligations. Upon acceptance of appointment by a successor Trustee as provided for in this subsection, the Authority shall mail or cause the successor Trustee to mail, by first class mail postage prepaid, a notice of the succession of such Trustee to the trusts hereunder to each rating agency which then maintains a rating on the Bonds and to the Bond Owners at the addresses shown on the Registration Books. If the Authority fails to mail such notice within fifteen (15) days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Authority.

(e) Any Trustee appointed under the provisions of this Section 8.01 in succession to the Trustee shall be a trust company or bank in good standing located in or incorporated under the laws of the State of California, duly authorized to exercise trust powers and subject to examination by federal or state authority, having a reported combined capital and surplus of not less than seventy-five million dollars (\$75,000,000). 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 agency above referred to, then for the purpose of this subsection the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

(f) Notwithstanding any other provision of this Indenture, no removal, resignation or termination of the Trustee shall take effect until a successor shall be appointed.

Section 8.02. Merger or Consolidation. Any bank or trust company into which the Trustee may be merged or converted or with which it may be consolidated, or any bank or trust company resulting from any merger, conversion or consolidation to which it shall be a party, or any bank or trust company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank or trust company shall be eligible under subsection (e) of Section 8.01, shall be the successor to such Trustee, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

Section 8.03. Liability of Trustee.

(a) The recitals of facts herein and in the Bonds contained shall be taken as statements of the Authority, and the Trustee shall not assume responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of this Indenture or of the Bonds or shall incur any responsibility in respect thereof, other than as expressly stated herein in connection with the respective duties or obligations herein or in the Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its Certificate of Authentication on the Bonds. The Trustee makes no representations as to the validity or sufficiency of the Indenture, or of any Bonds, or any Special Tax Refunding Bond or in respect of the security afforded by this Indenture and the Trustee shall incur no responsibility in respect thereof. The Trustee shall be under no responsibility or duty with respect to: (i) the issuance of the Bonds for value; (ii) the application of the proceeds thereof except to the extent that such proceeds are received by it in its capacity as Trustee; or (iii) the application of any moneys paid to the Authority or others in accordance with this Indenture except as the application of any moneys paid to the Trustee in its capacity as Trustee. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own gross negligence or willful default and the negligence and willful misconduct of its agents. Absent negligence or willful misconduct, the Trustee shall not be liable for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Indenture. The Trustee may become the Owner of Bonds with the same rights it would have if it were not Trustee, and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bond Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

(b) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Bonds as determined pursuant to Section 11.12 hereof, at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture.

(d) Absent negligence or willful misconduct, the Trustee shall not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture.

(e) The Trustee shall not be deemed to have knowledge of any default or Event of Default hereunder or under any Special Tax Refunding Bond unless and until it shall have actual knowledge thereof, or shall have received written notice thereof, at its Principal Office. Except as otherwise provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants, or agreements herein or of any of the documents

executed in connection with the Bonds, or as to the existence of an Event of Default thereunder. The Trustee shall not be responsible for the validity or effectiveness of any collateral given to or held by it.

(f) The Trustee shall be under no obligation to institute any suit or take any remedial action under this Indenture, or to enter any appearance in or in any way defend any suit in which it may be made defendant, or to take any steps in the execution of the trust hereby created or in the exercise of any rights or powers hereunder at the request, order, or direction of any Owners of Bonds or otherwise unless it shall be indemnified to its satisfaction against any and all reasonable costs and expenses, outlays and counsel fees and other disbursements, and against all liability not due to its negligence or willful misconduct; provided, however, that if the Trustee intends to rely on this Section 8.03(f) as a basis for non-action it shall so inform the Owners of the Bonds and the Authority as soon as possible.

(g) The Trustee shall have no duty to expend or risk its own funds in the performance of its duties hereunder.

(h) The Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

Section 8.04. Right to Rely on Documents. The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bonds or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be Bond Counsel or other counsel of or to the Authority, with regard to legal questions, and absent negligence or willful misconduct, the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith; provided, however, the Trustee shall in no event delay any payment with respect to the Bonds in anticipation of any such opinion.

Except as otherwise expressly provided in this Indenture, the Trustee shall not be bound to recognize any Person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto is satisfactorily established, if disputed.

Whenever in the administration of the trusts imposed upon it by this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Written Certificate of the Authority, and such Written Certificate shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Indenture in reliance upon such Written Certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

Section 8.05. Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of this Indenture shall be retained in its possession and shall be subject during business hours, and upon reasonable notice, to the inspection of the Authority, the Community Facilities Districts and their agents and representatives duly authorized in writing.

Section 8.06. Compensation; Indemnification. The Authority shall cause to be paid to the Trustee from time to time all reasonable compensation for all services rendered under this Indenture, and also all reasonable expenses, charges, legal and consulting fees and other disbursements and those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Indenture. However, the Authority shall not be liable for “overhead expenses” except as such expenses may be included as a component of the Trustee’s stated annual fees. The Authority agrees to

indemnify and save the Trustee harmless against any costs, claims, expenses, or liabilities which it may incur in the exercise and performance of its powers and duties hereunder, including, but not limited to, claims of the Owners arising from the Trustee's actions pursuant to Section 11.04 hereof, and under any related documents, including the enforcement of any remedies and the defense of any suit, and which are not due to its negligence or its willful default. The duty of the Authority to indemnify the Trustee hereunder shall survive the termination and discharge of this Indenture. None of the provisions contained in the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

Section 8.07. Right of Trustee to Acquire Bonds. The Trustee and its officers and directors may acquire and hold, or become the pledgee of, Bonds and otherwise deal with the Authority in the manner and to the same extent and with like effect as if it were not the Trustee hereunder.

ARTICLE IX

MODIFICATION OR AMENDMENT OF THE INDENTURE

Section 9.01. Amendments Permitted.

(a) This Indenture and the rights and obligations of the Authority and of the Owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority and the Trustee may enter into with the written consent of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding, as determined pursuant to Section 11.12 hereof, which shall have been filed with the Trustee. No such modification or amendment shall (i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof, or extend the time of payment, without the consent of 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 Revenues and other assets pledged under this Indenture prior to or on a parity with the lien created by this Indenture or deprive the Owners of the Bonds of the lien created by this Indenture on such Revenues and other assets (except as expressly provided in this Indenture) without the consent of the Owners of all of the Bonds then Outstanding. It shall not be necessary for the consent of the Bond Owners to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof. The Trustee shall, at least fifteen (15) days in advance of the effective date of any Supplemental Indenture, cause to be mailed a notice (the form of which shall be furnished to the Trustee by the Authority) of the proposed modification or amendment of this Indenture containing a copy of the Supplemental Indenture intended to effectuate such amendment or modification. Promptly after the execution by the Authority and the Trustee of any Supplemental Indenture pursuant to this subsection (a), (i) the Trustee shall cause to be mailed a notice (the form of which shall 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, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

(b) This Indenture and any Supplemental Indenture and the rights and obligations of the Authority, the Trustee, and the Owners of the Bonds may also be modified or amended from time to time and at any time by an indenture or indentures supplemental hereto, which the Authority and the Trustee may enter into without the consent of any Bond Owners, for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Authority in this 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 herein reserved to or conferred upon the Authority;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision contained in this Indenture, or as to any other provisions of the Indenture as the Authority may deem necessary or desirable, in any case which do not have a material and adverse affect on the security for the Bonds granted hereunder;

(iii) to modify, amend or supplement this Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;

(iv) to modify, amend, or supplement this Indenture in such manner as to cause interest on the Bonds to be excludable, or remain excludable, from gross income for purposes of federal income taxation by the United States of America; and

(v) to modify or amend any provision of this Indenture with any effect and to any extent whatsoever permissible by law, provided that any such modification or amendment shall apply only to the Bonds issued and delivered subsequent to the execution and delivery of the applicable Supplemental Indenture.

Section 9.02. Effect of Supplemental Indenture. Upon the execution of any Supplemental Indenture pursuant to this Article, this Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties, and obligations under this Indenture of the Authority, the Trustee, and all Owners of Bonds Outstanding shall thereafter be determined, exercised, and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 9.03. Endorsement of Bonds; Preparation of New Bonds. Bonds delivered after the execution of any Supplemental Indenture pursuant to this Article may, and if the Authority so determines shall, 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 on the Owner of any Bonds Outstanding at the time of such execution and presentation of his Bonds for the purpose at the Office of the Trustee a suitable notation shall be made on such Bonds. If the Supplemental Indenture shall 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, shall be prepared and executed by the Authority and authenticated by the Trustee, and upon demand of the Owners of any Bonds then outstanding shall be exchanged at the 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.

Section 9.04. Amendment of Particular Bonds. The provisions of this Article shall not prevent any Bond Owner from accepting any amendment as to the particular Bonds held by such Owner.

ARTICLE X

DEFEASANCE

Section 10.01. Discharge of Indenture. The Bonds or any portion thereof may be paid by the Authority in any of the following ways, provided that the Authority also pays or causes to be paid any other sums payable hereunder by the Authority:

- (a) by paying or causing to be paid the principal of and interest and premium, if any, on the Bonds or any portion thereof, as and when the same become due and payable;
- (b) by irrevocably depositing with the Trustee, in trust (pursuant to an escrow agreement), at or before maturity, money or Defeasance Obligations in the necessary amount (as provided in Section 10.03) to pay or redeem all or any portion of the Bonds then Outstanding; or
- (c) by delivering to the Trustee, for cancellation by it, all or any portion of the Bonds then Outstanding.

If the Authority shall also pay or cause to be paid all other sums payable hereunder by the Authority including without limitation any compensation or other amounts due and owing the Trustee hereunder, then and in that case, at the election of the Authority (evidenced by a Written Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and this Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, this Indenture and the pledge of Revenues and other assets made under this Indenture and all covenants, agreements and other obligations of the Authority under this Indenture shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon the Written Request of the Authority, and upon receipt of a Written Certificate of an Authorized Representative of the Authority and an opinion of Bond Counsel acceptable to the Trustee, each to the effect that all conditions precedent herein provided for relating to the discharge and satisfaction of the obligations of the Authority have been satisfied, the Trustee shall cause an accounting for such period or periods as may be requested by the Authority to be prepared and filed with the Authority and shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign, or deliver all moneys or securities or other property held by it pursuant to this Indenture and the applicable Supplemental Indenture, which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption, to the Authority.

Section 10.02. Discharge of Liability on Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem any Outstanding Bonds (whether upon or prior to the maturity or the redemption date of such Bonds), provided that, if such Bonds are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Authority in respect of such Bonds shall cease, terminate and be completely discharged, and the Owners thereof shall thereafter be entitled only to payment out of such money or securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of Section 10.04.

The Authority may at any time surrender to the Trustee for cancellation by it any Bonds previously issued and delivered, which the Authority may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Section 10.03. Deposit of Money or Securities with Trustee. Subject to Section 11.09 hereof, whenever in this Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to this Indenture and shall be:

(a) Lawful money of the United States of America, in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount of such Bonds, premium, if any, and all unpaid interest thereon to the redemption date; or

(b) Noncallable defeasance obligations (described in paragraph A of the definition of Permitted Investments), the principal of, premium, if any, and interest on which when due will provide money sufficient to pay the principal of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal and interest become due, provided that in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee shall have been made for the giving of such notice; provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of this Indenture or by Written Request of the Authority) to apply such funds to the payment of such principal and interest with respect to such Bonds.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Liability of Authority Limited to Revenues. Notwithstanding anything in this Indenture or in the Bonds contained, neither the Authority, nor any member thereof, shall be required to advance any moneys derived from any source other than the Revenues and other assets pledged under this Indenture for any of the purposes in this Indenture mentioned, whether for the payment of the principal or interest on the Bonds or for any other purpose of this Indenture. Nevertheless, the Authority may, but shall not be required to, advance for any of the purposes hereof any funds of the Authority which may be made available to it for such purposes.

Section 11.02. Successor Is Deemed Included in All References to Predecessor. Whenever in this Indenture either the Authority or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the Authority or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 11.03. Limitation of Rights to Parties and Bond Owners. Nothing in this Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any Person other than the Authority, the Trustee, the Community Facilities Districts, and the Owners of the Bonds, any legal or equitable right, remedy or claim under or in respect of this Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Authority, the Trustee, the Community Facilities Districts, and the Owners of the Bonds.

Section 11.04. Destruction of Bonds. Whenever in this Indenture provision is made for the cancellation by the Trustee and the delivery to the Authority of any Bonds, the Trustee shall destroy such Bonds as may be allowed by law and deliver a certificate of such destruction to the Authority.

Section 11.05. Severability of Invalid Provisions. If any one or more of the provisions contained in this Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of this Indenture, and this Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Authority hereby declares that it would have entered into this Indenture and each and every other Section, subsection, paragraph, sentence, clause or phrase hereof and authorized the issuance of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, subsections, paragraphs, sentences, clauses or phrases of this Indenture may be held illegal, invalid or unenforceable.

Section 11.06. Notices. Any notice, request, complaint, demand or other communication under this Indenture shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by telecopy or other form of telecommunication, at its number set forth below. Notice shall be effective either (a) upon transmission by telecopy or other form of telecommunication, (b) forty-eight (48) hours after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person or the Trustee, upon actual receipt. The Authority, the Community Facilities Districts or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the Authority: San Marcos Public Financing Authority
One Civic Center Drive
San Marcos, CA 92069
Attn: Executive Director

If to the Community Community Facilities District No. 91-01 or
Facilities Districts: Community Facilities District No. 99-01
c/o City of San Marcos
One Civic Center Drive
San Marcos, CA 92069
Attention: City Manager

If to the Trustee: MUFG Union Bank, N.A.
120 S. San Pedro Street, Suite 400
Los Angeles, CA 90012
Reference: San Marcos Public Financing Authority
Facsimile: (213) 972-5694
E-mail: Lorraine.mcintire@unionbank.com

with a copy to:

AccountAdministration-CorporateTrust@unionbank.com

Section 11.07. Waiver of Notice: Requirement of Mailed Notice. Whenever in this Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the Person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver. Whenever in this Indenture any notice shall be required to be given by mail, such requirement shall be satisfied by the deposit of such notice in the United States mail, postage prepaid, by first class mail.

Section 11.08. Evidence of Rights of Bond Owners. Any request, consent or other instrument required or permitted by this Indenture to be signed and executed by Bond Owners may be in any number

of concurrent instruments of substantially similar tenor and shall be signed or executed by such Bond Owners in Person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of Bonds transferable by delivery, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and the Authority if made in the manner provided in this Section.

The fact and date of the execution by any Person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the Person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The ownership of registered Bonds shall be proved by the Registration Books. Any request, consent, or other instrument or writing of the Owner of any Bond shall bind every future Owner of the same Bond and the Owner of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in accordance therewith or reliance thereon.

Section 11.09. Money Held for Particular Bonds. The money held by the Trustee for the payment of the interest, principal or premium due on any date with respect to particular Bonds (or portions of Bonds in the case of Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the Bonds entitled thereto, subject, however, to the provisions of Section 11.10 but without any liability for interest thereon.

Section 11.10. Unclaimed Moneys. Anything in this Indenture to the contrary notwithstanding and subject to the escheat laws of the State, any moneys held by the Trustee in trust for the payment and discharge of any of the Bonds which remain unclaimed for two (2) years after the date when such bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee at such date, or for two (2) years after the date of deposit of such moneys if deposited with the Trustee after said date when such Bonds become due and payable, shall be repaid by the Trustee to the Authority, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Bond Owners shall look only to the Authority for the payment of such Bonds; provided, however, that before being required to make such payment to the Authority, the Trustee shall, at the expense of Authority, cause to be mailed to the Owners of all such Bonds, at their respective addresses appearing on the Bond Register, a notice that said moneys remain unclaimed and that, after a date in said notice, which date shall not be less than thirty (30) days after the date of mailing such notice, the balance of such moneys then unclaimed will be returned to the Authority.

Section 11.11. Funds and Accounts. Any fund or account required by this Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with industry standards to the extent practicable, and with due regard for the requirements of Section 6.05 and for the protection of the security of the Bonds and the rights of every Owner thereof.

Section 11.12. Disqualified Bonds. In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are known by the Trustee to be owned or held by or for the account of the Authority, or by any other obligor on the Bonds, or by any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or any other obligor on the

Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee shall certify to the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or any other obligor on the Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

Section 11.13. Determination of Percentage of Bond Owners. Whenever in this Indenture the consent, direction or other action is required or permitted to be given or taken by a percentage of the Owners of an aggregate principal amount of Bonds Outstanding (including the owners of a majority in aggregate principal amount of the Bonds Outstanding), such percentage shall be calculated on the basis of the principal amount of the Outstanding Bonds.

Section 11.14. Payment on Non-Business Days. In the event any payment is required to be made hereunder on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day.

Section 11.15. Waiver of Personal Liability. No member, officer, agent or employee of the Authority shall be individually or personally liable for the payment of the principal of or premium or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof, but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law or by this Indenture.

Section 11.16. Execution in Several Counterparts. This Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Authority and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

Section 11.17. Governing Laws. This Indenture shall be governed by and construed in accordance with the laws of the State of California.

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IN WITNESS WHEREOF, the SAN MARCOS PUBLIC FINANCING AUTHORITY has caused this Indenture to be signed in its name by its Executive Director, and MUFG UNION BANK, N.A., in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

SAN MARCOS PUBLIC FINANCING AUTHORITY

By: _____
Executive Director

MUFG UNION BANK, N.A., as Trustee

By: _____
Authorized Officer

EXHIBIT A

IMPROVEMENT AREA

Improvement Area means each of the following Improvement Areas of CFD No. 99-01:

1. Improvement Area A1;
2. Improvement Area A2;
3. Improvement Area B1;
4. Improvement Area B2;
5. Improvement Area C1;
6. Improvement Area D1;
7. Improvement Area F2/V2;
8. Improvement Area G3;
9. Improvement Area H1A;
10. Improvement Area H1B;
11. Improvement Area J;
12. Improvement Area M;
13. Improvement Area N1;
14. Improvement Area N2;
15. Improvement Area R1;
16. Improvement Area R2; and
17. Improvement Area V1A.

EXHIBIT B

PRIOR SPECIAL TAX BONDS

1. \$3,690,000 City of San Marcos Community Facilities District No. 91-01 2004 Special Tax Refunding Bonds;
2. \$2,270,000 City of San Marcos Community Facilities District No. 99-01 Improvement Area A1 2004 Special Tax Refunding Bonds;
3. \$2,360,000 City of San Marcos Community Facilities District No. 99-01 Improvement Area A2 2004 Special Tax Refunding Bonds;
4. \$2,255,000 City of San Marcos Community Facilities District No. 99-01 Improvement Area B1 2004 Special Tax Refunding Bonds;
5. \$1,940,000 City of San Marcos Community Facilities District No. 99-01 Improvement Area B2 2004 Special Tax Refunding Bonds;
6. \$3,565,000 City of San Marcos Community Facilities District No. 99-01 Improvement Area C1 2004 Special Tax Refunding Bonds;
7. \$1,960,000 City of San Marcos Community Facilities District No. 99-01 Improvement Area D1 2004 Special Tax Refunding Bonds;
8. \$3,220,000 City of San Marcos Community Facilities District No. 99-01 (Improvement Area F2/V2) Special Tax Bonds, Series 2006;
9. \$1,430,000 City of San Marcos Community Facilities District No. 99-01 Improvement Area G3 2004 Special Tax Refunding Bonds;
10. \$1,555,000 City of San Marcos Community Facilities District No. 99-01 Improvement Area H1A 2004 Special Tax Refunding Bonds;
11. \$1,410,000 City of San Marcos Community Facilities District No. 99-01 Improvement Area H1B 2004 Special Tax Refunding Bonds;
12. \$4,675,000 City of San Marcos Community Facilities District No. 99-01 (Improvement Area J) Special Tax Bonds, Series 2006;
13. \$4,560,000 City of San Marcos Community Facilities District No. 99-01 Improvement Area M 2004 Special Tax Refunding Bonds;
14. \$2,805,000 City of San Marcos Community Facilities District No. 99-01 Improvement Area N1 2004 Special Tax Refunding Bonds;
15. \$2,575,000 City of San Marcos Community Facilities District No. 99-01 Improvement Area N2 2004 Special Tax Refunding Bonds;
16. \$2,875,000 City of San Marcos Community Facilities District No. 99-01 Improvement Area R1 2004 Special Tax Refunding Bonds;
17. \$2,245,000 City of San Marcos Community Facilities District No. 99-01 Improvement Area R2 2004 Special Tax Refunding Bonds; and
18. \$2,755,000 City of San Marcos Community Facilities District No. 99-01 (Improvement Area V1A) Special Tax Bonds, Series 2006.

EXHIBIT C

SPECIAL TAX REFUNDING BONDS

1. \$_____ City of San Marcos Community Facilities District No. 91-01 Special Tax Refunding Bonds, Series 2014;
2. \$_____ City of San Marcos Community Facilities District No. 99-01 Improvement Area A1 Special Tax Refunding Bonds, Series 2014;
3. \$_____ City of San Marcos Community Facilities District No. 99-01 Improvement Area A2 Special Tax Refunding Bonds, Series 2014;
4. \$_____ City of San Marcos Community Facilities District No. 99-01 Improvement Area B1 Special Tax Refunding Bonds, Series 2014;
5. \$_____ City of San Marcos Community Facilities District No. 99-01 Improvement Area B2 Special Tax Refunding Bonds, Series 2014;
6. \$_____ City of San Marcos Community Facilities District No. 99-01 Improvement Area C1 Special Tax Refunding Bonds, Series 2014;
7. \$_____ City of San Marcos Community Facilities District No. 99-01 Improvement Area D1 Special Tax Refunding Bonds, Series 2014;
8. \$_____ City of San Marcos Community Facilities District No. 99-01 Improvement Area F2/V2 Special Tax Refunding Bonds, Series 2014;
9. \$_____ City of San Marcos Community Facilities District No. 99-01 Improvement Area G3 Special Tax Refunding Bonds, Series 2014;
10. \$_____ City of San Marcos Community Facilities District No. 99-01 Improvement Area H1A Special Tax Refunding Bonds, Series 2014;
11. \$_____ City of San Marcos Community Facilities District No. 99-01 Improvement Area H1B Special Tax Refunding Bonds, Series 2014;
12. \$_____ City of San Marcos Community Facilities District No. 99-01 Improvement Area J Special Tax Refunding Bonds, Series 2014;
13. \$_____ City of San Marcos Community Facilities District No. 99-01 Improvement Area M Special Tax Refunding Bonds, Series 2014;
14. \$_____ City of San Marcos Community Facilities District No. 99-01 Improvement Area N1 Special Tax Refunding Bonds, Series 2014;
15. \$_____ City of San Marcos Community Facilities District No. 99-01 Improvement Area N2 Special Tax Refunding Bonds, Series 2014;
16. \$_____ City of San Marcos Community Facilities District No. 99-01 Improvement Area R1 Special Tax Refunding Bonds, Series 2014;
17. \$_____ City of San Marcos Community Facilities District No. 99-01 Improvement Area R2 Special Tax Refunding Bonds, Series 2014; and
18. \$_____ City of San Marcos Community Facilities District No. 99-01 Improvement Area V1A Special Tax Refunding Bonds, Series 2014.

EXHIBIT D
FORM OF BOND

REGISTERED

REGISTERED

R - ____

\$ _____

NEITHER THE PAYMENT OF THE PRINCIPAL OR ANY PART THEREOF NOR ANY INTEREST THEREON CONSTITUTES A DEBT, LIABILITY OR OBLIGATION OF THE CITY OF SAN MARCOS OR THE SAN MARCOS FIRE PROTECTION DISTRICT, WHICH ARE MEMBERS OF THE SAN MARCOS PUBLIC FINANCING AUTHORITY.

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE SECURITIES DEPOSITORY (AS DEFINED IN THE INDENTURE OF TRUST) TO THE TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

**UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF SAN DIEGO**

**SAN MARCOS PUBLIC FINANCING AUTHORITY
SPECIAL TAX REVENUE REFUNDING BOND,
SERIES 2014A**

INTEREST RATE
____%

MATURITY DATE
September 1, ____

DATED DATE
October __, 2014

CUSIP
79876A

REGISTERED OWNER: CEDE & CO.

PRINCIPAL SUM: *** _____ DOLLARS***

The SAN MARCOS PUBLIC FINANCING AUTHORITY (the "Authority"), a joint powers authority created pursuant to the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the "Act"), for value received, hereby promises to pay (but only out of the Revenues and other assets pledged therefor as hereinafter mentioned) to the Registered Owner stated above or registered assigns (the "Owner"), on the Maturity Date stated above (subject to any right of prior redemption hereinafter mentioned), the Principal Sum stated above, in lawful money of the United States of America; and to pay interest thereon in like lawful money from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond (unless this Bond is authenticated after a Record Date (as hereinafter defined) and on or prior to the next succeeding Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless this Bond is authenticated on or before February 15, 2015, in which

event it shall bear interest from the Dated Date stated above) until payment of such Principal Sum shall be discharged as provided in the Indenture hereinafter mentioned, at the Interest Rate per annum stated above, payable semiannually on each March 1 and September 1 (each an "Interest Payment Date,"), commencing March 1, 2015. The principal (or redemption price) hereof is payable upon presentation and surrender of this Bond at the corporate trust office of MUFG Union Bank, N.A., as trustee (the "Trustee"), in Los Angeles, California (or such other office designated by the Trustee, herein called the "Principal Office" of the Trustee). Interest hereon is payable by check of the Trustee mailed by first class mail on each Interest Payment Date to the Owner as of the fifteenth (15th) day of the month preceding each Interest Payment Date whether or not such day is a Business Day (the "Record Date") at the address shown on the Registration Books maintained by the Trustee or, upon written request filed with the Trustee prior to the fifteenth (15th) day preceding the applicable Interest Payment Date by an Owner of at least \$1,000,000 in aggregate principal amount of the Bonds, by wire transfer in immediately available funds to an account in the United States of America designated by such Owner in such written request.

This Bond is one of a duly authorized issue of bonds of the Authority designated as the "San Marcos Public Financing Authority Special Tax Revenue Refunding Bonds, Series 2014A (the "Bonds"), in the aggregate principal amount of \$_____ pursuant to the provisions of the Marks-Roos Local Bond Pooling Act of 1985, being Article 4 of the Act (commencing with Section 6584) (the "Bond Law"), and pursuant to an Indenture of Trust, dated as of October 1, 2014 by and between the Authority and the Trustee (the "Indenture"), issued for the purpose of providing funds for the purchase of the Special Tax Refunding Bonds issued to defease and refund the Prior Public Facilities Authority Bonds and discharge the Prior Special Tax Bonds (as such terms are defined in the Indenture).

Reference is hereby made to the Indenture (copies of which are on file at said office of the Trustee) and all indentures supplemental thereto and to the Bond Law for a description of the rights thereunder of the Owners of the Bonds, of the nature and extent of the security, of the rights, duties and immunities of the Trustee and of the rights and obligations of the Authority thereunder. The Owner of this Bond, by acceptance hereof, assents and agrees to all the provisions of the Indenture. Unless otherwise specified herein or the context requires otherwise, capitalized terms used herein shall have the meanings given to such terms in the Indenture.

The Bonds and the interest thereon are payable from Revenues (as such term is defined in the Indenture) derived primarily from payments made by the Community Facilities District (as such term is defined in the Indenture) with respect to Special Tax Refunding Bonds acquired with the proceeds of the Bonds, and are secured by a pledge and assignment of said Revenues and of amounts (including proceeds of the sale of the Bonds) held in the funds and accounts established pursuant to the Indenture (including the Reserve Fund but excluding the Residual Account and Rebate Fund, as each of these terms are defined in the Indenture), 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. The Bonds are special obligations of the Authority and are not a lien or charge upon the funds or property of the Authority, except to the extent of the aforesaid pledge and assignment. The Bonds are not a debt of the Community Facilities District, the City, the Fire Protection District or the State of California and said State is not liable for the payment thereof. The Authority has no taxing power.

The Bonds maturing on or after September 1, 20__ are subject, at the option of the Authority, to call and redemption from any available source of funds prior to their stated maturity on any date on or after September 1, 20__, as a whole or in part, and by lot, as described below, at a redemption price equal to the principal amount of the Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

The Bonds shall be subject to redemption on any Interest Payment Date, prior to maturity, as a whole or in part from such maturities, as are selected by the Authority, from and to the extent of Principal

Prepayments with respect to the Special Tax Refunding Bonds at the following redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed), together with accrued interest thereon to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
March 1, 2015 through March 1, 20__	103%
September 1, 20__ and March 1, 20__	102
September 1, 20__ and March 1, 20__	101
September 1, 20__ and any Interest Payment Date thereafter	100

The Outstanding Bonds maturing on September 1, 20__ and September 1, 20__, are subject to mandatory sinking fund redemption, in part, on September 1, 20__ and September 1, 20__, respectively and on each September 1 thereafter to maturity, by lot, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date of redemption, as provided in the Indenture.

Notice of redemption shall be mailed by the Trustee, by first class mail, postage prepaid, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the Registration Books and to the Securities Depositories and the Information Services at least 30 days but not more than 60 days prior to the redemption date. Neither the failure to receive such notice nor any defect in the notice so mailed will affect the sufficiency of the proceedings for redemption of such Bonds or the cessation of accrual of interest on the redemption date. Each notice of redemption shall state the redemption date, the place or places of redemption, the CUSIP numbers and the Bond numbers of the Bonds to be redeemed, and in the case of Bonds to be redeemed in part only, the respective Authorized Denominations of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Bonds the principal amount relating thereto or of said specified portion of the principal thereof in the case of a Bond to be redeemed in part only, plus accrued interest, if any, and through which date such interest will accrue, and that from and after such date interest thereon shall cease to accrue and shall require that such Bonds be then surrendered at the Principal Office of the Trustee. Neither the failure of any Bond Owner to receive any notice so mailed nor any defect therein shall affect the sufficiency of the proceedings for redemption of any Bonds nor the cessation of accrual of interest thereon.

Any notice of optional redemption of the Bonds delivered in accordance with the provisions of the Indenture may be conditional and if any condition stated in the notice of redemption shall not have been satisfied on or prior to the redemption date, said notice shall be of no force and effect and the Authority shall not be required to redeem such Bonds and the redemption shall not be made and the Trustee shall within a reasonable time thereafter give notice, to the persons and in the manner in which the notice of redemption was given, that such condition or conditions were not met and that the redemption was cancelled.

The Authority may rescind any optional redemption and notice thereof for any reason on any date on or prior to the date fixed for redemption by causing written notice of the rescission to be given to the owners of the Bonds so called for redemption. Any optional redemption and notice thereof shall be rescinded if for any reason on the date fixed for redemption moneys are not available in the Redemption Account or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Bonds called for redemption. Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the owner of any Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission.

The Bonds are issuable as fully registered bonds in the minimum denomination of \$5,000 each or any integral multiple thereof. Subject to the limitations and upon payment of the charges, if any, provided in the Indenture, Bonds may be exchanged, at the Principal Office of the Trustee, for a like aggregate principal amount of Bonds of the same interest rate and of other authorized denominations.

This Bond is transferable by the Owner hereof, in person or by his attorney duly authorized in writing, at the Principal Office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the Indenture, and upon surrender and cancellation of this Bond. Upon such transfer, a new Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount, will be issued to the transferee in exchange therefor. The Trustee shall not be required to register the transfer or exchange of any Bond (i) during the period established by the Trustee for selection of Bonds for redemption, or (ii) selected for redemption. The Authority and the Trustee may treat the Owner hereof as the absolute owner hereof for all purposes, and the Authority and the Trustee shall not be affected by any notice to the contrary.

The Indenture and the rights and obligations of the Authority and of the Owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time in the manner, to the extent, and upon the terms provided in the Indenture; provided that no such modification or amendment shall: (i) extend the fixed maturity of this Bond, or reduce the amount of principal hereof, or reduce the rate of interest hereon, or extend the time of payment of interest hereon, or reduce any premium payable upon the redemption hereof, without the consent of the Owner hereof; or (ii) reduce the 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 Revenues and other assets pledged as security for the Bonds 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 Revenues and other assets (except as expressly provided in the indentures), without the consent of the Owners of all Bonds then Outstanding, all as more fully set forth in the Indenture.

It is hereby certified and recited by the Authority that any and all conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by the Bond Law, and by the Constitution and laws of the State of California, and that the amount of this Bond, together with all other indebtedness of the Authority, does not exceed any limit prescribed by the Bond Law, or by the Constitution and laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the Trustee's Certificate of Authentication hereon endorsed shall have been signed by the Trustee.

IN WITNESS WHEREOF, the San Marcos Public Financing Authority has caused this Bond to be executed in its name and on its behalf by the facsimile signature of the Chairman of the Authority and attested to by the facsimile signature of the Secretary of the Authority, all as of the Dated Date stated above.

SAN MARCOS PUBLIC FINANCING AUTHORITY:

By: _____
Chairman

ATTEST:

By: _____
Secretary

FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within mentioned Indenture, which has been authenticated on the date set forth below.

Date of Authentication:_____

MUFG UNION BANK, N.A., as Trustee:

By:_____

Authorized Signatory

ASSIGNMENT

For value received, the undersigned do(es) hereby sell, assign and transfer unto _____ the within mentioned registered Bond and hereby irrevocably constitute(s) and appoint(s) _____, attorney, to transfer said Bond on the books of _____ as Trustee, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

NOTE: Signature(s) must be guaranteed by an authorized guarantor institution

NOTE: The signature on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever

EXHIBIT E

PERMITTED INVESTMENTS

“Permitted Investments” means any of the investments listed below that at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein (provided that the Trustee shall have no duty to investigate the legality of any investments):

A. The following obligations may be used for all purposes, including defeasance investments:

- (1) Cash (insured at all times by the Federal Deposit Insurance Corporation) or collateralized by permitted investments listed in A(2) below.
- (2) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including:
 - (a) U.S. treasury obligations,
 - (b) all direct or fully guaranteed obligations,
 - (c) Farmers Home Administration,
 - (d) General Services Administration,
 - (e) Guaranteed Title XI financing,
 - (f) Government National Mortgage Association (GNMA), and
 - (g) State and Local Government Series.

Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or pre-payable prior to maturity or earlier redemption of the rated debt (excluding 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).

B. The following obligations may be used as for all purposes other than defeasance investments in refunding escrow accounts:

- (1) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:
 - (a) Export-Import Bank,
 - (b) Rural Economic Community Development Administration,
 - (c) U.S. Maritime Administration,
 - (d) Small Business Administration,
 - (e) U.S. Department of Housing & Urban Development (PHAs),

- (f) Federal Housing Administration, and
 - (g) Federal Financing Bank.
- (2) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:
 - (a) senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC);
 - (b) obligations of the Resolution Funding Corporation (REFCORP); or
 - (c) senior debt obligations of the Federal Home Loan Bank System.
 - (3) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank.)
 - (4) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1" or "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase.
 - (5) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P including funds for which the Trustee or an affiliate provides investment advice or other services.
 - (6) Pre-refunded municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice:
 - (a) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successors thereto; or
 - (b) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in A.(2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate; and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.
 - (7) Municipal obligations rated "Aaa/AAA" or general obligations of States with a rating of "A2/A" or higher by both Moody's and S&P.

- (8) Investment in the Local Agency Investment Fund of the State of California (LAIF), provided that any investment of the type authorized pursuant to paragraphs (d), (e), (h), and (i) of Section 53601 of the California Government Code are additionally restricted as provided in the appropriate paragraph or paragraphs above applicable to such type of investment and provided further that investments authorized pursuant to paragraphs (r) and (m) of Section 53601 of the California Government Code are not permitted.

FISCAL AGENT AGREEMENT

by and between

CITY OF SAN MARCOS
COMMUNITY FACILITIES DISTRICT NO. 91-01

and

MUFG UNION BANK, N.A.
as Fiscal Agent

Dated as of October 1, 2014

Relating to:

\$ _____

City of San Marcos
Community Facilities District No. 91-01
Special Tax Refunding Bonds, Series 2014

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FISCAL AGENT AGREEMENT

THIS FISCAL AGENT AGREEMENT (the “Agreement”) is made and entered into as of October 1, 2014, by and between the City of San Marcos Community Facilities District No. 91-01 (the “District”), a community facilities district, organized and existing under and by virtue of the laws of the State of California, and MUFG Union Bank, N.A., a national banking association organized and existing under the laws of the United States of America, as fiscal agent (the “Fiscal Agent”).

W I T N E S S E T H:

WHEREAS, the City Council of the City of San Marcos (the “City”) has formed the District under the provisions of the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 et seq. of the California Government Code) (the “Act”);

WHEREAS, the City Council is authorized under the Act and pursuant to Ordinance No. ____-____ to levy special taxes to pay for the costs of facilities provided by the District;

WHEREAS, in 1992 the District issued its \$6,205,000 Series 1991 Bonds, Community Facilities District No. 91-01 of the City of San Marcos (the “1992 Special Tax Bonds”) for the purpose of providing for the financing of the acquisition, construction, improving and equipping of capital improvements undertaken by the District; and

WHEREAS, in 1997 the District issued its \$3,205,000 Community Facilities District No. 91-01 of the City of San Marcos Special Tax Refunding Bonds, Series A and its \$1,185,000 Community Facilities District No. 91-01 of the City of San Marcos Special Tax Refunding Bonds, Series B (collectively, the “1997 Special Tax Refunding Bonds”) to defease and refund the 1992 Special Tax Bonds; and

WHEREAS, under the provisions of the Act, on April 13, 2004, the City Council, acting as the legislative body of the District, adopted Resolution No. 2004-6325 (the “Resolution”) authorizing the issuance and sale of bonds for the District pursuant to the Fiscal Agent Agreement, dated as of September 1, 2004, by and between the District and Union Bank of California, N.A., as fiscal agent (the “Prior Fiscal Agent”) designated “City of San Marcos Community Facilities District No. 91-01 2004 Special Tax Refunding Bonds” (the “Prior Special Tax Refunding Bonds”), for the purpose of defeasing and refunding the 1997 Special Tax Refunding Bonds;

WHEREAS, on September 15, 2004, the San Marcos Public Facilities Authority (the “Public Facilities Authority”) issued its \$33,805,000 San Marcos Public Facilities Authority Special Tax Revenue Refunding Bonds, 2004 Series A (the “Prior Authority 2004 Series A Bonds”) and its \$3,690,000 San Marcos Public Facilities Authority Special Tax Revenue Refunding Bonds, 2004 Series B (together with the Prior Authority 2004 Series A Bonds, the “Prior Authority 2004 Bonds”) to finance the acquisition of the Prior Special Tax Refunding Bonds; and

WHEREAS, on September 15, 2004 the Prior Special Tax Refunding Bonds in the principal amount of \$3,690,000 were issued and delivered to the Public Facilities Authority as the initial purchaser thereof;

WHEREAS, on September __, 2014, the City Council, acting in its capacity as the legislative body of CFD No. 91-01, adopted Resolution No. 2014-____ (the “Resolution”) (a) approving the First Amendment to Fiscal Agent Agreement, dated as of October 1, 2014, by and between the District and the Prior Fiscal Agent to provide that the Prior Special Tax Bonds shall be discharged upon the defeasance of the Prior 2004 Authority Bonds; and (b) authorizing the issuance and sale of bonds of the District pursuant to this Agreement designated “City of San Marcos Community Facilities District No. 91-01 Special Tax Refunding Bonds, Series 2014” (the “Bonds”), for the purpose of financing the defeasance and redemption of the Prior Authority 2004 Bonds and thereby discharging the Prior Special Tax Bonds;

WHEREAS, it is in the public interest and for the benefit of the City, the District, the persons responsible for the payment of special taxes and the owners of the Bonds that the District enter into this Agreement to provide for the issuance of the Bonds, the disbursement of proceeds of the Bonds, the disposition of the special taxes securing the Bonds, and the administration and payment of the Bonds;

WHEREAS, all things necessary to cause the Bonds, when authenticated by the Fiscal Agent and issued as provided in the Act, the Resolution and this Agreement, to be legal, valid and binding and limited obligations in accordance with their terms, and all things necessary to cause the creation, authorization, execution and delivery of this Agreement and the creation, authorization, execution and issuance of the Bonds, subject to the terms hereof, have in all respects been duly authorized;

NOW, THEREFORE, that in order to secure the payment of the principal of, premium, if any, and the interest on all Bonds at any time issued and outstanding under this Agreement, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the holders thereof, and for other valuable considerations, the receipt of which is hereby acknowledged, the District does hereby covenant and agree with the Fiscal Agent, for the benefit of the respective holders from time to time of the Bonds, as follows:

ARTICLE I

STATUTORY AUTHORITY AND DEFINITIONS

Section 1.01. **Authority for this Agreement.** This Agreement is entered into pursuant to the provisions of the Act and the Resolution.

Section 1.02. **Agreement for Benefit of Bondowners.** The provisions, covenants and agreements herein set forth to be performed by or on behalf of the City and the District shall be for the equal benefit, protection, and security of the Owners from time to time. In consideration

of the acceptance of the Bonds by the Owners thereof, this Agreement shall be deemed to be and shall constitute a contract between the District and the Owners; and the covenants and agreements herein set forth to be performed by the District shall be for the equal and proportionate benefit, security, and protection of all Owners of the Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the number or date thereof or the time of sale, execution, or delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or herein. All of the Bonds, without regard to the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, except as expressly provided in or permitted by this Agreement.

The Fiscal Agent may become the Owner of any of the Bonds in its own or any other capacity with the same rights it would have if it were not Fiscal Agent.

Section 1.03. Definitions. Unless the context otherwise requires, the terms defined in this Section 1.03 shall, for all purposes of this Agreement, of any Supplemental Agreement, and of any certificate, opinion or other document herein mentioned, have the meanings herein specified. All capitalized terms not otherwise defined herein shall have the meanings given to such terms in the Authority Indenture. All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Agreement, and the words “herein,” “hereof,” “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or subdivision hereof.

“Act” means the Mello-Roos Community Facilities Act of 1982, as amended, being Sections 53311 et seq. of the California Government Code.

“Administrative Expense Fund” means the fund by that name established by Section 3.04A hereof.

“Administrative Expenses” means any or all of the following: the fees and expenses of the Fiscal Agent (including the fees and expenses of its counsel), the expenses of the City or the District in carrying out its duties hereunder (including, but not limited to, the levying and collection of the Special Taxes, complying with the disclosure provisions of the Act, the Continuing Disclosure Agreement and this Agreement, including those related to public inquiries regarding the Special Tax and disclosures to Bondowners and the Original Purchaser); the costs of the City and the District or their designees related to an appeal of the Special Tax; the Proportionate Share of the Authority Administrative Expenses allocable to the Bonds, the Proportionate Share of the salaries of City staff directly related to the carrying out by the City of its obligations hereunder or under the Authority Indenture and a proportionate amount of City general administrative overhead related thereto allocable to the Bonds; and all other costs and expenses of the City, the District, and the Fiscal Agent incurred in connection with the discharge of their respective duties hereunder, and in the case of the City, in any way related to the administration of the District and all actual costs and expenses incurred in connection with the administration of the Bonds.

“Agreement” means this Fiscal Agent Agreement, as it may be amended or supplemented from time to time by any Supplemental Agreement adopted pursuant to the provisions hereof.

“Annual Debt Service” means, for each Bond Year, the sum of (i) the interest due on the Outstanding Bonds in such Bond Year, and (ii) the principal amount of the Outstanding Bonds scheduled to be paid in such Bond Year.

“Auditor” means the auditor/tax collector of the County of San Diego.

“Authority” means the San Marcos Public Financing Authority and any successor thereto.

“Authority Bonds” means any bonds outstanding under the Authority Indenture, which are secured by payments to be made on the Bonds.

“Authority Indenture” means that certain Indenture of Trust, dated as of October 1, 2014, by and between the Authority and the Authority Trustee, pursuant to which the Authority Bonds are issued.

“Authority Trustee” means MUFG Union Bank, N.A., or any successor thereto appointed under the Authority Indenture.

“Authorized Officer” means the City Manager, Assistant City Manager, Director of Finance, or City Clerk of the City, or any other officer or employee authorized by the City Council of the City or by an Authorized Officer to undertake the action referenced in this Agreement as required to be undertaken by an Authorized Officer.

“Bond Counsel” means (i) Best Best & Krieger LLP; or (ii) any attorney or firm of attorneys acceptable to the District and nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities.

“Bond Fund” means the fund by that name established by Section 4.02A hereof.

“Bond Year” means the one-year period beginning on September 2 in each year and ending on September 1 in the following year except that the first Bond Year shall begin on the Closing Date and end on September 1, 2015.

“Bonds” means the City of San Marcos Community Facilities District No. 91-01 Special Tax Refunding Bonds, Series 2014 authorized by, and at any time Outstanding pursuant hereto.

“Business Day” means a day which is not a Saturday, Sunday, or legal holiday on which banking institutions in the State of California, or in any state in which the Principal Office of the Trustee is located, or the New York Stock Exchange are closed. If any payment hereunder is due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day with the same effect as if made on such previous day.

“CDIAC” means the California Debt and Investment Advisory Commission of the office of the State Treasurer of the State of California or any successor agency or bureau thereto.

“City” means the City of San Marcos, California.

“Closing Date” means the date upon which there is a physical delivery of the Bonds in exchange for the amount representing the purchase price of the Bonds by the Original Purchaser.

“Code” means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

“Continuing Disclosure Agreement” means that certain Continuing Disclosure Agreement relating to the Authority Bonds, executed on the Closing Date by the District on behalf of the Authority, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“County” means the County of San Diego, California.

“Debt Service” means the scheduled amount of interest and amortization of principal payable on the Bonds during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

“Defeasance Obligations” means those obligations described in paragraph A. of the definition of Permitted Investments.

“District” means the City of San Marcos Community Facilities District No. 91-01, formed pursuant to the Resolution of Formation.

“DTC” means The Depository Trust Company.

“Escrow Agreement” means that Escrow Deposit and Trust Agreement, dated as of October 1, 2014, among the San Marcos Public Facilities Authority, the District and the Escrow Bank relating to defeasance and redemption of the Prior Authority 2004 Bonds and the discharge of the Prior Special Tax Refunding Bonds.

“Escrow Bank” means MUFG Union Bank, N.A., acting as escrow bank under the Escrow Agreement.

“Fair Market Value” means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code; (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code; (iii) the investment is a United States Treasury Security - State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt;

or (iv) any commingled investment fund in which the City and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

“Fiscal Agent” means the Fiscal Agent appointed by the District and acting as an independent fiscal agent with the duties and powers herein provided, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in Section 8.01.

“Fiscal Year” means the twelve-month period extending from July 1 in a calendar year to June 30 of the succeeding year, both dates inclusive.

“Governing Body” means the City Council of the City.

“Independent Accountant” means any nationally recognized firm of certified public accountants or firm of such accountants duly licensed or registered or entitled to practice and practicing as such under the laws of the State, appointed by the City, and who, or each of whom:

- (1) is in fact independent and not under domination of the Authority, the City or the Community Facilities District;
- (2) does not have any substantial interest, direct or indirect, with the Authority, the City or the Community Facilities District; and
- (3) is not connected with the Authority, the City or the Community Facilities District as an officer or employee of the Authority, the City or the Community Facilities District, but who may be regularly retained to make reports to the Authority, the City or the Community Facilities District.

“Independent Financial Consultant” means any financial consultant or firm of such financial consultants appointed by the Authority and who, or each of whom:

- (1). is judged by the City to have experience with respect to the financing of public capital improvement projects;
- (2). is in fact independent and not under the domination of the Authority, the City, or the Community Facilities District;
- (3). does not have any substantial interest, direct or indirect, with the Authority, the City, or the Community Facilities District; and
- (4). is not connected with the Authority, the City, or the Community Facilities District as an officer or employee of the Authority, the City, or the Community Facilities District, but who may be regularly retained to make reports to the Authority, the City, or the Community Facilities District.

“Interest Payment Dates” means March 1 and September 1 of each year, commencing March 1, 2015.

“Investment Earnings” means all interest earned and any gains and losses on the investment of moneys in any fund or account created by this Agreement.

“Net Special Tax Revenues” means, for each Fiscal Year, all Special Tax Revenues received by the District less an amount equal to the Priority Administrative Expense Amount.

“Officer’s Certificate” means a written certificate of the District or the City signed by an Authorized Officer of the City.

“Ordinance” means an ordinance of the City levying the Special Taxes, including Ordinance No. ____-____, adopted by the Governing Body on _____, ____.

“Original Purchaser” means the Authority.

“Outstanding,” means (subject to the provisions of Section 9.04), when used as of any particular time with reference to Bonds, all Bonds except: (i) Bonds theretofore canceled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation; (ii) Bonds paid or deemed to have been paid within the meaning of Section 10.01; and (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued, and delivered by the District pursuant to this Agreement or any Supplemental Agreement.

“Owner” or “Bondowner” means any person who shall be the registered owner of any Outstanding Bond.

“Permitted Investments” means any of the investments listed in Exhibit B hereto.

“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.

“Prepayments” means Special Tax Revenues identified to the Fiscal Agent by an Authorized Officer as representing a prepayment of the Special Tax pursuant to the RMA.

“Principal Office” means such corporate trust office of the Fiscal Agent as may be designated from time to time by written notice from the Fiscal Agent to the District, initially being in Los Angeles, California, except that with respect to presentation of Bonds for payment or for registration of transfer or exchange or maintenance of the Registration Books, such term shall mean the office of the Fiscal Agent at which its corporate agency business shall be conducted.

“Prior Authority 2004 Bonds” means, collectively, the \$33,805,000 San Marcos Public Facilities Authority Special Tax Revenue Refunding Bonds, 2004 Series A and the \$3,690,000 San Marcos Public Facilities Authority Special Tax Revenue Refunding Bonds, 2004 Series B.

“Prior Fiscal Agent” means MUFG Union Bank, N.A., formerly known as Union Bank of California, N.A.

“Prior Fiscal Agent Agreement” means the Fiscal Agent Agreement, dated as of September 1, 2004, by and between the District and the Prior Fiscal Agent, as amended by the First Amendment to Fiscal Agent Agreement, dated as of October 1, 2014, by and between the District and the Prior Fiscal Agent.

“Prior Special Tax Bonds” means the outstanding City of San Marcos Community Facilities District No. 91-01 2004 Special Tax Refunding Bonds.

“Priority Administrative Expense Amount” means an annual amount equal to \$25,000 or such lesser amount as may be designated by written instruction from an Authorized Officer of the District to be allocated as the first priority of Special Taxes received each Fiscal Year for the payment of Administrative Expenses allocated to the Bonds.

“Proportionate Share” means, as of the date of calculation, the ratio derived by dividing the principal amount of the Outstanding Bonds by the principal amount of the Authority Bonds outstanding.

“Record Date” means the fifteenth day of the month next preceding the month of the applicable Interest Payment Date.

“Resolution of Formation” means Resolution No. __-____, adopted by the Governing Body on _____, _____, as now in effect or as it may hereafter be amended from time to time.

“Resolution of Issuance” means Resolution No. 2014-____, adopted by the Governing Body, acting as the legislative body of the District on September __, 2014.

“RMA” means the Rate and Method of Apportionment of the Special Tax for the District approved by the qualified electors within District at a special election held on _____, _____.

“Special Tax Fund” means the fund by that name established by Section 3.03A hereof.

“Special Tax Refunding Bonds” shall have the meaning given such term in the Authority Indenture.

“Special Tax Refunding Bonds Prepayment Reserve Fund Credit” shall have the meaning given such term in the Authority Indenture.

“Special Tax Revenues” means the proceeds of the Special Taxes received by the District including any scheduled payments and any prepayments thereof, interest thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest and penalties thereon.

“Special Taxes” means the special taxes levied within the District pursuant to the Act, the RMA, the Ordinance, and this Agreement.

“Supplemental Agreement” means an agreement the execution of which is authorized by a resolution which has been duly adopted by the Governing Body under the Act and which agreement is amendatory of or supplemental to this Agreement, but only if and to the extent that such agreement is specifically authorized hereunder.

“Treasurer” means the person who is acting in the capacity as treasurer or finance director to the City or the designee of either such officer.

ARTICLE II

THE BONDS

Section 2.01. **Principal Amounts; Designations.** Bonds in the aggregate principal amount of _____ Dollars (\$_____) are hereby authorized to be issued by the District under and subject to the terms of the Resolution of Issuance and this Agreement, the Act and other applicable laws of the State of California. The Bonds shall be designated “City of San Marcos Community Facilities District No. 91-01 Special Tax Refunding Bonds, Series 2014.” This Agreement constitutes a continuing agreement of the District with the Owners from time to time of the Bonds to secure the full payment of the principal of, premium, if any, and interest on all such Bonds subject to the covenants, provisions, and conditions herein contained.

Section 2.02. **Terms of Bonds.**

A. Form; Denominations. The Bonds shall be issued as fully registered bonds without coupons in the denomination of \$5,000 or any integral multiple thereof; provided, however, one Bond from each maturity may be in an amount other than \$5,000 or an integral multiple thereof. The Bonds shall be lettered and numbered in a customary manner as determined by the Fiscal Agent.

Notwithstanding anything in this Agreement to the contrary, so long as MUFG Union Bank, N.A., as trustee under the Authority Indenture, or any successor thereunder, is the registered owner of all of the Bonds and the Authority is the beneficial owner of all of the Bonds, the aggregate principal amount of the Bonds shall be represented by single form of Bond and payments of principal of and interest on the Bonds shall be made to the Authority Trustee.

B. Date of the Bonds. The Bonds shall be dated the Closing Date.

C. Maturities, Interest Rates. The Bonds shall mature on the dates and shall bear interest at the rates as follows:

Maturity Date (September 1)	Principal Amount	Coupon
2015		
2016		
2017		
2018		
2019		
2020		

D. Interest. The Bonds shall bear interest on each Interest Payment Date at the rates set forth above. Interest shall be calculated on the basis of a 360-day year composed of twelve 30-day months. Each Bond shall bear interest from the Interest Payment Date next preceding the

date of authentication thereof unless (i) it is authenticated on an Interest Payment Date, in which event it shall bear interest from such date of authentication; or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date; or (iii) it is authenticated prior to the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from the Closing Date; provided, however, that if at the time of authentication of a Bond, interest is in default thereon, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

E. Method of Payment. Interest on the Bonds (including the final interest payment upon maturity or earlier redemption) is payable by check or draft of the Fiscal Agent on the Interest Payment Date or on the next Business Day following the Interest Payment Date, if such Interest Payment Date is not a Business Day, by first class mail, postage pre-paid to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer made on such Interest Payment Date upon instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds.

The principal of the Bonds and any premium on the Bonds are payable in lawful money of the United States of America upon surrender of the Bonds at the Principal Office of the Fiscal Agent.

All Bonds paid by the Fiscal Agent pursuant to this Section shall be canceled by the Fiscal Agent. The Fiscal Agent shall destroy the canceled Bonds and issue a certificate of destruction thereof to the District.

Section 2.03. **Redemption.**

A. **Mandatory Redemption from the Prepayment of Special Taxes.** The Bonds shall be subject to redemption on any Interest Payment Date, prior to maturity, as a whole or in part from such maturities, as are selected by the District, from the prepayment of Special Taxes at the following redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed), together with accrued interest thereon to the date of redemption:

Redemption Date	Redemption Price
March 1, 2015 through March 1, 20__	103%
September 1, 20__ and March 1, 20__	102%
September 1, 20__ and March 1, 20__	101%
September 1, 20__ and any Interest Payment Date thereafter	100%

Notwithstanding the above, such mandatory redemption of the Bonds in whole or in part shall occur only if the District shall first deliver to the Fiscal Agent and the Authority Trustee a certificate of an Independent Financial Consultant verifying that, following such redemption of the Bonds, the principal and interest due on the Outstanding Bonds, if any, and the other outstanding Special Tax Refunding Bonds is adequate to make the timely payment of principal,

including mandatory sinking fund payments, and interest due on the Authority Bonds that will remain outstanding following the corresponding redemption of the Authority Bonds resulting from such mandatory redemption of the Bonds.

B. Purchase In Lieu of Redemption. In lieu of redemption under Section 2.03A, moneys in the Bond Fund may be used and withdrawn by the Fiscal Agent for purchase of Outstanding Bonds, upon the filing with the Fiscal Agent of an Officer's Certificate requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Officer's Certificate may provide, but in no event may Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase, unless a greater purchase price is permitted under the Act and the District determines that it will have sufficient amounts in the Bond Fund, following such purchase, to pay Debt Service on the Bonds.

C. Notice to Fiscal Agent. The District shall give the Fiscal Agent written notice of its intention to redeem Bonds pursuant to Section 2.03A not less than sixty (60) days prior to the applicable redemption date, unless such notice shall be waived by the Fiscal Agent or the Fiscal Agent agrees to a shorter period.

D. Redemption Procedure by Fiscal Agent. The Fiscal Agent shall cause notice of any redemption to be mailed by first class mail, postage prepaid, at least thirty (30) days but not more than sixty (60) days prior to the date fixed for redemption, to the respective registered Owners of any Bonds designated for redemption, at their addresses appearing on the Bond registration books in the Principal Office of the Fiscal Agent; but such mailing shall not be a condition precedent to such redemption and failure to mail or to receive any such notice, or any defect therein, shall not affect the validity of the proceedings for the redemption of such Bonds.

Such notice shall state the redemption date and the redemption price and, if less than all of the then Outstanding Bonds are to be called for redemption, shall designate the Bond numbers of the Bonds to be redeemed by giving the individual Bond number of each Bond to be redeemed or shall state that all Bonds between two stated Bond numbers, both inclusive, are to be redeemed or that all of the Bonds of one or more maturities have been called for redemption, shall state as to any Bond called in part the principal amount thereof to be redeemed, and shall require that such Bonds be then surrendered at the Principal Office of the Fiscal Agent for redemption at the said redemption price, and shall state that further interest on such Bonds will not accrue from and after the redemption date. The cost of mailing any such redemption notice and any expenses incurred by the Fiscal Agent in connection therewith shall be paid by the District.

Notwithstanding the preceding provisions of this subsection, so long as the Authority Trustee is the Owner of the Bonds on behalf of the Authority, the Fiscal Agent shall not cause notice of any redemption of Bonds to be mailed to the Securities Depositories or the Information Services, and shall not mail notice of the redemption of Bonds to the Authority if it files a written waiver of the mailing of such notice with the Fiscal Agent.

Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall, to the extent practicable, bear the Bond number

identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

The District shall have the right to rescind any notice of redemption prior to maturity on or prior to the date fixed for such redemption prior to maturity. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date so fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default hereunder. The District and the Fiscal Agent shall have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Fiscal Agent shall mail notice of such recession of redemption in the same manner as the original notice of redemption.

Whenever provision is made in this Agreement for the redemption of less than all of the Bonds or any given portion thereof, the Fiscal Agent shall select the Bonds to be redeemed, from all Bonds or such given portion thereof not previously called for redemption, among maturities as specified by the District in a written certificate delivered to the Fiscal Agent, and by lot within a maturity in any manner which the District in its sole discretion shall deem appropriate and fair. In providing such certificate, the District shall provide for the redemption of Bonds such that the remaining Debt Service payable on the Bonds shall remain as level as possible.

Upon surrender of Bonds redeemed in part only, the District shall execute and the Fiscal Agent shall authenticate and deliver to the registered Owner, at the expense of the District, a new Bond or Bonds, of the same Series and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

E. Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of, and interest and any premium on, the Bonds so called for redemption shall have been deposited in the Bond Fund, such Bonds so called shall cease to be entitled to any benefit under this Agreement other than the right to receive payment of the redemption price, and no interest shall accrue thereon on or after the redemption date specified in such notice.

All Bonds redeemed and purchased by the Fiscal Agent pursuant to this Section shall be canceled by the Fiscal Agent. The Fiscal Agent shall destroy the canceled Bonds and, upon written request of the District, issue a certificate of destruction thereof to the District.

Section 2.04. **Form of Bonds.** The Bonds, the form of Fiscal Agent's certificate of authentication and the form of assignment, to appear thereon, shall be substantially in the forms, respectively, set forth in Exhibit A attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Agreement, the Resolution, and the Act.

Section 2.05. **Execution of Bonds.** The Bonds shall be executed on behalf of the District by the manual or facsimile signatures of the Mayor and City Clerk, who are in office on the date of adoption of this Agreement or at any time thereafter. The Bonds shall then be delivered to the Trustee for authentication. If any officer whose signature appears on any Bond ceases to be such officer before delivery of the Bonds to the Owner, such signature shall

nevertheless be as effective as if the officer had remained in office until the delivery of the Bonds to the Owner. Any Bond may be signed and attested on behalf of the District by such persons as at the actual date of the execution of such Bond shall be the proper officers of the District although at the nominal date of such Bond any such person shall not have been such officer of the District.

Only such Bonds as shall bear thereon a certificate of authentication in substantially the form set forth in Exhibit A, executed and dated by the Fiscal Agent, shall be valid or obligatory for any purpose or entitled to the benefits of this Agreement, and such certificate of authentication of the Fiscal Agent shall be conclusive evidence that the Bonds registered hereunder have been duly authenticated, registered and delivered hereunder and are entitled to the benefits of this Agreement.

Section 2.06. Transfer of Bonds. Any Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of Section 2.08 by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form approved by the Fiscal Agent. The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such transfer shall be paid by the District. The Fiscal Agent shall collect from the Owner requesting such transfer any tax or other governmental charge required to be paid with respect to such transfer.

Whenever any Bond or Bonds shall be surrendered for transfer, the District shall execute and the Fiscal Agent shall authenticate and deliver a new Bond or Bonds, for like aggregate principal amount.

No transfers of Bonds shall be required to be made (i) fifteen (15) days prior to the date established by the Fiscal Agent for selection of Bonds for redemption; (ii) with respect to a Bond after such Bond has been selected for redemption; or (iii) between the 15th day of the month next preceding any Interest Payment Date and such Interest Payment Date.

Section 2.07. Exchange of Bonds. Bonds may be exchanged at the Principal Office of the Fiscal Agent for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such exchange shall be paid by the District. The Fiscal Agent shall collect from the Owner requesting such exchange any tax or other governmental charge required to be paid with respect to such exchange.

No exchanges of Bonds shall be required to be made (i) fifteen (15) days prior to the date established by the Fiscal Agent for selection of Bonds for redemption; (ii) with respect to a Bond after such Bond has been selected for redemption; or (iii) between the 15th day of the month next preceding any Interest Payment Date and such Interest Payment Date.

Section 2.08. Bond Register. The Fiscal Agent will keep or cause to be kept, at its Principal Office sufficient books for the registration and transfer of the Bonds which books shall show the number, date, amount, rate of interest and last known Owner of each Bond and shall at all times be open to inspection by the District or the City during regular business hours upon

reasonable notice; and, upon presentation for such purpose, the Fiscal Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, the ownership of the Bonds as hereinbefore provided.

The District and the Fiscal Agent will treat the Owner of any Bond whose name appears on the Bond register as the absolute Owner of such Bond for any and all purposes, and the District and the Fiscal Agent shall not be affected by any notice to the contrary. The District and the Fiscal Agent may rely on the address of the Bond Owner as it appears in the Bond register for any and all purposes.

Section 2.09. Temporary Bonds. The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such authorized denominations as may be determined by the District, and may contain such reference to any of the provisions of this Agreement as may be appropriate. Every temporary Bond shall be executed by the District upon the same conditions and in substantially the same manner as the definitive Bonds. If the District issues temporary Bonds it will execute and furnish definitive Bonds without delay and thereupon the temporary Bonds shall be surrendered, for cancellation, in exchange for the definitive Bonds at the Principal Office of the Fiscal Agent or at such other location as the Fiscal Agent shall designate, and the Fiscal Agent shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations. Until so exchanged, the temporary bonds shall be entitled to the same benefits under this Agreement as definitive Bonds authenticated and delivered hereunder.

Section 2.10. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the District, at the expense of the Owner of said Bond, shall execute, and the Fiscal Agent shall authenticate and deliver, a new Bond of like tenor and principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Fiscal Agent of the Bond so mutilated. Every mutilated Bond so surrendered to the Fiscal Agent shall be canceled by it and destroyed by the Fiscal Agent, who shall deliver a certificate of destruction thereof to the District. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Fiscal Agent and, if such evidence be satisfactory to it and indemnity for the District and the Fiscal Agent satisfactory to the Fiscal Agent shall be given, the District, at the expense of the Owner, shall execute, and the Fiscal Agent shall authenticate and deliver, a new Bond of like tenor and principal amount in lieu of and in substitution for the Bond so lost, destroyed or stolen. The District may require payment of a sum not exceeding the actual cost of preparing each new Bond delivered under this Section and of the expenses which may be incurred by the District and the Fiscal Agent for the preparation, execution, authentication and delivery. Any Bond delivered under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the District whether or not the Bond so alleged to be lost, destroyed or stolen is at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Agreement with all other Bonds issued pursuant to this Agreement.

Section 2.11. Type and Nature of the Bonds; Limited Obligation. Neither the faith and credit nor the taxing power of the City, the State of California or any political subdivision thereof other than the District is pledged to the payment of the Bonds. Except for the Special

Taxes, no other taxes are pledged to the payment of the Bonds. The Bonds are not general or special obligations of the City nor general obligations of the District but are limited obligations of the District payable solely from Net Special Tax Revenues. The District's limited obligation to pay the principal of, premium, if any, and interest on the Bonds from the Net Special Tax Revenues is absolute and unconditional, free of deductions and without any abatement, offset, recoupment, diminution or set-off whatsoever. No Owner of the Bonds may compel the exercise of the taxing power by the District (except as it pertains to the Special Taxes) or the City or the forfeiture of any of their property. The principal of and interest on the Bonds and premiums upon the redemption thereof, if any, are not a debt of the City, the State of California or any of its political subdivisions except the District within the meaning of any constitutional or statutory limitation or restriction. The Bonds are not a legal or equitable pledge, charge, lien, or encumbrance upon any of the District's property, or upon any of its income, receipts or revenues, except the Net Special Tax Revenues and amounts on deposit in the Special Tax Fund and the Bond Fund to the extent pledged hereunder which are, under the terms of this Agreement and the Act, set aside for the payment of the Bonds and interest thereon and neither the members of the legislative body of the District nor any persons executing the Bonds are liable personally on the Bonds by reason of their issuance.

Section 2.12. Equality of Bonds and Pledge of Net Special Tax Revenues. Pursuant to the Act and this Agreement, the Bonds shall be equally payable from the Net Special Tax Revenues and other amounts in the Special Tax Fund without priority for number, date of the Bonds, date of sale, date of execution, or date of delivery, and the payment of the interest on and principal of the Bonds and any premiums upon the redemption thereof, shall be exclusively paid from the Net Special Tax Revenues and certain other amounts in the Special Tax Fund, which are hereby set aside for the payment of the Bonds. Amounts in the Special Tax Fund shall constitute a trust fund held for the benefit of the Owners to be applied to the payment of the interest on and principal of the Bonds and so long as any of the Bonds or interest thereon remain Outstanding shall not be used for any other purpose, except as permitted by this Agreement.

Nothing in this Fiscal Agent Agreement shall preclude, subject to the limitations contained hereunder, the redemption prior to maturity of any Bonds subject to call and redemption and payment of said Bonds from proceeds of refunding bonds issued under the Act as the same now exists or as hereafter amended, or under any other law of the State of California, which shall be payable from Net Special Tax Revenues.

Section 2.13. Description of Bonds; Interest Rates. The Bonds shall be issued in fully registered form in any denomination. The Bonds shall be numbered as desired by the Fiscal Agent.

Section 2.14. No Acceleration. The principal of the Bonds shall not be subject to acceleration hereunder. Nothing in this Section shall in any way prohibit the prepayment or redemption of Bonds under Section 2.03 hereof, or the defeasance of the Bonds and discharge of this Agreement under Section 10.01 hereof.

Section 2.15. Additional Bonds. Other than for the purpose of refunding the Bonds, no additional Bonds entitled to a lien on the Net Special Tax Revenues shall be issued hereunder.

Section 2.16. **Validity of the Bonds.** The validity of the authorization and issuance of the Bonds shall not be affected in any way by any defect in any proceedings taken by the District for the issuance and sale of the Bonds and the recital contained in the Bonds that the same are issued pursuant to the Act and other applicable laws of the State shall be conclusive evidence of their validity and the regularity of their issuance.

ARTICLE III

ISSUANCE OF BONDS

Section 3.01. **Issuance and Delivery of the Bonds.** At any time after the execution of this Agreement, the District may issue the Bonds in the aggregate principal amount set forth in Section 2.01 and deliver the Bonds to the Original Purchaser. The Authorized Officers of the District are hereby authorized and directed to deliver any and all documents and instruments necessary to cause the issuance of the Bonds in accordance with the provisions of the Act, the Resolution and this Agreement and to do and cause to be done any and all acts and things necessary or convenient for delivery of the Bonds to the Original Purchaser, upon payment of the purchase price for the Bonds.

Section 3.02. **Application of Proceeds of Sale of the Bonds and Transfers from the Prior Special Tax Bonds.** The proceeds of the purchase of the Bonds by the Original Purchaser (being \$_____ equal to the par amount of \$_____.00 plus the net original issue premium of \$_____ minus the Original Purchaser's discount of \$_____) shall be paid to the Fiscal Agent, who shall forthwith set aside, pay over and transfer such proceeds on the Closing Date as follows:

A. \$_____ shall be transferred to the Escrow Bank for deposit into the Escrow Fund held by the Escrow Bank under the Escrow Agreement.

On the Closing Date the following funds on deposit in funds and accounts established pursuant to the Prior Fiscal Agent Agreement shall be transferred by the Prior Fiscal Agent to the Fiscal Agent, who shall forthwith deposit such proceeds on such Closing Date as follows:

A. \$_____ shall be deposited in the Bond Fund; and

B. \$_____ shall be deposited in the Administrative Expense Fund.

Section 3.03. **Special Tax Fund.**

A. Establishment of Special Tax Fund. There is hereby established as a separate fund to be held by the Fiscal Agent, the "Special Tax Fund," to the credit of which the District or the City, on behalf of the District, shall deposit, immediately upon receipt, all Special Tax Revenue received by the District or the City, on behalf of the District. Moneys in the Special Tax Fund shall be held by the Fiscal Agent for the benefit of the District and the Owners of the Bonds, shall be disbursed as provided below and, pending any disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

B. Disbursements of Special Tax Revenues. The Special Tax Revenues deposited in the Special Tax Fund shall be held and, other than Special Tax Revenues representing Prepayments, subsequently transferred to the following funds and accounts not later than the dates and in the amounts set forth in the following paragraphs and in the following order of priority:

1. to the Administrative Expense Fund an amount equal to the Priority Administrative Expense Amount estimated to be due and payable during the Fiscal Year;

2. not later than ten (10) Business Days prior to each Interest Payment Date, to the Bond Fund:

a. the amount representing past due installments of principal, interest and premium on the Bonds (including any interest thereon pursuant to the second sentence of the second paragraph of Section 4.02B), if any, resulting from the delinquency in the payment of such Special Taxes; and

b. an amount, taking into account any amounts then on deposit in the Bond Fund (other than by reason of the preceding paragraph a.) such that the amount in the Bond Fund equals the principal, premium, if any, and interest due on the Bonds on the next Interest Payment Date;

3. no later than ten (10) Business Days prior to each Interest Payment Date, to the Authority Trustee for deposit in the Reserve Fund that amount, in addition to the amount transferred to the Bond Fund pursuant to paragraph 2.a above, necessary to replenish any draw on the Reserve Fund (as defined in the Authority Indenture) resulting from the delinquency in the payment of scheduled debt service on the Bonds;

4. on September 2 of each year after making the deposits and transfers required under paragraphs 1 and 2 above and the transfer, if any, authorized under paragraph 3 above, upon receipt of written instructions from an Authorized Officer on or before the preceding June 30, to the Authority Trustee the amount specified in such written instructions necessary for the payment of the Proportionate Share of any rebate amount due and owing to the United States of America by the Authority on the Authority Bonds;

5. on September 2 of each year after making the deposits and transfers required under paragraphs 1 through 4 above, upon receipt of written instructions from an Authorized Officer, to the Administrative Expense Fund the amount specified in such written instructions necessary for payment of the estimated Administrative Expenses projected to be due and payable in the next Fiscal Year or the reimbursement of any Administrative Expenses incurred during the Fiscal Year ending on such June 30 and not included in any prior transfer made pursuant to paragraph 1 above; and

6. after September 2 of each year, after making the deposits and transfers made pursuant to paragraphs 1 through 5 above, monies then on deposit in the Special Tax Fund shall remain therein and shall be subsequently deposited or transferred pursuant to the provisions of paragraphs 1 through 5 above.

C. Transfer of Prepayments. Amounts constituting Prepayments shall be transferred by the Treasurer to the Fiscal Agent, and placed by the Fiscal Agent in a segregated account within the Bond Fund designated as “Prepayment Account” and used to redeem Bonds pursuant to Section 2.03A. Any such transfer of Prepayments shall be accompanied by written instructions executed by the Treasurer or an Authorized Officer directing the Fiscal Agent to place such Prepayments in the Prepayment Account, specifying the amount of the applicable Special Tax Refunding Bonds Prepayment Reserve Fund Credit and requesting that the Authority direct the Trustee to transfer such credit to the Fiscal Agent for deposit in the Prepayment Account.

D. Investment. Moneys in the Special Tax Fund shall be invested and deposited in accordance with Section 6.01. Interest earnings and profits resulting from such investment and deposit shall be retained in the Special Tax Fund to be used for the purposes thereof.

Section 3.04. Administrative Expense Fund.

A. Establishment of Administrative Expense Fund. There is hereby established, as a separate fund to be held by the Fiscal Agent, the “Administrative Expense Fund” to the credit of which deposits shall be made as required by Sections 3.02 or 3.03B hereof. Moneys in the Administrative Expense Fund shall be held by the Fiscal Agent for the benefit of the City, the District and the Authority, and shall be disbursed as provided below.

B. Disbursement. Amounts in the Administrative Expense Fund shall be withdrawn by the Fiscal Agent and paid to the City or its order upon receipt by the Fiscal Agent of an Officer’s Certificate stating the amount to be withdrawn, that such amount is to be used to pay an Administrative Expense and the nature of such expense. Amounts on deposit in the Administrative Expense Fund at the end of any Fiscal Year shall be retained in such fund as an operating reserve and shall be disbursed as provided for in paragraph B.

C. Investment. Moneys in the Administrative Expense Fund shall be invested and deposited in accordance with Section 6.01 hereof. Investment earnings on moneys in the Administrative Expense Fund shall be retained by the Fiscal Agent in the Administrative Expense Fund and used for the payment of Administrative Expenses.

ARTICLE IV

NET SPECIAL TAX REVENUES; BOND FUND

Section 4.01. **Pledge of Net Special Tax Revenues.** The Bonds shall be secured by a first pledge (which pledge shall be effected in the manner and to the extent herein provided) of all of the Net Special Tax Revenues and all moneys deposited in the Bond Fund and, until disbursed as provided herein, in the Special Tax Fund. The Net Special Tax Revenues and all moneys deposited into said funds (except as otherwise provided herein) are hereby dedicated to the payment of the principal of, and interest and any premium on, the Bonds as provided herein and in the Act until all of the Bonds have been paid and retired or until moneys or Defeasance Obligations have been set aside irrevocably for that purpose in accordance with Section 10.01.

Section 4.02. **Bond Fund.**

A. Establishment of Bond Fund. There is hereby established as a separate fund to be held by the Fiscal Agent for the “Bond Fund” and, within the Bond Fund, the “Prepayment Account” to the credit of which deposits shall be made as required by Section 3.02, paragraph 2 of Section 3.03B and by Section 3.03C, and any other amounts required to be deposited therein by this Agreement or the Act. In addition to the foregoing deposits, the Fiscal Agent shall also deposit the Special Tax Refunding Bonds Prepayment Reserve Fund Credit in the Prepayment Account of the Bond Fund upon receipt by the Trustee. Moneys in the Bond Fund shall be held by the Fiscal Agent for the benefit of the Owners of the Bonds, shall be disbursed for the payment of the principal of, and interest and any premium on, the Bonds as provided below, and, pending such disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

B. Disbursements. On each Interest Payment Date, the Fiscal Agent shall withdraw from the Bond Fund and pay to the Owners of the Bonds the principal of, and interest and any premium, then due and payable on the Bonds, including any amounts due under Section 2.03A hereof; provided, however, that available amounts in the Bond Fund shall first be used to pay to the Owners of the Bonds any past due installments of interest, principal (including mandatory sinking payments) of and premium, if any, on the Bonds, in that order. Amounts transferred to the Bond Fund from the Special Tax Fund pursuant to paragraph 2.a of Section 3.03B shall immediately be paid to the Owners of the Bonds in respect of past due payments on the Bonds, and amounts transferred to the Prepayment Account pursuant to Section 3.03C shall be used to redeem Bonds pursuant to Section 2.03A.

If after the foregoing transfers, there are insufficient funds in the Bond Fund to make the payments provided for in the first sentence of this Section 4.02B, the Fiscal Agent shall apply the available funds first to the payment of interest on the Bonds, then to the payment of principal and any mandatory sinking payments due on the Bonds. Any installment of principal (including mandatory sinking payments), premium, if any, or interest on the Bonds which is not paid when due shall accrue interest at the rate of interest on the Bonds until paid, and shall be paid whenever funds in the Bond Fund are sufficient therefor.

If at any time the Fiscal Agent fails to pay principal and interest due on any scheduled payment date for the Bonds, the Fiscal Agent shall notify the District and the Treasurer in writing of such failure, and the Treasurer shall notify the California Debt Advisory Commission of such failure within 10 days of the failure to make such payment, as required by Section 53359(c)(1) of the Act.

C. Investment. Moneys in the Bond Fund shall be invested and deposited in accordance with Section 6.01. Interest earnings and profits resulting from the investment and deposit of amounts in the Bond Fund shall be retained in the Bond Fund.

ARTICLE V

OTHER COVENANTS OF THE DISTRICT

Section 5.01. **Warranty.** The District shall preserve and protect the security pledged hereunder to the Bonds against all claims and demands of all persons.

Section 5.02. **Covenants.** So long as any of the Bonds issued hereunder are Outstanding and unpaid, the District makes the covenants set forth herein below in this Article V with the Bondowners under the provisions of the Act and this Fiscal Agent Agreement (to be performed by the District or the City, acting for and on behalf of the District, or its proper officers, agents and employees), which are covenants necessary and desirable to secure the Bonds and tend to make the Bonds more marketable; provided, however, that such covenants do not require the District to expend any funds or moneys other than the Net Special Tax Revenues.

Section 5.03. **Punctual Payment.** The District shall punctually pay or cause to be paid the principal of, and interest and any premium on, the Bonds when and as due in strict conformity with the terms of this Agreement and any Supplemental Agreement, and it will faithfully observe and perform all of the conditions, covenants and requirements of this Agreement and all Supplemental Agreements and of the Bonds.

Section 5.04. **Limited Obligation.** The Bonds are limited obligations of the District and are payable solely from and secured solely by the Net Special Tax Revenues and the amounts in the Bond Fund and the Special Tax Fund created hereunder.

Section 5.05. **Payment of Claims.** The District will pay and discharge any and all lawful claims for labor, materials, or supplies which, if unpaid, might become a lien or charge upon the Special Tax Revenues or which might otherwise impair the security of the Bonds then Outstanding; provided that nothing herein contained shall require the District to make any such payments so long as the District in good faith shall contest the validity of any such claims.

Section 5.06. **Extension of Time for Payment.** In order to prevent any accumulation of claims for interest after maturity, the District shall not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and shall not, directly or indirectly, be a party to the approval of any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the District, such claim for interest so extended or funded shall not be entitled, in case of default hereunder, to the benefits of this Agreement, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have so extended or funded.

Section 5.07. **Against Encumbrances.** The District will not encumber, pledge or place any charge or lien upon any of the Net Special Tax Revenues or other amounts pledged to the Bonds superior to or on a parity with the pledge and lien herein created for the benefit of the Bonds, except as permitted by this Agreement.

Section 5.08. **Books and Records.** The District will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the District, in which complete and correct entries shall be made of all transactions relating to the expenditure of amounts disbursed from the Bond Fund and the Special Tax Fund and relating to the Special Tax Revenues.

Section 5.09. **Protection of Security and Rights of Owners.** The District will preserve and protect the security of the Bonds and the rights of the Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the delivery of any of the Bonds by the District, the Bonds shall be incontestable by the District.

Section 5.10. **Collection of Special Tax Revenues.** The District shall comply with all requirements of the Act so as to assure the timely collection of Special Tax Revenues, including without limitation, the enforcement of delinquent Special Taxes.

On or about July 10 of each year, the Treasurer shall communicate with the Auditor to ascertain the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits during the preceding and then current year.

The Treasurer shall effect the levy of the Special Taxes each Fiscal Year on the parcels within the District in accordance with the Ordinance, such that the computation of the levy is complete before the final date on which the Auditor will accept the transmission of the Special Tax amounts for the parcels within the District for inclusion on the next secured tax roll. Upon the completion of the computation of the amounts of the levy, the Treasurer shall prepare or cause to be prepared, and shall transmit to the Auditor, such data as the Auditor requires to include the levy of the Special Taxes on the next secured tax roll unless directed by the District to directly bill such Special Taxes. The Special Taxes so levied shall be payable and be collected in the same manner and at the same time and in the same installments as the general taxes on real property are payable, and have the same priority, become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general taxes on real property, unless otherwise provided by the District.

In the event that the Treasurer determines to levy all or a portion of the Special Taxes by means of direct billing of the property owners of the parcels within the District, the Treasurer shall, not less than forty-five (45) days prior to each Interest Payment Date, send bills to the owners of such real property located within the District subject to the levy of the Special Taxes for Special Taxes in an aggregate amount necessary to meet the financial obligations of the District with respect to the District due on the next Interest Payment Date, said bills to specify that the amounts so levied shall be due and payable not less than thirty (30) days prior to such Interest Payment Date and shall be delinquent if not paid when due.

In any event, the Treasurer shall fix and levy the amount of Special Taxes within the District required for the payment of principal of and interest on any Outstanding Bonds becoming due and payable during the ensuing year, an amount necessary to replenish the Reserve Fund pursuant to Section 3.03B.3 and an amount estimated to be sufficient to pay the Administrative Expenses during such year, all in accordance with the RMA and the Ordinance.

The Special Taxes so levied shall not exceed the authorized amounts as provided in the proceedings pursuant to the Resolution of Formation.

The Treasurer is hereby authorized to employ consultants to assist in computing the levy of the Special Taxes hereunder and any reconciliation of amounts levied to amounts received. The fees and expenses of such consultants and the costs and expenses of the Treasurer (including a charge for City or District staff time) in conducting its duties hereunder shall be an Special Tax Refunding Bond Administrative Expense hereunder.

Section 5.11. Further Assurances. The District shall adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Agreement, and for the better assuring and confirming unto the Owners of the rights and benefits provided in this Agreement.

Section 5.12. Tax Covenants. The District shall not take, or permit or suffer to be taken by the Fiscal Agent or otherwise, any action with respect to the proceeds of the Bonds which if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused any of the Authority Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Tax Code or to be "private activity bonds" within the meaning of Section 141 of the Tax Code.

The District agrees to furnish all information to, and cooperate fully with, the Authority, the Trustee and their respective officers, employees, agents and attorneys, in order to assure compliance with the provisions of Section 6.07 of the Authority Indenture. In the event that the Authority shall notify the District that the Authority has determined, pursuant to Section 6.07 of the Authority Indenture, that any amounts are due and payable to the United States of America thereunder and that neither the Authority nor the Authority Trustee has on deposit an amount of available moneys to make such payment, the District shall promptly direct the Fiscal Agent pay to the Authority Trustee from available Net Special Tax Revenues the Proportionate Share of the amounts determined by the Authority to be due and payable to the United States of America.

Section 5.13. Covenant to Foreclose. The District covenants for the benefit of the Owners of the Bonds that it (i) will commence judicial foreclosure proceedings against all parcels owned by a property owner where the aggregate delinquent Special Taxes on such parcels is greater than \$5,000 by the October 1 following the close of each Fiscal Year in which such Special Taxes were due; (ii) will commence judicial foreclosure proceedings against all parcels with delinquent Special Taxes by the October 1 following the close of each Fiscal Year in which it receives Special Taxes in an amount which is less than 95% of the total Special Tax levied for such Fiscal Year; and (iii) will diligently pursue such foreclosure proceedings until the delinquent Special Taxes are paid; provided that, notwithstanding the foregoing, the District may elect to defer foreclosure proceedings on any parcel which is owned by a delinquent property owner whose property is not, in the aggregate, delinquent in the payment of Special Taxes for a period of five years or more or in an amount in excess of \$10,000 so long as (1) the amount in the Reserve Fund is at least equal to the Reserve Requirement (as defined in the Authority Indenture); and (2) with respect to the Bonds, the District, acting on behalf of the District, is not in default in the payment of the principal of or interest on the Bonds.

The City Attorney is hereby authorized to employ counsel to conduct any such foreclosure proceedings. The fees and expenses of any such counsel and costs and expenses of the City Attorney (including a charge for City or District staff time) in conducting foreclosure proceedings shall be an Administrative Expense hereunder.

Notwithstanding any provision of the Act or other law of the State to the contrary, in connection with any foreclosure related to delinquent Special Taxes:

A. The City, or the Fiscal Agent, is hereby expressly authorized to credit bid at any foreclosure sale, without any requirement that funds be placed in the Bond Fund or otherwise be set aside in the amount of such credit bid, in the amount specified in Section 53356.5 of the Act or such lesser amount as determined under B. below or otherwise under Section 53356.6 of the Act.

B. The City may permit property with delinquent Special Tax payments to be sold for less than the amount specified in Section 53356.5 of the Act, if it determines that such sale is in the interest of the Bond Owners. The Bond Owners, by their acceptance of the Bonds, hereby consent to such sale for such lesser amounts (as such consent is described in Section 53356.6 of the Act), and hereby release the City, its officers and its agents from any liability in connection therewith.

C. The City is hereby expressly authorized to use amounts in the Administrative Expense Fund to pay costs of foreclosure of delinquent Special Taxes.

D. The City may forgive all or any portion of the Special Taxes levied or to be levied on any parcel in the District, so long as the City determines that such forgiveness is not expected to adversely affect its obligation to pay principal of and interest on the Bonds.

Section 5.14. Annual Reports to CDIAC. Not later than October 30 of each year, commencing October 30, 2015, and until the October 30 following the final maturity of the Bonds, the Treasurer shall supply the information required by Section 53359.5(b) or (c) of the Act to CDIAC (on such forms as CDIAC may specify) and the District.

Section 5.15. Continuing Disclosure to Owners. In addition to its obligations under Section 5.14, the District hereby covenants and agrees that it will carry out all of its obligations under the Continuing Disclosure Agreement. Notwithstanding any other provision of this Agreement, failure of the District to comply with the Continuing Disclosure Agreement shall not be considered a default hereunder; however, any Underwriter (as such term is defined in the Authority Indenture) or any holder or beneficial owner of 25% of the Authority Bonds may take such actions as may be necessary and appropriate to compel performance by the District of its obligations under this Section 5.15, including seeking mandate or specific performance by court order.

Section 5.16. Public Access to Facilities. The City and the District shall provide or cause to be provided access to members of the general public to all portions of the Facilities financed with the proceeds of the Prior Special Tax Bonds. Said access shall not grant priority to

any one person over that of another person, and shall be subject to any applicable City ordinance, rule or regulation.

Section 5.17. **Modification of Maximum Authorized Special Tax.** The District, to the maximum extent that the law permits it to do so, covenants that no modification of the minimum or maximum authorized Special Tax shall be approved by the District nor shall the District take any other action which would (i) prohibit the District from levying the Special Tax within the District in any Fiscal Year at such a rate as would generate Net Special Tax Revenues in such Fiscal Year at least equal to 110% of Annual Debt Service on all Bonds then Outstanding; (ii) discontinue or cause the discontinuance of such levy; or (iii) permit the prepayment of the Special Tax except as permitted pursuant to the the RMA.

Section 5.18. **Covenant to Defend.** The District covenants, in the event that any initiative is adopted by the qualified electors in the District which purports to reduce the minimum or the maximum Special Tax below the levels specified in Section 5.17 above or to limit the power of the District to levy the Special Taxes within the District for the purposes set forth in Section 5.10 above, it will commence and pursue legal action in order to preserve its ability to comply with such covenants.

ARTICLE VI

INVESTMENTS; DISPOSITION OF INVESTMENT PROCEEDS; LIABILITY OF THE DISTRICT

Section 6.01. **Deposit and Investment of Moneys in Funds.** Moneys in any fund or account created or established by this Agreement and held by the Fiscal Agent shall be invested by the Fiscal Agent in Permitted Investments, as directed pursuant to an Officer's Certificate filed with the Fiscal Agent at least two (2) Business Days in advance of the making of such investments. In the absence of any such Officer's Certificate, the Fiscal Agent shall invest any such moneys in Permitted Investments described in clause B(5) of the definition thereof to the extent practicable which by their terms mature prior to the date on which such moneys are required to be paid out hereunder, or are held uninvested. The Treasurer shall make note of any investment of funds hereunder in excess of the yield on the Bonds, so that appropriate actions can be taken to assure compliance with Section 5.12.

Moneys in any fund or account created or established by this Agreement and held by the Treasurer shall be invested by the Treasurer in Permitted Investments, which in any event by their terms mature prior to the date on which such moneys are required to be paid out hereunder. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account, subject, however, to the requirements of this Agreement for transfer of interest earnings and profits resulting from investment of amounts in funds and accounts. Whenever in this Agreement any moneys are required to be transferred by the District to the Fiscal Agent, such transfer may be accomplished by transferring a like amount of Permitted Investments.

The Fiscal Agent or an affiliate or the Treasurer may act as principal or agent in the acquisition or disposition of any investment and shall be entitled to its customary fee therefor.

Neither the Fiscal Agent nor the Treasurer shall incur any liability for losses arising from any investments made pursuant to this Section. For purposes of determining the amount on deposit in any fund or account held hereunder, all Permitted Investments or investments credited to such fund or account shall be valued at provided for in Exhibit B attached hereto.

Except as otherwise provided in the next sentence, all investments of amounts deposited in any fund or account created by or pursuant to this Agreement, or otherwise containing gross proceeds of the Bonds (within the meaning of section 148 of the Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Agreement or the Code) at Fair Market Value. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under the applicable provisions of the Code shall be valued at their present value (within the meaning of section 148 of the Code). The Fiscal Agent shall not be liable for verification of the application of such sections of the Code.

Investments in any and all funds and accounts may be commingled in a separate fund or funds for purposes of making, holding and disposing of investments, notwithstanding provisions herein for transfer to or holding in or to the credit of particular funds or accounts of amounts received or held by the Fiscal Agent or the Treasurer hereunder, provided that the Fiscal Agent or the Treasurer, as applicable, shall at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in this Agreement.

The Fiscal Agent or the Treasurer, as applicable, shall sell at the highest price reasonably obtainable, or present for redemption, any investment security whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such investment security is credited and neither the Fiscal Agent nor the Treasurer shall be liable or responsible for any loss resulting from the acquisition or disposition of such investment security in accordance herewith.

The Fiscal Agent shall furnish the District periodic cash transaction statements which include detail for all investment transactions effected by the Fiscal Agent or brokers selected by the District. Upon the District's election, such statements will be delivered via the Fiscal Agent's online service and upon electing such service, paper statements will be provided only upon request. The District waives the right to receive brokerage confirmations of security transactions effected by the Fiscal Agent as they occur, to the extent permitted by law. The District further understands that trade confirmations for securities transactions effected by the Fiscal Agent will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker.

Section 6.02. Limited Obligation. The District's obligations hereunder are limited obligations of the District and are payable solely from and secured solely by the Net Special Tax Revenues and the amounts in the Special Tax Fund and the Bond Fund.

Section 6.03. Liability of District. The District shall not incur any responsibility in respect of the Bonds or this Agreement other than in connection with the duties or obligations explicitly herein or in the Bonds assigned to or imposed upon it. The District shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or

willful default. The District shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants, or agreements of the Fiscal Agent herein or of any of the documents executed by the Fiscal Agent in connection with the Bonds, or as to the existence of a default or event of default thereunder.

In the absence of bad faith, the District, including the Treasurer, may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the District and conforming to the requirements of this Agreement. The District, including the Treasurer, shall not be liable for any error of judgment made in good faith unless it shall be proved that it was negligent in ascertaining the pertinent facts.

No provision of this Agreement shall require the District to expend or risk its own general funds or otherwise incur any financial liability (other than with respect to the Net Special Tax Revenues) in the performance of any of its obligations hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

The District may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The District may consult with counsel, who may be the City Attorney, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

The District shall not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto satisfactorily established, if disputed.

Whenever in the administration of its duties under this Agreement the District shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of willful misconduct on the part of the District, be deemed to be conclusively proved and established by a certificate of the Fiscal Agent, and such certificate shall be full warrant to the District for any action taken or suffered under the provisions of this Agreement or any Supplemental Agreement upon the faith thereof, but in its discretion the District may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

Section 6.04. Employment of Agents by District or the City. In order to perform their respective duties and obligations hereunder, the City, the District and/or the Treasurer may employ such persons or entities as they deem necessary or advisable. The City, the District, and/or the Treasurer shall not be liable for any of the acts or omissions of such persons or entities employed by them in good faith hereunder, and shall be entitled to rely, and shall be fully protected in doing so, upon the opinions, calculations, determinations and directions of such persons or entities.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES OF BOND OWNERS

Section 7.01. **Events of Default.** The following events shall be Events of Default:

A. Failure to pay any installment of principal of any Bonds when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption or otherwise.

B. Failure to pay any installment of interest on any Bonds when and as the same shall become due and payable.

C. Failure by the District to observe and perform any of the other covenants, agreements, or conditions on its part in this Agreement or in the Bonds contained, if such failure shall have continued for a period of 60 days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the District by the Fiscal Agent or the Owners of not less than 25% in aggregate principal amount of the Bonds at the time Outstanding; provided, however, if in the reasonable opinion of the District the failure stated in the notice can be corrected, but not within such 60-day period, such failure shall not constitute an Event of Default if corrective action is instituted by the District within such 60-day period and the District shall thereafter diligently and in good faith cure such failure in a reasonable period of time.

D. Commencement by the District of a voluntary case under Title 11 of the United States Code or any substitute or successor statute.

Section 7.02. **Remedies of Bond Owners.** Subject to the provisions of Section 7.08, any Bond Owner shall have the right, for the equal benefit and protection of all Bond Owners similarly situated:

A. by mandamus, suit, action or proceeding, to compel the District and/or the City and its officers, agents or employees, acting for and on behalf of the District, to perform each and every term, provision and covenant contained in this Agreement and in the Bonds, and to require the carrying out of any or all such covenants and agreements of the District and the fulfillment of all duties imposed upon it by the Act;

B. by suit, action or proceeding in equity, to enjoin any acts or things which are unlawful, or the violation of any of the Bond Owners' rights; or

C. upon the happening of any Event of Default, by suit, action or proceeding in any court of competent jurisdiction, to require the District and/or the City and its officers and employees, acting for and on behalf of the District, to account as if it and they were the trustees of an express trust.

Section 7.03. **Application of Special Taxes and Other Funds After Default.** If an Event of Default shall occur and be continuing, all Special Taxes, including any penalties, costs, fees and other charges accruing under the Act, and any other funds then held or thereafter

received by the Fiscal Agent under any of the provisions of this Agreement shall be applied by the Fiscal Agent as follows and in the following order:

A. To the payment of any expenses necessary in the opinion of the Fiscal Agent to protect the interests of the Owners of the Bonds and payment of reasonable fees, charges, and expenses of the Fiscal Agent (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under this Agreement;

B. To the payment of the principal of and interest then due with respect to the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of this Agreement, as follows:

First: To the payment to the Persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the Persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the Persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by call for redemption, with interest on the overdue principal at the rate borne by the respective Bonds on the date of maturity or redemption, and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the Persons entitled thereto, without any discrimination or preference.

C. Any remaining funds shall be transferred by the Fiscal Agent to the Bond Fund.

Section 7.04. **Absolute Obligation of the District.** Nothing in Section 7.08 or in any other provision of this Agreement or in the Bonds contained shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the principal of and interest on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon call for redemption, as herein provided, but only out of the Net Special Tax Revenues and other moneys herein pledged therefor and received by the District or the Fiscal Agent, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

Section 7.05. **Termination of Proceedings.** In case any proceedings taken by any one or more Bond Owners on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Bond Owners, then in every such case the District, and the Bond Owners, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the City, and the Bond Owners shall continue as though no such proceedings had been taken.

Section 7.06. **Remedies Not Exclusive.** No remedy herein conferred upon or reserved to the Fiscal Agent or to the Owners of the Bonds is intended to be exclusive of any other

remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

Section 7.07. **No Waiver of Default.** No delay or omission of any Owner of the Bonds to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by this Agreement to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient.

Section 7.08. **Actions by Fiscal Agent as Attorney-in-Fact.** Any suit, action, or proceeding which any Owner shall have the right to bring to enforce any right or remedy hereunder may be brought by the Fiscal Agent for the equal benefit and protection of all Owners, and the Fiscal Agent is hereby appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the Owners for the purpose of bringing any such suit, action, or proceeding and to do and perform any and all acts and things for and on behalf of the Owners as a class or classes, as may be necessary or advisable in the opinion of the Fiscal Agent as such attorney-in-fact.

ARTICLE VIII

THE FISCAL AGENT

Section 8.01. **Appointment of Fiscal Agent.** MUFG Union Bank, N.A., is hereby appointed Fiscal Agent and paying agent for the Bonds. The Fiscal Agent undertakes to perform such duties, and only such duties, as are specifically set forth in this Agreement, and no implied covenants or obligations shall be read into this Agreement against the Fiscal Agent.

Any company into which the Fiscal Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Fiscal Agent may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under the following paragraph of this Section, shall be the successor to such Fiscal Agent without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

The District may remove the Fiscal Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto, but any such successor shall be a bank or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least Seventy-Five Million Dollars (\$75,000,000), and subject to supervision or examination by federal or state authority. 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 this Section 8.01, combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Fiscal Agent may at any time resign by giving written notice to the District and by giving to the Owners notice by mail of such resignation. Upon receiving notice of such resignation, the District shall promptly appoint a successor Fiscal Agent by an instrument in writing. Any resignation or removal of the Fiscal Agent shall become effective upon acceptance of appointment by the successor Fiscal Agent.

If no appointment of a successor Fiscal Agent shall be made pursuant to the foregoing provisions of this Section within forty-five (45) days after the Fiscal Agent shall have given to the District written notice or after a vacancy in the office of the Fiscal Agent shall have occurred by reason of its inability to act, the Fiscal Agent or any Bondowner may apply to any court of competent jurisdiction to appoint a successor Fiscal Agent. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Fiscal Agent.

If, by reason of the judgment of any court, the Fiscal Agent is rendered unable to perform its duties hereunder, all such duties and all of the rights and powers of the Fiscal Agent hereunder shall be assumed by and vest in the Treasurer of the City in trust for the benefit of the Owners. The District covenants for the direct benefit of the Owners that the Treasurer in such case shall be vested with all of the rights and powers of the Fiscal Agent hereunder, and shall assume all of the responsibilities and perform all of the duties of the Fiscal Agent hereunder, in trust for the benefit of the Owners of the Bonds.

Section 8.02. Liability of Fiscal Agent. The recitals of facts, covenants, and agreements herein and in the Bonds contained shall be taken as statements, covenants, and agreements of the District, and the Fiscal Agent assumes no responsibility for the correctness of the same, nor makes any representations as to the validity or sufficiency of this Agreement or of the Bonds, nor shall incur any responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Bonds assigned to or imposed upon it. The Fiscal Agent shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful default. The Fiscal Agent assumes no responsibility or liability for any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

In the absence of bad faith, the Fiscal Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Fiscal Agent and conforming to the requirements of this Agreement; but in the case of any such certificates or opinions by which any provision hereof are specifically required to be furnished to the Fiscal Agent, the Fiscal Agent shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Agreement. Except as provided above in this paragraph, the Fiscal Agent shall be protected and shall incur no liability in acting or proceeding, or in not acting or not proceeding, in good faith, reasonably and in accordance with the terms of this Agreement, upon any resolution, order, notice, request, consent or waiver, certificate, statement, affidavit, or other paper or document which it shall in good faith reasonably believe to be genuine and to have been adopted or signed by the proper person or to have been prepared and furnished pursuant to any provision of this Agreement, and the Fiscal Agent shall not be under any duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument.

The Fiscal Agent shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants, or agreements of the City or the District herein or of any of the documents executed by the City or the District in connection with the Bonds, or as to the existence of a default or event of default thereunder.

The Fiscal Agent shall not be liable for any error of judgment made in good faith by a responsible officer unless it shall be proved that the Fiscal Agent was negligent in ascertaining the pertinent facts.

No provision of this Agreement shall require the Fiscal Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

The Fiscal Agent shall be under no obligation to exercise any of the rights or powers vested in it by this Agreement at the request or direction of any of the Owners pursuant to this Agreement unless such Owners shall have offered to the Fiscal Agent reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

The Fiscal Agent may become the Owner of the Bonds with the same rights it would have if it were not the Fiscal Agent.

All indemnifications and releases from liability granted to the Fiscal Agent hereunder shall extend to the directors, officers, and employees of the Fiscal Agent.

Section 8.03. Information. The Fiscal Agent shall provide to the District such information relating to the Bonds and the funds and accounts maintained by the Fiscal Agent hereunder as the District shall reasonably request, including, but not limited to, quarterly statements reporting funds held and transactions by the Fiscal Agent.

Section 8.04. Notice to Fiscal Agent. The Fiscal Agent may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, Bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The Fiscal Agent may consult with counsel, who may be counsel to the City, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

The Fiscal Agent shall not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto satisfactorily established, if disputed.

Whenever in the administration of its duties under this Agreement the Fiscal Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically

prescribed) may, in the absence of willful misconduct on the part of the Fiscal Agent, be deemed to be conclusively proved and established by a certificate of the District, and such certificate shall be full warrant to the Fiscal Agent for any action taken or suffered under the provisions of this Agreement or any Supplemental Agreement upon the faith thereof, but in its discretion the Fiscal Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable.

Section 8.05. Compensation, Indemnification. The District shall pay to the Fiscal Agent from time to time reasonable compensation for all services rendered as Fiscal Agent under this Agreement, and also all reasonable expenses, charges, counsel fees, and other disbursements, including those of its attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Agreement, but the Fiscal Agent shall not have a lien therefor on any funds at any time held by it under this Agreement. The District further agrees, to the extent permitted by applicable law, to indemnify and save the Fiscal Agent, its officers, employees, directors and agents harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder which are not due to its negligence or willful misconduct. The obligation of the District under this Section shall survive resignation or removal of the Fiscal Agent under this Agreement and payment of the Bonds and discharge of this Agreement, but any monetary obligation of the District arising under this Section shall be limited solely to amounts on deposit in the Special Tax Refunding Bond Administrative Expense Fund.

ARTICLE IX

MODIFICATION OR AMENDMENT OF THIS AGREEMENT

Section 9.01. Amendments Permitted. This Agreement and the rights and obligations of the District and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Agreement pursuant to the affirmative vote at a meeting of the Owners, or with the written consent without a meeting, of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 9.04. No such modification or amendment shall (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the District to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond; or (ii) permit the creation by the District of any pledge or lien upon the Special Taxes superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise permitted by the Act, the laws of the State of California or this Agreement), or reduce the percentage of Bonds required for the amendment hereof. Any such amendment may not modify any of the rights or obligations of the Fiscal Agent without its written consent.

This Agreement and the rights and obligations of the District and of the Owners may also be modified or amended at any time by a Supplemental Agreement, without the consent of any Owners, only to the extent permitted by law and only for any one or more of the following purposes:

(i) to add to the covenants and agreements of the District in this Agreement contained, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power herein reserved to or conferred upon the District;

(ii) to make modifications not adversely affecting any Outstanding Bonds of the District in any material respect;

(iii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting, or supplementing any defective provision contained in this Agreement, or in regard to questions arising under this Agreement, as the District and the Fiscal Agent may deem necessary or desirable and not inconsistent with this Agreement, and which shall not adversely affect the rights of the Owners of the Bonds;

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

Section 9.02. Owners' Meetings. The District may at any time call a meeting of the Owners. In such event the District is authorized to fix the time and place of said meeting and to provide for the giving of notice thereof, and to fix and adopt rules and regulations for the conduct of said meeting.

Section 9.03. Procedure for Amendment with Written Consent of Owners. The District and the Fiscal Agent may at any time adopt a Supplemental Agreement amending the provisions of the Bonds or of this Agreement or any Supplemental Agreement, to the extent that such amendment is permitted by Section 9.01, to take effect when and as provided in this Section. A copy of such Supplemental Agreement, together with a request to Owners for their consent thereto, shall be mailed by first class mail, by the Fiscal Agent to each Owner of Bonds Outstanding, but failure to mail copies of such Supplemental Agreement and request shall not affect the validity of the Supplemental Agreement when assented to as in this Section provided.

Such Supplemental Agreement shall not become effective unless there shall be filed with the Fiscal Agent the written consent of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in Section 9.04 and a notice shall have been mailed as hereinafter in this Section provided. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given, which proof shall be such as is permitted by Section 11.04. Any such consent shall be binding upon the Owner of the Bonds giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Fiscal Agent prior to the date when the notice hereinafter in this Section provided for has been mailed.

After the Owners of the required percentage of Bonds shall have filed their consents to the Supplemental Agreement, the District shall mail a notice to the Owners in the manner hereinbefore provided in this Section for the mailing of the Supplemental Agreement, stating in substance that the Supplemental Agreement has been consented to by the Owners of the required

percentage of Bonds and will be effective as provided in this Section (but failure to mail copies of said notice shall not affect the validity of the Supplemental Agreement or consents thereto). Proof of the mailing of such notice shall be filed with the Fiscal Agent. A record, consisting of the papers required by this Section 9.03 to be filed with the Fiscal Agent, shall be proof of the matters therein stated until the contrary is proved. The Supplemental Agreement shall become effective upon the filing with the Fiscal Agent of the proof of mailing of such notice, and the Supplemental Agreement shall be deemed conclusively binding (except as otherwise hereinabove specifically provided in this Article) upon the District and the Owners of all Bonds at the expiration of sixty (60) days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such sixty-day period.

Section 9.04. Disqualified Bonds. Bonds owned or held for the account of the City or the District, excepting any pension or retirement fund, shall not be deemed Outstanding for the purpose of any vote, consent or other action or any calculation of Outstanding Bonds provided for in this Article IX, and shall not be entitled to vote upon, consent to, or take any other action provided for in this Article IX.

Section 9.05. Effect of Supplemental Agreement. From and after the time any Supplemental Agreement becomes effective pursuant to this Article IX, this Agreement shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations under this Agreement of the District and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such Supplemental Agreement shall be deemed to be part of the terms and conditions of this Agreement for any and all purposes.

Section 9.06. Endorsement or Replacement of Bonds Issued After Amendments. The District may determine that Bonds issued and delivered after the effective date of any action taken as provided in this Article IX shall bear a notation, by endorsement or otherwise, in form approved by the District, as to such action. In that case, upon demand of the Owner of any Bond Outstanding at such effective date and presentation of his Bond for that purpose at the Principal Office of the Fiscal Agent or at such other office as the District may select and designate for that purpose, a suitable notation shall be made on such Bond. The District may determine that new Bonds, so modified as in the opinion of the District is necessary to conform to such Owners' action, shall be prepared, executed and delivered. In that case, upon demand of the Owner of any Bonds then Outstanding, such new Bonds shall be exchanged at the Principal Office of the Fiscal Agent without cost to any Owner, for Bonds then Outstanding, upon surrender of such Bonds.

Section 9.07. Amendatory Endorsement of Bonds. The provisions of this Article IX shall not prevent any Owner from accepting any amendment as to the particular Bonds held by him, provided that due notation thereof is made on such Bonds.

Section 9.08. Notice Requirement. Not less than 15 days prior to the effective date of any amendment made pursuant to this Article IX, so long as any Bonds are owned by the

Authority, the District shall mail notice of the proposed amendment and the text of the proposed amendment to the Authority and the Authority Trustee.

ARTICLE X

DEFEASANCE

Section 10.01. **Defeasance.** If the District shall pay or cause to be paid, or there shall otherwise be paid, to the Owner of an Outstanding Bond the interest due thereon and the principal thereof, at the times and in the manner stipulated in this Agreement, then the Owner of such Bond shall cease to be entitled to the pledge of Net Special Tax Revenues, and, other than as set forth below, all covenants, agreements and other obligations of the District to the Owner of such Bond under this Agreement shall thereupon cease, terminate and become void and be discharged and satisfied. In the event of a defeasance of all Outstanding Bonds pursuant to this Section, the Fiscal Agent shall execute and deliver to the District all such instruments as may be desirable to evidence such discharge and satisfaction, and the Fiscal Agent shall pay over or deliver to the District's general fund all money or securities held by it pursuant to this Agreement which are not required for the payment of the principal of, premium, if any, and interest due on such Bonds.

Any Outstanding Bond shall be deemed to have been paid within the meaning expressed in the first paragraph of this Section if such Bond is paid in any one or more of the following ways:

- (i) by paying or causing to be paid the principal of, premium, if any, and interest on such Bond, as and when the same become due and payable;
- (ii) by depositing with the Fiscal Agent, in trust, at or before maturity, money which, together with the amounts then on deposit in the Special Tax Fund and available for such purpose, is fully sufficient to pay the principal of, premium, if any, and interest on such Bond, as and when the same shall become due and payable; or
- (iii) by depositing with the Fiscal Agent or another escrow bank appointed by the District, in trust, direct, noncallable Defeasance Obligations, in which the District may lawfully invest its money, in such amount as will be sufficient, together with the interest to accrue thereon and moneys then on deposit in the Special Tax Fund and available for such purpose, together with the interest to accrue thereon, to pay and discharge the principal of, premium, if any, and interest on such Bond, as and when the same shall become due and payable;

then, at the election of the District, and notwithstanding that any Outstanding Bonds shall not have been surrendered for payment, all obligations of the District under this Agreement with respect to such Bond shall cease and terminate, except for the obligation of the Fiscal Agent to pay or cause to be paid to the Owners of any such Bond not so surrendered and paid, all sums due thereon. Notice of such election shall be filed with the Fiscal Agent not less than ten (10) days prior to the proposed defeasance date, or such shorter period of time as may be acceptable to the Fiscal Agent. In connection with a defeasance under (ii) or (iii) above, there shall be

provided to the District a verification report from an Independent Accountant stating its opinion as to the sufficiency of the moneys or securities deposited with the Fiscal Agent or the escrow bank to pay and discharge the principal of, premium, if any, and interest on all Outstanding Bonds to be defeased in accordance with this Section, as and when the same shall become due and payable, and an opinion of Bond Counsel (which may rely upon the opinion of the certified public accountant) to the effect that the Bonds being defeased have been legally defeased in accordance with this Agreement.

Upon a defeasance, the Fiscal Agent, upon request of the District, shall release the rights of the Owners of such Bonds which have been defeased under this Agreement and execute and deliver to the District all such instruments as may be desirable to evidence such release, discharge and satisfaction. In the case of a defeasance hereunder of all Outstanding Bonds, after payment of any amounts then owed to the Fiscal Agent, the Fiscal Agent shall pay over or deliver to the District any funds held by the Fiscal Agent at the time of a defeasance, which are not required for the purpose of paying and discharging the principal of or interest on the Bonds when due. The Fiscal Agent shall, at the written direction of the District, mail, first class, postage prepaid, a notice to the Bondowners whose Bonds have been defeased, in the form directed by the District, stating that the defeasance has occurred.

Notwithstanding the foregoing, so long as the Bonds are owned by the Authority, the entire indebtedness on the Bonds Outstanding shall be discharged simultaneously with and upon the discharge of the Authority Bonds pursuant to Section 10.01 of the Authority Indenture resulting from the irrevocable deposit with the Authority Trustee pursuant to Section 10.01(b) of the Authority Indenture of money or Defeasance Obligations (as defined in the Authority Indenture) to pay or redeem all of the Authority Bonds then Outstanding (as defined in the Authority Indenture). The Fiscal Agent shall, upon receipt of written instructions from an Authorized Officer, transfer the moneys on deposit in the funds and accounts established hereunder to fund the foregoing deposit with the Authority Trustee.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Benefits of Agreement Limited to Parties. Nothing in this Agreement, expressed or implied, is intended to give to any person other than the District, the City, the Fiscal Agent, and the Owners, any right, remedy, claim under or by reason of this Agreement. Any covenants, stipulations, promises, or agreements in this Agreement contained by and on behalf of the District shall be for the sole and exclusive benefit of the Owners and the Fiscal Agent.

Section 11.02. Cancellation of Bonds. All Bonds surrendered to the Fiscal Agent for payment upon maturity or for redemption shall be upon payment therefor, and any Bond purchased by the District as authorized herein and delivered to the Fiscal Agent for such purpose shall be, cancelled forthwith and shall not be reissued. The Fiscal Agent shall destroy such Bonds, as provided by law, and furnish the District a certificate of such destruction.

Section 11.03. Successor is Deemed Included in All References to Predecessor. Whenever in this Agreement or any Supplemental Agreement either the District or the Fiscal

Agent is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Agreement contained by or on behalf of the District or the Fiscal Agent shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 11.04. Execution of Documents and Proof of Ownership by Owners. Any request, declaration, or other instrument which this Agreement may require or permit to be executed by the Owners may be in one or more instruments of similar tenor, and shall be executed by the Owners in person or by their attorneys appointed in writing.

Except as otherwise herein expressly provided, the fact and date of the execution by any Owner or his attorney of such request, declaration or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

Except as otherwise herein expressly provided, the ownership of registered Bonds and the amount, maturity, number and date of holding the same shall be proved by the registry books.

Any request, declaration or other instrument or writing of the Owner of any Bond shall bind all future Owners of such Bond in respect of anything done or suffered to be done by the District or the Fiscal Agent in good faith and in accordance therewith.

Section 11.05. Waiver of Personal Liability. No member, officer, agent or employee of the District or the City shall be individually or personally liable for the payment of the principal of, or interest or any premium on, the Bonds; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

Section 11.06. Notices to and Demands on District and Fiscal Agent. Any notice, request, complaint, demand or other communication under this Fiscal Agent Agreement shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by telecopy or other form of telecommunication, at its number set forth below. Notice shall be effective either (a) upon transmission by telecopy or other form of telecommunication, (b) forty-eight (48) hours after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person or the Fiscal Agent, upon actual receipt. The District or the Fiscal Agent may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the District

Community Facilities District No. 91-01
c/o City of San Marcos
One Civic Center Drive
San Marcos, CA 92069
Attention: City Manager

If to the Fiscal Agent: MUFG Union Bank, N.A.
120 S. San Pedro Street, Suite 400
Los Angeles, CA 90012
Reference: _____
Facsimile: (213) 972-5694
E-mail: Lorraine.mcintire@unionbank.com

with a copy to:

AccountAdministration-CorporateTrust@unionbank.com

Section 11.07. **Partial Invalidity.** If any Section, paragraph, sentence, clause or phrase of this Agreement shall for any reason be held illegal or unenforceable, such holding shall not affect the validity of the remaining portions of this Agreement. The District hereby declares that it would have adopted this Agreement and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issue of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this Agreement may be held illegal, invalid or unenforceable.

Section 11.08. **Unclaimed Moneys.** Anything contained herein to the contrary notwithstanding, any moneys held by the Fiscal Agent for the payment and discharge of the principal of, and the interest and any premium on, the Bonds which remains unclaimed for two (2) years after the date when the payments of such principal, interest and premium have become payable, if such moneys were held by the Fiscal Agent at such date, shall be repaid by the Fiscal Agent to the District as its absolute property free from any trust, and the Fiscal Agent shall thereupon be released and discharged with respect thereto and the Bond Owners shall look only to the District for the payment of the principal of, and interest and any premium on, such Bonds.

Section 11.09. **Provisions Constitute Contract.** The provisions of this Agreement shall constitute a contract between the District and the Bondowners and the provisions hereof shall be construed in accordance with the laws of the State of California.

In case any suit, action, or proceeding to enforce any right or exercise any remedy shall be brought or taken and, should said suit, action, or proceeding be abandoned, or be determined adversely to the Bondowners or the Fiscal Agent, then the District, the Fiscal Agent, and the Bondowners shall be restored to their former positions, rights and remedies as if such suit, action, or proceeding had not been brought or taken.

After the issuance and delivery of the Bonds this Agreement shall be irrevocable, but shall be subject to modifications to the extent and in the manner provided in this Agreement, but to no greater extent and in no other manner.

Section 11.10. **Future Contracts.** Nothing herein contained shall be deemed to restrict or prohibit the District from making contracts or creating bonded or other indebtedness payable from a pledge of the Net Special Tax Revenues which is subordinate to the pledge hereunder, or which is payable from taxes or any source other than the Net Special Tax Revenues and other amounts pledged hereunder.

Section 11.11. **Further Assurances.** The District will adopt, make, execute, and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Agreement, and for the better assuring and confirming unto the Owners of the Bonds the rights and benefits provided in this Agreement.

Section 11.12. **Applicable Law.** This Agreement shall be governed by and enforced in accordance with the laws of the State of California applicable to contracts made and performed in the State of California.

Section 11.13. **Conflict with Act.** In the event of a conflict between any provision of this Agreement with any provision of the Act as in effect on the Closing Date, the provision of the Act shall prevail over the conflicting provision of this Agreement.

Section 11.14. **Conclusive Evidence of Regularity.** Bonds issued pursuant to this Agreement shall constitute conclusive evidence of the regularity of all proceedings under the Act relative to their issuance and the levy of the Special Taxes.

Section 11.15. **Payment on Business Day.** In any case where the date of the maturity of interest or of principal (and premium, if any) of the Bonds or the date fixed for redemption of any Bonds or the date any action is to be taken pursuant to this Agreement is other than a Business Day, the payment of interest or principal (and premium, if any) or the action need not be made on such date but may be made on the next succeeding day which is a Business Day with the same force and effect as if made on the date required and no interest shall accrue for the period after such date.

Section 11.16. **Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original.

[Remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the District has caused this Agreement pertaining to the Community Facilities District No. 91-01 Special Tax Refunding Bonds, Series 2014 to be executed in its name and the Fiscal Agent has caused this Agreement to be executed in its name, all as of October 1, 2014.

CITY OF SAN MARCOS COMMUNITY
FACILITIES DISTRICT NO. 91-01

By: _____
City Manager

MUFG UNION BANK, N.A., as Fiscal Agent

By: _____
Authorized Officer

EXHIBIT A
FORM OF BOND

No. _____

\$ _____

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF SAN DIEGO
CITY OF SAN MARCOS
COMMUNITY FACILITIES DISTRICT NO. 91-01
SPECIAL TAX REFUNDING BOND, SERIES 2014

INTEREST RATE

MATURITY DATE

DATED DATE

September 1, ____

October __, 2014

REGISTERED OWNER:

MUFG UNION BANK, N.A.,
on behalf of the San Marcos Public Financing Authority

PRINCIPAL AMOUNT:

DOLLARS

The City of San Marcos (the "City") for and on behalf of the City of San Marcos Community Facilities District No. 91-01 (the "District"), for value received, hereby promises to pay solely from Net Special Tax Revenues (as defined in the Agreement) to be collected in within the District or amounts in the funds and accounts held under the Agreement (as hereinafter defined), to the registered owner (the "Owner") named above, or registered assigns, on the maturity date set forth above, unless redeemed prior thereto as hereinafter provided, the principal amount set forth above, and to pay interest on such principal amount from the Dated Date, or from the most recent interest payment date to which interest has been paid or duly provided for, semiannually five (5) days prior to each September 1 and March 1, commencing March 1, 2015 (each an "Interest Payment Date"), at the interest rate set forth above, until the principal amount hereof is paid or made available for payment. The principal of this Bond is payable to the registered Owner hereof in lawful money of the United States of America upon presentation and surrender of this Bond at the office of MUFG Union Bank, N.A. (the "Fiscal Agent"). Interest on this Bond shall be paid by check of the Fiscal Agent on each Interest Payment Date to the registered Owner hereof as of the close of business on the 15th day of the month preceding the month in which the interest payment date occurs (the "Record Date") at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent.

This Bond is one of a duly authorized issue of bonds in the aggregate principal amount of \$_____ pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, Sections 53311, et seq., of the California Government Code (the "Mello-Roos Act") and designated the City of San Marcos Community Facilities District No. 91-01 Special Tax Refunding Bonds, Series 2014. The Bonds have been issued for the purpose of defeasing and refunding the San Marcos Public Facilities Authority Special Tax Revenue Refunding Bonds, 2004 Series A and San Marcos Public Facilities Authority Special Tax Revenue Refunding Bonds, 2004 Series B thereby discharging the City of San Marcos Community Facilities District No. 91-01 2004 Special Tax Refunding Bonds. The issuance of the Bonds and the terms and conditions thereof are provided for by the Fiscal Agent Agreement, dated as of October 1, 2014 (the "Agreement"), by and between the District and the Fiscal Agent and this reference incorporates the Agreement herein, and by acceptance hereof the Owner of this Bond assents to said terms and conditions.

Pursuant to the Mello-Roos Act and the Agreement, the principal of and interest on this Bond are payable solely from Net Special Tax Revenues of the annual special tax authorized under the Mello-Roos Act to be collected within the District (the "Special Tax") and certain funds held under the Agreement.

Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated on an Interest Payment Date, in which event it shall bear interest from such date of authentication; or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date; or (iii) it is authenticated prior to the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from the Closing Date; provided, however, that if at the time of authentication of a Bond, interest is in default thereon, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Any tax for the payment hereof shall be limited to the Special Tax, except to the extent that provision for payment has been made by the City, as may be permitted by law. The Bonds do not constitute obligations of the City of San Marcos for which said City is obligated to levy or pledge, or has levied or pledged, general or special taxation other than described hereinabove. The District has covenanted for the benefit of the Owners of the Bonds that it will order, and cause to be commenced as provided in the Agreement, and thereafter diligently prosecute to judgment, an action in the superior court to foreclose the lien of any Special Tax or installment thereof not paid when due.

The Bonds shall be subject to redemption on any Interest Payment Date, prior to maturity, as a whole or in part from such maturities, as are selected by the District, from the prepayment of Special Taxes at the following redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed), together with accrued interest thereon to the date of redemption:

Redemption Date	Redemption Price
March 1, 2015 through March 1, 20__	103%
September 1, 20__ and March 1, 20__	102%
September 1, 20__ and March 1, 20__	101%
September 1, 20__ and any Interest	100%
Payment Date thereafter	

Notwithstanding the above, such mandatory redemption of the Bonds in whole or in part shall occur only if the District shall first deliver to the Fiscal Agent and the Authority Trustee a certificate of an Independent Financial Consultant verifying that, following such redemption of the Bonds, the principal and interest due on the Outstanding Bonds, if any, and the other outstanding Special Tax Refunding Bonds is adequate to make the timely payment of principal, including mandatory sinking fund payments, and interest due on the Authority Bonds that will remain outstanding following the corresponding redemption of the Authority Bonds resulting from such mandatory redemption of the Bonds.

In lieu of redemption under the Fiscal Agent Agreement, moneys in the Bond Fund may be used and withdrawn by the Fiscal Agent for purchase of Outstanding Bonds, upon the filing with the Fiscal Agent of an Officer's Certificate requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Officer's Certificate may provide, but in no event may Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase, unless a greater purchase price is permitted under the Act and the District determines that it will have sufficient amounts in the Bond Fund, following such purchase, to pay Debt Service on the Bonds.

Notice of redemption with respect to the Bonds to be redeemed shall be given to the registered Owners thereof, in the manner, to the extent and subject to the provisions of the Agreement.

This Bond shall be registered in the name of the Owner hereof, as to both principal and interest.

Each registration and transfer of registration of this Bond shall be entered by the Fiscal Agent in books kept by it for this purpose and authenticated by its manual signature upon the certificate of authentication endorsed hereon.

Except as provided in the Agreement, any Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of the Agreement by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form approved by the Fiscal Agent. The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such transfer shall be paid by the District. The Fiscal Agent shall collect from the Owner requesting such transfer any tax or other governmental charge required to be paid with respect to such transfer.

Whenever any Bond or Bonds shall be surrendered for transfer, the District shall execute and the Fiscal Agent shall authenticate and deliver a new Bond or Bonds, for like aggregate principal amount.

No transfers of Bonds shall be required to be made (i) fifteen (15) days prior to the date established by the Fiscal Agent for selection of Bonds for redemption; (ii) with respect to a Bond after such Bond has been selected for redemption; or (iii) between the 15th day of the month next preceding any Interest Payment Date and such Interest Payment Date.

Bonds may be exchanged at the Principal Office of the Fiscal Agent for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such exchange shall be paid by the District. The Fiscal Agent shall collect from the Owner requesting such exchange any tax or other governmental charge required to be paid with respect to such exchange.

No exchanges of Bonds shall be required to be made (i) fifteen (15) days prior to the date established by the Fiscal Agent for selection of Bonds for redemption; (ii) with respect to a Bond after such Bond has been selected for redemption; or (iii) between the 15th day of the month next preceding any Interest Payment Date and such Interest Payment Date.

The Fiscal Agent Agreement and the rights and obligations of the Agency thereunder may be modified or amended as set forth therein.

The Fiscal Agent Agreement contains provisions permitting the District to make provision for the payment of the interest on, and the principal and premium, if any, of the Bonds so that such Bonds shall no longer be deemed to be outstanding under the terms of the Fiscal Agreement.

This Bond shall not become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been dated and signed by the Fiscal Agent.

IT IS HEREBY CERTIFIED, RECITED, AND DECLARED that all acts, conditions and things required by law to exist, happen and be performed precedent to and in the issuance of this Bond have existed, happened and been performed in due time, form and manner as required by law, and that the amount of this Bond does not exceed any debt limit prescribed by the laws or Constitution of the State of California.

IN WITNESS WHEREOF, the City of San Marcos Community Facilities District 91-01 has caused this Bond to be dated October __, 2014, to be signed by the manual or facsimile signature of the Mayor and countersigned by the manual or facsimile signature of the City Clerk, each acting for and on behalf of such community facilities district.

CITY OF SAN MARCOS COMMUNITY
FACILITIES DISTRICT NO. 91-01

BY: _____
Mayor

BY: _____
City Clerk

FISCAL AGENT'S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the Resolution and the Agreement which has been authenticated on _____,_____.

MUFG UNION BANK, N.A., as Fiscal Agent

By: _____
Authorized Officer

ASSIGNMENT

For value received, the undersigned do(es) hereby sell, assign and transfer unto

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within Bond and do(es) hereby irrevocably constitute and appoint _____, attorney, to transfer the same on the registration books of the Fiscal Agent, with full power of substitution in the premises.

Dated: _____

NOTICE: The signature(s) on this assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

EXHIBIT B

PERMITTED INVESTMENTS

"Permitted Investments" means any of the investments listed below that at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein (provided that the Fiscal Agent shall have no duty to investigate the legality of any investments):

A. The following obligations may be used for all purposes, including defeasance investments:

- (1) Cash (insured at all times by the Federal Deposit Insurance Corporation) or collateralized by Permitted Investments listed in A(2) below.
- (2) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including:
 - (a) U.S. treasury obligations,
 - (b) all direct or fully guaranteed obligations,
 - (c) Farmers Home Administration,
 - (d) General Services Administration,
 - (e) Guaranteed Title XI financing,
 - (f) Government National Mortgage Association (GNMA),
 - (g) State and Local Government Series.

Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or pre-payable prior to maturity or earlier redemption of the rated debt (excluding 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).

B. The following obligations may be used as for all purposes other than defeasance investments in refunding escrow accounts:

- (1) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:
 - (a) Export-Import Bank,

- (b) Rural Economic Community Development Administration,
 - (c) U.S. Maritime Administration,
 - (d) Small Business Administration,
 - (e) U.S. Department of Housing & Urban Development (PHAs),
 - (f) Federal Housing Administration,
 - (g) Federal Financing Bank.
- (2) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:
- (a) senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC);
 - (b) obligations of the Resolution Funding Corporation (REFCORP); or
 - (c) senior debt obligations of the Federal Home Loan Bank System.
- (3) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank).
- (4) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase.
- (5) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P including funds for which the Fiscal Agent or an affiliate provides investment advice or other services.
- (6) Pre-refunded municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice:
- (a) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successors thereto; or

- (b) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in A.(2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate; and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.
- (7) Municipal obligations rated “Aaa/AAA” or general obligations of States with a rating of “A2/A” or higher by both Moody’s and S&P.
- (8) Any other investment which the City, on behalf of the District, is permitted by law to make, including without limitation investment in the Local Agency Investment Fund of the State of California (LAIF), provided that any investment of the type authorized pursuant to paragraphs (d), (e), (h), and (i) of Section 53601 of the California Government Code are additionally restricted as provided in the appropriate paragraph or paragraphs above applicable to such type of investment and provided further that investments authorized pursuant to paragraphs (r) and (m) of Section 53601 of the California Government Code are not permitted.

The value of any Permitted Investment shall be determined as follows:

- (1) for the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at fair market value. The Fiscal Agent shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include but are not limited to pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch, Salomon Smith Barney, Bear Stearns, or Lehman Brothers;
- (2) as to certificates of deposit and bankers’ acceptances: the face amount thereof, plus accrued interest thereon.

FISCAL AGENT AGREEMENT

by and between

CITY OF SAN MARCOS
COMMUNITY FACILITIES DISTRICT NO. 99-01

and

MUFG UNION BANK, N.A.
as Fiscal Agent

Dated as of October 1, 2014

Relating to:

\$ _____

City of San Marcos
Community Facilities District No. 99-01
Improvement Area A1 Special Tax Refunding Bonds, Series 2014

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FISCAL AGENT AGREEMENT

THIS FISCAL AGENT AGREEMENT (the “Agreement”) is made and entered into as of October 1, 2014, by and between the City of San Marcos Community Facilities District No. 99-01 (the “District”), a community facilities district, organized and existing under and by virtue of the laws of the State of California, and MUFG Union Bank, N.A., a national banking association organized and existing under the laws of the United States of America, as fiscal agent (the “Fiscal Agent”).

W I T N E S S E T H:

WHEREAS, the City Council of the City of San Marcos (the “City”) has formed the District under the provisions of the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 et seq. of the California Government Code) (the “Act”) and Resolution No. 99-5332 of the City Council adopted on November 9, 1999;

WHEREAS, the City Council is authorized under the Act and pursuant to Ordinance No. 99-1076 to levy special taxes to pay for the costs of facilities provided by the District;

WHEREAS, pursuant to Section 53350 of the Act, the City Council designated portions of the District as Improvement Areas (each an “Improvement Area”) for the purpose of financing, or contributing to the financing of, specified public facilities;

WHEREAS, the District issued its City of San Marcos Community Facilities District No. 99-01 (Improvement Area A1), Special Tax Bonds, Series 2000 (the “Prior 2000 Special Tax Bonds”);

WHEREAS, under the provisions of the Act, on April 13, 2004, the City Council, acting as the legislative body of the District, adopted Resolution No. 2004-6325 (the “Resolution”) authorizing the issuance and sale of bonds for the District pursuant to the Fiscal Agent Agreement, dated as of September 1, 2004, by and between the District and Union Bank of California, N.A., as fiscal agent (the “Prior Fiscal Agent”) designated “City of San Marcos Community Facilities District No. 99-01 Improvement Area A1 2004 Special Tax Refunding Bonds” (the “Prior Special Tax Refunding Bonds”), for the purpose of defeasing and refunding the Prior 2000 Special Tax Bonds;

WHEREAS, on September 15, 2004, the San Marcos Public Facilities Authority (the “Public Facilities Authority”) issued its \$33,805,000 San Marcos Public Facilities Authority Special Tax Revenue Refunding Bonds, 2004 Series A (the “Prior Authority 2004 Series A Bonds”) and its \$3,690,000 San Marcos Public Facilities Authority Special Tax Revenue Refunding Bonds, 2004 Series B (together with the Prior Authority 2004 Series A Bonds, the “Prior Authority 2004 Bonds”) to finance the acquisition of the Prior Special Tax Refunding Bonds; and

WHEREAS, on September 15, 2004 the Prior Special Tax Refunding Bonds in the principal amount of \$2,270,000 were issued and delivered to the Public Facilities Authority as the initial purchaser thereof;

WHEREAS, on September __, 2014, the City Council, acting in its capacity as the legislative body of CFD No. 99-01, adopted Resolution No. 2014-____ (the “Resolution”) (a) approving the First Amendment to Fiscal Agent Agreement, dated as of October 1, 2014, by and between the District and the Prior Fiscal Agent to provide that the Prior Special Tax Bonds shall be discharged upon the defeasance of the Prior 2004 Authority Bonds; and (b) authorizing the issuance and sale of bonds of the District pursuant to this Agreement designated “City of San Marcos Community Facilities District No. 99-01 Improvement Area A1 Special Tax Refunding Bonds, Series 2014” (the “Bonds”), for the purpose of financing the defeasance and refunding of the Prior Authority 2004 Bonds and thereby discharging the Prior Special Tax Bonds;

WHEREAS, it is in the public interest and for the benefit of the City, the District, the persons responsible for the payment of special taxes and the owners of the Bonds that the District enter into this Agreement to provide for the issuance of the Bonds, the disbursement of proceeds of the Bonds, the disposition of the special taxes securing the Bonds, and the administration and payment of the Bonds;

WHEREAS, all things necessary to cause the Bonds, when authenticated by the Fiscal Agent and issued as provided in the Act, the Resolution and this Agreement, to be legal, valid and binding and limited obligations in accordance with their terms, and all things necessary to cause the creation, authorization, execution and delivery of this Agreement and the creation, authorization, execution and issuance of the Bonds, subject to the terms hereof, have in all respects been duly authorized;

NOW, THEREFORE, that in order to secure the payment of the principal of, premium, if any, and the interest on all Bonds at any time issued and outstanding under this Agreement, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the holders thereof, and for other valuable considerations, the receipt of which is hereby acknowledged, the District does hereby covenant and agree with the Fiscal Agent, for the benefit of the respective holders from time to time of the Bonds, as follows:

ARTICLE I

STATUTORY AUTHORITY AND DEFINITIONS

Section 1.01. **Authority for this Agreement.** This Agreement is entered into pursuant to the provisions of the Act and the Resolution.

Section 1.02. **Agreement for Benefit of Bondowners.** The provisions, covenants and agreements herein set forth to be performed by or on behalf of the City and the District shall be for the equal benefit, protection, and security of the Owners from time to time. In consideration

of the acceptance of the Bonds by the Owners thereof, this Agreement shall be deemed to be and shall constitute a contract between the District and the Owners; and the covenants and agreements herein set forth to be performed by the District shall be for the equal and proportionate benefit, security, and protection of all Owners of the Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the number or date thereof or the time of sale, execution, or delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or herein. All of the Bonds, without regard to the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, except as expressly provided in or permitted by this Agreement.

The Fiscal Agent may become the Owner of any of the Bonds in its own or any other capacity with the same rights it would have if it were not Fiscal Agent.

Section 1.03. Definitions. Unless the context otherwise requires, the terms defined in this Section 1.03 shall, for all purposes of this Agreement, of any Supplemental Agreement, and of any certificate, opinion or other document herein mentioned, have the meanings herein specified. All capitalized terms not otherwise defined herein shall have the meanings given to such terms in the Authority Indenture. All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Agreement, and the words “herein,” “hereof,” “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or subdivision hereof.

“Act” means the Mello-Roos Community Facilities Act of 1982, as amended, being Sections 53311 et seq. of the California Government Code.

“Administrative Claims” shall have the meaning given such term in the Funding Agreement.

“Administrative Defense Account” means the account by that name established by Section 3.04A hereof.

“Administrative Expense Fund” means the fund by that name established by Section 3.04A hereof.

“Administrative Expenses” means any or all of the following: the fees and expenses of the Fiscal Agent (including the fees and expenses of its counsel), the expenses of the City or the District in carrying out its duties hereunder (including, but not limited to, the levying and collection of the Special Taxes, complying with the disclosure provisions of the Act, the Continuing Disclosure Agreement and this Agreement, including those related to public inquiries regarding the Special Tax and disclosures to Bondowners and the Original Purchaser); the costs of the City and the District or their designees related to an appeal of the Special Tax; any costs of the City and the District (including fees and expenses of counsel) to defend the first lien on and pledge of the Special Taxes to the payment of the Bonds or otherwise in respect of litigation relating to the District or the Bonds or with respect to any other obligations of the District; the Proportionate Share of the Authority Administrative Expenses allocable to the Bonds, the Proportionate Share of the salaries of City staff directly related to the carrying out by the City of

its obligations hereunder or under the Authority Indenture and a proportionate amount of City general administrative overhead related thereto allocable to the Bonds; and all other costs and expenses of the City, the District, and the Fiscal Agent incurred in connection with the discharge of their respective duties hereunder, and in the case of the City, in any way related to the administration of the District and all actual costs and expenses incurred in connection with the administration of the Bonds.

“Agreement” means this Fiscal Agent Agreement, as it may be amended or supplemented from time to time by any Supplemental Agreement adopted pursuant to the provisions hereof.

“Annual Debt Service” means, for each Bond Year, the sum of (i) the interest due on the Outstanding Bonds in such Bond Year, and (ii) the principal amount of the Outstanding Bonds scheduled to be paid in such Bond Year.

“Auditor” means the auditor/tax collector of the County of San Diego.

“Authority” means the San Marcos Public Financing Authority and any successor thereto.

“Authority Bonds” means any bonds outstanding under the Authority Indenture, which are secured by payments to be made on the Bonds.

“Authority Indenture” means that certain Indenture of Trust, dated as of October 1, 2014, by and between the Authority and the Authority Trustee, pursuant to which the Authority Bonds are issued.

“Authority Trustee” means MUFG Union Bank, N.A., or any successor thereto appointed under the Authority Indenture.

“Authorized Officer” means the City Manager, Assistant City Manager, Director of Finance, or City Clerk of the City, or any other officer or employee authorized by the City Council of the City or by an Authorized Officer to undertake the action referenced in this Agreement as required to be undertaken by an Authorized Officer.

“Bond Counsel” means (i) Best Best & Krieger LLP; or (ii) any attorney or firm of attorneys acceptable to the District and nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities.

“Bond Fund” means the fund by that name established by Section 4.02A hereof.

“Bond Year” means the one-year period beginning on September 2 in each year and ending on September 1 in the following year except that the first Bond Year shall begin on the Closing Date and end on September 1, 2015.

“Bonds” means the City of San Marcos Community Facilities District No. 99-01 Improvement Area A1 Special Tax Refunding Bonds, Series 2014 authorized by, and at any time Outstanding pursuant hereto.

“Business Day” means a day which is not a Saturday, Sunday, or legal holiday on which banking institutions in the State of California, or in any state in which the Principal Office of the Trustee is located, or the New York Stock Exchange are closed. If any payment hereunder is due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day with the same effect as if made on such previous day.

“CDIAC” means the California Debt and Investment Advisory Commission of the office of the State Treasurer of the State of California or any successor agency or bureau thereto.

“City” means the City of San Marcos, California.

“Closing Date” means the date upon which there is a physical delivery of the Bonds in exchange for the amount representing the purchase price of the Bonds by the Original Purchaser.

“Code” means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

“Continuing Disclosure Agreement” means that certain Continuing Disclosure Agreement relating to the Authority Bonds, executed on the Closing Date by the District on behalf of the Authority, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“County” means the County of San Diego, California.

“Debt Service” means the scheduled amount of interest and amortization of principal payable on the Bonds during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

“Defeasance Obligations” means those obligations described in paragraph A. of the definition of Permitted Investments.

“District” means the City of San Marcos Community Facilities District No. 99-01, formed pursuant to the Resolution of Formation.

“DTC” means The Depository Trust Company.

“Escrow Agreement” means that Escrow Deposit and Trust Agreement, dated as of October 1, 2014, among the San Marcos Public Facilities Authority, the District and the Escrow Bank relating to defeasance and redemption of the Prior Authority 2004 Bonds and the discharge of the Prior Special Tax Refunding Bonds.

“Escrow Bank” means MUFG Union Bank, N.A., acting as escrow bank under the Escrow Agreement.

“Facilities” means the facilities more particularly described in the Resolution of Intention, or any portion of the facilities.

“Fair Market Value” means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code; (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code; (iii) the investment is a United States Treasury Security - State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt; or (iv) any commingled investment fund in which the City and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

“Fiscal Agent” means the Fiscal Agent appointed by the District and acting as an independent fiscal agent with the duties and powers herein provided, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in Section 8.01.

“Fiscal Year” means the twelve-month period extending from July 1 in a calendar year to June 30 of the succeeding year, both dates inclusive.

“Funding Agreement” means that certain Funding, Construction and Acquisition Agreement dated as of October 12, 1999, by and among the City, the District and San Elijo Hills Development Company, LLC, as it may be amended or supplemented from time to time.

“Governing Body” means the City Council of the City.

“Improvement Area” means Improvement Area A1 of the District.

“Improvement Areas” means, collectively, each of improvement areas of the District for which special tax bonds have been issued.

“Independent Accountant” means any nationally recognized firm of certified public accountants or firm of such accountants duly licensed or registered or entitled to practice and practicing as such under the laws of the State, appointed by the City, and who, or each of whom:

- (1) is in fact independent and not under domination of the Authority, the City or the Community Facilities District;
- (2) does not have any substantial interest, direct or indirect, with the Authority, the City or the Community Facilities District; and

(3) is not connected with the Authority, the City or the Community Facilities District as an officer or employee of the Authority, the City or the Community Facilities District, but who may be regularly retained to make reports to the Authority, the City or the Community Facilities District.

“Independent Financial Consultant” means any financial consultant or firm of such financial consultants appointed by the Authority and who, or each of whom:

(1). is judged by the City to have experience with respect to the financing of public capital improvement projects;

(2). is in fact independent and not under the domination of the Authority, the City, or the Community Facilities District;

(3). does not have any substantial interest, direct or indirect, with the Authority, the City, or the Community Facilities District; and

(4). is not connected with the Authority, the City, or the Community Facilities District as an officer or employee of the Authority, the City, or the Community Facilities District, but who may be regularly retained to make reports to the Authority, the City, or the Community Facilities District.

“Interest Payment Dates” means March 1 and September 1 of each year, commencing March 1, 2015.

“Investment Earnings” means all interest earned and any gains and losses on the investment of moneys in any fund or account created by this Agreement.

“Net Special Tax Revenues” means, for each Fiscal Year, all Special Tax Revenues received by the District less an amount equal to the Priority Administrative Expense Amount.

“Officer’s Certificate” means a written certificate of the District or the City signed by an Authorized Officer of the City.

“Ordinance” means an ordinance of the City levying the Special Taxes, including Ordinance No. 20__-____, adopted by the Governing Body on _____, 20__.

“Original Purchaser” means the Authority.

“Outstanding,” means (subject to the provisions of Section 9.04), when used as of any particular time with reference to Bonds, all Bonds except: (i) Bonds theretofore canceled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation; (ii) Bonds paid or deemed to have been paid within the meaning of Section 10.01; and (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued, and delivered by the District pursuant to this Agreement or any Supplemental Agreement.

“Owner” or “Bondowner” means any person who shall be the registered owner of any Outstanding Bond.

“Permitted Investments” means any of the investments listed in Exhibit B hereto.

“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.

“Prepayments” means Special Tax Revenues identified to the Fiscal Agent by an Authorized Officer as representing a prepayment of the Special Tax pursuant to the RMA.

“Principal Office” means such corporate trust office of the Fiscal Agent as may be designated from time to time by written notice from the Fiscal Agent to the District, initially being in Los Angeles, California, except that with respect to presentation of Bonds for payment or for registration of transfer or exchange or maintenance of the Registration Books, such term shall mean the office of the Fiscal Agent at which its corporate agency business shall be conducted.

“Prior Authority 2004 Bonds” means, collectively, the \$33,805,000 San Marcos Public Facilities Authority Special Tax Revenue Refunding Bonds, 2004 Series A and the \$3,690,000 San Marcos Public Facilities Authority Special Tax Revenue Refunding Bonds, 2004 Series B.

“Prior Fiscal Agent” means MUFG Union Bank, N.A., formerly known as Union Bank of California, N.A.

“Prior Fiscal Agent Agreement” means the Fiscal Agent Agreement, dated as of September 1, 2004, by and between the District and the Prior Fiscal Agent, as amended by the First Amendment to Fiscal Agent Agreement, dated as of October 1, 2014, by and between the District and the Prior Fiscal Agent.

“Prior Special Tax Bonds” means the outstanding City of San Marcos Community Facilities District No. 99-01 Improvement Area A1 2004 Special Tax Refunding Bonds.

“Priority Administrative Expense Amount” means an annual amount equal to \$9,000 or such lesser amount as may be designated by written instruction from an Authorized Officer of the District to be allocated as the first priority of Special Taxes received each Fiscal Year for the payment of Administrative Expenses allocated to the Bonds.

“Proportionate Share” means, as of the date of calculation, the ratio derived by dividing the principal amount of the Outstanding Bonds by the principal amount of the Authority Bonds outstanding.

“Record Date” means the fifteenth day of the month next preceding the month of the applicable Interest Payment Date.

“Resolution of Formation” means Resolution No. 99-5332, adopted by the Governing Body on November 9, 1999, as now in effect or as it may hereafter be amended from time to time.

“Resolution of Issuance” means Resolution No. 2014-____, adopted by the Governing Body, acting as the legislative body of the District on September __, 2014.

“RMA” means the Rate and Method of Apportionment of the Special Tax for Improvement Area A1 approved by the qualified electors within Improvement Area A1 at a special election held on May 23, 2000.

“Special Tax Fund” means the fund by that name established by Section 3.03A hereof.

“Special Tax Refunding Bonds” shall have the meaning given such term in the Authority Indenture.

“Special Tax Refunding Bonds Prepayment Reserve Fund Credit” shall have the meaning given such term in the Authority Indenture.

“Special Tax Revenues” means the proceeds of the Special Taxes received by the District including any scheduled payments and any prepayments thereof, interest thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest and penalties thereon.

“Special Taxes” means the special taxes levied within the Improvement Area A1 of the District pursuant to the Act, the RMA, the Ordinance, and this Agreement.

“Supplemental Agreement” means an agreement the execution of which is authorized by a resolution which has been duly adopted by the Governing Body under the Act and which agreement is amendatory of or supplemental to this Agreement, but only if and to the extent that such agreement is specifically authorized hereunder.

“Treasurer” means the person who is acting in the capacity as treasurer or finance director to the City or the designee of either such officer.

ARTICLE II

THE BONDS

Section 2.01. **Principal Amounts; Designations.** Bonds in the aggregate principal amount of _____ Dollars (\$_____) are hereby authorized to be issued by the District under and subject to the terms of the Resolution of Issuance and this Agreement, the Act and other applicable laws of the State of California. The Bonds shall be designated “City of San Marcos Community Facilities District No. 99-01 Improvement Area A1 Special Tax Refunding Bonds, Series 2014.” This Agreement constitutes a continuing agreement of the District with the Owners from time to time of the Bonds to secure the full payment of the principal of, premium, if any, and interest on all such Bonds subject to the covenants, provisions, and conditions herein contained.

Section 2.02. Terms of Bonds.

A. Form; Denominations. The Bonds shall be issued as fully registered bonds without coupons in the denomination of \$5,000 or any integral multiple thereof; provided, however, one Bond from each maturity may be in an amount other than \$5,000 or an integral

multiple thereof. The Bonds shall be lettered and numbered in a customary manner as determined by the Fiscal Agent.

Notwithstanding anything in this Agreement to the contrary, so long as MUFG Union Bank, N.A., as trustee under the Authority Indenture, or any successor thereunder, is the registered owner of all of the Bonds and the Authority is the beneficial owner of all of the Bonds, the aggregate principal amount of the Bonds shall be represented by single form of Bond and payments principal of and interest on the Bonds shall be made to the Authority Trustee in accordance with Schedule A attached hereto as part of Exhibit D and made a part hereof.

B. Date of the Bonds. The Bonds shall be dated the Closing Date.

C. Maturities, Interest Rates. The Bonds shall mature on the dates and shall bear interest at the rates as follows:

Maturity Date (September 1)	Principal Amount	Coupon
2015		
2016		
2017		
2018		
2019		
2020		
2021		
2022		
2023		
2024		
2025		
2026		
2027		
2028		
2029		
2030		
2031		
2032		

D. Interest. The Bonds shall bear interest on each Interest Payment Date at the rates set forth above. Interest shall be calculated on the basis of a 360-day year composed of twelve 30-day months. Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated on an Interest Payment Date, in which event it shall bear interest from such date of authentication; or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date; or (iii) it is authenticated prior to the Record Date preceding the first Interest Payment Date, in which event

it shall bear interest from the Closing Date; provided, however, that if at the time of authentication of a Bond, interest is in default thereon, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

E. Method of Payment. Interest on the Bonds (including the final interest payment upon maturity or earlier redemption) is payable by check or draft of the Fiscal Agent on the Interest Payment Date or on the next Business Day following the Interest Payment Date, if such Interest Payment Date is not a Business Day, by first class mail, postage pre-paid to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer made on such Interest Payment Date upon instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds.

The principal of the Bonds and any premium on the Bonds are payable in lawful money of the United States of America upon surrender of the Bonds at the Principal Office of the Fiscal Agent.

All Bonds paid by the Fiscal Agent pursuant to this Section shall be canceled by the Fiscal Agent. The Fiscal Agent shall destroy the canceled Bonds and issue a certificate of destruction thereof to the District.

Section 2.03. **Redemption.**

A. Optional Redemption. The Bonds maturing on or after September 1, 20__ may be redeemed at the option of the District from any source of funds other than prepayment of Special Taxes, prior to their stated maturity, as a whole or in part (in integral multiples of \$5,000) on any day on or after September 1, 20__, from such maturities as are selected by the District, and by lot within a maturity, at a redemption price equal to the principal amount of the Bonds or portions thereof to be redeemed, together with accrued interest thereon to the date fixed for redemption.

Notwithstanding the above, any such optional redemption of the Bonds shall occur only if the District shall first deliver to the Fiscal Agent and the Authority Trustee a certificate of an Independent Financial Consultant verifying that, following such redemption of the Bonds, the principal and interest due on the Outstanding Bonds, if any, and the other outstanding Special Tax Refunding Bonds is adequate to make the timely payment of principal, including mandatory sinking fund payments, and interest due on the Authority Bonds that will remain outstanding following the corresponding redemption of the Authority Bonds resulting from such optional redemption of the Bonds.

B. Mandatory Redemption from the Prepayment of Special Taxes. The Bonds shall be subject to redemption on any Interest Payment Date, prior to maturity, as a whole or in part from such maturities, as are selected by the District, from the prepayment of Special Taxes at the following redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed), together with accrued interest thereon to the date of redemption:

Redemption Date	Redemption Price
March 1, 2015 through March 1, 20__	103%
September 1, 20__ and March 1, 20__	102%
September 1, 20__ and March 1, 20__	101%
September 1, 20__ and any Interest	100%
Payment Date thereafter	

Notwithstanding the above, such mandatory redemption of the Bonds in whole or in part shall occur only if the District shall first deliver to the Fiscal Agent and the Authority Trustee a certificate of an Independent Financial Consultant verifying that, following such redemption of the Bonds, the principal and interest due on the Outstanding Bonds, if any, and the other outstanding Special Tax Refunding Bonds is adequate to make the timely payment of principal, including mandatory sinking fund payments, and interest due on the Authority Bonds that will remain outstanding following the corresponding redemption of the Authority Bonds resulting from such mandatory redemption of the Bonds.

C. Purchase In Lieu of Redemption. In lieu of redemption under Section 2.03A or 2.03B, moneys in the Bond Fund may be used and withdrawn by the Fiscal Agent for purchase of Outstanding Bonds, upon the filing with the Fiscal Agent of an Officer's Certificate requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Officer's Certificate may provide, but in no event may Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase, unless a greater purchase price is permitted under the Act and the District determines that it will have sufficient amounts in the Bond Fund, following such purchase, to pay Debt Service on the Bonds.

D. Notice to Fiscal Agent. The District shall give the Fiscal Agent written notice of its intention to redeem Bonds pursuant to Section 2.03A or 2.03B not less than sixty (60) days prior to the applicable redemption date, unless such notice shall be waived by the Fiscal Agent or the Fiscal Agent agrees to a shorter period.

E. Redemption Procedure by Fiscal Agent. The Fiscal Agent shall cause notice of any redemption to be mailed by first class mail, postage prepaid, at least thirty (30) days but not more than sixty (60) days prior to the date fixed for redemption, to the respective registered Owners of any Bonds designated for redemption, at their addresses appearing on the Bond registration books in the Principal Office of the Fiscal Agent; but such mailing shall not be a condition precedent to such redemption and failure to mail or to receive any such notice, or any defect therein, shall not affect the validity of the proceedings for the redemption of such Bonds.

Such notice shall state the redemption date and the redemption price and, if less than all of the then Outstanding Bonds are to be called for redemption, shall designate the Bond numbers of the Bonds to be redeemed by giving the individual Bond number of each Bond to be redeemed or shall state that all Bonds between two stated Bond numbers, both inclusive, are to be redeemed or that all of the Bonds of one or more maturities have been called for redemption, shall state as to any Bond called in part the principal amount thereof to be redeemed, and shall require that such Bonds be then surrendered at the Principal Office of the Fiscal Agent for redemption at the said redemption price, and shall state that further interest on such Bonds will

not accrue from and after the redemption date. The cost of mailing any such redemption notice and any expenses incurred by the Fiscal Agent in connection therewith shall be paid by the District.

Notwithstanding the preceding provisions of this subsection, so long as the Authority Trustee is the Owner of the Bonds on behalf of the Authority, the Fiscal Agent shall not cause notice of any redemption of Bonds to be mailed to the Securities Depositories or the Information Services, and shall not mail notice of the redemption of Bonds to the Authority if it files a written waiver of the mailing of such notice with the Fiscal Agent.

Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall, to the extent practicable, bear the Bond number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

The District shall have the right to rescind any notice of redemption prior to maturity on or prior to the date fixed for such redemption prior to maturity. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date so fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default hereunder. The District and the Fiscal Agent shall have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Fiscal Agent shall mail notice of such recession of redemption in the same manner as the original notice of redemption.

Whenever provision is made in this Agreement for the redemption of less than all of the Bonds or any given portion thereof, the Fiscal Agent shall select the Bonds to be redeemed, from all Bonds or such given portion thereof not previously called for redemption, among maturities as specified by the District in a written certificate delivered to the Fiscal Agent, and by lot within a maturity in any manner which the District in its sole discretion shall deem appropriate and fair. In providing such certificate, the District shall provide for the redemption of Bonds such that the remaining Debt Service payable on the Bonds shall remain as level as possible.

Upon surrender of Bonds redeemed in part only, the District shall execute and the Fiscal Agent shall authenticate and deliver to the registered Owner, at the expense of the District, a new Bond or Bonds, of the same Series and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

F. Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of, and interest and any premium on, the Bonds so called for redemption shall have been deposited in the Bond Fund, such Bonds so called shall cease to be entitled to any benefit under this Agreement other than the right to receive payment of the redemption price, and no interest shall accrue thereon on or after the redemption date specified in such notice.

All Bonds redeemed and purchased by the Fiscal Agent pursuant to this Section shall be canceled by the Fiscal Agent. The Fiscal Agent shall destroy the canceled Bonds and, upon written request of the District, issue a certificate of destruction thereof to the District.

Section 2.04. **Form of Bonds.** The Bonds, the form of Fiscal Agent's certificate of authentication and the form of assignment, to appear thereon, shall be substantially in the forms, respectively, set forth in Exhibit A attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Agreement, the Resolution, and the Act.

Section 2.05. **Execution of Bonds.** The Bonds shall be executed on behalf of the District by the manual or facsimile signatures of the Mayor and City Clerk, who are in office on the date of adoption of this Agreement or at any time thereafter. The Bonds shall then be delivered to the Trustee for authentication. If any officer whose signature appears on any Bond ceases to be such officer before delivery of the Bonds to the Owner, such signature shall nevertheless be as effective as if the officer had remained in office until the delivery of the Bonds to the Owner. Any Bond may be signed and attested on behalf of the District by such persons as at the actual date of the execution of such Bond shall be the proper officers of the District although at the nominal date of such Bond any such person shall not have been such officer of the District.

Only such Bonds as shall bear thereon a certificate of authentication in substantially the form set forth in Exhibit A, executed and dated by the Fiscal Agent, shall be valid or obligatory for any purpose or entitled to the benefits of this Agreement, and such certificate of authentication of the Fiscal Agent shall be conclusive evidence that the Bonds registered hereunder have been duly authenticated, registered and delivered hereunder and are entitled to the benefits of this Agreement.

Section 2.06. **Transfer of Bonds.** Any Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of Section 2.08 by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form approved by the Fiscal Agent. The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such transfer shall be paid by the District. The Fiscal Agent shall collect from the Owner requesting such transfer any tax or other governmental charge required to be paid with respect to such transfer.

Whenever any Bond or Bonds shall be surrendered for transfer, the District shall execute and the Fiscal Agent shall authenticate and deliver a new Bond or Bonds, for like aggregate principal amount.

No transfers of Bonds shall be required to be made (i) fifteen (15) days prior to the date established by the Fiscal Agent for selection of Bonds for redemption; (ii) with respect to a Bond after such Bond has been selected for redemption; or (iii) between the 15th day of the month next preceding any Interest Payment Date and such Interest Payment Date.

Section 2.07. **Exchange of Bonds.** Bonds may be exchanged at the Principal Office of the Fiscal Agent for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such exchange shall be paid by the District. The Fiscal Agent shall

collect from the Owner requesting such exchange any tax or other governmental charge required to be paid with respect to such exchange.

No exchanges of Bonds shall be required to be made (i) fifteen (15) days prior to the date established by the Fiscal Agent for selection of Bonds for redemption; (ii) with respect to a Bond after such Bond has been selected for redemption; or (iii) between the 15th day of the month next preceding any Interest Payment Date and such Interest Payment Date.

Section 2.08. Bond Register. The Fiscal Agent will keep or cause to be kept, at its Principal Office sufficient books for the registration and transfer of the Bonds which books shall show the number, date, amount, rate of interest and last known Owner of each Bond and shall at all times be open to inspection by the District or the City during regular business hours upon reasonable notice; and, upon presentation for such purpose, the Fiscal Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, the ownership of the Bonds as hereinbefore provided.

The District and the Fiscal Agent will treat the Owner of any Bond whose name appears on the Bond register as the absolute Owner of such Bond for any and all purposes, and the District and the Fiscal Agent shall not be affected by any notice to the contrary. The District and the Fiscal Agent may rely on the address of the Bond Owner as it appears in the Bond register for any and all purposes.

Section 2.09. Temporary Bonds. The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such authorized denominations as may be determined by the District, and may contain such reference to any of the provisions of this Agreement as may be appropriate. Every temporary Bond shall be executed by the District upon the same conditions and in substantially the same manner as the definitive Bonds. If the District issues temporary Bonds it will execute and furnish definitive Bonds without delay and thereupon the temporary Bonds shall be surrendered, for cancellation, in exchange for the definitive Bonds at the Principal Office of the Fiscal Agent or at such other location as the Fiscal Agent shall designate, and the Fiscal Agent shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations. Until so exchanged, the temporary bonds shall be entitled to the same benefits under this Agreement as definitive Bonds authenticated and delivered hereunder.

Section 2.10. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the District, at the expense of the Owner of said Bond, shall execute, and the Fiscal Agent shall authenticate and deliver, a new Bond of like tenor and principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Fiscal Agent of the Bond so mutilated. Every mutilated Bond so surrendered to the Fiscal Agent shall be canceled by it and destroyed by the Fiscal Agent, who shall deliver a certificate of destruction thereof to the District. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Fiscal Agent and, if such evidence be satisfactory to it and indemnity for the District and the Fiscal Agent satisfactory to the Fiscal Agent shall be given, the District, at the expense of the Owner, shall execute, and the Fiscal Agent shall authenticate and deliver, a new Bond of like tenor and principal amount in lieu of and in substitution for the Bond

so lost, destroyed or stolen. The District may require payment of a sum not exceeding the actual cost of preparing each new Bond delivered under this Section and of the expenses which may be incurred by the District and the Fiscal Agent for the preparation, execution, authentication and delivery. Any Bond delivered under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the District whether or not the Bond so alleged to be lost, destroyed or stolen is at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Agreement with all other Bonds issued pursuant to this Agreement.

Section 2.11. Type and Nature of the Bonds; Limited Obligation. Neither the faith and credit nor the taxing power of the City, the State of California or any political subdivision thereof other than the District is pledged to the payment of the Bonds. Except for the Special Taxes, no other taxes are pledged to the payment of the Bonds. The Bonds are not general or special obligations of the City nor general obligations of the District but are limited obligations of the District payable solely from Net Special Tax Revenues. The District's limited obligation to pay the principal of, premium, if any, and interest on the Bonds from the Net Special Tax Revenues is absolute and unconditional, free of deductions and without any abatement, offset, recoupment, diminution or set-off whatsoever. No Owner of the Bonds may compel the exercise of the taxing power by the District (except as it pertains to the Special Taxes) or the City or the forfeiture of any of their property. The principal of and interest on the Bonds and premiums upon the redemption thereof, if any, are not a debt of the City, the State of California or any of its political subdivisions except the District within the meaning of any constitutional or statutory limitation or restriction. The Bonds are not a legal or equitable pledge, charge, lien, or encumbrance upon any of the District's property, or upon any of its income, receipts or revenues, except the Net Special Tax Revenues and amounts on deposit in the Special Tax Fund and the Bond Fund to the extent pledged hereunder which are, under the terms of this Agreement and the Act, set aside for the payment of the Bonds and interest thereon and neither the members of the legislative body of the District nor any persons executing the Bonds are liable personally on the Bonds by reason of their issuance.

Section 2.12. Equality of Bonds and Pledge of Net Special Tax Revenues. Pursuant to the Act and this Agreement, the Bonds shall be equally payable from the Net Special Tax Revenues and other amounts in the Special Tax Fund without priority for number, date of the Bonds, date of sale, date of execution, or date of delivery, and the payment of the interest on and principal of the Bonds and any premiums upon the redemption thereof, shall be exclusively paid from the Net Special Tax Revenues and certain other amounts in the Special Tax Fund, which are hereby set aside for the payment of the Bonds. Amounts in the Special Tax Fund shall constitute a trust fund held for the benefit of the Owners to be applied to the payment of the interest on and principal of the Bonds and so long as any of the Bonds or interest thereon remain Outstanding shall not be used for any other purpose, except as permitted by this Agreement.

Nothing in this Fiscal Agent Agreement shall preclude, subject to the limitations contained hereunder, the redemption prior to maturity of any Bonds subject to call and redemption and payment of said Bonds from proceeds of refunding bonds issued under the Act as the same now exists or as hereafter amended, or under any other law of the State of California, which shall be payable from Net Special Tax Revenues.

Section 2.13. **Description of Bonds; Interest Rates.** The Bonds shall be issued in fully registered form in any denomination. The Bonds shall be numbered as desired by the Fiscal Agent.

Section 2.14. **No Acceleration.** The principal of the Bonds shall not be subject to acceleration hereunder. Nothing in this Section shall in any way prohibit the prepayment or redemption of Bonds under Section 2.03 hereof, or the defeasance of the Bonds and discharge of this Agreement under Section 10.01 hereof.

Section 2.15. **Additional Bonds.** Other than for the purpose of refunding the Bonds, no additional Bonds entitled to a lien on the Net Special Tax Revenues shall be issued hereunder.

Section 2.16. **Validity of the Bonds.** The validity of the authorization and issuance of the Bonds shall not be affected in any way by any defect in any proceedings taken by the District for the issuance and sale of the Bonds and the recital contained in the Bonds that the same are issued pursuant to the Act and other applicable laws of the State shall be conclusive evidence of their validity and the regularity of their issuance.

ARTICLE III

ISSUANCE OF BONDS

Section 3.01. **Issuance and Delivery of the Bonds.** At any time after the execution of this Agreement, the District may issue the Bonds in the aggregate principal amount set forth in Section 2.01 and deliver the Bonds to the Original Purchaser. The Authorized Officers of the District are hereby authorized and directed to deliver any and all documents and instruments necessary to cause the issuance of the Bonds in accordance with the provisions of the Act, the Resolution and this Agreement and to do and cause to be done any and all acts and things necessary or convenient for delivery of the Bonds to the Original Purchaser, upon payment of the purchase price for the Bonds.

Section 3.02. **Application of Proceeds of Sale of the Bonds and Transfers from the Prior Special Tax Bonds.** The proceeds of the purchase of the Bonds by the Original Purchaser (being \$_____ equal to the par amount of \$_____.00 plus the net original issue premium of \$_____ minus the Original Purchaser's discount of \$_____) shall be paid to the Fiscal Agent, who shall forthwith set aside, pay over and transfer such proceeds on the Closing Date as follows:

A. \$_____ shall be transferred to the Escrow Bank for deposit into the Escrow Fund held by the Escrow Bank under the Escrow Agreement.

On the Closing Date the following funds on deposit in funds and accounts established pursuant to the Prior Fiscal Agent Agreement shall be transferred by the Prior Fiscal Agent to the Fiscal Agent, who shall forthwith deposit such proceeds on such Closing Date as follows:

A. \$_____ shall be deposited in the Bond Fund; and

B. \$_____ shall be deposited in the Administrative Defense Account of the Administrative Expense Fund.

Section 3.03. **Special Tax Fund.**

A. Establishment of Special Tax Fund. There is hereby established as a separate fund to be held by the Fiscal Agent, the "Special Tax Fund," to the credit of which the District or the City, on behalf of the District, shall deposit, immediately upon receipt, all Special Tax Revenue received by the District or the City, on behalf of the District. Moneys in the Special Tax Fund shall be held by the Fiscal Agent for the benefit of the District and the Owners of the Bonds, shall be disbursed as provided below and, pending any disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

B. Disbursements of Special Tax Revenues. The Special Tax Revenues deposited in the Special Tax Fund shall be held and, other than Special Tax Revenues representing Prepayments, subsequently transferred to the following funds and accounts not later than the dates and in the amounts set forth in the following paragraphs and in the following order of priority:

1. to the Administrative Expense Fund an amount equal to the Priority Administrative Expense Amount estimated to be due and payable during the Fiscal Year;

2. not later than ten (10) Business Days prior to each Interest Payment Date, to the Bond Fund:

a. the amount representing past due installments of principal, interest and premium on the Bonds (including any interest thereon pursuant to the second sentence of the second paragraph of Section 4.02B), if any, resulting from the delinquency in the payment of such Special Taxes; and

b. an amount, taking into account any amounts then on deposit in the Bond Fund (other than by reason of the preceding paragraph a.) such that the amount in the Bond Fund equals the principal, premium, if any, and interest due on the Bonds on the next Interest Payment Date;

3. no later than ten (10) Business Days prior to each Interest Payment Date, to the Authority Trustee for deposit in the Reserve Fund that amount, in addition to the amount transferred to the Bond Fund pursuant to paragraph 2.a. above, necessary to replenish any draw on the Reserve Fund (as defined in the Authority Indenture) resulting from the delinquency in the payment of scheduled debt service on the Bonds;

4. on September 2 of each year after making the deposits and transfers required under paragraphs 1 and 2 above and the transfer, if any, authorized under paragraph 3 above, upon receipt of written instructions from an Authorized Officer on or before the preceding June 30, to the Authority Trustee the amount specified in such written instructions necessary for the payment of the Proportionate Share of any rebate amount due and owing to the United States of America by the Authority on the Authority Bonds;

5. on September 2 of each year after making the deposits and transfers required under paragraphs 1 through 4 above, upon receipt of written instructions from an Authorized Officer, to the Administrative Expense Fund the amount specified in such written instructions necessary for payment of the estimated Administrative Expenses projected to be due and payable in the next Fiscal Year or the reimbursement of any Administrative Expenses incurred during the Fiscal Year ending on such June 30 and not included in any prior transfer made pursuant to paragraph 1 above; and

6. after September 2 of each year, after making the deposits and transfers made pursuant to paragraphs 1 through 5 above, monies then on deposit in the Special Tax Fund shall remain therein and shall be subsequently deposited or transferred pursuant to the provisions of paragraphs 1 through 5 above.

C. Transfer of Prepayments. Amounts constituting Prepayments shall be transferred by the Treasurer to the Fiscal Agent, and placed by the Fiscal Agent in a segregated account within the Bond Fund designated as “Prepayment Account” and used to redeem Bonds pursuant to Section 2.03B. Any such transfer of Prepayments shall be accompanied by written instructions executed by the Treasurer or an Authorized Officer directing the Fiscal Agent to place such Prepayments in the Prepayment Account, specifying the amount of the applicable Special Tax Refunding Bonds Prepayment Reserve Fund Credit and requesting that the Authority direct the Trustee to transfer such credit to the Fiscal Agent for deposit in the Prepayment Account.

D. Investment. Moneys in the Special Tax Fund shall be invested and deposited in accordance with Section 6.01. Interest earnings and profits resulting from such investment and deposit shall be retained in the Special Tax Fund to be used for the purposes thereof.

Section 3.04. **Administrative Expense Fund.**

A. Establishment of Administrative Expense Fund. There is hereby established, as a separate fund to be held by the Fiscal Agent, the “Administrative Expense Fund,” and within the Administrative Expense Fund, the “Administrative Defense Account,” to the credit of which deposits shall be made as required by Sections 3.02 or 3.03B hereof. Moneys in the Administrative Expense Fund shall be held by the Fiscal Agent for the benefit of the City, the District and the Authority, and shall be disbursed as provided below.

B. Disbursement.

1. Except for amounts in the Administrative Defense Account, amounts in the Administrative Expense Fund shall be withdrawn by the Fiscal Agent and paid to the City or its order upon receipt by the Fiscal Agent of an Officer’s Certificate stating the amount to be withdrawn, that such amount is to be used to pay an Administrative Expense and the nature of such expense. Amounts on deposit in the Administrative Expense Fund at the end of any Fiscal Year shall be retained in such fund as an operating reserve and shall be disbursed as provided for in this subparagraph 1.

2. Amounts in the Administrative Defense Account shall be withdrawn by the Fiscal Agent and paid to the City or its order upon receipt by the Fiscal Agent of an Officer's Certificate stating that amount to be withdrawn, that such amount is to pay for Administrative Claims and the nature of such expense. Amounts on deposit in the Administrative Defense Account at the end of any Fiscal Year shall be retained in such account and shall be disbursed as provided for in this subparagraph 2.

When the aggregate balance in each of the Administrative Defense Accounts established for each series of special tax bonds issued for the Improvement Areas equals or exceeds \$500,000 and the Fiscal Agent has received an Officer's Certificate certifying that the indemnification and hold harmless obligations set forth in the Funding Agreement have terminated, moneys in the Administrative Defense Account established pursuant to this Agreement may be used for any authorized purposes of the District benefiting the Improvement Area in addition to Administrative Claims (as such term is defined in the Funding Agreement). Amounts in such Administrative Defense Account shall thereafter be withdrawn by the Fiscal Agent and paid to the City or its order upon receipt by the Fiscal Agent of an Officer's Certificate stating that amount to be withdrawn, that such amount is to pay for Administrative Claims and/or to be used for any authorized purposes of the District benefiting the Improvement Area and the nature of such expense.

C. Investment. Moneys in the Administrative Expense Fund, including the Administrative Defense Account, shall be invested and deposited in accordance with Section 6.01 hereof. Investment earnings shall be retained by the Fiscal Agent in the Administrative Defense Account to be used for the purposes of such account. Investment earnings on moneys in the Administrative Expense Fund, other than moneys in the Administrative Defense Account, shall be retained by the Fiscal Agent in the Administrative Expense Fund and used for the payment of Administrative Expenses.

ARTICLE IV

NET SPECIAL TAX REVENUES; BOND FUND

Section 4.01. **Pledge of Net Special Tax Revenues.** The Bonds shall be secured by a first pledge (which pledge shall be effected in the manner and to the extent herein provided) of all of the Net Special Tax Revenues and all moneys deposited in the Bond Fund and, until disbursed as provided herein, in the Special Tax Fund. The Net Special Tax Revenues and all moneys deposited into said funds (except as otherwise provided herein) are hereby dedicated to the payment of the principal of, and interest and any premium on, the Bonds as provided herein and in the Act until all of the Bonds have been paid and retired or until moneys or Defeasance Obligations have been set aside irrevocably for that purpose in accordance with Section 10.01.

Section 4.02. **Bond Fund.**

A. Establishment of Bond Fund. There is hereby established as a separate fund to be held by the Fiscal Agent for the "Bond Fund" and, within the Bond Fund, the "Prepayment Account" to the credit of which deposits shall be made as required by Section 3.02, paragraph 2 of Section 3.03B. and by Section 3.03C., and any other amounts required to be deposited therein

by this Agreement or the Act. In addition to the foregoing deposits, the Fiscal Agent shall also deposit the Special Tax Refunding Bonds Prepayment Reserve Fund Credit in the Prepayment Account of the Bond Fund upon receipt by the Trustee. Moneys in the Bond Fund shall be held by the Fiscal Agent for the benefit of the Owners of the Bonds, shall be disbursed for the payment of the principal of, and interest and any premium on, the Bonds as provided below, and, pending such disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

B. Disbursements. On each Interest Payment Date, the Fiscal Agent shall withdraw from the Bond Fund and pay to the Owners of the Bonds the principal of, and interest and any premium, then due and payable on the Bonds, including any amounts due under Section 2.03A. hereof; provided, however, that available amounts in the Bond Fund shall first be used to pay to the Owners of the Bonds any past due installments of interest, principal (including mandatory sinking payments) of and premium, if any, on the Bonds, in that order. Amounts transferred to the Bond Fund from the Special Tax Fund pursuant to paragraph 2.a. of Section 3.03B. shall immediately be paid to the Owners of the Bonds in respect of past due payments on the Bonds, and amounts transferred to the Prepayment Account pursuant to Section 3.03C. shall be used to redeem Bonds pursuant to paragraph B. of Section 2.03B.

If after the foregoing transfers, there are insufficient funds in the Bond Fund to make the payments provided for in the first sentence of this Section 4.02B., the Fiscal Agent shall apply the available funds first to the payment of interest on the Bonds, then to the payment of principal and any mandatory sinking payments due on the Bonds. Any installment of principal (including mandatory sinking payments), premium, if any, or interest on the Bonds which is not paid when due shall accrue interest at the rate of interest on the Bonds until paid, and shall be paid whenever funds in the Bond Fund are sufficient therefor.

If at any time the Fiscal Agent fails to pay principal and interest due on any scheduled payment date for the Bonds, the Fiscal Agent shall notify the District and the Treasurer in writing of such failure, and the Treasurer shall notify the California Debt Advisory Commission of such failure within 10 days of the failure to make such payment, as required by Section 53359(c)(1) of the Act.

C. Investment. Moneys in the Bond Fund shall be invested and deposited in accordance with Section 6.01. Interest earnings and profits resulting from the investment and deposit of amounts in the Bond Fund shall be retained in the Bond Fund.

ARTICLE V

OTHER COVENANTS OF THE DISTRICT

Section 5.01. **Warranty.** The District shall preserve and protect the security pledged hereunder to the Bonds against all claims and demands of all persons.

Section 5.02. **Covenants.** So long as any of the Bonds issued hereunder are Outstanding and unpaid, the District makes the covenants set forth herein below in this Article V with the Bondowners under the provisions of the Act and this Fiscal Agent Agreement (to be performed by the District or the City, acting for and on behalf of the District, or its proper officers, agents

and employees), which are covenants necessary and desirable to secure the Bonds and tend to make the Bonds more marketable; provided, however, that such covenants do not require the District to expend any funds or moneys other than the Net Special Tax Revenues.

Section 5.03. **Punctual Payment.** The District shall punctually pay or cause to be paid the principal of, and interest and any premium on, the Bonds when and as due in strict conformity with the terms of this Agreement and any Supplemental Agreement, and it will faithfully observe and perform all of the conditions, covenants and requirements of this Agreement and all Supplemental Agreements and of the Bonds.

Section 5.04. **Limited Obligation.** The Bonds are limited obligations of the District and are payable solely from and secured solely by the Net Special Tax Revenues and the amounts in the Bond Fund and the Special Tax Fund created hereunder.

Section 5.05. **Payment of Claims.** The District will pay and discharge any and all lawful claims for labor, materials, or supplies which, if unpaid, might become a lien or charge upon the Special Tax Revenues or which might otherwise impair the security of the Bonds then Outstanding; provided that nothing herein contained shall require the District to make any such payments so long as the District in good faith shall contest the validity of any such claims.

Section 5.06. **Extension of Time for Payment.** In order to prevent any accumulation of claims for interest after maturity, the District shall not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and shall not, directly or indirectly, be a party to the approval of any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the District, such claim for interest so extended or funded shall not be entitled, in case of default hereunder, to the benefits of this Agreement, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have so extended or funded.

Section 5.07. **Against Encumbrances.** The District will not encumber, pledge or place any charge or lien upon any of the Net Special Tax Revenues or other amounts pledged to the Bonds superior to or on a parity with the pledge and lien herein created for the benefit of the Bonds, except as permitted by this Agreement.

Section 5.08. **Books and Records.** The District will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the District, in which complete and correct entries shall be made of all transactions relating to the expenditure of amounts disbursed from the Bond Fund and the Special Tax Fund and relating to the Special Tax Revenues.

Section 5.09. **Protection of Security and Rights of Owners.** The District will preserve and protect the security of the Bonds and the rights of the Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the delivery of any of the Bonds by the District, the Bonds shall be incontestable by the District.

Section 5.10. Collection of Special Tax Revenues. The District shall comply with all requirements of the Act so as to assure the timely collection of Special Tax Revenues, including without limitation, the enforcement of delinquent Special Taxes.

On or about July 10 of each year, the Treasurer shall communicate with the Auditor to ascertain the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits during the preceding and then current year.

The Treasurer shall effect the levy of the Special Taxes each Fiscal Year on the parcels within the Improvement Area in accordance with the Ordinance, such that the computation of the levy is complete before the final date on which the Auditor will accept the transmission of the Special Tax amounts for the parcels within the Improvement Area for inclusion on the next secured tax roll. Upon the completion of the computation of the amounts of the levy, the Treasurer shall prepare or cause to be prepared, and shall transmit to the Auditor, such data as the Auditor requires to include the levy of the Special Taxes on the next secured tax roll unless directed by the District to directly bill such Special Taxes. The Special Taxes so levied shall be payable and be collected in the same manner and at the same time and in the same installments as the general taxes on real property are payable, and have the same priority, become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general taxes on real property, unless otherwise provided by the District.

In the event that the Treasurer determines to levy all or a portion of the Special Taxes by means of direct billing of the property owners of the parcels within the Improvement Area, the Treasurer shall, not less than forty-five (45) days prior to each Interest Payment Date, send bills to the owners of such real property located within the Improvement Area subject to the levy of the Special Taxes for Special Taxes in an aggregate amount necessary to meet the financial obligations of the District with respect to the Improvement Area due on the next Interest Payment Date, said bills to specify that the amounts so levied shall be due and payable not less than thirty (30) days prior to such Interest Payment Date and shall be delinquent if not paid when due.

In any event, the Treasurer shall fix and levy the amount of Special Taxes within the Improvement Area required for the payment of principal of and interest on any Outstanding Bonds becoming due and payable during the ensuing year, an amount necessary to replenish the Reserve Fund pursuant to Section 3.03B.3. and an amount estimated to be sufficient to pay the Administrative Expenses during such year, all in accordance with the RMA and the Ordinance. The Special Taxes so levied shall not exceed the authorized amounts as provided in the proceedings pursuant to the Resolution of Formation.

The Treasurer is hereby authorized to employ consultants to assist in computing the levy of the Special Taxes hereunder and any reconciliation of amounts levied to amounts received. The fees and expenses of such consultants and the costs and expenses of the Treasurer (including a charge for City or District staff time) in conducting its duties hereunder shall be an Special Tax Refunding Bond Administrative Expense hereunder.

Section 5.11. **Further Assurances.** The District shall adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Agreement, and for the better assuring and confirming unto the Owners of the rights and benefits provided in this Agreement.

Section 5.12. **Tax Covenants.** The District shall not take, or permit or suffer to be taken by the Fiscal Agent or otherwise, any action with respect to the proceeds of the Bonds which if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused any of the Authority Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Tax Code or to be "private activity bonds" within the meaning of Section 141 of the Tax Code.

The District agrees to furnish all information to, and cooperate fully with, the Authority, the Trustee and their respective officers, employees, agents and attorneys, in order to assure compliance with the provisions of Section 6.07 of the Authority Indenture. In the event that the Authority shall notify the District that the Authority has determined, pursuant to Section 6.07 of the Authority Indenture, that any amounts are due and payable to the United States of America thereunder and that neither the Authority nor the Authority Trustee has on deposit an amount of available moneys to make such payment, the District shall promptly direct the Fiscal Agent pay to the Authority Trustee from available Net Special Tax Revenues the Proportionate Share of the amounts determined by the Authority to be due and payable to the United States of America.

Section 5.13. **Covenant to Foreclose.** The District covenants for the benefit of the Owners of the Bonds that it (i) will commence judicial foreclosure proceedings against all parcels owned by a property owner where the aggregate delinquent Special Taxes on such parcels is greater than \$5,000 by the October 1 following the close of each Fiscal Year in which such Special Taxes were due; (ii) will commence judicial foreclosure proceedings against all parcels with delinquent Special Taxes by the October 1 following the close of each Fiscal Year in which it receives Special Taxes in an amount which is less than 95% of the total Special Tax levied for such Fiscal Year; and (iii) will diligently pursue such foreclosure proceedings until the delinquent Special Taxes are paid; provided that, notwithstanding the foregoing, the District may elect to defer foreclosure proceedings on any parcel which is owned by a delinquent property owner whose property is not, in the aggregate, delinquent in the payment of Special Taxes for a period of five years or more or in an amount in excess of \$10,000 so long as (1) the amount in the Reserve Fund is at least equal to the Reserve Requirement (as defined in the Authority Indenture); and (2) with respect to the Bonds, the District, acting on behalf of the Improvement Area, is not in default in the payment of the principal of or interest on the Bonds.

The City Attorney is hereby authorized to employ counsel to conduct any such foreclosure proceedings. The fees and expenses of any such counsel and costs and expenses of the City Attorney (including a charge for City or District staff time) in conducting foreclosure proceedings shall be an Administrative Expense hereunder.

Notwithstanding any provision of the Act or other law of the State to the contrary, in connection with any foreclosure related to delinquent Special Taxes:

A. The City, or the Fiscal Agent, is hereby expressly authorized to credit bid at any foreclosure sale, without any requirement that funds be placed in the Bond Fund or otherwise be set aside in the amount of such credit bid, in the amount specified in Section 53356.5 of the Act or such lesser amount as determined under B. below or otherwise under Section 53356.6 of the Act.

B. The City may permit property with delinquent Special Tax payments to be sold for less than the amount specified in Section 53356.5 of the Act, if it determines that such sale is in the interest of the Bond Owners. The Bond Owners, by their acceptance of the Bonds, hereby consent to such sale for such lesser amounts (as such consent is described in Section 53356.6 of the Act), and hereby release the City, its officers and its agents from any liability in connection therewith.

C. The City is hereby expressly authorized to use amounts in the Administrative Expense Fund to pay costs of foreclosure of delinquent Special Taxes.

D. The City may forgive all or any portion of the Special Taxes levied or to be levied on any parcel in the Improvement Area, so long as the City determines that such forgiveness is not expected to adversely affect its obligation to pay principal of and interest on the Bonds.

Section 5.14. Annual Reports to CDIAC. Not later than October 30 of each year, commencing October 30, 2015, and until the October 30 following the final maturity of the Bonds, the Treasurer shall supply the information required by Section 53359.5(b) or (c) of the Act to CDIAC (on such forms as CDIAC may specify) and the District.

Section 5.15. Continuing Disclosure to Owners. In addition to its obligations under Section 5.14, the District hereby covenants and agrees that it will carry out all of its obligations under the Continuing Disclosure Agreement. Notwithstanding any other provision of this Agreement, failure of the District to comply with the Continuing Disclosure Agreement shall not be considered a default hereunder; however, any Underwriter (as such term is defined in the Authority Indenture) or any holder or beneficial owner of 25% of the Authority Bonds may take such actions as may be necessary and appropriate to compel performance by the District of its obligations under this Section 5.15, including seeking mandate or specific performance by court order.

Section 5.16. Public Access to Facilities. The City and the District shall provide or cause to be provided access to members of the general public to all portions of the Facilities financed with the proceeds of the Prior Special Tax Bonds. Said access shall not grant priority to any one person over that of another person, and shall be subject to any applicable City ordinance, rule or regulation.

Section 5.17. Modification of Maximum Authorized Special Tax. The District, to the maximum extent that the law permits it to do so, covenants that no modification of the minimum or maximum authorized Special Tax shall be approved by the District nor shall the District take any other action which would (i) prohibit the District from levying the Special Tax within the Improvement Area in any Fiscal Year at such a rate as would generate Net Special Tax Revenues in such Fiscal Year at least equal to 110% of Annual Debt Service on all Bonds then

Outstanding; (ii) discontinue or cause the discontinuance of such levy; or (iii) permit the prepayment of the Special Tax except as permitted pursuant to the the RMA.

Section 5.18. **Covenant to Defend.** The District covenants, in the event that any initiative is adopted by the qualified electors in the Improvement Area which purports to reduce the minimum or the maximum Special Tax below the levels specified in Section 5.17 above or to limit the power of the District to levy the Special Taxes within the Improvement Area for the purposes set forth in Section 5.10 above, it will commence and pursue legal action in order to preserve its ability to comply with such covenants.

ARTICLE VI

INVESTMENTS; DISPOSITION OF INVESTMENT PROCEEDS; LIABILITY OF THE DISTRICT

Section 6.01. **Deposit and Investment of Moneys in Funds.** Moneys in any fund or account created or established by this Agreement and held by the Fiscal Agent shall be invested by the Fiscal Agent in Permitted Investments, as directed pursuant to an Officer's Certificate filed with the Fiscal Agent at least two (2) Business Days in advance of the making of such investments. In the absence of any such Officer's Certificate, the Fiscal Agent shall invest any such moneys in Permitted Investments described in clause B(5) of the definition thereof to the extent practicable which by their terms mature prior to the date on which such moneys are required to be paid out hereunder, or are held uninvested. The Treasurer shall make note of any investment of funds hereunder in excess of the yield on the Bonds, so that appropriate actions can be taken to assure compliance with Section 5.12.

Moneys in any fund or account created or established by this Agreement and held by the Treasurer shall be invested by the Treasurer in Permitted Investments, which in any event by their terms mature prior to the date on which such moneys are required to be paid out hereunder. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account, subject, however, to the requirements of this Agreement for transfer of interest earnings and profits resulting from investment of amounts in funds and accounts. Whenever in this Agreement any moneys are required to be transferred by the District to the Fiscal Agent, such transfer may be accomplished by transferring a like amount of Permitted Investments.

The Fiscal Agent or an affiliate or the Treasurer may act as principal or agent in the acquisition or disposition of any investment and shall be entitled to its customary fee therefor. Neither the Fiscal Agent nor the Treasurer shall incur any liability for losses arising from any investments made pursuant to this Section. For purposes of determining the amount on deposit in any fund or account held hereunder, all Permitted Investments or investments credited to such fund or account shall be valued at provided for in Exhibit B attached hereto.

Except as otherwise provided in the next sentence, all investments of amounts deposited in any fund or account created by or pursuant to this Agreement, or otherwise containing gross proceeds of the Bonds (within the meaning of section 148 of the Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Agreement or the Code)

at Fair Market Value. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under the applicable provisions of the Code shall be valued at their present value (within the meaning of section 148 of the Code). The Fiscal Agent shall not be liable for verification of the application of such sections of the Code.

Investments in any and all funds and accounts may be commingled in a separate fund or funds for purposes of making, holding and disposing of investments, notwithstanding provisions herein for transfer to or holding in or to the credit of particular funds or accounts of amounts received or held by the Fiscal Agent or the Treasurer hereunder, provided that the Fiscal Agent or the Treasurer, as applicable, shall at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in this Agreement.

The Fiscal Agent or the Treasurer, as applicable, shall sell at the highest price reasonably obtainable, or present for redemption, any investment security whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such investment security is credited and neither the Fiscal Agent nor the Treasurer shall be liable or responsible for any loss resulting from the acquisition or disposition of such investment security in accordance herewith.

The Fiscal Agent shall furnish the District periodic cash transaction statements which include detail for all investment transactions effected by the Fiscal Agent or brokers selected by the District. Upon the District's election, such statements will be delivered via the Fiscal Agent's online service and upon electing such service, paper statements will be provided only upon request. The District waives the right to receive brokerage confirmations of security transactions effected by the Fiscal Agent as they occur, to the extent permitted by law. The District further understands that trade confirmations for securities transactions effected by the Fiscal Agent will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker.

Section 6.02. Limited Obligation. The District's obligations hereunder are limited obligations of the District and are payable solely from and secured solely by the Net Special Tax Revenues and the amounts in the Special Tax Fund and the Bond Fund.

Section 6.03. Liability of District. The District shall not incur any responsibility in respect of the Bonds or this Agreement other than in connection with the duties or obligations explicitly herein or in the Bonds assigned to or imposed upon it. The District shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful default. The District shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants, or agreements of the Fiscal Agent herein or of any of the documents executed by the Fiscal Agent in connection with the Bonds, or as to the existence of a default or event of default thereunder.

In the absence of bad faith, the District, including the Treasurer, may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the District and conforming to the requirements of this Agreement. The District, including the Treasurer, shall not be liable for any error of judgment

made in good faith unless it shall be proved that it was negligent in ascertaining the pertinent facts.

No provision of this Agreement shall require the District to expend or risk its own general funds or otherwise incur any financial liability (other than with respect to the Net Special Tax Revenues) in the performance of any of its obligations hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

The District may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The District may consult with counsel, who may be the City Attorney, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

The District shall not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto satisfactorily established, if disputed.

Whenever in the administration of its duties under this Agreement the District shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of willful misconduct on the part of the District, be deemed to be conclusively proved and established by a certificate of the Fiscal Agent, and such certificate shall be full warrant to the District for any action taken or suffered under the provisions of this Agreement or any Supplemental Agreement upon the faith thereof, but in its discretion the District may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

Section 6.04. **Employment of Agents by District or the City.** In order to perform their respective duties and obligations hereunder, the City, the District and/or the Treasurer may employ such persons or entities as they deem necessary or advisable. The City, the District, and/or the Treasurer shall not be liable for any of the acts or omissions of such persons or entities employed by them in good faith hereunder, and shall be entitled to rely, and shall be fully protected in doing so, upon the opinions, calculations, determinations and directions of such persons or entities.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES OF BOND OWNERS

Section 7.01. **Events of Default.** The following events shall be Events of Default:

A. Failure to pay any installment of principal of any Bonds when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption or otherwise.

B. Failure to pay any installment of interest on any Bonds when and as the same shall become due and payable.

C. Failure by the District to observe and perform any of the other covenants, agreements, or conditions on its part in this Agreement or in the Bonds contained, if such failure shall have continued for a period of 60 days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the District by the Fiscal Agent or the Owners of not less than 25% in aggregate principal amount of the Bonds at the time Outstanding; provided, however, if in the reasonable opinion of the District the failure stated in the notice can be corrected, but not within such 60-day period, such failure shall not constitute an Event of Default if corrective action is instituted by the District within such 60-day period and the District shall thereafter diligently and in good faith cure such failure in a reasonable period of time.

D. Commencement by the District of a voluntary case under Title 11 of the United States Code or any substitute or successor statute.

Section 7.02. Remedies of Bond Owners. Subject to the provisions of Section 7.08, any Bond Owner shall have the right, for the equal benefit and protection of all Bond Owners similarly situated:

A. by mandamus, suit, action or proceeding, to compel the District and/or the City and its officers, agents or employees, acting for and on behalf of the District, to perform each and every term, provision and covenant contained in this Agreement and in the Bonds, and to require the carrying out of any or all such covenants and agreements of the District and the fulfillment of all duties imposed upon it by the Act;

B. by suit, action or proceeding in equity, to enjoin any acts or things which are unlawful, or the violation of any of the Bond Owners' rights; or

C. upon the happening of any Event of Default, by suit, action or proceeding in any court of competent jurisdiction, to require the District and/or the City and its officers and employees, acting for and on behalf of the District, to account as if it and they were the trustees of an express trust.

Section 7.03. Application of Special Taxes and Other Funds After Default. If an Event of Default shall occur and be continuing, all Special Taxes, including any penalties, costs, fees and other charges accruing under the Act, and any other funds then held or thereafter received by the Fiscal Agent under any of the provisions of this Agreement shall be applied by the Fiscal Agent as follows and in the following order:

A. To the payment of any expenses necessary in the opinion of the Fiscal Agent to protect the interests of the Owners of the Bonds and payment of reasonable fees, charges, and

expenses of the Fiscal Agent (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under this Agreement;

B. To the payment of the principal of and interest then due with respect to the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of this Agreement, as follows:

First: To the payment to the Persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the Persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the Persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by call for redemption, with interest on the overdue principal at the rate borne by the respective Bonds on the date of maturity or redemption, and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the Persons entitled thereto, without any discrimination or preference.

C. Any remaining funds shall be transferred by the Fiscal Agent to the Bond Fund.

Section 7.04. **Absolute Obligation of the District.** Nothing in Section 7.08 or in any other provision of this Agreement or in the Bonds contained shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the principal of and interest on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon call for redemption, as herein provided, but only out of the Net Special Tax Revenues and other moneys herein pledged therefor and received by the District or the Fiscal Agent, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

Section 7.05. **Termination of Proceedings.** In case any proceedings taken by any one or more Bond Owners on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Bond Owners, then in every such case the District, and the Bond Owners, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the City, and the Bond Owners shall continue as though no such proceedings had been taken.

Section 7.06. **Remedies Not Exclusive.** No remedy herein conferred upon or reserved to the Fiscal Agent or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

Section 7.07. **No Waiver of Default.** No delay or omission of any Owner of the Bonds to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by this Agreement to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient.

Section 7.08. **Actions by Fiscal Agent as Attorney-in-Fact.** Any suit, action, or proceeding which any Owner shall have the right to bring to enforce any right or remedy hereunder may be brought by the Fiscal Agent for the equal benefit and protection of all Owners, and the Fiscal Agent is hereby appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the Owners for the purpose of bringing any such suit, action, or proceeding and to do and perform any and all acts and things for and on behalf of the Owners as a class or classes, as may be necessary or advisable in the opinion of the Fiscal Agent as such attorney-in-fact.

ARTICLE VIII

THE FISCAL AGENT

Section 8.01. **Appointment of Fiscal Agent.** MUFG Union Bank, N.A., is hereby appointed Fiscal Agent and paying agent for the Bonds. The Fiscal Agent undertakes to perform such duties, and only such duties, as are specifically set forth in this Agreement, and no implied covenants or obligations shall be read into this Agreement against the Fiscal Agent.

Any company into which the Fiscal Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Fiscal Agent may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under the following paragraph of this Section, shall be the successor to such Fiscal Agent without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

The District may remove the Fiscal Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto, but any such successor shall be a bank or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least Seventy-Five Million Dollars (\$75,000,000), and subject to supervision or examination by federal or state authority. 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 this Section 8.01, combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Fiscal Agent may at any time resign by giving written notice to the District and by giving to the Owners notice by mail of such resignation. Upon receiving notice of such resignation, the District shall promptly appoint a successor Fiscal Agent by an instrument in

writing. Any resignation or removal of the Fiscal Agent shall become effective upon acceptance of appointment by the successor Fiscal Agent.

If no appointment of a successor Fiscal Agent shall be made pursuant to the foregoing provisions of this Section within forty-five (45) days after the Fiscal Agent shall have given to the District written notice or after a vacancy in the office of the Fiscal Agent shall have occurred by reason of its inability to act, the Fiscal Agent or any Bondowner may apply to any court of competent jurisdiction to appoint a successor Fiscal Agent. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Fiscal Agent.

If, by reason of the judgment of any court, the Fiscal Agent is rendered unable to perform its duties hereunder, all such duties and all of the rights and powers of the Fiscal Agent hereunder shall be assumed by and vest in the Treasurer of the City in trust for the benefit of the Owners. The District covenants for the direct benefit of the Owners that the Treasurer in such case shall be vested with all of the rights and powers of the Fiscal Agent hereunder, and shall assume all of the responsibilities and perform all of the duties of the Fiscal Agent hereunder, in trust for the benefit of the Owners of the Bonds.

Section 8.02. Liability of Fiscal Agent. The recitals of facts, covenants, and agreements herein and in the Bonds contained shall be taken as statements, covenants, and agreements of the District, and the Fiscal Agent assumes no responsibility for the correctness of the same, nor makes any representations as to the validity or sufficiency of this Agreement or of the Bonds, nor shall incur any responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Bonds assigned to or imposed upon it. The Fiscal Agent shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful default. The Fiscal Agent assumes no responsibility or liability for any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

In the absence of bad faith, the Fiscal Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Fiscal Agent and conforming to the requirements of this Agreement; but in the case of any such certificates or opinions by which any provision hereof are specifically required to be furnished to the Fiscal Agent, the Fiscal Agent shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Agreement. Except as provided above in this paragraph, the Fiscal Agent shall be protected and shall incur no liability in acting or proceeding, or in not acting or not proceeding, in good faith, reasonably and in accordance with the terms of this Agreement, upon any resolution, order, notice, request, consent or waiver, certificate, statement, affidavit, or other paper or document which it shall in good faith reasonably believe to be genuine and to have been adopted or signed by the proper person or to have been prepared and furnished pursuant to any provision of this Agreement, and the Fiscal Agent shall not be under any duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument.

The Fiscal Agent shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants, or agreements of the City or the District

herein or of any of the documents executed by the City or the District in connection with the Bonds, or as to the existence of a default or event of default thereunder.

The Fiscal Agent shall not be liable for any error of judgment made in good faith by a responsible officer unless it shall be proved that the Fiscal Agent was negligent in ascertaining the pertinent facts.

No provision of this Agreement shall require the Fiscal Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

The Fiscal Agent shall be under no obligation to exercise any of the rights or powers vested in it by this Agreement at the request or direction of any of the Owners pursuant to this Agreement unless such Owners shall have offered to the Fiscal Agent reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

The Fiscal Agent may become the Owner of the Bonds with the same rights it would have if it were not the Fiscal Agent.

All indemnifications and releases from liability granted to the Fiscal Agent hereunder shall extend to the directors, officers, and employees of the Fiscal Agent.

Section 8.03. Information. The Fiscal Agent shall provide to the District such information relating to the Bonds and the funds and accounts maintained by the Fiscal Agent hereunder as the District shall reasonably request, including, but not limited to, quarterly statements reporting funds held and transactions by the Fiscal Agent.

Section 8.04. Notice to Fiscal Agent. The Fiscal Agent may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, Bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The Fiscal Agent may consult with counsel, who may be counsel to the City, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

The Fiscal Agent shall not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto satisfactorily established, if disputed.

Whenever in the administration of its duties under this Agreement the Fiscal Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of willful misconduct on the part of the Fiscal Agent, be deemed to be conclusively proved and established by a certificate of the District, and such certificate

shall be full warrant to the Fiscal Agent for any action taken or suffered under the provisions of this Agreement or any Supplemental Agreement upon the faith thereof, but in its discretion the Fiscal Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable.

Section 8.05. Compensation, Indemnification. The District shall pay to the Fiscal Agent from time to time reasonable compensation for all services rendered as Fiscal Agent under this Agreement, and also all reasonable expenses, charges, counsel fees, and other disbursements, including those of its attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Agreement, but the Fiscal Agent shall not have a lien therefor on any funds at any time held by it under this Agreement. The District further agrees, to the extent permitted by applicable law, to indemnify and save the Fiscal Agent, its officers, employees, directors and agents harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder which are not due to its negligence or willful misconduct. The obligation of the District under this Section shall survive resignation or removal of the Fiscal Agent under this Agreement and payment of the Bonds and discharge of this Agreement, but any monetary obligation of the District arising under this Section shall be limited solely to amounts on deposit in the Special Tax Refunding Bond Administrative Expense Fund.

ARTICLE IX

MODIFICATION OR AMENDMENT OF THIS AGREEMENT

Section 9.01. Amendments Permitted. This Agreement and the rights and obligations of the District and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Agreement pursuant to the affirmative vote at a meeting of the Owners, or with the written consent without a meeting, of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 9.04. No such modification or amendment shall (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the District to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond; or (ii) permit the creation by the District of any pledge or lien upon the Special Taxes superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise permitted by the Act, the laws of the State of California or this Agreement), or reduce the percentage of Bonds required for the amendment hereof. Any such amendment may not modify any of the rights or obligations of the Fiscal Agent without its written consent.

This Agreement and the rights and obligations of the District and of the Owners may also be modified or amended at any time by a Supplemental Agreement, without the consent of any Owners, only to the extent permitted by law and only for any one or more of the following purposes:

- (i) to add to the covenants and agreements of the District in this Agreement contained, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power herein reserved to or conferred upon the District;

(ii) to make modifications not adversely affecting any Outstanding Bonds of the District in any material respect;

(iii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting, or supplementing any defective provision contained in this Agreement, or in regard to questions arising under this Agreement, as the District and the Fiscal Agent may deem necessary or desirable and not inconsistent with this Agreement, and which shall not adversely affect the rights of the Owners of the Bonds;

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

Section 9.02. Owners' Meetings. The District may at any time call a meeting of the Owners. In such event the District is authorized to fix the time and place of said meeting and to provide for the giving of notice thereof, and to fix and adopt rules and regulations for the conduct of said meeting.

Section 9.03. Procedure for Amendment with Written Consent of Owners. The District and the Fiscal Agent may at any time adopt a Supplemental Agreement amending the provisions of the Bonds or of this Agreement or any Supplemental Agreement, to the extent that such amendment is permitted by Section 9.01, to take effect when and as provided in this Section. A copy of such Supplemental Agreement, together with a request to Owners for their consent thereto, shall be mailed by first class mail, by the Fiscal Agent to each Owner of Bonds Outstanding, but failure to mail copies of such Supplemental Agreement and request shall not affect the validity of the Supplemental Agreement when assented to as in this Section provided.

Such Supplemental Agreement shall not become effective unless there shall be filed with the Fiscal Agent the written consent of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in Section 9.04 and a notice shall have been mailed as hereinafter in this Section provided. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given, which proof shall be such as is permitted by Section 11.04. Any such consent shall be binding upon the Owner of the Bonds giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Fiscal Agent prior to the date when the notice hereinafter in this Section provided for has been mailed.

After the Owners of the required percentage of Bonds shall have filed their consents to the Supplemental Agreement, the District shall mail a notice to the Owners in the manner hereinbefore provided in this Section for the mailing of the Supplemental Agreement, stating in substance that the Supplemental Agreement has been consented to by the Owners of the required percentage of Bonds and will be effective as provided in this Section (but failure to mail copies of said notice shall not affect the validity of the Supplemental Agreement or consents thereto). Proof of the mailing of such notice shall be filed with the Fiscal Agent. A record, consisting of the papers required by this Section 9.03 to be filed with the Fiscal Agent, shall be proof of the

matters therein stated until the contrary is proved. The Supplemental Agreement shall become effective upon the filing with the Fiscal Agent of the proof of mailing of such notice, and the Supplemental Agreement shall be deemed conclusively binding (except as otherwise hereinabove specifically provided in this Article) upon the District and the Owners of all Bonds at the expiration of sixty (60) days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such sixty-day period.

Section 9.04. **Disqualified Bonds.** Bonds owned or held for the account of the City or the District, excepting any pension or retirement fund, shall not be deemed Outstanding for the purpose of any vote, consent or other action or any calculation of Outstanding Bonds provided for in this Article IX, and shall not be entitled to vote upon, consent to, or take any other action provided for in this Article IX.

Section 9.05. **Effect of Supplemental Agreement.** From and after the time any Supplemental Agreement becomes effective pursuant to this Article IX, this Agreement shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations under this Agreement of the District and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such Supplemental Agreement shall be deemed to be part of the terms and conditions of this Agreement for any and all purposes.

Section 9.06. **Endorsement or Replacement of Bonds Issued After Amendments.** The District may determine that Bonds issued and delivered after the effective date of any action taken as provided in this Article IX shall bear a notation, by endorsement or otherwise, in form approved by the District, as to such action. In that case, upon demand of the Owner of any Bond Outstanding at such effective date and presentation of his Bond for that purpose at the Principal Office of the Fiscal Agent or at such other office as the District may select and designate for that purpose, a suitable notation shall be made on such Bond. The District may determine that new Bonds, so modified as in the opinion of the District is necessary to conform to such Owners' action, shall be prepared, executed and delivered. In that case, upon demand of the Owner of any Bonds then Outstanding, such new Bonds shall be exchanged at the Principal Office of the Fiscal Agent without cost to any Owner, for Bonds then Outstanding, upon surrender of such Bonds.

Section 9.07. **Amendatory Endorsement of Bonds.** The provisions of this Article IX shall not prevent any Owner from accepting any amendment as to the particular Bonds held by him, provided that due notation thereof is made on such Bonds.

Section 9.08. **Notice Requirement.** Not less than 15 days prior to the effective date of any amendment made pursuant to this Article IX, so long as any Bonds are owned by the Authority, the District shall mail notice of the proposed amendment and the text of the proposed amendment to the Authority and the Authority Trustee.

ARTICLE X

DEFEASANCE

Section 10.01. **Defeasance.** If the District shall pay or cause to be paid, or there shall otherwise be paid, to the Owner of an Outstanding Bond the interest due thereon and the principal thereof, at the times and in the manner stipulated in this Agreement, then the Owner of such Bond shall cease to be entitled to the pledge of Net Special Tax Revenues, and, other than as set forth below, all covenants, agreements and other obligations of the District to the Owner of such Bond under this Agreement shall thereupon cease, terminate and become void and be discharged and satisfied. In the event of a defeasance of all Outstanding Bonds pursuant to this Section, the Fiscal Agent shall execute and deliver to the District all such instruments as may be desirable to evidence such discharge and satisfaction, and the Fiscal Agent shall pay over or deliver to the District's general fund all money or securities held by it pursuant to this Agreement which are not required for the payment of the principal of, premium, if any, and interest due on such Bonds.

Any Outstanding Bond shall be deemed to have been paid within the meaning expressed in the first paragraph of this Section if such Bond is paid in any one or more of the following ways:

- (i) by paying or causing to be paid the principal of, premium, if any, and interest on such Bond, as and when the same become due and payable;
- (ii) by depositing with the Fiscal Agent, in trust, at or before maturity, money which, together with the amounts then on deposit in the Special Tax Fund and available for such purpose, is fully sufficient to pay the principal of, premium, if any, and interest on such Bond, as and when the same shall become due and payable; or
- (iii) by depositing with the Fiscal Agent or another escrow bank appointed by the District, in trust, direct, noncallable Defeasance Obligations, in which the District may lawfully invest its money, in such amount as will be sufficient, together with the interest to accrue thereon and moneys then on deposit in the Special Tax Fund and available for such purpose, together with the interest to accrue thereon, to pay and discharge the principal of, premium, if any, and interest on such Bond, as and when the same shall become due and payable;

then, at the election of the District, and notwithstanding that any Outstanding Bonds shall not have been surrendered for payment, all obligations of the District under this Agreement with respect to such Bond shall cease and terminate, except for the obligation of the Fiscal Agent to pay or cause to be paid to the Owners of any such Bond not so surrendered and paid, all sums due thereon. Notice of such election shall be filed with the Fiscal Agent not less than ten (10) days prior to the proposed defeasance date, or such shorter period of time as may be acceptable to the Fiscal Agent. In connection with a defeasance under (ii) or (iii) above, there shall be provided to the District a verification report from an Independent Accountant stating its opinion as to the sufficiency of the moneys or securities deposited with the Fiscal Agent or the escrow bank to pay and discharge the principal of, premium, if any, and interest on all Outstanding

Bonds to be defeased in accordance with this Section, as and when the same shall become due and payable, and an opinion of Bond Counsel (which may rely upon the opinion of the certified public accountant) to the effect that the Bonds being defeased have been legally defeased in accordance with this Agreement.

Upon a defeasance, the Fiscal Agent, upon request of the District, shall release the rights of the Owners of such Bonds which have been defeased under this Agreement and execute and deliver to the District all such instruments as may be desirable to evidence such release, discharge and satisfaction. In the case of a defeasance hereunder of all Outstanding Bonds, after payment of any amounts then owed to the Fiscal Agent, the Fiscal Agent shall pay over or deliver to the District any funds held by the Fiscal Agent at the time of a defeasance, which are not required for the purpose of paying and discharging the principal of or interest on the Bonds when due. The Fiscal Agent shall, at the written direction of the District, mail, first class, postage prepaid, a notice to the Bondowners whose Bonds have been defeased, in the form directed by the District, stating that the defeasance has occurred.

Notwithstanding the foregoing, so long as the Bonds are owned by the Authority, the entire indebtedness on the Bonds Outstanding shall be discharged simultaneously with and upon the discharge of the Authority Bonds pursuant to Section 10.01 of the Authority Indenture resulting from the irrevocable deposit with the Authority Trustee pursuant to Section 10.01(b) of the Authority Indenture of money or Defeasance Obligations (as defined in the Authority Indenture) to pay or redeem all of the Authority Bonds then Outstanding (as defined in the Authority Indenture). The Fiscal Agent shall, upon receipt of written instructions from an Authorized Officer, transfer the moneys on deposit in the funds and accounts established hereunder to fund the foregoing deposit with the Authority Trustee.

ARTICLE XI

MISCELLANEOUS

Section 11.01. **Benefits of Agreement Limited to Parties.** Nothing in this Agreement, expressed or implied, is intended to give to any person other than the District, the City, the Fiscal Agent, and the Owners, any right, remedy, claim under or by reason of this Agreement. Any covenants, stipulations, promises, or agreements in this Agreement contained by and on behalf of the District shall be for the sole and exclusive benefit of the Owners and the Fiscal Agent.

Section 11.02. **Cancellation of Bonds.** All Bonds surrendered to the Fiscal Agent for payment upon maturity or for redemption shall be upon payment therefor, and any Bond purchased by the District as authorized herein and delivered to the Fiscal Agent for such purpose shall be, cancelled forthwith and shall not be reissued. The Fiscal Agent shall destroy such Bonds, as provided by law, and furnish the District a certificate of such destruction.

Section 11.03. **Successor is Deemed Included in All References to Predecessor.** Whenever in this Agreement or any Supplemental Agreement either the District or the Fiscal Agent is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Agreement contained by or on

behalf of the District or the Fiscal Agent shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 11.04. Execution of Documents and Proof of Ownership by Owners. Any request, declaration, or other instrument which this Agreement may require or permit to be executed by the Owners may be in one or more instruments of similar tenor, and shall be executed by the Owners in person or by their attorneys appointed in writing.

Except as otherwise herein expressly provided, the fact and date of the execution by any Owner or his attorney of such request, declaration or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

Except as otherwise herein expressly provided, the ownership of registered Bonds and the amount, maturity, number and date of holding the same shall be proved by the registry books.

Any request, declaration or other instrument or writing of the Owner of any Bond shall bind all future Owners of such Bond in respect of anything done or suffered to be done by the District or the Fiscal Agent in good faith and in accordance therewith.

Section 11.05. Waiver of Personal Liability. No member, officer, agent or employee of the District or the City shall be individually or personally liable for the payment of the principal of, or interest or any premium on, the Bonds; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

Section 11.06. Notices to and Demands on District and Fiscal Agent. Any notice, request, complaint, demand or other communication under this Indenture shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by telecopy or other form of telecommunication, at its number set forth below. Notice shall be effective either (a) upon transmission by telecopy or other form of telecommunication, (b) forty-eight (48) hours after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person or the Fiscal Agent, upon actual receipt. The District or the Fiscal Agent may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the District

Community Facilities District No. 99-01
c/o City of San Marcos
One Civic Center Drive
San Marcos, CA 92069
Attention: City Manager

If to the Fiscal Agent: MUFG Union Bank, N.A.
120 S. San Pedro Street, Suite 400
Los Angeles, CA 90012
Reference: _____
Facsimile: (213) 972-5694
E-mail: Lorraine.mcintire@unionbank.com

with a copy to:

AccountAdministration-CorporateTrust@unionbank.com

Section 11.07. **Partial Invalidity.** If any Section, paragraph, sentence, clause or phrase of this Agreement shall for any reason be held illegal or unenforceable, such holding shall not affect the validity of the remaining portions of this Agreement. The District hereby declares that it would have adopted this Agreement and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issue of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this Agreement may be held illegal, invalid or unenforceable.

Section 11.08. **Unclaimed Moneys.** Anything contained herein to the contrary notwithstanding, any moneys held by the Fiscal Agent for the payment and discharge of the principal of, and the interest and any premium on, the Bonds which remains unclaimed for two (2) years after the date when the payments of such principal, interest and premium have become payable, if such moneys were held by the Fiscal Agent at such date, shall be repaid by the Fiscal Agent to the District as its absolute property free from any trust, and the Fiscal Agent shall thereupon be released and discharged with respect thereto and the Bond Owners shall look only to the District for the payment of the principal of, and interest and any premium on, such Bonds.

Section 11.09. **Provisions Constitute Contract.** The provisions of this Agreement shall constitute a contract between the District and the Bondowners and the provisions hereof shall be construed in accordance with the laws of the State of California.

In case any suit, action, or proceeding to enforce any right or exercise any remedy shall be brought or taken and, should said suit, action, or proceeding be abandoned, or be determined adversely to the Bondowners or the Fiscal Agent, then the District, the Fiscal Agent, and the Bondowners shall be restored to their former positions, rights and remedies as if such suit, action, or proceeding had not been brought or taken.

After the issuance and delivery of the Bonds this Agreement shall be irrevocable, but shall be subject to modifications to the extent and in the manner provided in this Agreement, but to no greater extent and in no other manner.

Section 11.10. **Future Contracts.** Nothing herein contained shall be deemed to restrict or prohibit the District from making contracts or creating bonded or other indebtedness payable from a pledge of the Net Special Tax Revenues which is subordinate to the pledge hereunder, or which is payable from taxes or any source other than the Net Special Tax Revenues and other amounts pledged hereunder.

Section 11.11. **Further Assurances.** The District will adopt, make, execute, and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Agreement, and for the better assuring and confirming unto the Owners of the Bonds the rights and benefits provided in this Agreement.

Section 11.12. **Applicable Law.** This Agreement shall be governed by and enforced in accordance with the laws of the State of California applicable to contracts made and performed in the State of California.

Section 11.13. **Conflict with Act.** In the event of a conflict between any provision of this Agreement with any provision of the Act as in effect on the Closing Date, the provision of the Act shall prevail over the conflicting provision of this Agreement.

Section 11.14. **Conclusive Evidence of Regularity.** Bonds issued pursuant to this Agreement shall constitute conclusive evidence of the regularity of all proceedings under the Act relative to their issuance and the levy of the Special Taxes.

Section 11.15. **Payment on Business Day.** In any case where the date of the maturity of interest or of principal (and premium, if any) of the Bonds or the date fixed for redemption of any Bonds or the date any action is to be taken pursuant to this Agreement is other than a Business Day, the payment of interest or principal (and premium, if any) or the action need not be made on such date but may be made on the next succeeding day which is a Business Day with the same force and effect as if made on the date required and no interest shall accrue for the period after such date.

Section 11.16. **Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original.

[Remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the District has caused this Agreement pertaining to the Community Facilities District No. 99-01 Improvement Area A1 Special Tax Refunding Bonds, Series 2014 to be executed in its name and the Fiscal Agent has caused this Agreement to be executed in its name, all as of October 1, 2014.

CITY OF SAN MARCOS COMMUNITY
FACILITIES DISTRICT NO. 99-01

By: _____
City Manager

MUFG UNION BANK, N.A., as Fiscal Agent

By: _____
Authorized Officer

EXHIBIT A
FORM OF BOND

No. _____

\$ _____

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF SAN DIEGO
CITY OF SAN MARCOS
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA A1
SPECIAL TAX REFUNDING BOND, SERIES 2014

INTEREST RATE

MATURITY DATE

DATED DATE

September 1, ____

October __, 2014

REGISTERED OWNER:

MUFG UNION BANK, N.A.,
on behalf of the San Marcos Public Financing Authority

PRINCIPAL AMOUNT:

DOLLARS

The City of San Marcos (the "City") for and on behalf of the City of San Marcos Community Facilities District No. 99-01 (the "District"), for value received, hereby promises to pay solely from Net Special Tax Revenues (as defined in the Agreement) to be collected in Improvement Area A1 within the District or amounts in the funds and accounts held under the Agreement (as hereinafter defined), to the registered owner (the "Owner") named above, or registered assigns, on the maturity date set forth above, unless redeemed prior thereto as hereinafter provided, the principal amount set forth above, and to pay interest on such principal amount from the Dated Date, or from the most recent interest payment date to which interest has been paid or duly provided for, semiannually five (5) days prior to each September 1 and March 1, commencing March 1, 2015 (each an "Interest Payment Date"), at the interest rate set forth above, until the principal amount hereof is paid or made available for payment. The principal of this Bond is payable to the registered Owner hereof in lawful money of the United States of America upon presentation and surrender of this Bond at the office of MUFG Union Bank, N.A. (the "Fiscal Agent"). Interest on this Bond shall be paid by check of the Fiscal Agent preceding each Interest Payment Date to the registered Owner hereof as of the close of business on the 15th day of the month preceding the month in which the interest payment date occurs (the "Record Date") at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent.

This Bond is one of a duly authorized issue of bonds in the aggregate principal amount of \$_____ pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, Sections 53311, et seq., of the California Government Code (the "Mello-Roos Act") and designated the City of San Marcos Community Facilities District No. 99-01 Improvement Area A1 Special Tax Refunding Bonds, Series 2014. The Bonds have been issued for the purpose of defeasing and refunding the San Marcos Public Facilities Authority Special Tax Revenue Refunding Bonds, 2004 Series A and San Marcos Public Facilities Authority Special Tax Revenue Refunding Bonds, 2004 Series B thereby discharging the City of San Marcos Community Facilities District No. 99-01 Improvement Area A1 2004 Special Tax Refunding Bonds. The issuance of the Bonds and the terms and conditions thereof are provided for by the Fiscal Agent Agreement, dated as of October 1, 2014 (the "Agreement"), by and between the District and the Fiscal Agent and this reference incorporates the Agreement herein, and by acceptance hereof the Owner of this Bond assents to said terms and conditions.

Pursuant to the Mello-Roos Act and the Agreement, the principal of and interest on this Bond are payable solely from Net Special Tax Revenues of the annual special tax authorized under the Mello-Roos Act to be collected within Improvement Area A1 of the District (the "Special Tax") and certain funds held under the Agreement.

Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated on an Interest Payment Date, in which event it shall bear interest from such date of authentication; or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date; or (iii) it is authenticated prior to the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from the Closing Date; provided, however, that if at the time of authentication of a Bond, interest is in default thereon, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Any tax for the payment hereof shall be limited to the Special Tax, except to the extent that provision for payment has been made by the City, as may be permitted by law. The Bonds do not constitute obligations of the City of San Marcos for which said City is obligated to levy or pledge, or has levied or pledged, general or special taxation other than described hereinabove. The District has covenanted for the benefit of the Owners of the Bonds that it will order, and cause to be commenced as provided in the Agreement, and thereafter diligently prosecute to judgment, an action in the superior court to foreclose the lien of any Special Tax or installment thereof not paid when due.

The Bonds maturing on or after September 1, 20__, may be redeemed at the option of the District from any source of funds other than prepayment of Special Taxes, prior to their stated maturity, as a whole or in part (in integral multiples of \$5,000) on any date on or after September 1, 20__, from such maturities as are selected by the District, and by lot within a maturity, at a redemption price equal to the principal amount of the Bonds or portions thereof to be redeemed, together with accrued interest thereon to the date fixed for redemption.

Notwithstanding the above, any such optional redemption of the Bonds shall occur only if the District shall first deliver to the Fiscal Agent and the Authority Trustee a certificate of an Independent Financial Consultant verifying that, following such redemption of the Bonds, the principal and interest due on the Outstanding Bonds, if any, and the other outstanding Special Tax Refunding Bonds is adequate to make the timely payment of principal, including mandatory sinking fund payments, and interest due on the Authority Bonds that will remain outstanding following the corresponding redemption of the Authority Bonds resulting from such optional redemption of the Bonds.

The Bonds shall be subject to redemption on any Interest Payment Date, prior to maturity, as a whole or in part from such maturities, as are selected by the District, from the prepayment of Special Taxes at the following redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed), together with accrued interest thereon to the date of redemption:

Redemption Date	Redemption Price
March 1, 2015 through March 1, 20__	103%
September 1, 20__ and March 1, 20__	102%
September 1, 20__ and March 1, 20__	101%
September 1, 20__ and any Interest Payment Date thereafter	100%

Notwithstanding the above, such mandatory redemption of the Bonds in whole or in part shall occur only if the District shall first deliver to the Fiscal Agent and the Authority Trustee a certificate of an Independent Financial Consultant verifying that, following such redemption of the Bonds, the principal and interest due on the Outstanding Bonds, if any, and the other outstanding Special Tax Refunding Bonds is adequate to make the timely payment of principal, including mandatory sinking fund payments, and interest due on the Authority Bonds that will remain outstanding following the corresponding redemption of the Authority Bonds resulting from such mandatory redemption of the Bonds.

In lieu of redemption under the Fiscal Agent Agreement, moneys in the Bond Fund may be used and withdrawn by the Fiscal Agent for purchase of Outstanding Bonds, upon the filing with the Fiscal Agent of an Officer's Certificate requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Officer's Certificate may provide, but in no event may Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase, unless a greater purchase price is permitted under the Act and the District determines that it will have sufficient amounts in the Bond Fund, following such purchase, to pay Debt Service on the Bonds.

Notice of redemption with respect to the Bonds to be redeemed shall be given to the registered Owners thereof, in the manner, to the extent and subject to the provisions of the Agreement.

This Bond shall be registered in the name of the Owner hereof, as to both principal and interest.

Each registration and transfer of registration of this Bond shall be entered by the Fiscal Agent in books kept by it for this purpose and authenticated by its manual signature upon the certificate of authentication endorsed hereon.

Except as provided in the Agreement, any Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of the Agreement by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form approved by the Fiscal Agent. The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such transfer shall be paid by the District. The Fiscal Agent shall collect from the Owner requesting such transfer any tax or other governmental charge required to be paid with respect to such transfer.

Whenever any Bond or Bonds shall be surrendered for transfer, the District shall execute and the Fiscal Agent shall authenticate and deliver a new Bond or Bonds, for like aggregate principal amount.

No transfers of Bonds shall be required to be made (i) fifteen (15) days prior to the date established by the Fiscal Agent for selection of Bonds for redemption; (ii) with respect to a Bond after such Bond has been selected for redemption; or (iii) between the 15th day of the month next preceding any Interest Payment Date and such Interest Payment Date.

Bonds may be exchanged at the Principal Office of the Fiscal Agent for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such exchange shall be paid by the District. The Fiscal Agent shall collect from the Owner requesting such exchange any tax or other governmental charge required to be paid with respect to such exchange.

No exchanges of Bonds shall be required to be made (i) fifteen (15) days prior to the date established by the Fiscal Agent for selection of Bonds for redemption; (ii) with respect to a Bond after such Bond has been selected for redemption; or (iii) between the 15th day of the month next preceding any Interest Payment Date and such Interest Payment Date.

The Fiscal Agent Agreement and the rights and obligations of the Agency thereunder may be modified or amended as set forth therein.

The Fiscal Agent Agreement contains provisions permitting the District to make provision for the payment of the interest on, and the principal and premium, if any, of the Bonds so that such Bonds shall no longer be deemed to be outstanding under the terms of the Fiscal Agreement.

This Bond shall not become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been dated and signed by the Fiscal Agent.

IT IS HEREBY CERTIFIED, RECITED, AND DECLARED that all acts, conditions and things required by law to exist, happen and be performed precedent to and in the issuance of this Bond have existed, happened and been performed in due time, form and manner as required by law, and that the amount of this Bond does not exceed any debt limit prescribed by the laws or Constitution of the State of California.

IN WITNESS WHEREOF, the City of San Marcos Community Facilities District 99-01 has caused this Bond to be dated October __, 2014, to be signed by the manual or facsimile signature of the Mayor and countersigned by the manual or facsimile signature of the City Clerk, each acting for and on behalf of such community facilities district.

CITY OF SAN MARCOS COMMUNITY
FACILITIES DISTRICT NO. 99-01

BY: _____
Mayor

BY: _____
City Clerk

FISCAL AGENT'S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the Resolution and the Agreement which has been authenticated on _____,_____.

MUFG UNION BANK, N.A., as Fiscal Agent

By: _____
Authorized Officer

ASSIGNMENT

For value received, the undersigned do(es) hereby sell, assign and transfer unto

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within Bond and do(es) hereby irrevocably constitute and appoint _____, attorney, to transfer the same on the registration books of the Fiscal Agent, with full power of substitution in the premises.

Dated: _____

NOTICE: The signature(s) on this assignment must correspond with the name(3) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

EXHIBIT B

PERMITTED INVESTMENTS

"Permitted Investments" means any of the investments listed below that at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein (provided that the Fiscal Agent shall have no duty to investigate the legality of any investments):

A. The following obligations may be used for all purposes, including defeasance investments:

- (1) Cash (insured at all times by the Federal Deposit Insurance Corporation) or collateralized by Permitted Investments listed in A(2) below.
- (2) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including:
 - (a) U.S. treasury obligations,
 - (b) all direct or fully guaranteed obligations,
 - (c) Farmers Home Administration,
 - (d) General Services Administration,
 - (e) Guaranteed Title XI financing,
 - (f) Government National Mortgage Association (GNMA),
 - (g) State and Local Government Series.

Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or pre-payable prior to maturity or earlier redemption of the rated debt (excluding 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).

B. The following obligations may be used as for all purposes other than defeasance investments in refunding escrow accounts:

- (1) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:
 - (a) Export-Import Bank,

- (b) Rural Economic Community Development Administration,
 - (c) U.S. Maritime Administration,
 - (d) Small Business Administration,
 - (e) U.S. Department of Housing & Urban Development (PHAs),
 - (f) Federal Housing Administration,
 - (g) Federal Financing Bank.
- (2) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:
- (a) senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC);
 - (b) obligations of the Resolution Funding Corporation (REFCORP); or
 - (c) senior debt obligations of the Federal Home Loan Bank System.
- (3) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank).
- (4) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase.
- (5) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P including funds for which the Fiscal Agent or an affiliate provides investment advice or other services.
- (6) Pre-refunded municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice:
- (a) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successors thereto; or

- (b) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in A.(2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate; and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.
- (7) Municipal obligations rated “Aaa/AAA” or general obligations of States with a rating of “A2/A” or higher by both Moody’s and S&P.
- (8) Any other investment which the City, on behalf of the District, is permitted by law to make, including without limitation investment in the Local Agency Investment Fund of the State of California (LAIF), provided that any investment of the type authorized pursuant to paragraphs (d), (e), (h), and (i) of Section 53601 of the California Government Code are additionally restricted as provided in the appropriate paragraph or paragraphs above applicable to such type of investment and provided further that investments authorized pursuant to paragraphs (r) and (m) of Section 53601 of the California Government Code are not permitted.

The value of any Permitted Investment shall be determined as follows:

- (1) for the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at fair market value. The Fiscal Agent shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include but are not limited to pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch, Salomon Smith Barney, Bear Stearns, or Lehman Brothers;
- (2) as to certificates of deposit and bankers’ acceptances: the face amount thereof, plus accrued interest thereon.

FISCAL AGENT AGREEMENT

by and between

CITY OF SAN MARCOS
COMMUNITY FACILITIES DISTRICT NO. 99-01

and

MUFG UNION BANK, N.A.
as Fiscal Agent

Dated as of October 1, 2014

Relating to:

\$ _____

City of San Marcos
Community Facilities District No. 99-01
Improvement Area F2/V2 Special Tax Refunding Bonds, Series 2014

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FISCAL AGENT AGREEMENT

THIS FISCAL AGENT AGREEMENT (the “Agreement”) is made and entered into as of October 1, 2014, by and between the City of San Marcos Community Facilities District No. 99-01 (the “District”), a community facilities district, organized and existing under and by virtue of the laws of the State of California, and MUFG Union Bank, N.A., a national banking association organized and existing under the laws of the United States of America, as fiscal agent (the “Fiscal Agent”).

WITNESSETH:

WHEREAS, the City Council of the City of San Marcos (the “City”) has formed the District under the provisions of the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 et seq. of the California Government Code) (the “Act”) and Resolution No. 99-5332 of the City Council adopted on November 9, 1999;

WHEREAS, the City Council is authorized under the Act and pursuant to Ordinance No. 2006-1269 to levy special taxes to pay for the costs of facilities provided by the District;

WHEREAS, pursuant to Section 53350 of the Act, the City Council designated portions of the District as Improvement Areas (each an “Improvement Area”) for the purpose of financing, or contributing to the financing of, specified public facilities;

WHEREAS, under the provisions of the Act, on October 10, 2006, the City Council, acting as the legislative body of the District, adopted Resolution No. 2006-6752 (the “Resolution”) authorizing the issuance and sale of bonds for the District pursuant to the Fiscal Agent Agreement, dated as of November 1, 2006, by and between the District and Union Bank of California, N.A., as fiscal agent (the “Prior Fiscal Agent”) designated “City of San Marcos Community Facilities District No. 99-01 (Improvement Area F2/V2) Special Tax Bonds, Series 2006” (the “Prior Special Tax Bonds”), for the purpose of funding the acquisition, rehabilitation and construction of certain public improvements within Improvement Area F2/V2 of the District;

WHEREAS, on November 21, 2006, the San Marcos Public Facilities Authority (the “Public Facilities Authority”) issued its \$13,660,000 San Marcos Public Facilities Authority Special Tax Revenue Bonds, 2006 Series A (the “Prior Authority Bonds”) to finance the acquisition of the Prior Special Tax Bonds; and

WHEREAS, on November 21, 2006, the Prior Special Tax Bonds in the principal amount of \$3,220,000 were issued and delivered to the Public Facilities Authority as the initial purchaser thereof;

WHEREAS, on September __, 2014, the City Council, acting in its capacity as the legislative body of CFD No. 99-01, adopted Resolution No. 2014-____ (the “Resolution”) (a) approving the First Amendment to Fiscal Agent Agreement, dated as of October 1, 2014, by and between the District and the Prior Fiscal Agent to provide that the Prior Special Tax Bonds shall

be discharged upon the defeasance of the Prior Authority Bonds; and (b) authorizing the issuance and sale of bonds of the District pursuant to this Agreement designated “City of San Marcos Community Facilities District No. 99-01 Improvement Area F2/V2 Special Tax Refunding Bonds, Series 2014” (the “Bonds”), for the purpose of financing the defeasance and refunding of the Prior Authority Bonds and thereby discharging the Prior Special Tax Bonds;

WHEREAS, it is in the public interest and for the benefit of the City, the District, the persons responsible for the payment of special taxes and the owners of the Bonds that the District enter into this Agreement to provide for the issuance of the Bonds, the disbursement of proceeds of the Bonds, the disposition of the special taxes securing the Bonds, and the administration and payment of the Bonds;

WHEREAS, all things necessary to cause the Bonds, when authenticated by the Fiscal Agent and issued as provided in the Act, the Resolution and this Agreement, to be legal, valid and binding and limited obligations in accordance with their terms, and all things necessary to cause the creation, authorization, execution and delivery of this Agreement and the creation, authorization, execution and issuance of the Bonds, subject to the terms hereof, have in all respects been duly authorized;

NOW, THEREFORE, that in order to secure the payment of the principal of, premium, if any, and the interest on all Bonds at any time issued and outstanding under this Agreement, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the holders thereof, and for other valuable considerations, the receipt of which is hereby acknowledged, the District does hereby covenant and agree with the Fiscal Agent, for the benefit of the respective holders from time to time of the Bonds, as follows:

ARTICLE I

STATUTORY AUTHORITY AND DEFINITIONS

Section 1.01. **Authority for this Agreement.** This Agreement is entered into pursuant to the provisions of the Act and the Resolution.

Section 1.02. **Agreement for Benefit of Bondowners.** The provisions, covenants and agreements herein set forth to be performed by or on behalf of the City and the District shall be for the equal benefit, protection, and security of the Owners from time to time. In consideration of the acceptance of the Bonds by the Owners thereof, this Agreement shall be deemed to be and shall constitute a contract between the District and the Owners; and the covenants and agreements herein set forth to be performed by the District shall be for the equal and proportionate benefit, security, and protection of all Owners of the Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the number or date thereof or the time of sale, execution, or delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or herein. All of the Bonds, without regard to the time or times of their issuance or maturity, shall be of equal rank

without preference, priority or distinction of any of the Bonds over any other thereof, except as expressly provided in or permitted by this Agreement.

The Fiscal Agent may become the Owner of any of the Bonds in its own or any other capacity with the same rights it would have if it were not Fiscal Agent.

Section 1.03. Definitions. Unless the context otherwise requires, the terms defined in this Section 1.03 shall, for all purposes of this Agreement, of any Supplemental Agreement, and of any certificate, opinion or other document herein mentioned, have the meanings herein specified. All capitalized terms not otherwise defined herein shall have the meanings given to such terms in the Authority Indenture. All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Agreement, and the words “herein,” “hereof,” “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or subdivision hereof.

“Act” means the Mello-Roos Community Facilities Act of 1982, as amended, being Sections 53311 et seq. of the California Government Code.

“Administrative Claims” shall have the meaning given such term in the Funding Agreement.

“Administrative Defense Account” means the account by that name established by Section 3.04A hereof.

“Administrative Expense Fund” means the fund by that name established by Section 3.04A hereof.

“Administrative Expenses” means any or all of the following: the fees and expenses of the Fiscal Agent (including the fees and expenses of its counsel), the expenses of the City or the District in carrying out its duties hereunder (including, but not limited to, the levying and collection of the Special Taxes, complying with the disclosure provisions of the Act, the Continuing Disclosure Agreement and this Agreement, including those related to public inquiries regarding the Special Tax and disclosures to Bondowners and the Original Purchaser); the costs of the City and the District or their designees related to an appeal of the Special Tax; any costs of the City and the District (including fees and expenses of counsel) to defend the first lien on and pledge of the Special Taxes to the payment of the Bonds or otherwise in respect of litigation relating to the District or the Bonds or with respect to any other obligations of the District; the Proportionate Share of the Authority Administrative Expenses allocable to the Bonds, the Proportionate Share of the salaries of City staff directly related to the carrying out by the City of its obligations hereunder or under the Authority Indenture and a proportionate amount of City general administrative overhead related thereto allocable to the Bonds; and all other costs and expenses of the City, the District, and the Fiscal Agent incurred in connection with the discharge of their respective duties hereunder, and in the case of the City, in any way related to the administration of the District and all actual costs and expenses incurred in connection with the administration of the Bonds.

“Agreement” means this Fiscal Agent Agreement, as it may be amended or supplemented from time to time by any Supplemental Agreement adopted pursuant to the provisions hereof.

“Annual Debt Service” means, for each Bond Year, the sum of (i) the interest due on the Outstanding Bonds in such Bond Year, and (ii) the principal amount of the Outstanding Bonds scheduled to be paid in such Bond Year.

“Auditor” means the auditor/tax collector of the County of San Diego.

“Authority” means the San Marcos Public Financing Authority and any successor thereto.

“Authority Bonds” means any bonds outstanding under the Authority Indenture, which are secured by payments to be made on the Bonds.

“Authority Indenture” means that certain Indenture of Trust, dated as of October 1, 2014, by and between the Authority and the Authority Trustee, pursuant to which the Authority Bonds are issued.

“Authority Trustee” means MUFG Union Bank, N.A., or any successor thereto appointed under the Authority Indenture.

“Authorized Officer” means the City Manager, Assistant City Manager, Director of Finance, or City Clerk of the City, or any other officer or employee authorized by the City Council of the City or by an Authorized Officer to undertake the action referenced in this Agreement as required to be undertaken by an Authorized Officer.

“Bond Counsel” means (i) Best Best & Krieger LLP; or (ii) any attorney or firm of attorneys acceptable to the District and nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities.

“Bond Fund” means the fund by that name established by Section 4.02A hereof.

“Bond Year” means the one-year period beginning on September 2 in each year and ending on September 1 in the following year except that the first Bond Year shall begin on the Closing Date and end on September 1, 2015.

“Bonds” means the City of San Marcos Community Facilities District No. 99-01 Improvement Area F2/V2 Special Tax Refunding Bonds, Series 2014 authorized by, and at any time Outstanding pursuant hereto.

“Business Day” means a day which is not a Saturday, Sunday, or legal holiday on which banking institutions in the State of California, or in any state in which the Principal Office of the Trustee is located, or the New York Stock Exchange are closed. If any payment hereunder is due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day with the same effect as if made on such previous day.

“CDIAC” means the California Debt and Investment Advisory Commission of the office of the State Treasurer of the State of California or any successor agency or bureau thereto.

“City” means the City of San Marcos, California.

“Closing Date” means the date upon which there is a physical delivery of the Bonds in exchange for the amount representing the purchase price of the Bonds by the Original Purchaser.

“Code” means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

“Continuing Disclosure Agreement” means that certain Continuing Disclosure Agreement relating to the Authority Bonds, executed on the Closing Date by the District on behalf of the Authority, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“County” means the County of San Diego, California.

“Debt Service” means the scheduled amount of interest and amortization of principal payable on the Bonds during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

“Defeasance Obligations” means those obligations described in paragraph A. of the definition of Permitted Investments.

“District” means the City of San Marcos Community Facilities District No. 99-01, formed pursuant to the Resolution of Formation.

“DTC” means The Depository Trust Company.

“Escrow Agreement” means that Escrow Deposit and Trust Agreement, dated as of October 1, 2014, among the San Marcos Public Facilities Authority, the District and the Escrow Bank relating to defeasance and redemption of the Prior Authority Bonds, and the discharge of the Prior Special Tax Bonds.

“Escrow Bank” means MUFG Union Bank, N.A., acting as escrow bank under the Escrow Agreement.

“Facilities” means the facilities more particularly described in the Resolution of Intention, or any portion of the facilities.

“Fair Market Value” means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code; (ii) the investment is an agreement with

specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code; (iii) the investment is a United States Treasury Security - State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt; or (iv) any commingled investment fund in which the City and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

“Fiscal Agent” means the Fiscal Agent appointed by the District and acting as an independent fiscal agent with the duties and powers herein provided, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in Section 8.01.

“Fiscal Year” means the twelve-month period extending from July 1 in a calendar year to June 30 of the succeeding year, both dates inclusive.

“Funding Agreement” means that certain Funding, Construction and Acquisition Agreement dated as of October 12, 1999, by and among the City, the District and San Elijo Hills Development Company, LLC, as it may be amended or supplemented from time to time.

“Governing Body” means the City Council of the City.

“Improvement Area” means Improvement Area F2/V2 of the District.

“Improvement Areas” means, collectively, each of improvement areas of the District for which special tax bonds have been issued.

“Independent Accountant” means any nationally recognized firm of certified public accountants or firm of such accountants duly licensed or registered or entitled to practice and practicing as such under the laws of the State, appointed by the City, and who, or each of whom:

- (1) is in fact independent and not under domination of the Authority, the City or the Community Facilities District;
- (2) does not have any substantial interest, direct or indirect, with the Authority, the City or the Community Facilities District; and
- (3) is not connected with the Authority, the City or the Community Facilities District as an officer or employee of the Authority, the City or the Community Facilities District, but who may be regularly retained to make reports to the Authority, the City or the Community Facilities District.

“Independent Financial Consultant” means any financial consultant or firm of such financial consultants appointed by the Authority and who, or each of whom:

- (1). is judged by the City to have experience with respect to the financing of public capital improvement projects;
- (2). is in fact independent and not under the domination of the Authority, the City, or the Community Facilities District;

(3). does not have any substantial interest, direct or indirect, with the Authority, the City, or the Community Facilities District; and

(4). is not connected with the Authority, the City, or the Community Facilities District as an officer or employee of the Authority, the City, or the Community Facilities District, but who may be regularly retained to make reports to the Authority, the City, or the Community Facilities District.

“Interest Payment Dates” means March 1 and September 1 of each year, commencing March 1, 2015.

“Investment Earnings” means all interest earned and any gains and losses on the investment of moneys in any fund or account created by this Agreement.

“Net Special Tax Revenues” means, for each Fiscal Year, all Special Tax Revenues received by the District less an amount equal to the Priority Administrative Expense Amount.

“Officer’s Certificate” means a written certificate of the District or the City signed by an Authorized Officer of the City.

“Ordinance” means an ordinance of the City levying the Special Taxes, including Ordinance No. 2006-1269, adopted by the Governing Body on August 22, 2006.

“Original Purchaser” means the Authority.

“Outstanding,” means (subject to the provisions of Section 9.04), when used as of any particular time with reference to Bonds, all Bonds except: (i) Bonds theretofore canceled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation; (ii) Bonds paid or deemed to have been paid within the meaning of Section 10.01; and (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued, and delivered by the District pursuant to this Agreement or any Supplemental Agreement.

“Owner” or “Bondowner” means any person who shall be the registered owner of any Outstanding Bond.

“Permitted Investments” means any of the investments listed in Exhibit B hereto.

“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.

“Prepayments” means Special Tax Revenues identified to the Fiscal Agent by an Authorized Officer as representing a prepayment of the Special Tax pursuant to the RMA.

“Principal Office” means such corporate trust office of the Fiscal Agent as may be designated from time to time by written notice from the Fiscal Agent to the District, initially being in Los Angeles, California, except that with respect to presentation of Bonds for payment or for registration of transfer or exchange or maintenance of the Registration Books, such term

shall mean the office of the Fiscal Agent at which its corporate agency business shall be conducted..

“Prior Fiscal Agent” means MUFG Union Bank, N.A., formerly known as Union Bank of California, N.A.

“Prior Fiscal Agent Agreement” means the Fiscal Agent Agreement, dated as of November 1, 2006, by and between the District and the Prior Fiscal Agent, as amended by the First Amendment to Fiscal Agent Agreement, dated as of October 1, 2014, by and between the District and the Prior Fiscal Agent.

“Prior Special Tax Bonds” means the outstanding City of San Marcos Community Facilities District No. 99-01 Improvement Area F2/V2 Special Tax Bonds.

“Priority Administrative Expense Amount” means an annual amount equal to \$9,000 or such lesser amount as may be designated by written instruction from an Authorized Officer of the District to be allocated as the first priority of Special Taxes received each Fiscal Year for the payment of Administrative Expenses allocated to the Bonds.

“Proportionate Share” means, as of the date of calculation, the ratio derived by dividing the principal amount of the Outstanding Bonds by the principal amount of the Authority Bonds outstanding.

“Record Date” means the fifteenth day of the month next preceding the month of the applicable Interest Payment Date.

“Resolution of Formation” means Resolution No. 99-5332, adopted by the Governing Body on November 9, 1999, as now in effect or as it may hereafter be amended from time to time.

“Resolution of Issuance” means Resolution No. 2014-____, adopted by the Governing Body, acting as the legislative body of the District on September __, 2014.

“RMA” means the Rate and Method of Apportionment of the Special Tax for Improvement Area F2/V2 approved by the qualified electors within Improvement Area F2/V2 at a special election held on November 9, 1999.

“Special Tax Fund” means the fund by that name established by Section 3.03A hereof.

“Special Tax Refunding Bonds” shall have the meaning given such term in the Authority Indenture.

“Special Tax Refunding Bonds Prepayment Reserve Fund Credit” shall have the meaning given such term in the Authority Indenture.

“Special Tax Revenues” means the proceeds of the Special Taxes received by the District including any scheduled payments and any prepayments thereof, interest thereon and proceeds of

the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest and penalties thereon.

“Special Taxes” means the special taxes levied within the Improvement Area F2/V2 of the District pursuant to the Act, the RMA, the Ordinance, and this Agreement.

“Supplemental Agreement” means an agreement the execution of which is authorized by a resolution which has been duly adopted by the Governing Body under the Act and which agreement is amendatory of or supplemental to this Agreement, but only if and to the extent that such agreement is specifically authorized hereunder.

“Treasurer” means the person who is acting in the capacity as treasurer or finance director to the City or the designee of either such officer.

ARTICLE II

THE BONDS

Section 2.01. **Principal Amounts; Designations.** Bonds in the aggregate principal amount of _____ Dollars (\$_____) are hereby authorized to be issued by the District under and subject to the terms of the Resolution of Issuance and this Agreement, the Act and other applicable laws of the State of California. The Bonds shall be designated “City of San Marcos Community Facilities District No. 99-01 Improvement Area F2/V2 Special Tax Refunding Bonds, Series 2014.” This Agreement constitutes a continuing agreement of the District with the Owners from time to time of the Bonds to secure the full payment of the principal of, premium, if any, and interest on all such Bonds subject to the covenants, provisions, and conditions herein contained.

Section 2.02. Terms of Bonds.

A. Form; Denominations. The Bonds shall be issued as fully registered bonds without coupons in the denomination of \$5,000 or any integral multiple thereof; provided, however, one Bond from each maturity may be in an amount other than \$5,000 or an integral multiple thereof. The Bonds shall be lettered and numbered in a customary manner as determined by the Fiscal Agent.

Notwithstanding anything in this Agreement to the contrary, so long as MUFG Union Bank, N.A., as trustee under the Authority Indenture, or any successor thereunder, is the registered owner of all of the Bonds and the Authority is the beneficial owner of all of the Bonds, the aggregate principal amount of the Bonds shall be represented by single form of Bond and payments principal of and interest on the Bonds shall be made to the Authority Trustee in accordance with Schedule A attached hereto as part of Exhibit D and made a part hereof.

B. Date of the Bonds. The Bonds shall be dated the Closing Date.

C. Maturities, Interest Rates. The Bonds shall mature on the dates and shall bear interest at the rates as follows:

Maturity Date (September 1)	Principal Amount	Coupon
2015		
2016		
2017		
2018		
2019		
2020		
2021		
2022		
2023		
2024		
2025		
2026		
2027		
2028		
2029		
2030		
2031		
2032		
2033		
2034		
2035		
2036		
2037		
2038		

D. Interest. The Bonds shall bear interest on each Interest Payment Date at the rates set forth above. Interest shall be calculated on the basis of a 360-day year composed of twelve 30-day months. Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated on an Interest Payment Date, in which event it shall bear interest from such date of authentication; or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date; or (iii) it is authenticated prior to the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from the Closing Date; provided, however, that if at the time of authentication of a Bond, interest is in default thereon, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

E. Method of Payment. Interest on the Bonds (including the final interest payment upon maturity or earlier redemption) is payable by check or draft of the Fiscal Agent on the Interest Payment Date or on the next Business Day following the Interest Payment Date, if such

Interest Payment Date is not a Business Day, by first class mail, postage pre-paid to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer made on such Interest Payment Date upon instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds.

The principal of the Bonds and any premium on the Bonds are payable in lawful money of the United States of America upon surrender of the Bonds at the Principal Office of the Fiscal Agent.

All Bonds paid by the Fiscal Agent pursuant to this Section shall be canceled by the Fiscal Agent. The Fiscal Agent shall destroy the canceled Bonds and issue a certificate of destruction thereof to the District.

Section 2.03. **Redemption.**

A. Optional Redemption. The Bonds maturing on or after September 1, 20__ may be redeemed at the option of the District from any source of funds other than prepayment of Special Taxes, prior to their stated maturity, as a whole or in part (in integral multiples of \$5,000) on any day on or after September 1, 20__, from such maturities as are selected by the District, and by lot within a maturity, at a redemption price equal to the principal amount of the Bonds or portions thereof to be redeemed, together with accrued interest thereon to the date fixed for redemption.

Notwithstanding the above, any such optional redemption of the Bonds shall occur only if the District shall first deliver to the Fiscal Agent and the Authority Trustee a certificate of an Independent Financial Consultant verifying that, following such redemption of the Bonds, the principal and interest due on the Outstanding Bonds, if any, and the other outstanding Special Tax Refunding Bonds is adequate to make the timely payment of principal, including mandatory sinking fund payments, and interest due on the Authority Bonds that will remain outstanding following the corresponding redemption of the Authority Bonds resulting from such optional redemption of the Bonds.

B. **Mandatory Redemption from the Prepayment of Special Taxes.** The Bonds shall be subject to redemption on any Interest Payment Date, prior to maturity, as a whole or in part from such maturities, as are selected by the District, from the prepayment of Special Taxes at the following redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed), together with accrued interest thereon to the date of redemption:

Redemption Date	Redemption Price
March 1, 2015 through March 1, 20__	103%
September 1, 20__ and March 1, 20__	102%
September 1, 20__ and March 1, 20__	101%
September 1, 20__ and any Interest Payment Date thereafter	100%

Notwithstanding the above, such mandatory redemption of the Bonds in whole or in part shall occur only if the District shall first deliver to the Fiscal Agent and the Authority Trustee a

certificate of an Independent Financial Consultant verifying that, following such redemption of the Bonds, the principal and interest due on the Outstanding Bonds, if any, and the other outstanding Special Tax Refunding Bonds is adequate to make the timely payment of principal, including mandatory sinking fund payments, and interest due on the Authority Bonds that will remain outstanding following the corresponding redemption of the Authority Bonds resulting from such mandatory redemption of the Bonds.

C. Purchase In Lieu of Redemption. In lieu of redemption under Section 2.03A or 2.03B, moneys in the Bond Fund may be used and withdrawn by the Fiscal Agent for purchase of Outstanding Bonds, upon the filing with the Fiscal Agent of an Officer's Certificate requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Officer's Certificate may provide, but in no event may Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase, unless a greater purchase price is permitted under the Act and the District determines that it will have sufficient amounts in the Bond Fund, following such purchase, to pay Debt Service on the Bonds.

D. Notice to Fiscal Agent. The District shall give the Fiscal Agent written notice of its intention to redeem Bonds pursuant to Section 2.03A or 2.03B not less than sixty (60) days prior to the applicable redemption date, unless such notice shall be waived by the Fiscal Agent or the Fiscal Agent agrees to a shorter period.

E. Redemption Procedure by Fiscal Agent. The Fiscal Agent shall cause notice of any redemption to be mailed by first class mail, postage prepaid, at least thirty (30) days but not more than sixty (60) days prior to the date fixed for redemption, to the respective registered Owners of any Bonds designated for redemption, at their addresses appearing on the Bond registration books in the Principal Office of the Fiscal Agent; but such mailing shall not be a condition precedent to such redemption and failure to mail or to receive any such notice, or any defect therein, shall not affect the validity of the proceedings for the redemption of such Bonds.

Such notice shall state the redemption date and the redemption price and, if less than all of the then Outstanding Bonds are to be called for redemption, shall designate the Bond numbers of the Bonds to be redeemed by giving the individual Bond number of each Bond to be redeemed or shall state that all Bonds between two stated Bond numbers, both inclusive, are to be redeemed or that all of the Bonds of one or more maturities have been called for redemption, shall state as to any Bond called in part the principal amount thereof to be redeemed, and shall require that such Bonds be then surrendered at the Principal Office of the Fiscal Agent for redemption at the said redemption price, and shall state that further interest on such Bonds will not accrue from and after the redemption date. The cost of mailing any such redemption notice and any expenses incurred by the Fiscal Agent in connection therewith shall be paid by the District.

Notwithstanding the preceding provisions of this subsection, so long as the Authority Trustee is the Owner of the Bonds on behalf of the Authority, the Fiscal Agent shall not cause notice of any redemption of Bonds to be mailed to the Securities Depositories or the Information Services, and shall not mail notice of the redemption of Bonds to the Authority if it files a written waiver of the mailing of such notice with the Fiscal Agent.

Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall, to the extent practicable, bear the Bond number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

The District shall have the right to rescind any notice of redemption prior to maturity on or prior to the date fixed for such redemption prior to maturity. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date so fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default hereunder. The District and the Fiscal Agent shall have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Fiscal Agent shall mail notice of such recession of redemption in the same manner as the original notice of redemption.

Whenever provision is made in this Agreement for the redemption of less than all of the Bonds or any given portion thereof, the Fiscal Agent shall select the Bonds to be redeemed, from all Bonds or such given portion thereof not previously called for redemption, among maturities as specified by the District in a written certificate delivered to the Fiscal Agent, and by lot within a maturity in any manner which the District in its sole discretion shall deem appropriate and fair. In providing such certificate, the District shall provide for the redemption of Bonds such that the remaining Debt Service payable on the Bonds shall remain as level as possible.

Upon surrender of Bonds redeemed in part only, the District shall execute and the Fiscal Agent shall authenticate and deliver to the registered Owner, at the expense of the District, a new Bond or Bonds, of the same Series and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

F. Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of, and interest and any premium on, the Bonds so called for redemption shall have been deposited in the Bond Fund, such Bonds so called shall cease to be entitled to any benefit under this Agreement other than the right to receive payment of the redemption price, and no interest shall accrue thereon on or after the redemption date specified in such notice.

All Bonds redeemed and purchased by the Fiscal Agent pursuant to this Section shall be canceled by the Fiscal Agent. The Fiscal Agent shall destroy the canceled Bonds and, upon written request of the District, issue a certificate of destruction thereof to the District.

Section 2.04. Form of Bonds. The Bonds, the form of Fiscal Agent's certificate of authentication and the form of assignment, to appear thereon, shall be substantially in the forms, respectively, set forth in Exhibit A attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Agreement, the Resolution, and the Act. The Bonds of any other Series and the form of the certificate of authentication and assignment to appear thereon shall be in such form or forms as may be specified in the Supplemental Agreement creating such Series of Bonds.

Section 2.05. Execution of Bonds. The Bonds shall be executed on behalf of the District by the manual or facsimile signatures of the Mayor and City Clerk, who are in office on the date of adoption of this Agreement or at any time thereafter. The Bonds shall then be delivered to the Trustee for authentication. If any officer whose signature appears on any Bond ceases to be such officer before delivery of the Bonds to the Owner, such signature shall nevertheless be as effective as if the officer had remained in office until the delivery of the Bonds to the Owner. Any Bond may be signed and attested on behalf of the District by such persons as at the actual date of the execution of such Bond shall be the proper officers of the District although at the nominal date of such Bond any such person shall not have been such officer of the District.

Only such Bonds as shall bear thereon a certificate of authentication in substantially the form set forth in Exhibit A, executed and dated by the Fiscal Agent, shall be valid or obligatory for any purpose or entitled to the benefits of this Agreement, and such certificate of authentication of the Fiscal Agent shall be conclusive evidence that the Bonds registered hereunder have been duly authenticated, registered and delivered hereunder and are entitled to the benefits of this Agreement.

Section 2.06. Transfer of Bonds. Any Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of Section 2.08 by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form approved by the Fiscal Agent. The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such transfer shall be paid by the District. The Fiscal Agent shall collect from the Owner requesting such transfer any tax or other governmental charge required to be paid with respect to such transfer.

Whenever any Bond or Bonds shall be surrendered for transfer, the District shall execute and the Fiscal Agent shall authenticate and deliver a new Bond or Bonds, for like aggregate principal amount.

No transfers of Bonds shall be required to be made (i) fifteen (15) days prior to the date established by the Fiscal Agent for selection of Bonds for redemption; (ii) with respect to a Bond after such Bond has been selected for redemption; or (iii) between the 15th day of the month next preceding any Interest Payment Date and such Interest Payment Date.

Section 2.07. Exchange of Bonds. Bonds may be exchanged at the Principal Office of the Fiscal Agent for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such exchange shall be paid by the District. The Fiscal Agent shall collect from the Owner requesting such exchange any tax or other governmental charge required to be paid with respect to such exchange.

No exchanges of Bonds shall be required to be made (i) fifteen (15) days prior to the date established by the Fiscal Agent for selection of Bonds for redemption; (ii) with respect to a Bond after such Bond has been selected for redemption; or (iii) between the 15th day of the month next preceding any Interest Payment Date and such Interest Payment Date.

Section 2.08. **Bond Register.** The Fiscal Agent will keep or cause to be kept, at its Principal Office sufficient books for the registration and transfer of the Bonds which books shall show the number, date, amount, rate of interest and last known Owner of each Bond and shall at all times be open to inspection by the District or the City during regular business hours upon reasonable notice; and, upon presentation for such purpose, the Fiscal Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, the ownership of the Bonds as hereinbefore provided.

The District and the Fiscal Agent will treat the Owner of any Bond whose name appears on the Bond register as the absolute Owner of such Bond for any and all purposes, and the District and the Fiscal Agent shall not be affected by any notice to the contrary. The District and the Fiscal Agent may rely on the address of the Bond Owner as it appears in the Bond register for any and all purposes.

Section 2.09. **Temporary Bonds.** The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such authorized denominations as may be determined by the District, and may contain such reference to any of the provisions of this Agreement as may be appropriate. Every temporary Bond shall be executed by the District upon the same conditions and in substantially the same manner as the definitive Bonds. If the District issues temporary Bonds it will execute and furnish definitive Bonds without delay and thereupon the temporary Bonds shall be surrendered, for cancellation, in exchange for the definitive Bonds at the Principal Office of the Fiscal Agent or at such other location as the Fiscal Agent shall designate, and the Fiscal Agent shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations. Until so exchanged, the temporary bonds shall be entitled to the same benefits under this Agreement as definitive Bonds authenticated and delivered hereunder.

Section 2.10. **Bonds Mutilated, Lost, Destroyed or Stolen.** If any Bond shall become mutilated, the District, at the expense of the Owner of said Bond, shall execute, and the Fiscal Agent shall authenticate and deliver, a new Bond of like tenor and principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Fiscal Agent of the Bond so mutilated. Every mutilated Bond so surrendered to the Fiscal Agent shall be canceled by it and destroyed by the Fiscal Agent, who shall deliver a certificate of destruction thereof to the District. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Fiscal Agent and, if such evidence be satisfactory to it and indemnity for the District and the Fiscal Agent satisfactory to the Fiscal Agent shall be given, the District, at the expense of the Owner, shall execute, and the Fiscal Agent shall authenticate and deliver, a new Bond of like tenor and principal amount in lieu of and in substitution for the Bond so lost, destroyed or stolen. The District may require payment of a sum not exceeding the actual cost of preparing each new Bond delivered under this Section and of the expenses which may be incurred by the District and the Fiscal Agent for the preparation, execution, authentication and delivery. Any Bond delivered under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the District whether or not the Bond so alleged to be lost, destroyed or stolen is at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Agreement with all other Bonds issued pursuant to this Agreement.

Section 2.11. Type and Nature of the Bonds; Limited Obligation. Neither the faith and credit nor the taxing power of the City, the State of California or any political subdivision thereof other than the District is pledged to the payment of the Bonds. Except for the Special Taxes, no other taxes are pledged to the payment of the Bonds. The Bonds are not general or special obligations of the City nor general obligations of the District but are limited obligations of the District payable solely from Net Special Tax Revenues. The District's limited obligation to pay the principal of, premium, if any, and interest on the Bonds from the Net Special Tax Revenues is absolute and unconditional, free of deductions and without any abatement, offset, recoupment, diminution or set-off whatsoever. No Owner of the Bonds may compel the exercise of the taxing power by the District (except as it pertains to the Special Taxes) or the City or the forfeiture of any of their property. The principal of and interest on the Bonds and premiums upon the redemption thereof, if any, are not a debt of the City, the State of California or any of its political subdivisions except the District within the meaning of any constitutional or statutory limitation or restriction. The Bonds are not a legal or equitable pledge, charge, lien, or encumbrance upon any of the District's property, or upon any of its income, receipts or revenues, except the Net Special Tax Revenues and amounts on deposit in the Special Tax Fund and the Bond Fund to the extent pledged hereunder which are, under the terms of this Agreement and the Act, set aside for the payment of the Bonds and interest thereon and neither the members of the legislative body of the District nor any persons executing the Bonds are liable personally on the Bonds by reason of their issuance.

Section 2.12. Equality of Bonds and Pledge of Net Special Tax Revenues. Pursuant to the Act and this Agreement, the Bonds shall be equally payable from the Net Special Tax Revenues and other amounts in the Special Tax Fund without priority for number, date of the Bonds, date of sale, date of execution, or date of delivery, and the payment of the interest on and principal of the Bonds and any premiums upon the redemption thereof, shall be exclusively paid from the Net Special Tax Revenues and certain other amounts in the Special Tax Fund, which are hereby set aside for the payment of the Bonds. Amounts in the Special Tax Fund shall constitute a trust fund held for the benefit of the Owners to be applied to the payment of the interest on and principal of the Bonds and so long as any of the Bonds or interest thereon remain Outstanding shall not be used for any other purpose, except as permitted by this Agreement.

Nothing in this Fiscal Agent Agreement shall preclude, subject to the limitations contained hereunder, the redemption prior to maturity of any Bonds subject to call and redemption and payment of said Bonds from proceeds of refunding bonds issued under the Act as the same now exists or as hereafter amended, or under any other law of the State of California, which shall be payable from Net Special Tax Revenues.

Section 2.13. Description of Bonds; Interest Rates. The Bonds shall be issued in fully registered form in any denomination. The Bonds shall be numbered as desired by the Fiscal Agent.

Section 2.14. No Acceleration. The principal of the Bonds shall not be subject to acceleration hereunder. Nothing in this Section shall in any way prohibit the prepayment or redemption of Bonds under Section 2.03 hereof, or the defeasance of the Bonds and discharge of this Agreement under Section 10.01 hereof.

Section 2.15. **Additional Bonds.** Other than for the purpose of refunding the Bonds, no additional Bonds entitled to a lien on the Net Special Tax Revenues shall be issued hereunder.

Section 2.16. **Validity of the Bonds.** The validity of the authorization and issuance of the Bonds shall not be affected in any way by any defect in any proceedings taken by the District for the issuance and sale of the Bonds and the recital contained in the Bonds that the same are issued pursuant to the Act and other applicable laws of the State shall be conclusive evidence of their validity and the regularity of their issuance.

ARTICLE III

ISSUANCE OF BONDS

Section 3.01. **Issuance and Delivery of the Bonds.** At any time after the execution of this Agreement, the District may issue the Bonds in the aggregate principal amount set forth in Section 2.01 and deliver the Bonds to the Original Purchaser. The Authorized Officers of the District are hereby authorized and directed to deliver any and all documents and instruments necessary to cause the issuance of the Bonds in accordance with the provisions of the Act, the Resolution and this Agreement and to do and cause to be done any and all acts and things necessary or convenient for delivery of the Bonds to the Original Purchaser, upon payment of the purchase price for the Bonds.

Section 3.02. **Application of Proceeds of Sale of the Bonds and Transfers from the Prior Special Tax Bonds.** The proceeds of the purchase of the Bonds by the Original Purchaser (being \$_____ equal to the par amount of \$_____.00 plus the net original issue premium of \$_____ minus the Original Purchaser's discount of \$_____) shall be paid to the Fiscal Agent, who shall forthwith set aside, pay over and transfer such proceeds on the Closing Date as follows:

A. \$_____ shall be transferred to the Escrow Bank for deposit into the Escrow Fund held by the Escrow Bank under the Escrow Agreement.

On the Closing Date the following funds on deposit in funds and accounts established pursuant to the Prior Fiscal Agent Agreement shall be transferred by the Prior Fiscal Agent to the Fiscal Agent, who shall forthwith deposit such proceeds on such Closing Date as follows:

A. \$_____ shall be deposited in the Bond Fund; and

B. \$_____ shall be deposited in the Administrative Defense Account of the Administrative Expense Fund.

Section 3.03. Special Tax Fund.

A. **Establishment of Special Tax Fund.** There is hereby established as a separate fund to be held by the Fiscal Agent, the "Special Tax Fund," to the credit of which the District or the City, on behalf of the District, shall deposit, immediately upon receipt, all Special Tax Revenue received by the District or the City, on behalf of the District. Moneys in the Special Tax Fund shall be held by the Fiscal Agent for the benefit of the District and the Owners of the

Bonds, shall be disbursed as provided below and, pending any disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

B. Disbursements of Special Tax Revenues. The Special Tax Revenues deposited in the Special Tax Fund shall be held and, other than Special Tax Revenues representing Prepayments, subsequently transferred to the following funds and accounts not later than the dates and in the amounts set forth in the following paragraphs and in the following order of priority:

1. to the Administrative Expense Fund an amount equal to the Priority Administrative Expense Amount estimated to be due and payable during the Fiscal Year;

2. not later than ten (10) Business Days prior to each Interest Payment Date, to the Bond Fund:

- a. the amount representing past due installments of principal, interest and premium on the Bonds (including any interest thereon pursuant to the second sentence of the second paragraph of Section 4.02B), if any, resulting from the delinquency in the payment of such Special Taxes; and

- b. an amount, taking into account any amounts then on deposit in the Bond Fund (other than by reason of the preceding paragraph a.) such that the amount in the Bond Fund equals the principal, premium, if any, and interest due on the Bonds on the next Interest Payment Date;

3. no later than ten (10) Business Days prior to each Interest Payment Date, to the Authority Trustee for deposit in the Reserve Fund that amount, in addition to the amount transferred to the Bond Fund pursuant to paragraph 2.a. above, necessary to replenish any draw on the Reserve Fund (as defined in the Authority Indenture) resulting from the delinquency in the payment of scheduled debt service on the Bonds;

4. on September 2 of each year after making the deposits and transfers required under paragraphs 1 and 2 above and the transfer, if any, authorized under paragraph 3 above, upon receipt of written instructions from an Authorized Officer on or before the preceding June 30, to the Authority Trustee the amount specified in such written instructions necessary for the payment of the Proportionate Share of any rebate amount due and owing to the United States of America by the Authority on the Authority Bonds;

5. on September 2 of each year after making the deposits and transfers required under paragraphs 1 through 4 above, upon receipt of written instructions from an Authorized Officer, to the Administrative Expense Fund the amount specified in such written instructions necessary for payment of the estimated Administrative Expenses projected to be due and payable in the next Fiscal Year or the reimbursement of any Administrative Expenses incurred during the Fiscal Year ending on such June 30 and not included in any prior transfer made pursuant to paragraph 1 above; and

6. after September 2 of each year, after making the deposits and transfers made pursuant to paragraphs 1 through 5 above, monies then on deposit in the Special Tax Fund shall remain therein and shall be subsequently deposited or transferred pursuant to the provisions of paragraphs 1 through 5 above.

C. Transfer of Prepayments. Amounts constituting Prepayments shall be transferred by the Treasurer to the Fiscal Agent, and placed by the Fiscal Agent in a segregated account within the Bond Fund designated as “Prepayment Account” and used to redeem Bonds pursuant to Section 2.03B. Any such transfer of Prepayments shall be accompanied by written instructions executed by the Treasurer or an Authorized Officer directing the Fiscal Agent to place such Prepayments in the Prepayment Account, specifying the amount of the applicable Special Tax Refunding Bonds Prepayment Reserve Fund Credit and requesting that the Authority direct the Trustee to transfer such credit to the Fiscal Agent for deposit in the Prepayment Account.

D. Investment. Moneys in the Special Tax Fund shall be invested and deposited in accordance with Section 6.01. Interest earnings and profits resulting from such investment and deposit shall be retained in the Special Tax Fund to be used for the purposes thereof.

Section 3.04. **Administrative Expense Fund.**

A. Establishment of Administrative Expense Fund. There is hereby established, as a separate fund to be held by the Fiscal Agent, the “Administrative Expense Fund,” and within the Administrative Expense Fund, the “Administrative Defense Account,” to the credit of which deposits shall be made as required by Sections 3.02 or 3.03B hereof. Moneys in the Administrative Expense Fund shall be held by the Fiscal Agent for the benefit of the City, the District and the Authority, and shall be disbursed as provided below.

B. Disbursement.

1. Except for amounts in the Administrative Defense Account, amounts in the Administrative Expense Fund shall be withdrawn by the Fiscal Agent and paid to the City or its order upon receipt by the Fiscal Agent of an Officer’s Certificate stating the amount to be withdrawn, that such amount is to be used to pay an Administrative Expense and the nature of such expense. Amounts on deposit in the Administrative Expense Fund at the end of any Fiscal Year shall be retained in such fund as an operating reserve and shall be disbursed as provided for in this subparagraph 1.

2. Amounts in the Administrative Defense Account shall be withdrawn by the Fiscal Agent and paid to the City or its order upon receipt by the Fiscal Agent of an Officer’s Certificate stating that amount to be withdrawn, that such amount is to pay for Administrative Claims and the nature of such expense. Amounts on deposit in the Administrative Defense Account at the end of any Fiscal Year shall be retained in such account and shall be disbursed as provided for in this subparagraph 2.

When the aggregate balance in each of the Administrative Defense Accounts established for each series of special tax bonds issued for the Improvement Areas equals or exceeds

\$500,000 and the Fiscal Agent has received an Officer's Certificate certifying that the indemnification and hold harmless obligations set forth in the Funding Agreement have terminated, moneys in the Administrative Defense Account established pursuant to this Agreement may be used for any authorized purposes of the District benefiting the Improvement Area in addition to Administrative Claims (as such term is defined in the Funding Agreement). Amounts in such Administrative Defense Account shall thereafter be withdrawn by the Fiscal Agent and paid to the City or its order upon receipt by the Fiscal Agent of an Officer's Certificate stating that amount to be withdrawn, that such amount is to pay for Administrative Claims and/or to be used for any authorized purposes of the District benefiting the Improvement Area and the nature of such expense.

C. Investment. Moneys in the Administrative Expense Fund, including the Administrative Defense Account, shall be invested and deposited in accordance with Section 6.01 hereof. Investment earnings shall be retained by the Fiscal Agent in the Administrative Defense Account to be used for the purposes of such account. Investment earnings on moneys in the Administrative Expense Fund, other than moneys in the Administrative Defense Account, shall be retained by the Fiscal Agent in the Administrative Expense Fund and used for the payment of Administrative Expenses.

ARTICLE IV

NET SPECIAL TAX REVENUES; BOND FUND

Section 4.01. **Pledge of Net Special Tax Revenues.** The Bonds shall be secured by a first pledge (which pledge shall be effected in the manner and to the extent herein provided) of all of the Net Special Tax Revenues and all moneys deposited in the Bond Fund and, until disbursed as provided herein, in the Special Tax Fund. The Net Special Tax Revenues and all moneys deposited into said funds (except as otherwise provided herein) are hereby dedicated to the payment of the principal of, and interest and any premium on, the Bonds as provided herein and in the Act until all of the Bonds have been paid and retired or until moneys or Defeasance Obligations have been set aside irrevocably for that purpose in accordance with Section 10.01.

Section 4.02. Bond Fund.

A. Establishment of Bond Fund. There is hereby established as a separate fund to be held by the Fiscal Agent for the "Bond Fund" and, within the Bond Fund, the "Prepayment Account" to the credit of which deposits shall be made as required by Section 3.02, paragraph 2 of Section 3.03B. and by Section 3.03C., and any other amounts required to be deposited therein by this Agreement or the Act. In addition to the foregoing deposits, the Fiscal Agent shall also deposit the Special Tax Refunding Bonds Prepayment Reserve Fund Credit in the Prepayment Account of the Bond Fund upon receipt by the Trustee. Moneys in the Bond Fund shall be held by the Fiscal Agent for the benefit of the Owners of the Bonds, shall be disbursed for the payment of the principal of, and interest and any premium on, the Bonds as provided below, and, pending such disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

B. Disbursements. On each Interest Payment Date, the Fiscal Agent shall withdraw from the Bond Fund and pay to the Owners of the Bonds the principal of, and interest and any premium, then due and payable on the Bonds, including any amounts due under Section 2.03A. hereof; provided, however, that available amounts in the Bond Fund shall first be used to pay to the Owners of the Bonds any past due installments of interest, principal (including mandatory sinking payments) of and premium, if any, on the Bonds, in that order. Amounts transferred to the Bond Fund from the Special Tax Fund pursuant to paragraph 2.a. of Section 3.03B. shall immediately be paid to the Owners of the Bonds in respect of past due payments on the Bonds, and amounts transferred to the Prepayment Account pursuant to Section 3.03C. shall be used to redeem Bonds pursuant to paragraph B. of Section 2.03B.

If after the foregoing transfers, there are insufficient funds in the Bond Fund to make the payments provided for in the first sentence of this Section 4.02B., the Fiscal Agent shall apply the available funds first to the payment of interest on the Bonds, then to the payment of principal and any mandatory sinking payments due on the Bonds. Any installment of principal (including mandatory sinking payments), premium, if any, or interest on the Bonds which is not paid when due shall accrue interest at the rate of interest on the Bonds until paid, and shall be paid whenever funds in the Bond Fund are sufficient therefor.

If at any time the Fiscal Agent fails to pay principal and interest due on any scheduled payment date for the Bonds, the Fiscal Agent shall notify the District and the Treasurer in writing of such failure, and the Treasurer shall notify the California Debt Advisory Commission of such failure within 10 days of the failure to make such payment, as required by Section 53359(c)(1) of the Act.

C. Investment. Moneys in the Bond Fund shall be invested and deposited in accordance with Section 6.01. Interest earnings and profits resulting from the investment and deposit of amounts in the Bond Fund shall be retained in the Bond Fund.

ARTICLE V

OTHER COVENANTS OF THE DISTRICT

Section 5.01. **Warranty.** The District shall preserve and protect the security pledged hereunder to the Bonds against all claims and demands of all persons.

Section 5.02. **Covenants.** So long as any of the Bonds issued hereunder are Outstanding and unpaid, the District makes the covenants set forth herein below in this Article V with the Bondowners under the provisions of the Act and this Fiscal Agent Agreement (to be performed by the District or the City, acting for and on behalf of the District, or its proper officers, agents and employees), which are covenants necessary and desirable to secure the Bonds and tend to make the Bonds more marketable; provided, however, that such covenants do not require the District to expend any funds or moneys other than the Net Special Tax Revenues.

Section 5.03. **Punctual Payment.** The District shall punctually pay or cause to be paid the principal of, and interest and any premium on, the Bonds when and as due in strict conformity with the terms of this Agreement and any Supplemental Agreement, and it will faithfully observe and perform all of the conditions, covenants and requirements of this Agreement and all Supplemental Agreements and of the Bonds.

Section 5.04. **Limited Obligation.** The Bonds are limited obligations of the District and are payable solely from and secured solely by the Net Special Tax Revenues and the amounts in the Bond Fund and the Special Tax Fund created hereunder.

Section 5.05. **Payment of Claims.** The District will pay and discharge any and all lawful claims for labor, materials, or supplies which, if unpaid, might become a lien or charge upon the Special Tax Revenues or which might otherwise impair the security of the Bonds then Outstanding; provided that nothing herein contained shall require the District to make any such payments so long as the District in good faith shall contest the validity of any such claims.

Section 5.06. **Extension of Time for Payment.** In order to prevent any accumulation of claims for interest after maturity, the District shall not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and shall not, directly or indirectly, be a party to the approval of any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the District, such claim for interest so extended or funded shall not be entitled, in case of default hereunder, to the benefits of this Agreement, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have so extended or funded.

Section 5.07. **Against Encumbrances.** The District will not encumber, pledge or place any charge or lien upon any of the Net Special Tax Revenues or other amounts pledged to the Bonds superior to or on a parity with the pledge and lien herein created for the benefit of the Bonds, except as permitted by this Agreement.

Section 5.08. **Books and Records.** The District will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the District, in which complete and correct entries shall be made of all transactions relating to the expenditure of amounts disbursed from the Bond Fund and the Special Tax Fund and relating to the Special Tax Revenues.

Section 5.09. **Protection of Security and Rights of Owners.** The District will preserve and protect the security of the Bonds and the rights of the Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the delivery of any of the Bonds by the District, the Bonds shall be incontestable by the District.

Section 5.10. **Collection of Special Tax Revenues.** The District shall comply with all requirements of the Act so as to assure the timely collection of Special Tax Revenues, including without limitation, the enforcement of delinquent Special Taxes.

On or about July 10 of each year, the Treasurer shall communicate with the Auditor to ascertain the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits during the preceding and then current year.

The Treasurer shall effect the levy of the Special Taxes each Fiscal Year on the parcels within the Improvement Area in accordance with the Ordinance, such that the computation of the levy is complete before the final date on which the Auditor will accept the transmission of the Special Tax amounts for the parcels within the Improvement Area for inclusion on the next secured tax roll. Upon the completion of the computation of the amounts of the levy, the Treasurer shall prepare or cause to be prepared, and shall transmit to the Auditor, such data as the Auditor requires to include the levy of the Special Taxes on the next secured tax roll unless directed by the District to directly bill such Special Taxes. The Special Taxes so levied shall be payable and be collected in the same manner and at the same time and in the same installments as the general taxes on real property are payable, and have the same priority, become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general taxes on real property, unless otherwise provided by the District.

In the event that the Treasurer determines to levy all or a portion of the Special Taxes by means of direct billing of the property owners of the parcels within the Improvement Area, the Treasurer shall, not less than forty-five (45) days prior to each Interest Payment Date, send bills to the owners of such real property located within the Improvement Area subject to the levy of the Special Taxes for Special Taxes in an aggregate amount necessary to meet the financial obligations of the District with respect to the Improvement Area due on the next Interest Payment Date, said bills to specify that the amounts so levied shall be due and payable not less than thirty (30) days prior to such Interest Payment Date and shall be delinquent if not paid when due.

In any event, the Treasurer shall fix and levy the amount of Special Taxes within the Improvement Area required for the payment of principal of and interest on any Outstanding Bonds becoming due and payable during the ensuing year, an amount necessary to replenish the Reserve Fund pursuant to Section 3.03B.3. and an amount estimated to be sufficient to pay the Administrative Expenses during such year, all in accordance with the RMA and the Ordinance. The Special Taxes so levied shall not exceed the authorized amounts as provided in the proceedings pursuant to the Resolution of Formation.

The Treasurer is hereby authorized to employ consultants to assist in computing the levy of the Special Taxes hereunder and any reconciliation of amounts levied to amounts received. The fees and expenses of such consultants and the costs and expenses of the Treasurer (including a charge for City or District staff time) in conducting its duties hereunder shall be an Special Tax Refunding Bond Administrative Expense hereunder.

Section 5.11. Further Assurances. The District shall adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Agreement, and for the better assuring and confirming unto the Owners of the rights and benefits provided in this Agreement.

Section 5.12. **Tax Covenants.** The District shall not take, or permit or suffer to be taken by the Fiscal Agent or otherwise, any action with respect to the proceeds of the Bonds which if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused any of the Authority Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Tax Code or to be "private activity bonds" within the meaning of Section 141 of the Tax Code.

The District agrees to furnish all information to, and cooperate fully with, the Authority, the Trustee and their respective officers, employees, agents and attorneys, in order to assure compliance with the provisions of Section 6.07 of the Authority Indenture. In the event that the Authority shall notify the District that the Authority has determined, pursuant to Section 6.07 of the Authority Indenture, that any amounts are due and payable to the United States of America thereunder and that neither the Authority nor the Authority Trustee has on deposit an amount of available moneys to make such payment, the District shall promptly direct the Fiscal Agent pay to the Authority Trustee from available Net Special Tax Revenues the Proportionate Share of the amounts determined by the Authority to be due and payable to the United States of America.

Section 5.13. **Covenant to Foreclose.** The District covenants for the benefit of the Owners of the Bonds that it (i) will commence judicial foreclosure proceedings against all parcels owned by a property owner where the aggregate delinquent Special Taxes on such parcels is greater than \$5,000 by the October 1 following the close of each Fiscal Year in which such Special Taxes were due; (ii) will commence judicial foreclosure proceedings against all parcels with delinquent Special Taxes by the October 1 following the close of each Fiscal Year in which it receives Special Taxes in an amount which is less than 95% of the total Special Tax levied for such Fiscal Year; and (iii) will diligently pursue such foreclosure proceedings until the delinquent Special Taxes are paid; provided that, notwithstanding the foregoing, the District may elect to defer foreclosure proceedings on any parcel which is owned by a delinquent property owner whose property is not, in the aggregate, delinquent in the payment of Special Taxes for a period of five years or more or in an amount in excess of \$10,000 so long as (1) the amount in the Reserve Fund is at least equal to the Reserve Requirement (as defined in the Authority Indenture); and (2) with respect to the Bonds, the District, acting on behalf of the Improvement Area, is not in default in the payment of the principal of or interest on the Bonds.

The City Attorney is hereby authorized to employ counsel to conduct any such foreclosure proceedings. The fees and expenses of any such counsel and costs and expenses of the City Attorney (including a charge for City or District staff time) in conducting foreclosure proceedings shall be an Administrative Expense hereunder.

Notwithstanding any provision of the Act or other law of the State to the contrary, in connection with any foreclosure related to delinquent Special Taxes:

A. The City, or the Fiscal Agent, is hereby expressly authorized to credit bid at any foreclosure sale, without any requirement that funds be placed in the Bond Fund or otherwise be set aside in the amount of such credit bid, in the amount specified in Section 53356.5 of the Act or such lesser amount as determined under B. below or otherwise under Section 53356.6 of the Act.

B. The City may permit property with delinquent Special Tax payments to be sold for less than the amount specified in Section 53356.5 of the Act, if it determines that such sale is in the interest of the Bond Owners. The Bond Owners, by their acceptance of the Bonds, hereby consent to such sale for such lesser amounts (as such consent is described in Section 53356.6 of the Act), and hereby release the City, its officers and its agents from any liability in connection therewith.

C. The City is hereby expressly authorized to use amounts in the Administrative Expense Fund to pay costs of foreclosure of delinquent Special Taxes.

D. The City may forgive all or any portion of the Special Taxes levied or to be levied on any parcel in the Improvement Area, so long as the City determines that such forgiveness is not expected to adversely affect its obligation to pay principal of and interest on the Bonds.

Section 5.14. Annual Reports to CDIAC. Not later than October 30 of each year, commencing October 30, 2015, and until the October 30 following the final maturity of the Bonds, the Treasurer shall supply the information required by Section 53359.5(b) or (c) of the Act to CDIAC (on such forms as CDIAC may specify) and the District.

Section 5.15. Continuing Disclosure to Owners. In addition to its obligations under Section 5.14, the District hereby covenants and agrees that it will carry out all of its obligations under the Continuing Disclosure Agreement. Notwithstanding any other provision of this Agreement, failure of the District to comply with the Continuing Disclosure Agreement shall not be considered a default hereunder; however, any Underwriter (as such term is defined in the Authority Indenture) or any holder or beneficial owner of 25% of the Authority Bonds may take such actions as may be necessary and appropriate to compel performance by the District of its obligations under this Section 5.15, including seeking mandate or specific performance by court order.

Section 5.16. Public Access to Facilities. The City and the District shall provide or cause to be provided access to members of the general public to all portions of the Facilities financed with the proceeds of the Prior Special Tax Bonds. Said access shall not grant priority to any one person over that of another person, and shall be subject to any applicable City ordinance, rule or regulation.

Section 5.17. Modification of Maximum Authorized Special Tax. The District, to the maximum extent that the law permits it to do so, covenants that no modification of the minimum or maximum authorized Special Tax shall be approved by the District nor shall the District take any other action which would (i) prohibit the District from levying the Special Tax within the Improvement Area in any Fiscal Year at such a rate as would generate Net Special Tax Revenues in such Fiscal Year at least equal to 110% of Annual Debt Service on all Bonds then Outstanding; (ii) discontinue or cause the discontinuance of such levy; or (iii) permit the prepayment of the Special Tax except as permitted pursuant to the the RMA.

Section 5.18. **Covenant to Defend.** The District covenants, in the event that any initiative is adopted by the qualified electors in the Improvement Area which purports to reduce the minimum or the maximum Special Tax below the levels specified in Section 5.17 above or to limit the power of the District to levy the Special Taxes within the Improvement Area for the purposes set forth in Section 5.10 above, it will commence and pursue legal action in order to preserve its ability to comply with such covenants.

ARTICLE VI

INVESTMENTS; DISPOSITION OF INVESTMENT PROCEEDS; LIABILITY OF THE DISTRICT

Section 6.01. **Deposit and Investment of Moneys in Funds.** Moneys in any fund or account created or established by this Agreement and held by the Fiscal Agent shall be invested by the Fiscal Agent in Permitted Investments, as directed pursuant to an Officer's Certificate filed with the Fiscal Agent at least two (2) Business Days in advance of the making of such investments. In the absence of any such Officer's Certificate, the Fiscal Agent shall invest any such moneys in Permitted Investments described in clause B(5) of the definition thereof to the extent practicable which by their terms mature prior to the date on which such moneys are required to be paid out hereunder, or are held uninvested. The Treasurer shall make note of any investment of funds hereunder in excess of the yield on the Bonds, so that appropriate actions can be taken to assure compliance with Section 5.12.

Moneys in any fund or account created or established by this Agreement and held by the Treasurer shall be invested by the Treasurer in Permitted Investments, which in any event by their terms mature prior to the date on which such moneys are required to be paid out hereunder. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account, subject, however, to the requirements of this Agreement for transfer of interest earnings and profits resulting from investment of amounts in funds and accounts. Whenever in this Agreement any moneys are required to be transferred by the District to the Fiscal Agent, such transfer may be accomplished by transferring a like amount of Permitted Investments.

The Fiscal Agent or an affiliate or the Treasurer may act as principal or agent in the acquisition or disposition of any investment and shall be entitled to its customary fee therefor. Neither the Fiscal Agent nor the Treasurer shall incur any liability for losses arising from any investments made pursuant to this Section. For purposes of determining the amount on deposit in any fund or account held hereunder, all Permitted Investments or investments credited to such fund or account shall be valued at provided for in Exhibit B attached hereto.

Except as otherwise provided in the next sentence, all investments of amounts deposited in any fund or account created by or pursuant to this Agreement, or otherwise containing gross proceeds of the Bonds (within the meaning of section 148 of the Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Agreement or the Code) at Fair Market Value. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under the applicable provisions of the Code shall be valued at their present value

(within the meaning of section 148 of the Code). The Fiscal Agent shall not be liable for verification of the application of such sections of the Code.

Investments in any and all funds and accounts may be commingled in a separate fund or funds for purposes of making, holding and disposing of investments, notwithstanding provisions herein for transfer to or holding in or to the credit of particular funds or accounts of amounts received or held by the Fiscal Agent or the Treasurer hereunder, provided that the Fiscal Agent or the Treasurer, as applicable, shall at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in this Agreement.

The Fiscal Agent or the Treasurer, as applicable, shall sell at the highest price reasonably obtainable, or present for redemption, any investment security whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such investment security is credited and neither the Fiscal Agent nor the Treasurer shall be liable or responsible for any loss resulting from the acquisition or disposition of such investment security in accordance herewith.

The Fiscal Agent shall furnish the District periodic cash transaction statements which include detail for all investment transactions effected by the Fiscal Agent or brokers selected by the District. Upon the District's election, such statements will be delivered via the Fiscal Agent's online service and upon electing such service, paper statements will be provided only upon request. The District waives the right to receive brokerage confirmations of security transactions effected by the Fiscal Agent as they occur, to the extent permitted by law. The District further understands that trade confirmations for securities transactions effected by the Fiscal Agent will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker.

Section 6.02. Limited Obligation. The District's obligations hereunder are limited obligations of the District and are payable solely from and secured solely by the Net Special Tax Revenues and the amounts in the Special Tax Fund and the Bond Fund.

Section 6.03. Liability of District. The District shall not incur any responsibility in respect of the Bonds or this Agreement other than in connection with the duties or obligations explicitly herein or in the Bonds assigned to or imposed upon it. The District shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful default. The District shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants, or agreements of the Fiscal Agent herein or of any of the documents executed by the Fiscal Agent in connection with the Bonds, or as to the existence of a default or event of default thereunder.

In the absence of bad faith, the District, including the Treasurer, may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the District and conforming to the requirements of this Agreement. The District, including the Treasurer, shall not be liable for any error of judgment made in good faith unless it shall be proved that it was negligent in ascertaining the pertinent facts.

No provision of this Agreement shall require the District to expend or risk its own general funds or otherwise incur any financial liability (other than with respect to the Net Special Tax Revenues) in the performance of any of its obligations hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

The District may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The District may consult with counsel, who may be the City Attorney, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

The District shall not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto satisfactorily established, if disputed.

Whenever in the administration of its duties under this Agreement the District shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of willful misconduct on the part of the District, be deemed to be conclusively proved and established by a certificate of the Fiscal Agent, and such certificate shall be full warrant to the District for any action taken or suffered under the provisions of this Agreement or any Supplemental Agreement upon the faith thereof, but in its discretion the District may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

Section 6.04. Employment of Agents by District or the City. In order to perform their respective duties and obligations hereunder, the City, the District and/or the Treasurer may employ such persons or entities as they deem necessary or advisable. The City, the District, and/or the Treasurer shall not be liable for any of the acts or omissions of such persons or entities employed by them in good faith hereunder, and shall be entitled to rely, and shall be fully protected in doing so, upon the opinions, calculations, determinations and directions of such persons or entities.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES OF BOND OWNERS

Section 7.01. Events of Default. The following events shall be Events of Default:

A. Failure to pay any installment of principal of any Bonds when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption or otherwise.

B. Failure to pay any installment of interest on any Bonds when and as the same shall become due and payable.

C. Failure by the District to observe and perform any of the other covenants, agreements, or conditions on its part in this Agreement or in the Bonds contained, if such failure shall have continued for a period of 60 days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the District by the Fiscal Agent or the Owners of not less than 25% in aggregate principal amount of the Bonds at the time Outstanding; provided, however, if in the reasonable opinion of the District the failure stated in the notice can be corrected, but not within such 60-day period, such failure shall not constitute an Event of Default if corrective action is instituted by the District within such 60-day period and the District shall thereafter diligently and in good faith cure such failure in a reasonable period of time.

D. Commencement by the District of a voluntary case under Title 11 of the United States Code or any substitute or successor statute.

Section 7.02. Remedies of Bond Owners. Subject to the provisions of Section 7.08, any Bond Owner shall have the right, for the equal benefit and protection of all Bond Owners similarly situated:

A. by mandamus, suit, action or proceeding, to compel the District and/or the City and its officers, agents or employees, acting for and on behalf of the District, to perform each and every term, provision and covenant contained in this Agreement and in the Bonds, and to require the carrying out of any or all such covenants and agreements of the District and the fulfillment of all duties imposed upon it by the Act;

B. by suit, action or proceeding in equity, to enjoin any acts or things which are unlawful, or the violation of any of the Bond Owners' rights; or

C. upon the happening of any Event of Default, by suit, action or proceeding in any court of competent jurisdiction, to require the District and/or the City and its officers and employees, acting for and on behalf of the District, to account as if it and they were the trustees of an express trust.

Section 7.03. Application of Special Taxes and Other Funds After Default. If an Event of Default shall occur and be continuing, all Special Taxes, including any penalties, costs, fees and other charges accruing under the Act, and any other funds then held or thereafter received by the Fiscal Agent under any of the provisions of this Agreement shall be applied by the Fiscal Agent as follows and in the following order:

A. To the payment of any expenses necessary in the opinion of the Fiscal Agent to protect the interests of the Owners of the Bonds and payment of reasonable fees, charges, and expenses of the Fiscal Agent (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under this Agreement;

B. To the payment of the principal of and interest then due with respect to the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of this Agreement, as follows:

First: To the payment to the Persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the Persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the Persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by call for redemption, with interest on the overdue principal at the rate borne by the respective Bonds on the date of maturity or redemption, and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the Persons entitled thereto, without any discrimination or preference.

C. Any remaining funds shall be transferred by the Fiscal Agent to the Bond Fund.

Section 7.04. **Absolute Obligation of the District.** Nothing in Section 7.08 or in any other provision of this Agreement or in the Bonds contained shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the principal of and interest on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon call for redemption, as herein provided, but only out of the Net Special Tax Revenues and other moneys herein pledged therefor and received by the District or the Fiscal Agent, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

Section 7.05. **Termination of Proceedings.** In case any proceedings taken by any one or more Bond Owners on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Bond Owners, then in every such case the District, and the Bond Owners, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the City, and the Bond Owners shall continue as though no such proceedings had been taken.

Section 7.06. **Remedies Not Exclusive.** No remedy herein conferred upon or reserved to the Fiscal Agent or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

Section 7.07. **No Waiver of Default.** No delay or omission of any Owner of the Bonds to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence

therein; and every power and remedy given by this Agreement to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient.

Section 7.08. Actions by Fiscal Agent as Attorney-in-Fact. Any suit, action, or proceeding which any Owner shall have the right to bring to enforce any right or remedy hereunder may be brought by the Fiscal Agent for the equal benefit and protection of all Owners, and the Fiscal Agent is hereby appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the Owners for the purpose of bringing any such suit, action, or proceeding and to do and perform any and all acts and things for and on behalf of the Owners as a class or classes, as may be necessary or advisable in the opinion of the Fiscal Agent as such attorney-in-fact.

ARTICLE VIII

THE FISCAL AGENT

Section 8.01. Appointment of Fiscal Agent. MUFG Union Bank, N.A., is hereby appointed Fiscal Agent and paying agent for the Bonds. The Fiscal Agent undertakes to perform such duties, and only such duties, as are specifically set forth in this Agreement, and no implied covenants or obligations shall be read into this Agreement against the Fiscal Agent.

Any company into which the Fiscal Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Fiscal Agent may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under the following paragraph of this Section, shall be the successor to such Fiscal Agent without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

The District may remove the Fiscal Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto, but any such successor shall be a bank or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least Seventy-Five Million Dollars (\$75,000,000), and subject to supervision or examination by federal or state authority. 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 this Section 8.01, combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Fiscal Agent may at any time resign by giving written notice to the District and by giving to the Owners notice by mail of such resignation. Upon receiving notice of such resignation, the District shall promptly appoint a successor Fiscal Agent by an instrument in writing. Any resignation or removal of the Fiscal Agent shall become effective upon acceptance of appointment by the successor Fiscal Agent.

If no appointment of a successor Fiscal Agent shall be made pursuant to the foregoing provisions of this Section within forty-five (45) days after the Fiscal Agent shall have given to the District written notice or after a vacancy in the office of the Fiscal Agent shall have occurred by reason of its inability to act, the Fiscal Agent or any Bondowner may apply to any court of competent jurisdiction to appoint a successor Fiscal Agent. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Fiscal Agent.

If, by reason of the judgment of any court, the Fiscal Agent is rendered unable to perform its duties hereunder, all such duties and all of the rights and powers of the Fiscal Agent hereunder shall be assumed by and vest in the Treasurer of the City in trust for the benefit of the Owners. The District covenants for the direct benefit of the Owners that the Treasurer in such case shall be vested with all of the rights and powers of the Fiscal Agent hereunder, and shall assume all of the responsibilities and perform all of the duties of the Fiscal Agent hereunder, in trust for the benefit of the Owners of the Bonds.

Section 8.02. Liability of Fiscal Agent. The recitals of facts, covenants, and agreements herein and in the Bonds contained shall be taken as statements, covenants, and agreements of the District, and the Fiscal Agent assumes no responsibility for the correctness of the same, nor makes any representations as to the validity or sufficiency of this Agreement or of the Bonds, nor shall incur any responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Bonds assigned to or imposed upon it. The Fiscal Agent shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful default. The Fiscal Agent assumes no responsibility or liability for any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

In the absence of bad faith, the Fiscal Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Fiscal Agent and conforming to the requirements of this Agreement; but in the case of any such certificates or opinions by which any provision hereof are specifically required to be furnished to the Fiscal Agent, the Fiscal Agent shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Agreement. Except as provided above in this paragraph, the Fiscal Agent shall be protected and shall incur no liability in acting or proceeding, or in not acting or not proceeding, in good faith, reasonably and in accordance with the terms of this Agreement, upon any resolution, order, notice, request, consent or waiver, certificate, statement, affidavit, or other paper or document which it shall in good faith reasonably believe to be genuine and to have been adopted or signed by the proper person or to have been prepared and furnished pursuant to any provision of this Agreement, and the Fiscal Agent shall not be under any duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument.

The Fiscal Agent shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants, or agreements of the City or the District herein or of any of the documents executed by the City or the District in connection with the Bonds, or as to the existence of a default or event of default thereunder.

The Fiscal Agent shall not be liable for any error of judgment made in good faith by a responsible officer unless it shall be proved that the Fiscal Agent was negligent in ascertaining the pertinent facts.

No provision of this Agreement shall require the Fiscal Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

The Fiscal Agent shall be under no obligation to exercise any of the rights or powers vested in it by this Agreement at the request or direction of any of the Owners pursuant to this Agreement unless such Owners shall have offered to the Fiscal Agent reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

The Fiscal Agent may become the Owner of the Bonds with the same rights it would have if it were not the Fiscal Agent.

All indemnifications and releases from liability granted to the Fiscal Agent hereunder shall extend to the directors, officers, and employees of the Fiscal Agent.

Section 8.03. Information. The Fiscal Agent shall provide to the District such information relating to the Bonds and the funds and accounts maintained by the Fiscal Agent hereunder as the District shall reasonably request, including, but not limited to, quarterly statements reporting funds held and transactions by the Fiscal Agent.

Section 8.04. Notice to Fiscal Agent. The Fiscal Agent may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, Bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The Fiscal Agent may consult with counsel, who may be counsel to the City, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

The Fiscal Agent shall not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto satisfactorily established, if disputed.

Whenever in the administration of its duties under this Agreement the Fiscal Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of willful misconduct on the part of the Fiscal Agent, be deemed to be conclusively proved and established by a certificate of the District, and such certificate shall be full warrant to the Fiscal Agent for any action taken or suffered under the provisions of this Agreement or any Supplemental Agreement upon the faith thereof, but in its discretion the

Fiscal Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable.

Section 8.05. Compensation, Indemnification. The District shall pay to the Fiscal Agent from time to time reasonable compensation for all services rendered as Fiscal Agent under this Agreement, and also all reasonable expenses, charges, counsel fees, and other disbursements, including those of its attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Agreement, but the Fiscal Agent shall not have a lien therefor on any funds at any time held by it under this Agreement. The District further agrees, to the extent permitted by applicable law, to indemnify and save the Fiscal Agent, its officers, employees, directors and agents harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder which are not due to its negligence or willful misconduct. The obligation of the District under this Section shall survive resignation or removal of the Fiscal Agent under this Agreement and payment of the Bonds and discharge of this Agreement, but any monetary obligation of the District arising under this Section shall be limited solely to amounts on deposit in the Special Tax Refunding Bond Administrative Expense Fund.

ARTICLE IX

MODIFICATION OR AMENDMENT OF THIS AGREEMENT

Section 9.01. Amendments Permitted. This Agreement and the rights and obligations of the District and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Agreement pursuant to the affirmative vote at a meeting of the Owners, or with the written consent without a meeting, of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 9.04. No such modification or amendment shall (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the District to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond; or (ii) permit the creation by the District of any pledge or lien upon the Special Taxes superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise permitted by the Act, the laws of the State of California or this Agreement), or reduce the percentage of Bonds required for the amendment hereof. Any such amendment may not modify any of the rights or obligations of the Fiscal Agent without its written consent.

This Agreement and the rights and obligations of the District and of the Owners may also be modified or amended at any time by a Supplemental Agreement, without the consent of any Owners, only to the extent permitted by law and only for any one or more of the following purposes:

- (i) to add to the covenants and agreements of the District in this Agreement contained, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power herein reserved to or conferred upon the District;

(ii) to make modifications not adversely affecting any Outstanding Bonds of the District in any material respect;

(iii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting, or supplementing any defective provision contained in this Agreement, or in regard to questions arising under this Agreement, as the District and the Fiscal Agent may deem necessary or desirable and not inconsistent with this Agreement, and which shall not adversely affect the rights of the Owners of the Bonds;

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

Section 9.02. Owners' Meetings. The District may at any time call a meeting of the Owners. In such event the District is authorized to fix the time and place of said meeting and to provide for the giving of notice thereof, and to fix and adopt rules and regulations for the conduct of said meeting.

Section 9.03. Procedure for Amendment with Written Consent of Owners. The District and the Fiscal Agent may at any time adopt a Supplemental Agreement amending the provisions of the Bonds or of this Agreement or any Supplemental Agreement, to the extent that such amendment is permitted by Section 9.01, to take effect when and as provided in this Section. A copy of such Supplemental Agreement, together with a request to Owners for their consent thereto, shall be mailed by first class mail, by the Fiscal Agent to each Owner of Bonds Outstanding, but failure to mail copies of such Supplemental Agreement and request shall not affect the validity of the Supplemental Agreement when assented to as in this Section provided.

Such Supplemental Agreement shall not become effective unless there shall be filed with the Fiscal Agent the written consent of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in Section 9.04 and a notice shall have been mailed as hereinafter in this Section provided. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given, which proof shall be such as is permitted by Section 11.04. Any such consent shall be binding upon the Owner of the Bonds giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Fiscal Agent prior to the date when the notice hereinafter in this Section provided for has been mailed.

After the Owners of the required percentage of Bonds shall have filed their consents to the Supplemental Agreement, the District shall mail a notice to the Owners in the manner hereinbefore provided in this Section for the mailing of the Supplemental Agreement, stating in substance that the Supplemental Agreement has been consented to by the Owners of the required percentage of Bonds and will be effective as provided in this Section (but failure to mail copies of said notice shall not affect the validity of the Supplemental Agreement or consents thereto). Proof of the mailing of such notice shall be filed with the Fiscal Agent. A record, consisting of the papers required by this Section 9.03 to be filed with the Fiscal Agent, shall be proof of the

matters therein stated until the contrary is proved. The Supplemental Agreement shall become effective upon the filing with the Fiscal Agent of the proof of mailing of such notice, and the Supplemental Agreement shall be deemed conclusively binding (except as otherwise hereinabove specifically provided in this Article) upon the District and the Owners of all Bonds at the expiration of sixty (60) days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such sixty-day period.

Section 9.04. Disqualified Bonds. Bonds owned or held for the account of the City or the District, excepting any pension or retirement fund, shall not be deemed Outstanding for the purpose of any vote, consent or other action or any calculation of Outstanding Bonds provided for in this Article IX, and shall not be entitled to vote upon, consent to, or take any other action provided for in this Article IX.

Section 9.05. Effect of Supplemental Agreement. From and after the time any Supplemental Agreement becomes effective pursuant to this Article IX, this Agreement shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations under this Agreement of the District and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such Supplemental Agreement shall be deemed to be part of the terms and conditions of this Agreement for any and all purposes.

Section 9.06. Endorsement or Replacement of Bonds Issued After Amendments. The District may determine that Bonds issued and delivered after the effective date of any action taken as provided in this Article IX shall bear a notation, by endorsement or otherwise, in form approved by the District, as to such action. In that case, upon demand of the Owner of any Bond Outstanding at such effective date and presentation of his Bond for that purpose at the Principal Office of the Fiscal Agent or at such other office as the District may select and designate for that purpose, a suitable notation shall be made on such Bond. The District may determine that new Bonds, so modified as in the opinion of the District is necessary to conform to such Owners' action, shall be prepared, executed and delivered. In that case, upon demand of the Owner of any Bonds then Outstanding, such new Bonds shall be exchanged at the Principal Office of the Fiscal Agent without cost to any Owner, for Bonds then Outstanding, upon surrender of such Bonds.

Section 9.07. Amendatory Endorsement of Bonds. The provisions of this Article IX shall not prevent any Owner from accepting any amendment as to the particular Bonds held by him, provided that due notation thereof is made on such Bonds.

Section 9.08. Notice Requirement. Not less than 15 days prior to the effective date of any amendment made pursuant to this Article IX, so long as any Bonds are owned by the Authority, the District shall mail notice of the proposed amendment and the text of the proposed amendment to the Authority and the Authority Trustee.

ARTICLE X

DEFEASANCE

Section 10.01. **Defeasance.** If the District shall pay or cause to be paid, or there shall otherwise be paid, to the Owner of an Outstanding Bond the interest due thereon and the principal thereof, at the times and in the manner stipulated in this Agreement, then the Owner of such Bond shall cease to be entitled to the pledge of Net Special Tax Revenues, and, other than as set forth below, all covenants, agreements and other obligations of the District to the Owner of such Bond under this Agreement shall thereupon cease, terminate and become void and be discharged and satisfied. In the event of a defeasance of all Outstanding Bonds pursuant to this Section, the Fiscal Agent shall execute and deliver to the District all such instruments as may be desirable to evidence such discharge and satisfaction, and the Fiscal Agent shall pay over or deliver to the District's general fund all money or securities held by it pursuant to this Agreement which are not required for the payment of the principal of, premium, if any, and interest due on such Bonds.

Any Outstanding Bond shall be deemed to have been paid within the meaning expressed in the first paragraph of this Section if such Bond is paid in any one or more of the following ways:

- (i) by paying or causing to be paid the principal of, premium, if any, and interest on such Bond, as and when the same become due and payable;
- (ii) by depositing with the Fiscal Agent, in trust, at or before maturity, money which, together with the amounts then on deposit in the Special Tax Fund and available for such purpose, is fully sufficient to pay the principal of, premium, if any, and interest on such Bond, as and when the same shall become due and payable; or
- (iii) by depositing with the Fiscal Agent or another escrow bank appointed by the District, in trust, direct, noncallable Defeasance Obligations, in which the District may lawfully invest its money, in such amount as will be sufficient, together with the interest to accrue thereon and moneys then on deposit in the Special Tax Fund and available for such purpose, together with the interest to accrue thereon, to pay and discharge the principal of, premium, if any, and interest on such Bond, as and when the same shall become due and payable;

then, at the election of the District, and notwithstanding that any Outstanding Bonds shall not have been surrendered for payment, all obligations of the District under this Agreement with respect to such Bond shall cease and terminate, except for the obligation of the Fiscal Agent to pay or cause to be paid to the Owners of any such Bond not so surrendered and paid, all sums due thereon. Notice of such election shall be filed with the Fiscal Agent not less than ten (10) days prior to the proposed defeasance date, or such shorter period of time as may be acceptable to the Fiscal Agent. In connection with a defeasance under (ii) or (iii) above, there shall be provided to the District a verification report from an Independent Accountant stating its opinion as to the sufficiency of the moneys or securities deposited with the Fiscal Agent or the escrow bank to pay and discharge the principal of, premium, if any, and interest on all Outstanding

Bonds to be defeased in accordance with this Section, as and when the same shall become due and payable, and an opinion of Bond Counsel (which may rely upon the opinion of the certified public accountant) to the effect that the Bonds being defeased have been legally defeased in accordance with this Agreement.

Upon a defeasance, the Fiscal Agent, upon request of the District, shall release the rights of the Owners of such Bonds which have been defeased under this Agreement and execute and deliver to the District all such instruments as may be desirable to evidence such release, discharge and satisfaction. In the case of a defeasance hereunder of all Outstanding Bonds, after payment of any amounts then owed to the Fiscal Agent, the Fiscal Agent shall pay over or deliver to the District any funds held by the Fiscal Agent at the time of a defeasance, which are not required for the purpose of paying and discharging the principal of or interest on the Bonds when due. The Fiscal Agent shall, at the written direction of the District, mail, first class, postage prepaid, a notice to the Bondowners whose Bonds have been defeased, in the form directed by the District, stating that the defeasance has occurred.

Notwithstanding the foregoing, so long as the Bonds are owned by the Authority, the entire indebtedness on the Bonds Outstanding shall be discharged simultaneously with and upon the discharge of the Authority Bonds pursuant to Section 10.01 of the Authority Indenture resulting from the irrevocable deposit with the Authority Trustee pursuant to Section 10.01(b) of the Authority Indenture of money or Defeasance Obligations (as defined in the Authority Indenture) to pay or redeem all of the Authority Bonds then Outstanding (as defined in the Authority Indenture). The Fiscal Agent shall, upon receipt of written instructions from an Authorized Officer, transfer the moneys on deposit in the funds and accounts established hereunder to fund the foregoing deposit with the Authority Trustee.

ARTICLE XI

MISCELLANEOUS

Section 11.01. **Benefits of Agreement Limited to Parties.** Nothing in this Agreement, expressed or implied, is intended to give to any person other than the District, the City, the Fiscal Agent, and the Owners, any right, remedy, claim under or by reason of this Agreement. Any covenants, stipulations, promises, or agreements in this Agreement contained by and on behalf of the District shall be for the sole and exclusive benefit of the Owners and the Fiscal Agent.

Section 11.02. **Cancellation of Bonds.** All Bonds surrendered to the Fiscal Agent for payment upon maturity or for redemption shall be upon payment therefor, and any Bond purchased by the District as authorized herein and delivered to the Fiscal Agent for such purpose shall be, cancelled forthwith and shall not be reissued. The Fiscal Agent shall destroy such Bonds, as provided by law, and furnish the District a certificate of such destruction.

Section 11.03. **Successor is Deemed Included in All References to Predecessor.** Whenever in this Agreement or any Supplemental Agreement either the District or the Fiscal Agent is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Agreement contained by or on

behalf of the District or the Fiscal Agent shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 11.04. Execution of Documents and Proof of Ownership by Owners. Any request, declaration, or other instrument which this Agreement may require or permit to be executed by the Owners may be in one or more instruments of similar tenor, and shall be executed by the Owners in person or by their attorneys appointed in writing.

Except as otherwise herein expressly provided, the fact and date of the execution by any Owner or his attorney of such request, declaration or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

Except as otherwise herein expressly provided, the ownership of registered Bonds and the amount, maturity, number and date of holding the same shall be proved by the registry books.

Any request, declaration or other instrument or writing of the Owner of any Bond shall bind all future Owners of such Bond in respect of anything done or suffered to be done by the District or the Fiscal Agent in good faith and in accordance therewith.

Section 11.05. Waiver of Personal Liability. No member, officer, agent or employee of the District or the City shall be individually or personally liable for the payment of the principal of, or interest or any premium on, the Bonds; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

Section 11.06. Notices to and Demands on District and Fiscal Agent. Any notice, request, complaint, demand or other communication under this Indenture shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by telecopy or other form of telecommunication, at its number set forth below. Notice shall be effective either (a) upon transmission by telecopy or other form of telecommunication, (b) forty-eight (48) hours after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person or the Fiscal Agent, upon actual receipt. The District or the Fiscal Agent may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the District

Community Facilities District No. 99-01
c/o City of San Marcos
One Civic Center Drive
San Marcos, CA 92069
Attention: City Manager

If to the Fiscal Agent: MUFG Union Bank, N.A.
120 S. San Pedro Street, Suite 400
Los Angeles, CA 90012
Reference: _____
Facsimile: (213) 972-5694
E-mail: Lorraine.mcintire@unionbank.com

with a copy to:

AccountAdministration-CorporateTrust@unionbank.com

Section 11.07. **Partial Invalidity.** If any Section, paragraph, sentence, clause or phrase of this Agreement shall for any reason be held illegal or unenforceable, such holding shall not affect the validity of the remaining portions of this Agreement. The District hereby declares that it would have adopted this Agreement and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issue of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this Agreement may be held illegal, invalid or unenforceable.

Section 11.08. **Unclaimed Moneys.** Anything contained herein to the contrary notwithstanding, any moneys held by the Fiscal Agent for the payment and discharge of the principal of, and the interest and any premium on, the Bonds which remains unclaimed for two (2) years after the date when the payments of such principal, interest and premium have become payable, if such moneys were held by the Fiscal Agent at such date, shall be repaid by the Fiscal Agent to the District as its absolute property free from any trust, and the Fiscal Agent shall thereupon be released and discharged with respect thereto and the Bond Owners shall look only to the District for the payment of the principal of, and interest and any premium on, such Bonds.

Section 11.09. **Provisions Constitute Contract.** The provisions of this Agreement shall constitute a contract between the District and the Bondowners and the provisions hereof shall be construed in accordance with the laws of the State of California.

In case any suit, action, or proceeding to enforce any right or exercise any remedy shall be brought or taken and, should said suit, action, or proceeding be abandoned, or be determined adversely to the Bondowners or the Fiscal Agent, then the District, the Fiscal Agent, and the Bondowners shall be restored to their former positions, rights and remedies as if such suit, action, or proceeding had not been brought or taken.

After the issuance and delivery of the Bonds this Agreement shall be irrevocable, but shall be subject to modifications to the extent and in the manner provided in this Agreement, but to no greater extent and in no other manner.

Section 11.10. **Future Contracts.** Nothing herein contained shall be deemed to restrict or prohibit the District from making contracts or creating bonded or other indebtedness payable from a pledge of the Net Special Tax Revenues which is subordinate to the pledge hereunder, or which is payable from taxes or any source other than the Net Special Tax Revenues and other amounts pledged hereunder.

Section 11.11. **Further Assurances.** The District will adopt, make, execute, and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Agreement, and for the better assuring and confirming unto the Owners of the Bonds the rights and benefits provided in this Agreement.

Section 11.12. **Applicable Law.** This Agreement shall be governed by and enforced in accordance with the laws of the State of California applicable to contracts made and performed in the State of California.

Section 11.13. **Conflict with Act.** In the event of a conflict between any provision of this Agreement with any provision of the Act as in effect on the Closing Date, the provision of the Act shall prevail over the conflicting provision of this Agreement.

Section 11.14. **Conclusive Evidence of Regularity.** Bonds issued pursuant to this Agreement shall constitute conclusive evidence of the regularity of all proceedings under the Act relative to their issuance and the levy of the Special Taxes.

Section 11.15. **Payment on Business Day.** In any case where the date of the maturity of interest or of principal (and premium, if any) of the Bonds or the date fixed for redemption of any Bonds or the date any action is to be taken pursuant to this Agreement is other than a Business Day, the payment of interest or principal (and premium, if any) or the action need not be made on such date but may be made on the next succeeding day which is a Business Day with the same force and effect as if made on the date required and no interest shall accrue for the period after such date.

Section 11.16. **Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original.

[Remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the District has caused this Agreement pertaining to the Community Facilities District No. 99-01 Improvement Area F2/V2 Special Tax Refunding Bonds, Series 2014 to be executed in its name and the Fiscal Agent has caused this Agreement to be executed in its name, all as of October 1, 2014.

CITY OF SAN MARCOS COMMUNITY
FACILITIES DISTRICT NO. 99-01

By: _____
City Manager

MUFG UNION BANK, N.A., as Fiscal Agent

By: _____
Authorized Officer

EXHIBIT A
FORM OF BOND

No. _____

\$ _____

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF SAN DIEGO
CITY OF SAN MARCOS
COMMUNITY FACILITIES DISTRICT NO. 99-01
IMPROVEMENT AREA F2/V2
SPECIAL TAX REFUNDING BOND, SERIES 2014

INTEREST RATE

MATURITY DATE

DATED DATE

September 1, ____

October __, 2014

REGISTERED OWNER:

MUFG UNION BANK, N.A.,
on behalf of the San Marcos Public Financing Authority

PRINCIPAL AMOUNT:

DOLLARS

The City of San Marcos (the "City") for and on behalf of the City of San Marcos Community Facilities District No. 99-01 (the "District"), for value received, hereby promises to pay solely from Net Special Tax Revenues (as defined in the Agreement) to be collected in Improvement Area F2/V2 within the District or amounts in the funds and accounts held under the Agreement (as hereinafter defined), to the registered owner (the "Owner") named above, or registered assigns, on the maturity date set forth above, unless redeemed prior thereto as hereinafter provided, the principal amount set forth above, and to pay interest on such principal amount from the Dated Date, or from the most recent interest payment date to which interest has been paid or duly provided for, semiannually five (5) days prior to each September 1 and March 1, commencing March 1, 2015 (each an "Interest Payment Date"), at the interest rate set forth above, until the principal amount hereof is paid or made available for payment. The principal of this Bond is payable to the registered Owner hereof in lawful money of the United States of America upon presentation and surrender of this Bond at the office of MUFG Union Bank, N.A. (the "Fiscal Agent"). Interest on this Bond shall be paid by check of the Fiscal Agent preceding each Interest Payment Date to the registered Owner hereof as of the close of business on the 15th day of the month preceding the month in which the interest payment date occurs (the "Record Date") at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent.

This Bond is one of a duly authorized issue of bonds in the aggregate principal amount of \$_____ pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, Sections 53311, et seq., of the California Government Code (the "Mello-Roos Act") and designated the City of San Marcos Community Facilities District No. 99-01 Improvement Area F2/V2 Special Tax Refunding Bonds, Series 2014. The Bonds have been issued for the purpose of defeasing and redeeming the San Marcos Public Facilities Authority Special Tax Revenue Refunding Bonds, 2006 Series A thereby discharging the City of San Marcos Community Facilities District No. 99-01 Improvement Area F2/V2 Special Tax Bonds, Series 2006. The issuance of the Bonds and the terms and conditions thereof are provided for by the Fiscal Agent Agreement, dated as of October 1, 2014 (the "Agreement"), by and between the District and the Fiscal Agent and this reference incorporates the Agreement herein, and by acceptance hereof the Owner of this Bond assents to said terms and conditions.

Pursuant to the Mello-Roos Act and the Agreement, the principal of and interest on this Bond are payable solely from Net Special Tax Revenues of the annual special tax authorized under the Mello-Roos Act to be collected within Improvement Area F2/V2 of the District (the "Special Tax") and certain funds held under the Agreement.

Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated on an Interest Payment Date, in which event it shall bear interest from such date of authentication; or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date; or (iii) it is authenticated prior to the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from the Closing Date; provided, however, that if at the time of authentication of a Bond, interest is in default thereon, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Any tax for the payment hereof shall be limited to the Special Tax, except to the extent that provision for payment has been made by the City, as may be permitted by law. The Bonds do not constitute obligations of the City of San Marcos for which said City is obligated to levy or pledge, or has levied or pledged, general or special taxation other than described hereinabove. The District has covenanted for the benefit of the Owners of the Bonds that it will order, and cause to be commenced as provided in the Agreement, and thereafter diligently prosecute to judgment, an action in the superior court to foreclose the lien of any Special Tax or installment thereof not paid when due.

The Bonds maturing on or after September 1, 20__, may be redeemed at the option of the District from any source of funds other than prepayment of Special Taxes, prior to their stated maturity, as a whole or in part (in integral multiples of \$5,000) on any date on or after September 1, 20__, from such maturities as are selected by the District, and by lot within a maturity, at a redemption price equal to the principal amount of the Bonds or portions thereof to be redeemed, together with accrued interest thereon to the date fixed for redemption.

Notwithstanding the above, any such optional redemption of the Bonds shall occur only if the District shall first deliver to the Fiscal Agent and the Authority Trustee a certificate of an Independent Financial Consultant verifying that, following such redemption of the Bonds, the principal and interest due on the Outstanding Bonds, if any, and the other outstanding Special Tax Refunding Bonds is adequate to make the timely payment of principal, including mandatory sinking fund payments, and interest due on the Authority Bonds that will remain outstanding following the corresponding redemption of the Authority Bonds resulting from such optional redemption of the Bonds.

The Bonds shall be subject to redemption on any Interest Payment Date, prior to maturity, as a whole or in part from such maturities, as are selected by the District, from the prepayment of Special Taxes at the following redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed), together with accrued interest thereon to the date of redemption:

Redemption Date	Redemption Price
March 1, 2015 through March 1, 20__	103%
September 1, 20__ and March 1, 20__	102%
September 1, 20__ and March 1, 20__	101%
September 1, 20__ and any Interest Payment Date thereafter	100%

Notwithstanding the above, such mandatory redemption of the Bonds in whole or in part shall occur only if the District shall first deliver to the Fiscal Agent and the Authority Trustee a certificate of an Independent Financial Consultant verifying that, following such redemption of the Bonds, the principal and interest due on the Outstanding Bonds, if any, and the other outstanding Special Tax Refunding Bonds is adequate to make the timely payment of principal, including mandatory sinking fund payments, and interest due on the Authority Bonds that will remain outstanding following the corresponding redemption of the Authority Bonds resulting from such mandatory redemption of the Bonds.

In lieu of redemption under the Fiscal Agent Agreement, moneys in the Bond Fund may be used and withdrawn by the Fiscal Agent for purchase of Outstanding Bonds, upon the filing with the Fiscal Agent of an Officer's Certificate requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Officer's Certificate may provide, but in no event may Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase, unless a greater purchase price is permitted under the Act and the District determines that it will have sufficient amounts in the Bond Fund, following such purchase, to pay Debt Service on the Bonds.

Notice of redemption with respect to the Bonds to be redeemed shall be given to the registered Owners thereof, in the manner, to the extent and subject to the provisions of the Agreement.

This Bond shall be registered in the name of the Owner hereof, as to both principal and interest.

Each registration and transfer of registration of this Bond shall be entered by the Fiscal Agent in books kept by it for this purpose and authenticated by its manual signature upon the certificate of authentication endorsed hereon.

Except as provided in the Agreement, any Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of the Agreement by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form approved by the Fiscal Agent. The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such transfer shall be paid by the District. The Fiscal Agent shall collect from the Owner requesting such transfer any tax or other governmental charge required to be paid with respect to such transfer.

Whenever any Bond or Bonds shall be surrendered for transfer, the District shall execute and the Fiscal Agent shall authenticate and deliver a new Bond or Bonds, for like aggregate principal amount.

No transfers of Bonds shall be required to be made (i) fifteen (15) days prior to the date established by the Fiscal Agent for selection of Bonds for redemption; (ii) with respect to a Bond after such Bond has been selected for redemption; or (iii) between the 15th day of the month next preceding any Interest Payment Date and such Interest Payment Date.

Bonds may be exchanged at the Principal Office of the Fiscal Agent for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such exchange shall be paid by the District. The Fiscal Agent shall collect from the Owner requesting such exchange any tax or other governmental charge required to be paid with respect to such exchange.

No exchanges of Bonds shall be required to be made (i) fifteen (15) days prior to the date established by the Fiscal Agent for selection of Bonds for redemption; (ii) with respect to a Bond after such Bond has been selected for redemption; or (iii) between the 15th day of the month next preceding any Interest Payment Date and such Interest Payment Date.

The Fiscal Agent Agreement and the rights and obligations of the Agency thereunder may be modified or amended as set forth therein.

The Fiscal Agent Agreement contains provisions permitting the District to make provision for the payment of the interest on, and the principal and premium, if any, of the Bonds so that such Bonds shall no longer be deemed to be outstanding under the terms of the Fiscal Agreement.

This Bond shall not become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been dated and signed by the Fiscal Agent.

IT IS HEREBY CERTIFIED, RECITED, AND DECLARED that all acts, conditions and things required by law to exist, happen and be performed precedent to and in the issuance of this Bond have existed, happened and been performed in due time, form and manner as required by law, and that the amount of this Bond does not exceed any debt limit prescribed by the laws or Constitution of the State of California.

IN WITNESS WHEREOF, the City of San Marcos Community Facilities District 99-01 has caused this Bond to be dated October __, 2014, to be signed by the manual or facsimile signature of the Mayor and countersigned by the manual or facsimile signature of the City Clerk, each acting for and on behalf of such community facilities district.

CITY OF SAN MARCOS COMMUNITY
FACILITIES DISTRICT NO. 99-01

BY: _____
Mayor

BY: _____
City Clerk

FISCAL AGENT'S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the Resolution and the Agreement which has been authenticated on _____,_____.

MUFG UNION BANK, N.A., as Fiscal Agent

By: _____
Authorized Officer

ASSIGNMENT

For value received, the undersigned do(es) hereby sell, assign and transfer unto

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within Bond and do(es) hereby irrevocably constitute and appoint _____, attorney, to transfer the same on the registration books of the Fiscal Agent, with full power of substitution in the premises.

Dated: _____

NOTICE: The signature(s) on this assignment must correspond with the name(3) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

EXHIBIT B

PERMITTED INVESTMENTS

"Permitted Investments" means any of the investments listed below that at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein (provided that the Fiscal Agent shall have no duty to investigate the legality of any investments):

A. The following obligations may be used for all purposes, including defeasance investments:

- (1) Cash (insured at all times by the Federal Deposit Insurance Corporation) or collateralized by Permitted Investments listed in A(2) below.
- (2) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including:
 - (a) U.S. treasury obligations,
 - (b) all direct or fully guaranteed obligations,
 - (c) Farmers Home Administration,
 - (d) General Services Administration,
 - (e) Guaranteed Title XI financing,
 - (f) Government National Mortgage Association (GNMA),
 - (g) State and Local Government Series.

Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or pre-payable prior to maturity or earlier redemption of the rated debt (excluding 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).

B. The following obligations may be used as for all purposes other than defeasance investments in refunding escrow accounts:

- (1) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:
 - (a) Export-Import Bank,

- (b) Rural Economic Community Development Administration,
 - (c) U.S. Maritime Administration,
 - (d) Small Business Administration,
 - (e) U.S. Department of Housing & Urban Development (PHAs),
 - (f) Federal Housing Administration,
 - (g) Federal Financing Bank.
- (2) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:
- (a) senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC);
 - (b) obligations of the Resolution Funding Corporation (REFCORP); or
 - (c) senior debt obligations of the Federal Home Loan Bank System.
- (3) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank).
- (4) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase.
- (5) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P including funds for which the Fiscal Agent or an affiliate provides investment advice or other services.
- (6) Pre-refunded municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice:
- (a) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successors thereto; or

- (b) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in A.(2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate; and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.
- (7) Municipal obligations rated “Aaa/AAA” or general obligations of States with a rating of “A2/A” or higher by both Moody’s and S&P.
- (8) Any other investment which the City, on behalf of the District, is permitted by law to make, including without limitation investment in the Local Agency Investment Fund of the State of California (LAIF), provided that any investment of the type authorized pursuant to paragraphs (d), (e), (h), and (i) of Section 53601 of the California Government Code are additionally restricted as provided in the appropriate paragraph or paragraphs above applicable to such type of investment and provided further that investments authorized pursuant to paragraphs (r) and (m) of Section 53601 of the California Government Code are not permitted.

The value of any Permitted Investment shall be determined as follows:

- (1) for the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at fair market value. The Fiscal Agent shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include but are not limited to pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch, Salomon Smith Barney, Bear Stearns, or Lehman Brothers;
- (2) as to certificates of deposit and bankers’ acceptances: the face amount thereof, plus accrued interest thereon.

ESCROW DEPOSIT AND TRUST AGREEMENT

by and among the

SAN MARCOS PUBLIC FACILITIES AUTHORITY,

**CITY OF SAN MARCOS
COMMUNITY FACILITIES DISTRICT NO. 91-01,**

**CITY OF SAN MARCOS
COMMUNITY FACILITIES DISTRICT NO. 99-01,**

and

MUFG UNION BANK, N.A., as Escrow Bank

Dated as of October 1, 2014

Relating to

\$33,805,000

**San Marcos Public Facilities Authority
Special Tax Revenue Refunding Bonds, 2004 Series A**

\$3,690,000

**San Marcos Public Facilities Authority
Special Tax Revenue Refunding Bonds, 2004 Series B**

\$13,660,000

**San Marcos Public Facilities Authority
Special Tax Revenue Bonds, 2006 Series A**

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ESCROW DEPOSIT AND TRUST AGREEMENT

This ESCROW DEPOSIT AND TRUST AGREEMENT (this “Agreement”), dated as of October 1, 2014, by and among the SAN MARCOS PUBLIC FACILITIES AUTHORITY, a joint exercise of powers authority, duly organized and existing under the laws of the State of California (the “Authority”), CITY OF SAN MARCOS COMMUNITY FACILITIES DISTRICT NO. 91-01 (“CFD No. 91-01”) and CITY OF SAN MARCOS COMMUNITY FACILITIES DISTRICT NO. 99-01 (“CFD No. 99-01” and, together with CFD No. 91-01, the “Districts”), each a community facilities district duly organized and existing under the Mello-Roos Community Facilities Act of 1982 (Government Code Section 53311 and following of the Government Code of the State of California), and MUFG UNION BANK, N.A., formerly UNION BANK, N.A., a national banking association organized and existing under the laws of the United States of America, acting as trustee for the Series 2014A Bonds (defined below) and the Prior Authority Bonds hereinafter referred to, as fiscal agent for the Prior Special Tax Bonds hereinafter referred to and as escrow bank hereunder (as applicable, the “Prior Trustee,” the “Prior Fiscal Agent” and the “Escrow Bank”);

WITNESSETH

WHEREAS, the Authority has previously issued:

- the \$33,805,000 San Marcos Public Facilities Authority Special Tax Revenue Refunding Bonds, 2004 Series A (the “Prior Authority 2004 Series A Bonds”) and the \$3,690,000 San Marcos Public Facilities Authority Special Tax Revenue Refunding Bonds, 2004 Series B (the “Prior Authority 2004 Series B Bonds”) for the purpose of acquiring the special tax refunding bonds of City of San Marcos Community Facilities District No. 91-01 (“CFD No. 91-01”) and of City of San Marcos Community Facilities District No. 99-01 (“CFD 99-01” and, together with CFD No. 91-01, the “Districts”) identified in Exhibit A (the “Prior 2004 Special Tax Refunding Bonds”); and
- the \$13,660,000 San Marcos Public Facilities Authority Special Tax Revenue Bonds, 2006 Series A (the “Prior Authority 2006 Series A Bonds” and, together with the Prior Authority 2004 Series A Bonds and the Prior Authority 2004 Series B Bonds, the “Prior Authority Bonds” and each such series, a “Series of Prior Authority Bonds”) for the purpose of acquiring the special tax bonds of CFD No. 99-01 identified in Exhibit A (the “Prior 2006 Special Tax Bonds” and, together with the Prior 2004 Special Tax Refunding Bonds, the “Prior Special Tax Bonds” and each such series, a “Series of Prior Special Tax Bonds”).

WHEREAS, the Authority and the Districts have determined that it is in the best interest of the Authority and the Districts in the management of their financial interests that the San Marcos Public Financing Authority issue its \$_____ Special Tax Revenue Refunding Bonds, Series 2014A (the “Series 2014A Bonds”) for the purpose, among other things, of

acquiring the Special Tax Refunding Bonds identified in Exhibit B attached hereto (the "Special Tax Refunding Bonds") in order, among other things, to defease and redeem the Prior Authority Bonds and provide for the redemption of the Prior Authority Bonds maturing on and after September 1, 2015 at a redemption price of par (the "Redemption Price") plus accrued interest, without premium, as required under the Prior Issuance Documents (as defined below) and thereby simultaneously effect the discharge of the Prior Special Tax Bonds; and

WHEREAS, this Agreement is being entered into for the purpose of providing the terms and conditions relating to the deposit and application of cash to provide for the defeasance and redemption of the Prior Authority Bonds and discharge of the Prior Special Tax Bonds in full, pursuant to and in accordance with the provisions of the applicable indenture of trust pertaining to each Series of the Prior Authority Bonds (each, a "Prior Indenture" and, together, the "Prior Indentures") and the fiscal agent agreements pertaining to each Series of the Prior Special Tax Bonds (the "Prior Fiscal Agent Agreements" and, together with the Prior Indentures, the "Prior Issuance Documents"); and

WHEREAS, the Authority has taken action to cause to be issued or delivered to the Escrow Bank for deposit in or credit to the Escrow Fund cash in an amount sufficient to pay interest and principal on the Prior Authority Bonds when and as due and the Redemption Price of the Prior Authority Bonds on November __, 2014.

NOW, THEREFORE, in consideration of the above premises and of the mutual promises and covenants herein contained and for other valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

Section 1. Establishment of Escrow Fund. There is hereby created the Escrow Fund (the "Escrow Fund") to be held by the Escrow Bank until the Redemption Price of the Prior Authority Bonds plus accrued interest has been paid in full as an irrevocable escrow securing the payment of the Prior Authority Bonds as hereinafter set forth. All cash in the Escrow Fund is hereby irrevocably pledged as a special fund for the payment of the principal of and interest on the Prior Authority Bonds in accordance with the provisions of the applicable Prior Indenture. If at any time the Escrow Bank shall receive actual knowledge that the cash in the Escrow Fund will not be sufficient to make any payments required by Section 3 hereof, the Escrow Bank shall notify the Authority and the Districts of such fact and the Authority and the Districts shall immediately cure such deficiency from any source of legally available funds.

Section 2. Deposit into Escrow Fund. On October __, 2014 (the "Closing Date"), the Authority shall cause to be transferred to the Escrow Bank for deposit into the Escrow Fund the amount of \$_____ in immediately available funds derived from the sources set forth in Exhibit C attached hereto and incorporated herein by this reference.

On the Closing Date, the Authority hereby instructs the Prior Trustee for the Prior Authority Bonds to withdraw the amounts identified as "Transfers from Prior Authority Bonds" set forth in Exhibit C remaining on deposit in the funds and accounts for such Prior Authority Bonds established under the Prior Indenture and transfer such amounts to the Escrow Bank for deposit into the Escrow Fund.

On the Closing Date, the Authority hereby instructs the Fiscal Agent for the Special Tax Refunding Bonds to transfer the amounts identified as “Transfers from the Proceeds of the Special Tax Refunding Bonds” set forth in Exhibit C from the proceeds of each series of such Special Tax Refunding Bonds pursuant to the separate Fiscal Agent Agreement, dated as of October 1, 2014, by and between the CFD No. 91-01 or CFD No. 99-01, as applicable, and the Fiscal Agent related to each series of such Special Tax Refunding Bonds.

On the Closing Date, the Escrow Bank is hereby directed to hold all monies on deposit in the Escrow Fund uninvested as cash.

The cash shall be deposited with and held by the Escrow Bank in the Escrow Fund therein solely for the uses and purposes set forth herein. The Escrow Bank shall have no lien upon or right of set-off against such cash at any time on deposit in the Escrow Fund.

Section 3. Instructions as to Application of Deposit. The total amount of cash deposited in the Escrow Fund pursuant to Section 2 shall be applied by the Escrow Bank to the payment of the Redemption Price upon the redemption of the Prior Authority Bonds maturing on and after September 1, 2015, all as shown in Exhibit D attached hereto and incorporated herein by this reference.

Section 4. Application of Certain Terms of Prior Issuance Documents. Except as may be modified herein, all of the terms of the applicable Prior Issuance Documents relating to the redemption of and making of payments of principal of and interest and premium on the Prior Authority Bonds and protection, limitations on liability and indemnification of the Prior Trustee are incorporated in this Agreement as if set forth in full herein.

Section 5. Proceedings for Redemption of Prior Authority Bonds and the Prior Special Tax Bonds. The Authority hereby irrevocably elects to redeem the Prior Authority Bonds in full pursuant to the applicable Prior Indenture on November __, 2014 at the Redemption Price plus accrued interest.

By letter dated September __, 2014, the Authority has previously instructed Union Bank, as the Prior Trustee, to give conditional notice of redemption for the Prior Authority Bonds pursuant to the applicable Prior Indenture and the Prior Trustee gave such notice on _____, 2014 at the expense of the Authority.

The Authority, as the registered Owner of the Prior Special Tax Bonds, hereby waives the requirement, if any, that notice of the defeasance or redemption of the Prior Special Tax Bonds be given by the Prior Fiscal Agent pursuant to the applicable Prior Fiscal Agent Agreements.

Section 6. Compensation to Escrow Bank. The Authority shall pay the Escrow Bank full compensation for its duties under this Agreement, including out-of-pocket costs such as publication costs, redemption expenses, legal fees and other costs and expenses relating hereto. Under no circumstances shall amounts deposited in or credited to the Escrow Fund be deemed to be available for said purposes.

Section 7. Liabilities and Obligations of Escrow Bank. The Escrow Bank shall have no obligation to make any payment or disbursement of any type or incur any financial liability in

the performance of its duties under this Agreement unless the Authority shall have deposited sufficient funds therefor with the Escrow Bank. The Escrow Bank may rely and shall be protected in acting upon the written instructions of the Authority or its agents relating to any matter or action as Escrow Bank under this Agreement.

The Escrow Bank may consult with counsel of its own choice (which may be counsel to the Authority) and the opinion of such counsel shall be full and complete authorization to take or suffer in good faith any action in accordance with such opinion of counsel.

The Escrow Bank shall not be responsible for any of the recitals or representations contained herein.

The Escrow Bank shall not be liable for the accuracy of any calculations provided as to the sufficiency of the cash deposited with it to pay the principal, interest, or premiums, if any, on the Prior Bonds.

The Escrow Bank shall not be liable for any action or omission of the Authority under this Agreement or the Prior Authority Bonds or act or omission of the Districts hereunder or under the Prior Special Tax Bonds.

Whenever in the administration of this Agreement the Escrow Bank shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or willful misconduct on the part of the Escrow Bank, be deemed to be conclusively proved and established by a certificate of an authorized representative of the Authority, and such certificate shall, in the absence of negligence or willful misconduct on the part of the Escrow Bank, be full warrant to the Escrow Bank for any action taken or suffered by it under the provisions of this Agreement upon the faith thereof.

The Escrow Bank may conclusively rely, as to the truth and accuracy of the statements and correctness of the opinions and the calculations provided, and shall be protected and indemnified, in action, or refraining from acting, upon any written notice, instruction, request, certificate, document or opinion furnished to the Escrow Bank which the Escrow Bank in good faith believes was signed or presented by the proper party, and it need not investigate any fact or matter stated in such notice, instruction, request, certificate or opinion.

The Escrow Bank may at any time resign by giving written notice to the Authority of such resignation. The Authority shall promptly appoint a successor Escrow Bank by the resignation date. Resignation of the Escrow Bank will be effective upon acceptance of appointment by a successor Escrow Bank. If the Authority does not appoint a successor, the Escrow Bank may petition any court of competent jurisdiction for the appointment of a successor Escrow Bank, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Escrow Bank. After receiving a notice of resignation of an Escrow Bank, the Authority may appoint a temporary Escrow Bank to replace the resigning Escrow Bank until the Authority appoints a successor Escrow Bank. Any such temporary Escrow Bank so appointed by the Authority shall immediately and without further act be superseded by the successor Escrow Bank so appointed.

The Authority and the Districts covenant to indemnify and hold harmless the Escrow Bank in its capacities as escrow bank, Prior Trustee, Prior Fiscal Agent and in its proprietary capacity, against any loss, liability or expense, including legal fees, incurred in connection with the performance of any of its duties hereunder, except the Escrow Bank shall not be indemnified against any loss, liability or expense resulting from its negligence or willful misconduct.

Section 8. Amendment. This Agreement may be amended by the parties hereto, but only if (a) there shall have been filed with the Authority, the Districts and the Escrow Bank a written opinion of Bond Counsel stating that such amendment will not materially adversely affect the interests of the owners of the Prior Authority Bonds, and that such amendment will not cause interest on the Prior Authority Bonds or the Series 2014A Bonds to become includable in the gross incomes of the owners thereof for federal income tax purposes; and (b) the Owners of all of the Prior Authority Bonds have consented to such amendment.

Section 9. Merger or Consolidation. Any company into which the Escrow Bank may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Escrow Bank may sell or transfer all or substantially all of its corporate trust business, shall be the successor to the Escrow Bank and vested with all of the title to the trust estate and all of the trusts, powers, discretion, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

Section 10. Execution in Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 11. Headings. Any heading preceding the text of the several Sections hereof, any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Escrow Agreement, nor shall they affect its meaning, construction or effect.

Section 12. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

[Remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the Authority and the Escrow Bank have each caused this Agreement to be executed by their duly authorized officers all as of the date first above written.

SAN MARCOS PUBLIC FACILITIES
AUTHORITY

By: _____
Executive Director

CITY OF SAN MARCOS COMMUNITY
FACILITIES DISTRICT NO. 91-01

By: _____
City Manager

CITY OF SAN MARCOS COMMUNITY
FACILITIES DISTRICT NO. 99-01

By: _____
City Manager

MUFG UNION BANK, N.A.,
As Escrow Bank, Prior Trustee and Prior
Fiscal Agent

By: _____
Authorized Officer

EXHIBIT A
PRIOR SPECIAL TAX BONDS

The Prior Special Tax Bonds which are subject to this Escrow Agreement are as follows:

1. \$3,690,000 City of San Marcos Community Facilities District No. 91-01 2004 Special Tax Refunding Bonds;
2. \$2,270,000 City of San Marcos Community Facilities District No. 99-01 Improvement Area A1 2004 Special Tax Refunding Bonds;
3. \$2,360,000 City of San Marcos Community Facilities District No. 99-01 Improvement Area A2 2004 Special Tax Refunding Bonds;
4. \$2,255,000 City of San Marcos Community Facilities District No. 99-01 Improvement Area B1 2004 Special Tax Refunding Bonds;
5. \$1,940,000 City of San Marcos Community Facilities District No. 99-01 Improvement Area B2 2004 Special Tax Refunding Bonds;
6. \$3,565,000 City of San Marcos Community Facilities District No. 99-01 Improvement Area C1 2004 Special Tax Refunding Bonds;
7. \$1,960,000 City of San Marcos Community Facilities District No. 99-01 Improvement Area D1 2004 Special Tax Refunding Bonds;
8. \$3,220,000 City of San Marcos Community Facilities District No. 99-01 (Improvement Area F2/V2) Special Tax Bonds, Series 2006;
9. \$1,430,000 City of San Marcos Community Facilities District No. 99-01 Improvement Area G3 2004 Special Tax Refunding Bonds;
10. \$1,555,000 City of San Marcos Community Facilities District No. 99-01 Improvement Area H1A 2004 Special Tax Refunding Bonds;
11. \$1,410,000 City of San Marcos Community Facilities District No. 99-01 Improvement Area H1B 2004 Special Tax Refunding Bonds;
12. \$4,675,000 City of San Marcos Community Facilities District No. 99-01 (Improvement Area J) Special Tax Bonds, Series 2006;
13. \$4,560,000 City of San Marcos Community Facilities District No. 99-01 Improvement Area M 2004 Special Tax Refunding Bonds;
14. \$2,805,000 City of San Marcos Community Facilities District No. 99-01 Improvement Area N1 2004 Special Tax Refunding Bonds;
15. \$2,575,000 City of San Marcos Community Facilities District No. 99-01 Improvement Area N2 2004 Special Tax Refunding Bonds;
16. \$2,875,000 City of San Marcos Community Facilities District No. 99-01 Improvement Area R1 2004 Special Tax Refunding Bonds;
17. \$2,245,000 City of San Marcos Community Facilities District No. 99-01 Improvement Area R2 2004 Special Tax Refunding Bonds; and
18. \$2,755,000 City of San Marcos Community Facilities District No. 99-01 (Improvement Area V1A) Special Tax Bonds, Series 2006.

EXHIBIT B
SPECIAL TAX REFUNDING BONDS

The **Special Tax Refunding Bonds** include the following:

1. \$_____ City of San Marcos Community Facilities District No. 91-01 Special Tax Refunding Bonds, Series 2014;
2. \$_____ City of San Marcos Community Facilities District No. 99-01 Improvement Area A1 Special Tax Refunding Bonds, Series 2014;
3. \$_____ City of San Marcos Community Facilities District No. 99-01 Improvement Area A2 Special Tax Refunding Bonds, Series 2014;
4. \$_____ City of San Marcos Community Facilities District No. 99-01 Improvement Area B1 Special Tax Refunding Bonds, Series 2014;
5. \$_____ City of San Marcos Community Facilities District No. 99-01 Improvement Area B2 Special Tax Refunding Bonds, Series 2014;
6. \$_____ City of San Marcos Community Facilities District No. 99-01 Improvement Area C1 Special Tax Refunding Bonds, Series 2014;
7. \$_____ City of San Marcos Community Facilities District No. 99-01 Improvement Area D1 Special Tax Refunding Bonds, Series 2014;
8. \$_____ City of San Marcos Community Facilities District No. 99-01 Improvement Area F2/V2 Special Tax Refunding Bonds, Series 2014;
9. \$_____ City of San Marcos Community Facilities District No. 99-01 Improvement Area G3 Special Tax Refunding Bonds, Series 2014;
10. \$_____ City of San Marcos Community Facilities District No. 99-01 Improvement Area H1A Special Tax Refunding Bonds, Series 2014;
11. \$_____ City of San Marcos Community Facilities District No. 99-01 Improvement Area H1B Special Tax Refunding Bonds, Series 2014;
12. \$_____ City of San Marcos Community Facilities District No. 99-01 Improvement Area J Special Tax Refunding Bonds, Series 2014;
13. \$_____ City of San Marcos Community Facilities District No. 99-01 Improvement Area M Special Tax Refunding Bonds, Series 2014;
14. \$_____ City of San Marcos Community Facilities District No. 99-01 Improvement Area N1 Special Tax Refunding Bonds, Series 2014;
15. \$_____ City of San Marcos Community Facilities District No. 99-01 Improvement Area N2 Special Tax Refunding Bonds, Series 2014;
16. \$_____ City of San Marcos Community Facilities District No. 99-01 Improvement Area R1 Special Tax Refunding Bonds, Series 2014;
17. \$_____ City of San Marcos Community Facilities District No. 99-01 Improvement Area R2 Special Tax Refunding Bonds, Series 2014; and

18. \$_____ City of San Marcos Community Facilities District No. 99-01 Improvement
Area VIA Special Tax Refunding Bonds, Series 2014.

EXHIBIT C
SOURCES OF FUNDS FOR DEPOSIT TO ESCROW FUND

EXHIBIT D
REDEMPTION PAYMENT
ON THE PRIOR AUTHORITY BONDS

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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BOND PURCHASE AGREEMENT

\$[_____]
**SAN MARCOS PUBLIC FINANCING AUTHORITY
SPECIAL TAX REVENUE REFUNDING BONDS
SERIES 2014A**

October __, 2014

San Marcos Public Financing Authority

City of San Marcos Community Facilities District No. 91-01 (Twin Oaks Valley Ranch)

City of San Marcos Community Facilities District No. 99-01

One Civic Center Drive
San Marcos, CA 92069

Ladies and Gentlemen:

Stifel, Nicolaus & Company, Incorporated (the “**Underwriter**”) offers to enter into this Bond Purchase Agreement (this “**Purchase Agreement**”) with the San Marcos Public Financing Authority (the “**Authority**”), the City of San Marcos Community Facilities District No. 91-01 (Twin Oaks Valley Ranch) (“**CFD No. 91-01**”) and the City of San Marcos Community Facilities District No. 99-01 (“**CFD No. 99-01**”) and, together with CFD No. 91-01, the “**Community Facilities Districts**”).

Upon your acceptance of this offer, this Purchase Agreement will be binding upon the Authority, the Community Facilities Districts and the Underwriter. Terms not otherwise defined herein have the same meanings as set forth in the Indenture of Trust described below.

This offer is made subject to the acceptance by the Authority and the Community Facilities Districts of this Purchase Agreement on or before 11:59 p.m. on the date first set forth above.

1. Purchase and Sale of Bonds. Upon the terms and conditions and in reliance upon the respective representations, warranties and covenants herein, the Underwriter hereby agrees to purchase from the Authority, and the Authority hereby agrees to sell to the Underwriter, all (but not less than all) of \$[_____] .00 aggregate principal amount of the revenue bonds captioned above (the “**Bonds**”) at a purchase price (the “**Purchase Price**”) of \$[_____] (being an amount equal to the par amount of the Bonds (\$[_____] .00) [plus/less] net original issue [premium/discount] of \$[_____] , and less an Underwriter's discount of \$[_____] .

2. Prior Public Facilities Authority Bonds. The proceeds of the sale of the Bonds will be used by the Authority to (i) acquire the Special Tax Refunding Bonds (as defined below), the proceeds of which will be used to defease and current refund the San Marcos Public Facilities Authority's (the “**Facilities Authority**”) outstanding Special Tax Revenue Bonds, 2006 Series A and the Facilities Authority's outstanding Special Tax Revenue Refunding Bonds, 2004

Series A and 2004 Series B (collectively, the “**Prior Public Facilities Authority Bonds**”) which will in turn discharge certain special tax bonds of the Community Facilities Districts issued with respect to each of the Improvement Areas, as defined below, (ii) fund a deposit to and/or pay the premium for an insurance policy for the benefit of a debt service reserve fund and (iii) pay the costs of issuing the Bonds. The Prior Public Facilities Bonds are subject to redemption on [November 3, 2014], at a redemption price equal to the principal amount of the Prior Public Facilities Authority Bonds to be redeemed, plus accrued interest to the redemption date, without premium.

With respect to the refunding of the Prior Public Facilities Authority Bonds and discharge of the Prior Special Tax Bonds, an escrow agreement (the “**Escrow Agreement**”) dated as of October 1, 2014 will be entered into among the Facilities Authority, the Community Facilities Districts, and MUFG Union Bank, N.A., formerly Union Bank, N.A., as the prior trustee (“**Prior Trustee**”) for the Prior Public Facilities Authority Bonds.

3. First Amendment to Fiscal Agent Agreement. CFD No. 99-01 has previously entered into fiscal agent agreements related to the issuance of prior special tax bonds of Improvement Areas (as defined below) of CFD No. 99-01 (collectively, the “**Prior CFD No. 99-01 Fiscal Agent Agreements**”). The Prior CFD No. 99-01 Fiscal Agent Agreements for Improvement Areas F2/V2, J and V1A are dated as of November 1, 2006, and the Prior CFD No. 99-01 Fiscal Agent Agreements for all other Improvement Areas are dated as of September 1, 2004. The Prior CFD No. 99-01 Fiscal Agent Agreements are by and between CFD No. 99-01 and MUFG Union Bank, N.A., formerly Union Bank of California, N.A., as fiscal agent (the “**Prior Fiscal Agent**”). In order to amend certain provisions of the Prior CFD No. 99-01 Fiscal Agent Agreements, first amendments to the Prior CFD No. 99-01 Fiscal Agent Agreements (the “**99-01 First Amendments**”) dated October 1, 2014 will be entered into by and between CFD No. 99-01 and MUFG Union Bank, N.A., as fiscal agent (the “**Fiscal Agent**”).

CFD No. 91-01 has previously entered into a fiscal agent agreement related to the issuance of prior special tax bonds of CFD No. 91-01 (the “**Prior CFD No. 91-01 Fiscal Agent Agreement**”), dated as of September 1, 2004, by and between CFD No. 91-01 and the Prior Fiscal Agent. In order to amend certain provisions of the Prior CFD No. 91-01 Fiscal Agent Agreement, a first amendment to the Prior CFD No. 91-01 Fiscal Agent Agreement (the “**91-01 First Amendment**”) and together with the 99-01 First Amendments, the “**First Amendments**”) dated October 1, 2014 will be entered into by and between CFD No. 91-01 and the Fiscal Agent.

4. Authorizing Instruments; Purchase and Sale of Special Tax Bonds.

(a) Issuance of the Bonds. The Bonds will be issued by the Authority under:

- Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “**Bond Law**”),
- A resolution adopted by the Board of Directors of the Authority (the “**Board**”) on [September __], 2014 (the “**Resolution of Issuance**”), and
- an Indenture of Trust dated as of October 1, 2014 (the “**Indenture**”), by and between the Authority and MUFG Union Bank, N.A., as trustee (the “**Trustee**”).

(b) Security for the Bonds. The Bonds are payable from “**Revenues**” received under the Indenture, which are generally defined as all amounts derived from the following special tax refunding bonds (the “**Special Tax Refunding Bonds**”), as described below:

CFD No. 91-01. Special tax refunding bonds to be issued by CFD No. 91-01 designated “City of San Marcos Community Facilities District No. 91-01 Special Tax Refunding Bonds, Series 2014” (the “**CFD No. 91-01 Special Tax Refunding Bonds**”) under a resolution adopted on [September __, 2014], by the City Council of the City of San Marcos (the “**City**”), acting for itself and as legislative body of CFD No. 91-01 and CFD No. 99-01 (the “**CFD Resolution**”), and secured under a Fiscal Agent Agreement (the “**CFD No. 91-01 Fiscal Agent Agreement**”) dated as of October 1, 2014, by and between CFD No. 91-01 and the Fiscal Agent.

CFD No. 99-01. Special tax refunding bonds to be issued by CFD No. 99-01 as designated below, and collectively referred to as the “**CFD No. 99-01 Special Tax Refunding Bonds**” under the CFD Resolution will be secured under separate Fiscal Agent Agreements for each improvement area (each, an “**Improvement Area**” and collectively, the “**Improvement Areas**”) identified in Exhibit B hereto which is incorporated herein by this reference (Collectively, the “**CFD No. 99-01 Fiscal Agent Agreements**”) dated as of October 1, 2014, by and between CFD No. 99-01 and the Fiscal Agent.

The CFD No. 99-01 Special Tax Refunding Bonds, Series 2014 consist of:

- i. the \$[_____] City of San Marcos Community Facilities District No. 99-01 Improvement Area A1 Special Tax Refunding Bonds, Series 2014;
- ii. the \$[_____] City of San Marcos Community Facilities District No. 99-01 Improvement Area A2 Special Tax Refunding Bonds, Series 2014;
- iii. the \$[_____] City of San Marcos Community Facilities District No. 99-01 Improvement Area B1 Special Tax Refunding Bonds, Series 2014;
- iv. the \$[_____] City of San Marcos Community Facilities District No. 99-01 Improvement Area B2 Special Tax Refunding Bonds, Series 2014;
- v. the \$[_____] City of San Marcos Community Facilities District No. 99-01 Improvement Area C1 Special Tax Refunding Bonds, Series 2014;
- vi. the \$[_____] City of San Marcos Community Facilities District No. 99-01 Improvement Area D1 Special Tax Refunding Bonds, Series 2014;
- vii. the \$[_____] City of San Marcos Community Facilities District No. 99-01 Improvement Area F2/V2 Special Tax Refunding Bonds, Series 2014;
- viii. the \$[_____] City of San Marcos Community Facilities District No. 99-01 Improvement Area G3 Special Tax Refunding Bonds, Series 2014;
- ix. the \$[_____] City of San Marcos Community Facilities District No. 99-01 Improvement Area H1A Special Tax Refunding Bonds, Series 2014;

- x. the \$[_____] City of San Marcos Community Facilities District No. 99-01 Improvement Area H1B Special Tax Refunding Bonds, Series 2014;
- xi. the \$[_____] City of San Marcos Community Facilities District No. 99-01 Improvement Area J Special Tax Refunding Bonds, Series 2014;
- xii. the \$[_____] City of San Marcos Community Facilities District No. 99-01 Improvement Area M Special Tax Refunding Bonds, Series 2014;
- xiii. the \$[_____] City of San Marcos Community Facilities District No. 99-01 Improvement Area N1 Special Tax Refunding Bonds, Series 2014;
- xiv. the \$[_____] City of San Marcos Community Facilities District No. 99-01 Improvement Area N2 Special Tax Refunding Bonds, Series 2014;
- xv. the \$[_____] City of San Marcos Community Facilities District No. 99-01 Improvement Area R1 Special Tax Refunding Bonds, Series 2014;
- xvi. the \$[_____] City of San Marcos Community Facilities District No. 99-01 Improvement Area R2 Special Tax Refunding Bonds, Series 2014;
- xvii. the \$[_____] City of San Marcos Community Facilities District No. 99-01 Improvement Area V1A Special Tax Refunding Bonds, Series 2014;

The Special Tax Refunding Bonds are payable from special taxes levied under the Mello-Roos Community Facilities Act of 1982 (constituting Sections 53311 et seq. of the California Government Code) (the “**Mello-Roos Act**”).

(c) Purchase and Sale of the Special Tax Refunding Bonds.

(i) *CFD No. 91-01 Special Tax Refunding Bonds.* Upon the terms and conditions and in reliance upon the respective representations, warranties and covenants herein, the Authority hereby agrees to purchase from CFD No. 91-01, and CFD No. 91-01 hereby agrees to sell to the Authority, all (but not less than all) of \$[_____] .00 aggregate principal amount of the CFD No. 91-01 Special Tax Refunding Bonds at a purchase price of \$[_____] .00, being an amount equal to the par amount of the CFD No. 91-01 Special Tax Refunding Bonds.

(ii) *CFD No. 99-01 Special Tax Refunding Bonds.* Upon the terms and conditions and in reliance upon the respective representations, warranties and covenants herein, the Authority hereby agrees to purchase from CFD No. 99-01, and CFD No. 99-01 hereby agrees to sell to the Authority, all (but not less than all) of:

A. \$[_____] aggregate principal amount of the CFD No. 99-01 Improvement Area A1 Special Tax Refunding Bonds Series 2014 at a purchase price of \$[_____] , being an amount equal to the par amount of the CFD No. 99-01 Improvement Area A1 Special Tax Refunding Bonds Series 2014.

B. \$[_____] aggregate principal amount of the CFD No. 99-01 Improvement Area A2 Special Tax Refunding Bonds Series 2014

at a purchase price of \$[____], being an amount equal to the par amount of the CFD No. 99-01 Improvement Area A2 Special Tax Refunding Bonds Series 2014.

- C. \$[____] aggregate principal amount of the CFD No. 99-01 Improvement Area B1 Special Tax Refunding Bonds Series 2014 at a purchase price of \$[____], being an amount equal to the par amount of the CFD No. 99-01 Improvement Area B1 Special Tax Refunding Bonds Series 2014.
- D. \$[____] aggregate principal amount of the CFD No. 99-01 Improvement Area B2 Special Tax Refunding Bonds Series 2014 at a purchase price of \$[____], being an amount equal to the par amount of the CFD No. 99-01 Improvement Area B2 Special Tax Refunding Bonds Series 2014.
- E. \$[____] aggregate principal amount of the CFD No. 99-01 Improvement Area C1 Special Tax Refunding Bonds Series 2014 at a purchase price of \$[____], being an amount equal to the par amount of the CFD No. 99-01 Improvement Area C1 Special Tax Refunding Bonds Series 2014.
- F. \$[____] aggregate principal amount of the CFD No. 99-01 Improvement Area D1 Special Tax Refunding Bonds Series 2014 at a purchase price of \$[____], being an amount equal to the par amount of the CFD No. 99-01 Improvement Area D1 Special Tax Refunding Bonds Series 2014.
- G. \$[____] aggregate principal amount of the CFD No. 99-01 Improvement Area F2/V2 Special Tax Refunding Bonds Series 2014 at a purchase price of \$[____], being an amount equal to the par amount of the CFD No. 99-01 Improvement Area F2/V2 Special Tax Refunding Bonds Series 2014.
- H. \$[____] aggregate principal amount of the CFD No. 99-01 Improvement Area G3 Special Tax Refunding Bonds Series 2014 at a purchase price of \$[____], being an amount equal to the par amount of the CFD No. 99-01 Improvement Area G3 Special Tax Refunding Bonds Series 2014.
- I. \$[____] aggregate principal amount of the CFD No. 99-01 Improvement Area H1A Special Tax Refunding Bonds Series 2014 at a purchase price of \$[____], being an amount equal to the par amount of the CFD No. 99-01 Improvement Area H1A Special Tax Refunding Bonds Series 2014.
- J. \$[____] aggregate principal amount of the CFD No. 99-01 Improvement Area H1B Special Tax Refunding Bonds Series 2014 at a purchase price of \$[____], being an amount equal to the par amount of the CFD No. 99-01 Improvement Area H1B Special Tax Refunding Bonds Series 2014.

- K. \$[] aggregate principal amount of the CFD No. 99-01 Improvement Area J Special Tax Refunding Bonds Series 2014 at a purchase price of \$[], being an amount equal to the par amount of the CFD No. 99-01 Improvement Area J Special Tax Refunding Bonds Series 2014.
- L. \$[] aggregate principal amount of the CFD No. 99-01 Improvement Area M Special Tax Refunding Bonds Series 2014 at a purchase price of \$[], being an amount equal to the par amount of the CFD No. 99-01 Improvement Area M Special Tax Refunding Bonds Series 2014.
- M. \$[] aggregate principal amount of the CFD No. 99-01 Improvement Area N1 Special Tax Refunding Bonds Series 2014 at a purchase price of \$[], being an amount equal to the par amount of the CFD No. 99-01 Improvement Area N1 Special Tax Refunding Bonds Series 2014.
- N. \$[] aggregate principal amount of the CFD No. 99-01 Improvement Area N2 Special Tax Refunding Bonds Series 2014 at a purchase price of \$[], being an amount equal to the par amount of the CFD No. 99-01 Improvement Area N2 Special Tax Refunding Bonds Series 2014.
- O. \$[] aggregate principal amount of the CFD No. 99-01 Improvement Area R1 Special Tax Refunding Bonds Series 2014 at a purchase price of \$[], being an amount equal to the par amount of the CFD No. 99-01 Improvement Area R1 Special Tax Refunding Bonds Series 2014.
- P. \$[] aggregate principal amount of the CFD No. 99-01 Improvement Area R2 Special Tax Refunding Bonds Series 2014 at a purchase price of \$[], being an amount equal to the par amount of the CFD No. 99-01 Improvement Area R2 Special Tax Refunding Bonds Series 2014.
- Q. \$[] aggregate principal amount of the CFD No. 99-01 Improvement Area V1A Special Tax Refunding Bonds Series 2014 at a purchase price of \$[], being an amount equal to the par amount of the CFD No. 99-01 Improvement Area V1A Special Tax Refunding Bonds Series 2014.

5. Terms of the Bonds. The Bonds will mature on the dates and in the principal amounts, and will bear interest at the rates, as set forth in Exhibit A hereto. The Underwriter agrees to make a bona fide public offering of all of the Bonds at the offering prices set forth on the cover of the Final Official Statement described below.

[Certain Bonds identified in Exhibit A will be insured by a municipal bond insurance policy (the “**Policy**”) issued by [] (the “**Insurer**”).]

6. Preliminary Official Statement; Official Statement; Continuing Disclosure.

(a) The Authority and the Community Facilities Districts agree to deliver to the Underwriter as many copies of the Official Statement dated the date of this Purchase Agreement, relating to the Bonds (as supplemented and amended from time to time, the “**Final Official Statement**”) as the Underwriter may reasonably request as necessary to comply with paragraph (b)(4) of Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934 (“**Rule 15c2-12**”). The Authority and the Community Facilities Districts agree to deliver such Final Official Statements within 7 business days after the execution of this Purchase Agreement, or such earlier date identified by the Underwriter to be necessary to allow the Underwriter to meet its obligations under Rule 15c2-12 and Rule G-32 of the Municipal Securities Rulemaking Board (“**MSRB**”). The Underwriter agrees to file the Final Official Statement in compliance with MSRB Rule G-32. The Underwriter agrees to deliver a copy of the Final Official Statement to each of its customers purchasing Bonds no later than the settlement date of the transaction.

(b) The Authority and the Community Facilities Districts have authorized and approved the Preliminary Official Statement dated [September __], 2014 (the “**Preliminary Official Statement**”) and the Final Official Statement dated the date of this Purchase Agreement, and consents to their distribution and use by the Underwriter and the execution and approval of the Final Official Statement by a duly authorized officer of the Authority and the Community Facilities Districts.

(c) In connection with issuance of the Bonds, and in order to assist the Underwriter with complying with the provisions of Rule 15c2-12, the Community Facilities Districts, for themselves and as agent for the Authority, will execute a continuing disclosure agreement with MUFG Union Bank, N.A., as dissemination agent (the “**Continuing Disclosure Agreement**”), under which the Community Facilities Districts will undertake to provide certain financial and operating data as required by Rule 15c2-12. The form of the Continuing Disclosure Agreement will be attached as an appendix to the Preliminary and Final Official Statements.

7. Representations and Warranties of the Authority. The Authority makes the following representations and warranties to the Underwriter.

(a) Due Organization and Authority. The Authority is a joint powers authority duly organized and existing under the laws of the State of California, and has the full legal right, power and authority, among other things, (i) upon satisfaction of the conditions in this Purchase Agreement, the Indenture and the Resolution of Issuance, to issue the Bonds for the purposes set forth in the Preliminary Official Statement and the Indenture, and (ii) to secure the Bonds in the manner contemplated in the Resolution of Issuance and the Indenture.

(b) Full Right, Power and Authority. The Authority has the full legal right, power and authority to adopt the Resolution of Issuance, and the Authority has the full legal right, power and authority:

(i) to enter into this Purchase Agreement, the Indenture and the Escrow Agreement (collectively, the “**Authority Documents**”),

(ii) to issue, sell and deliver the Bonds to the Underwriter as provided herein, and

(iii) to carry out and consummate all other transactions on its part contemplated by each of the Authority Documents and the Final Official Statement.

The Authority has complied with all provisions of applicable law (including the Bond Law) and an amended and restated joint exercise of powers agreement, dated January 10, 2012, by and between the City and the San Marcos Fire Protection District (the “**Joint Powers Agreement**”), in all matters relating to the adoption of the Resolution of Issuance and the issuance of the Bonds.

(c) Authorization of Documents; Consents and Approvals. The Board of the Authority has duly authorized:

(i) the execution and delivery of the Bonds and the execution, delivery and due performance by the Authority of its obligations under the Authority Documents,

(ii) the distribution and use of the Preliminary Official Statement and execution, delivery and distribution of the Final Official Statement, and

(iii) the taking of any and all such action as may be required on the part of the Authority to carry out, give effect to and consummate the transactions on its part contemplated by such instruments.

All consents or approvals necessary to be obtained by the Authority in connection with the foregoing have been received, and the consents or approvals so received are still in full force and effect.

(d) Due Adoption of Resolution and Enforceability of Documents. The Resolution of Issuance has been duly adopted by the Board of the Authority and is in full force and effect; and the Authority Documents, when executed and delivered by the Authority and the other respective parties thereto, will constitute legal, valid and binding obligations of the Authority enforceable against the Authority in accordance with their respective terms, except as enforceability thereof may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally.

(e) Enforceability of Bonds. When delivered to the Underwriter, the Bonds will have been duly authorized by the Board of the Authority and duly executed, issued and delivered by the Authority and will constitute legal, valid and binding obligations of the Authority enforceable against the Authority in accordance with their respective terms, except as enforceability thereof may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally, and will be entitled to the benefit and security of the Resolution of Issuance and the Indenture.

(f) Preliminary and Final Official Statement. The information contained in the Preliminary Official Statement relating to the Authority and its obligations under the Authority Documents is, and as of the Closing Date such information in the Final Official Statement will be, true and correct in all material respects, and the Preliminary Official

Statement does not as of its date, and the Final Official Statement will not as of the Closing Date, contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, no representation is made with respect to information therein relating to the Depository Trust Company and its book-entry only system [and the Insurer].

(g) Supplements or Amendments to Official Statement. The Authority shall promptly notify the Underwriter in writing if, at any time prior to the earlier of (i) receipt of notice from the Underwriter that Final Official Statement is no longer required to be delivered under Rule 15c2-12 or (ii) the Closing Date (as described in Section 9 below), any event known to the officers of the Authority participating in the issuance of the Bonds occurs as a result of which the Final Official Statement as then amended or supplemented might include an untrue statement of a material fact, or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. Any information supplied by the Authority for inclusion in any amendments or supplements to the Final Official Statement will not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(h) No Conflicts. Neither the adoption of the Resolution of Issuance, the execution and delivery of the Authority Documents, nor the consummation of the transactions on the part of the Authority contemplated herein or therein or the compliance by the Authority with the provisions hereof or thereof will conflict with, or constitute on the part of the Authority a violation of, or a breach of or default under,

(i) any material indenture, mortgage, commitment, note or other agreement or instrument to which the Authority is a party or by which it is bound,

(ii) any provision of the Bond Law, the Joint Powers Agreement or the State Constitution or

(iii) any existing law, rule, regulation, ordinance, judgment, order or decree to which the Authority (or the members of the Authority, the members of the Board of the Authority, or any of its officers in their respective capacities as such) is subject, that would have a material adverse affect on the ability of the Authority to perform its obligations under the Authority Documents.

(i) No Defaults. The Authority has never been in default at any time, as to principal of or interest on any obligation which it has issued, which default may have an adverse effect on the ability of the Authority to consummate the transactions on its part under the Authority Documents, except as specifically disclosed in the Final Official Statement; and other than the Bonds, the Authority has not entered into any contract or arrangement of any kind which might give rise to any lien or encumbrance on the Revenues.

(j) No Litigation. Except as is specifically disclosed in the Final Official Statement, to the best knowledge of the Authority, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body,

pending with respect to which the Authority has been served with process or threatened, which

(i) in any way questions the powers of the Authority or the Board of the Authority, or

(ii) in any way questions the validity of any proceeding taken by the Board of the Authority in connection with the issuance of the Bonds, or

(iii) wherein an unfavorable decision, ruling or finding could materially adversely affect the transactions contemplated by this Purchase Agreement, or

(iv) which, in any way, could adversely affect the validity or enforceability of the Authority Documents or the Fiscal Agent Agreements, or

(v) to the knowledge of the Authority, which in any way questions the exclusion from gross income of the recipients thereof of the interest on the Bonds for federal income tax purposes, or

(vi) in any other way questions the status of the Bonds under State tax laws or regulations.

(k) Certificates of the Authority. Any certificate signed by an official of the Authority authorized to execute such certificate and delivered to the Underwriter in connection with the transactions contemplated by the Authority Documents shall be deemed a representation and warranty by the Authority to the Underwriter as to the truth of the statements therein contained.

(l) Security for Bonds. The Bonds will be paid from Revenues (as defined in the Indenture) received by or on behalf of the Authority. The Indenture creates a valid pledge of, and first lien upon, Revenues deposited thereunder and the moneys in certain funds and accounts established under the Indenture, subject in all cases to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein.

(m) Historical Continuing Disclosure Compliance of the Authority. Except as disclosed in the Preliminary Official Statement and the Final Official Statement, the Authority, the City and other related entities have not failed in any material respect to comply with any undertaking under Rule 15c2-12 in the previous five years. The issues for which the Authority, the City and other related entities were obligated to provide continuing disclosure under Rule 15c2-12 during the past five years are included in a report provided by Applied Best Practices, LLC.

8. Representations and Warranties of CFD No. 91-01. CFD No. 91-01 makes the following representations and warranties to the Underwriter:

(a) Due Organization and Authority. CFD No. 91-01 is duly organized and validly existing as a community facilities district under the Mello-Roos Act.

(b) Full Right, Power and Authority. The City Council of the City, acting as legislative body of CFD No. 91-01, has the full legal right, power and authority to adopt the CFD Resolution, and CFD No. 91-01 has the full legal right, power and authority:

(i) to enter into this Purchase Agreement, the Continuing Disclosure Agreement, the Escrow Agreement, the CFD No. 91-01 Fiscal Agent Agreement, and the 91-01 First Amendment (together, the “**CFD No. 91-01 Documents**”),

(ii) to issue, sell and deliver the CFD No. 91-01 Special Tax Refunding Bonds to the Authority as provided herein,

(iii) to secure the CFD No. 91-01 Special Tax Refunding Bonds in the manner contemplated by the CFD No. 91-01 Fiscal Agent Agreement, and

(iv) to carry out and consummate all other transactions on its part contemplated by the CFD No. 91-01 Fiscal Agent Agreement and this Purchase Agreement.

CFD No. 91-01 and the City Council of the City, acting as the legislative body of CFD No 91-01, have complied with all provisions of applicable law, including the Mello-Roos Act, in all matters relating to the adoption of the CFD Resolution, the formation of CFD No. 91-01, the incurrence of bonded indebtedness by CFD No. 91-01, and the levy of the special tax with respect to CFD No. 91-01.

(c) Authorization of Documents; Consents and Approvals. The City Council of the City, as legislative body of CFD No. 91-01, has duly authorized:

(i) the execution and delivery by CFD No. 91-01 of its CFD No. 91-01 Special Tax Refunding Bonds and the execution, delivery and due performance by CFD No. 91-01 of its obligations under its CFD No. 91-01 Special Tax Refunding Bonds and the CFD No. 91-01 Documents, and

(ii) the taking of any and all such action as may be required on the part of CFD No. 91-01 to carry out, give effect to and consummate the transactions on its part contemplated by its CFD No 91-01 Special Tax Refunding Bonds and the CFD No. 91-01 Documents.

All consents or approvals necessary to be obtained by CFD No. 91-01 in connection with the foregoing have been received, and the consents or approvals so received are still in full force and effect.

(d) Due Adoption of the CFD Resolution and Enforceability of Documents. The CFD Resolution has been duly adopted by the City Council of the City acting as the legislative body of CFD No. 91-01, and is in full force and effect; and the CFD No. 91-01 Special Tax Refunding Bonds, and the CFD No. 91-01 Documents, when executed and delivered by CFD No. 91-01 and the other respective parties thereto, will constitute legal, valid and binding obligations of CFD No 91-01, enforceable against CFD No. 91-01 in accordance with their respective terms, except as enforceability thereof may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally.

(e) Preliminary and Final Official Statement. The information contained in the Preliminary Official Statement relating to the City and CFD No. 91-01 is, and as of the Closing Date such information in the Final Official Statement will be, true and correct in all material respects, and the Preliminary Official Statement does not as of its date, and the Final Official Statement will not as of the Closing Date, contain any untrue or misleading statement of a material fact relating to the City and CFD No. 91-01, or omit to state any material fact relating to the City and CFD No. 91-01 necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(f) No Conflicts. Neither the adoption of the CFD Resolution, the issuance of the CFD No. 91-01 Special Tax Refunding Bonds, the execution and delivery the CFD No. 91-01 Documents, nor the consummation of the transactions on the part of CFD No. 91-01 contemplated herein or therein or the compliance by CFD No. 91-01 with the provisions hereof or thereof, will conflict with, or constitute on the part of CFD No. 91-01 a violation of, or a breach of or default under,

(i) any material indenture, mortgage, commitment, note or other agreement or instrument to which CFD No. 91-01 is a party or by which it is bound,

(ii) any provision of the Mello-Roos Act or the State Constitution or

(iii) any existing law, rule, regulation, ordinance, judgment, order or decree to which CFD No. 91-01 (or the members of the City Council of the City or any of its officers in their respective capacities as such) is subject, that would have a material adverse affect on the ability of CFD No 91-01 to perform its respective obligations under of the CFD No. 91-01 Special Tax Refunding Bonds or the CFD No. 91-01 Documents.

(g) No Defaults. CFD No. 91-01 has never been in default at any time, as to principal of or interest on any obligation which it has issued, which default may have an adverse effect on the ability of CFD No. 91-01 to consummate its transactions contained in the CFD No. 91-01 Special Tax Refunding Bonds or the CFD No. 91-01 Documents, except as specifically disclosed in the Final Official Statement; and, as of the date of issuance of the Special Tax Refunding Bonds, other than its CFD No. 91-01 Special Tax Refunding Bonds, CFD No. 91-01 has not entered into any contract or arrangement of any kind which might give rise to any lien or encumbrance on any of the Special Taxes.

(h) No Litigation. Except as is specifically disclosed in the Final Official Statement, to the best knowledge of the City, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending with respect to which CFD No. 91-01 has been served with process or threatened, which

(i) in any way questions the powers of the City Council of the City or CFD No. 91-01, or

(ii) in any way questions the validity of any proceeding taken by the City Council of the City in connection with the issuance of the CFD No. 91-01, or

(iii) wherein an unfavorable decision, ruling or finding could materially adversely affect the transactions contemplated by the CFD No. 91-01 Documents, or

(iv) which, in any way, could adversely affect the validity or enforceability of the CFD Resolution, the CFD No. 91-01 Special Tax Refunding Bonds or the CFD No. 91-01 Documents, or

(v) to the knowledge of the City, which in any way questions the exclusion from gross income of the recipients thereof of the interest of the CFD No. 91-01 Special Tax Refunding Bonds for federal income tax purposes, or

(vi) in any other way questions the status of the CFD No. 91-01 Special Tax Refunding Bonds under State tax laws or regulations.

(i) Certificates of CFD No. 91-01. Any certificate signed by an official of CFD No. 91-01 authorized to execute such certificate and delivered to the Underwriter in connection with the transactions contemplated by this Purchase Agreement shall be deemed a representation and warranty by CFD No. 91-01, as applicable, to the Underwriter as to the truth of the statements therein contained.

(j) Security for Special Tax Refunding Bonds. The payment of debt service on of the CFD No. 91-01 Special Tax Refunding Bonds will be paid from the Net Special Taxes received by CFD No. 91-01 under the CFD No. 91-01 Fiscal Agent Agreement.

(k) Levy of Special Taxes. The Special Taxes of CFD No. 91-01 have been and will be levied in accordance with the Rate and Method of Apportionment of Special Taxes relating to CFD No. 91-01, and are secured by a lien on the property on which they are levied.

(l) Pledge of Net Special Taxes. The CFD No. 91-01 Fiscal Agent Agreement for the CFD No. 91-01 Special Tax Refunding Bonds creates a valid pledge of, and first lien upon, the Net Special Taxes deposited thereunder and the moneys in certain funds and accounts established thereunder, subject in all cases to the provisions of the CFD No. 91-01 Fiscal Agent Agreement permitting the application thereof for the purposes and on the terms and conditions set forth therein.

(m) Prior Bonded Assessment and Special Tax Liens. Except as disclosed in the Final Official Statement, there are, to the best of CFD No. 91-01's knowledge, after reasonable and diligent investigation of records made available by the County, no entities with outstanding assessment or special tax liens against any of the properties within CFD No. 91-01.

(n) Continuing Disclosure. The City, on behalf of itself and the Authority, will undertake, pursuant to the Continuing Disclosure Agreement, to provide or cause to be provided annual financial reports and notices of certain events; a description of this undertaking is set forth in the Official Statement. Except as disclosed in the Preliminary Official Statement and the Official Statement, CFD No. 91-01 has not failed to comply in all material respects with any continuing undertaking under Rule 15c2-12 during the previous five years. The issues for which CFD No. 91-01 was obligated to provide

continuing disclosure under Rule 15c2-12 during the past five years are included in a report provided by Applied Best Practices, LLC.

(o) Notice of Special Tax Lien. CFD No. 91-01 has caused a notice of the Special Tax lien to be recorded in the Office of the Recorder of the County of San Diego against each parcel.

9. Representations and Warranties of CFD No. 99-01. CFD No. 99-01 makes the following representations and warranties to the Underwriter:

(a) Due Organization and Authority. CFD No. 99-01 is duly organized and validly existing as a community facilities district under the Mello-Roos Act.

(b) Full Right, Power and Authority. The City Council of the City, acting as legislative body of CFD No. 99-01, has the full legal right, power and authority to adopt the CFD Resolution, and CFD No. 99-01 has the full legal right, power and authority:

(i) to enter into this Purchase Agreement, the Continuing Disclosure Agreement, the Escrow Agreement, the CFD No. 99-01 Fiscal Agent Agreements, and the 99-01 First Amendments (together, the “**CFD No. 99-01 Documents**” which together with the CFD No. 91-01 Documents, are the “**CFD Documents**”),

(ii) to issue, sell and deliver the CFD No. 99-01 Special Tax Refunding Bonds to the Authority as provided herein,

(iii) to secure the CFD No. 99-01 Special Tax Refunding Bonds in the manner contemplated by the CFD No. 99-01 Fiscal Agent Agreements, and

(iv) to carry out and consummate all other transactions on its part contemplated by the CFD No. 99-01 Fiscal Agent Agreements and this Purchase Agreement.

CFD No. 99-01 and the City Council of the City, acting as the legislative body of CFD No 99-01, have complied with all provisions of applicable law, including the Mello-Roos Act, in all matters relating to the adoption of the CFD Resolution, the formation of CFD No. 99-01, the incurrence of bonded indebtedness by CFD No. 99-01, and the levy of the special tax with respect to CFD No. 99-01.

(c) Authorization of Documents; Consents and Approvals. The City Council of the City, as legislative body of CFD No. 99-01, has duly authorized:

(i) the execution and delivery by CFD No. 99-01 of its CFD No. 99-01 Special Tax Refunding Bonds and the execution, delivery and due performance by CFD No. 99-01 of its obligations under its CFD No. 99-01 Special Tax Refunding Bonds and the CFD No. 99-01 Documents, and

(ii) the taking of any and all such action as may be required on the part of CFD No. 99-01 to carry out, give effect to and consummate the transactions on its part contemplated by its CFD No 99-01 Special Tax Refunding Bonds and the CFD No. 99-01 Documents.

All consents or approvals necessary to be obtained by CFD No. 99-01 in connection with the foregoing have been received, and the consents or approvals so received are still in full force and effect.

(d) Due Adoption of the CFD Resolution and Enforceability of Documents. The CFD Resolution has been duly adopted by the City Council of the City acting as the legislative body of CFD No. 99-01, and is in full force and effect; and the CFD No. 99-1 Special Tax Refunding Bonds, and the CFD No. 99-01 Documents, when executed and delivered by CFD No. 99-01 and the other respective parties thereto, will constitute legal, valid and binding obligations of CFD No 99-01, enforceable against CFD No. 99-01 in accordance with their respective terms, except as enforceability thereof may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally.

(e) Preliminary and Final Official Statement. The information contained in the Preliminary Official Statement relating to the City and CFD No. 99-01 is, and as of the Closing Date such information in the Final Official Statement will be, true and correct in all material respects, and the Preliminary Official Statement does not as of its date, and the Final Official Statement will not as of the Closing Date, contain any untrue or misleading statement of a material fact relating to the City and CFD No. 99-01, or omit to state any material fact relating to the City and CFD No. 99-01 necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(f) No Conflicts. Neither the adoption of the CFD Resolution, the issuance of the CFD No. 99-01 Special Tax Refunding Bonds, the execution and delivery the CFD No. 99-01 Documents, nor the consummation of the transactions on the part of CFD No. 99-01 contemplated herein or therein or the compliance by CFD No. 99-01 with the provisions hereof or thereof, will conflict with, or constitute on the part of CFD No. 99-01 a violation of, or a breach of or default under,

(i) any material indenture, mortgage, commitment, note or other agreement or instrument to which CFD No. 99-01 is a party or by which it is bound,

(ii) any provision of the Mello-Roos Act or the State Constitution or

(iii) any existing law, rule, regulation, ordinance, judgment, order or decree to which CFD No. 99-01 (or the members of the City Council of the City or any of its officers in their respective capacities as such) is subject, that would have a material adverse affect on the ability of CFD No 99-01 to perform its obligations under the CFD No. 99-01 Special Tax Refunding Bonds or the CFD No. 99-01 Documents.

(g) No Defaults. CFD No. 99-01 has never been in default at any time, as to principal of or interest on any obligation which it has issued, which default may have an adverse effect on the ability of CFD No. 99-01 to consummate its transactions contained in the CFD No. 99-01 Special Tax Refunding Bonds or the CFD No. 99-01 Documents, except as specifically disclosed in the Final Official Statement; and, as of the date of issuance of the Special Tax Refunding Bonds, other than its CFD No. 99-01 Special Tax Refunding Bonds, CFD No. 99-01 has not entered into any contract or arrangement

of any kind which might give rise to any lien or encumbrance on any of the Special Taxes.

(h) No Litigation. Except as is specifically disclosed in the Final Official Statement, to the best knowledge of the City, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending with respect to which CFD No. 99-01 has been served with process or threatened, which

(i) in any way questions the powers of the City Council of the City or CFD No. 99-01, or

(ii) in any way questions the validity of any proceeding taken by the City Council of the City in connection with the issuance of the CFD No. 99-01, or

(iii) wherein an unfavorable decision, ruling or finding could materially adversely affect the transactions contemplated by the CFD No. 99-01 Documents, or

(iv) which, in any way, could adversely affect the validity or enforceability of the CFD Resolution, the CFD No. 99-01 Special Tax Refunding Bonds or the CFD No. 99-01 Documents, or

(v) to the knowledge of the City, which in any way questions the exclusion from gross income of the recipients thereof of the interest of the CFD No. 99-01 Special Tax Refunding Bonds for federal income tax purposes, or

(vi) in any other way questions the status of the CFD No. 99-01 Special Tax Refunding Bonds under State tax laws or regulations.

(i) Certificates of CFD No. 99-01. Any certificate signed by an official of CFD No. 99-01 authorized to execute such certificate and delivered to the Underwriter in connection with the transactions contemplated by this Purchase Agreement shall be deemed a representation and warranty by CFD No. 99-01, as applicable, to the Underwriter as to the truth of the statements therein contained.

(j) Security for Special Tax Refunding Bonds. The payment of debt service on the CFD No. 99-01 Special Tax Refunding Bonds will be paid from the Net Special Taxes received by CFD No. 99-01 under the CFD No. 99-01 Fiscal Agent Agreements. Each series of CFD No. 99-01 Special Tax Refunding Bonds is secured by taxes levied in the related Improvement Areas.

(k) Levy of Special Taxes. The Special Taxes of CFD No. 99-01 have been and will be levied in accordance with the Rate and Method of Apportionment of Special Taxes relating to CFD No. 99-01 in each related Improvement Area, and are secured by a lien on the property on which they are levied.

(l) Pledge of Net Special Taxes. The CFD No. 99-01 Fiscal Agent Agreements for the CFD No. 99-01 Special Tax Refunding Bonds creates a valid pledge of, and first lien upon, the Net Special Taxes deposited thereunder and the moneys in certain funds and accounts established thereunder, subject in all cases to the provisions

of the CFD No. 99-01 Fiscal Agent Agreements permitting the application thereof for the purposes and on the terms and conditions set forth therein.

(m) Prior Bonded Assessment and Special Tax Liens. Except as disclosed in the Final Official Statement, there are, to the best of CFD No. 99-01's knowledge, after reasonable and diligent investigation of records made available by the County, no entities with outstanding assessment or special tax liens against any of the properties within CFD No. 99-01.

(n) Continuing Disclosure. The City, on behalf of itself and the Authority, will undertake, pursuant to the Continuing Disclosure Agreement, to provide or cause to be provided annual financial reports and notices of certain events; a description of this undertaking is set forth in the Official Statement. Except as disclosed in the Preliminary Official Statement and the Official Statement, CFD No. 99-01 has not failed to comply in all material respects with any continuing disclosure undertaking under Rule 15c2-12 during the previous five years. The issues for which CFD No. 99-01 was obligated to provide continuing disclosure under Rule 15c2-12 during the past five years are included in a report by Applied Best Practices, LLC.

(o) Notice of Special Tax Lien. CFD No. 99-01 has caused a notice of the Special Tax lien to be recorded in the Office of the Recorder of the County of San Diego against each parcel.

10. Blue Sky. The Authority covenants with the Underwriter that the Authority will cooperate with the Underwriter (at the cost of the Underwriter), in qualifying the Bonds for offer and sale under the securities or Blue Sky laws of such jurisdictions of the United States as the Underwriter may reasonably request; provided, however, that the Authority shall not be required to consent to suit or to service of process, or to qualify to do business, in any jurisdiction. The Authority consents to the use by the Underwriter of the Authority Documents in the course of its compliance with the securities or Blue Sky laws of the various jurisdictions of the documents relating to the Bonds.

11. Closing.

(a) At 9:00 a.m. on [October __], 2014, or at such other time or date as may be mutually agreed upon by the Authority and the Underwriter (the "Closing Date"), the Authority will deliver or cause to be delivered to the Underwriter the Bonds in definitive form duly executed and authenticated by the Chairman and Secretary of the Authority, in their capacities as officers of the Authority, together with the other documents hereinafter mentioned; and the Underwriter will accept such delivery and pay the Purchase Price of the Bonds by delivering to the Trustee for the account of the Authority a check payable in federal funds or making a wire transfer in federal funds payable to the order of the Trustee.

Simultaneously with the delivery of the Bonds to the Underwriter, the Community Facilities Districts will deliver or cause to be delivered to the Authority the Special Tax Refunding Bonds in definitive form duly executed and authenticated by the Mayor and the City Clerk of the City, acting for and on behalf of each respective Community Facilities District, together with the other documents hereinafter mentioned; and the Authority will accept such delivery and pay the Purchase Price of the Bonds by delivering to the Fiscal Agent for the accounts of the Community Facilities Districts a check payable in federal funds or making a wire transfer in federal funds payable to the order of the Fiscal Agent.

(b) The activities relating to the final execution and delivery of the Bonds, the Special Tax Refunding Bonds, and the payment therefor and the delivery of the resolutions, certificates, opinions and other instruments as described in Section 11 of this Purchase Agreement shall occur at the offices of Best Best & Krieger, San Diego, California ("**Bond Counsel**"). The payment for the Bonds and simultaneous delivery of the Bonds to the Underwriter is herein referred to as the "**Closing**." The Bonds will be delivered as fully registered Bonds initially in denominations of \$5,000 each and any integral multiple thereof. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, and will be made available for checking by the Underwriter at such place as the Underwriter and the Trustee agree not less than 24 hours prior to the Closing.

12. Termination Events. The Underwriter has the right to cancel its obligations to purchase the Bonds if between the date hereof and the Closing Date any of the following events occurs:

(a) the House of Representatives or the Senate of the Congress of the United States, or a committee of either, has pending before it, or passes or recommends favorably, legislation introduced previous to the date hereof, which legislation, if enacted in its form as introduced or as amended, would have the purpose or effect of imposing federal income taxation upon revenues or other income of the general character to be derived by the Authority or by any similar body under the Resolution of Issuance, the Indenture or the Act, or upon interest received on obligations of the general character of the Bonds, or of causing interest on obligations of the general character of the Bonds to be includable in gross income for purposes of federal income taxation, and such legislation, in the Underwriter's opinion, materially adversely affects the market price of the Bonds; or

(b) a tentative decision with respect to legislation is reached by a committee of the House of Representatives or the Senate of the Congress of the United States, or legislation is favorably reported or re-reported by such a committee or introduced, by amendment or otherwise, in or passed by the House of Representatives or the Senate, or recommended to the Congress of the United States for passage by the President of the United States, or enacted or a decision by a federal court of the United States or the United States Tax Court is rendered, or a ruling, release, order, regulation or official statement (tentative, proposed or final) by or on behalf of the United States Treasury Department, the Internal Revenue Service or other governmental agency is made or proposed to be made having the purpose or effect, or any other action or event occurs that has the purpose or effect, directly or indirectly, that (i) adversely affects the federal income tax consequences of owning the Bonds, including causing interest on the Bonds to be included in gross income for purposes of federal income taxation, or (ii) imposes federal income taxation upon revenues or other income of the general character to be derived by the Authority under the Resolution of Issuance or upon interest received on obligations of the general character of the Bonds, or the Bonds, or (iii) which, in the opinion of the Underwriter, materially adversely affects the market price of or market for the Bonds; or

(c) legislation is enacted, or actively considered for enactment with an effective date prior to the Closing, or a decision by a court of the United States is rendered, the effect of which is that the Bonds, including any underlying obligations, or the Resolution of Issuance or the Indenture, as the case may be, is not exempt from the

registration, qualification or other requirements of the Securities Act of 1933, as amended and as then in effect, the Securities Exchange Act of 1934, as amended and as then in effect, or the Trust Indenture Act of 1939, as amended and as then in effect; or

(d) a stop order, ruling, regulation or official statement by the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter is issued or made or any other event occurs, the effect of which is that the issuance, offering or sale of the Bonds, including any underlying obligations, or the execution and delivery of the Indenture as contemplated hereby or by the Final Official Statement, is or would be in violation of any provision of the federal securities laws, including the Securities Act of 1933, as amended and as then in effect, the Securities Exchange Act of 1934, as amended and as then in effect, or the Trust Indenture Act of 1939, as amended and as then in effect; or

(e) any event occurs or any information becomes known to the Underwriter that causes the Underwriter to reasonably believe that the Final Official Statement as then amended or supplemented includes an untrue statement of a material fact, or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; or

(f) there occurs any outbreak of hostilities or any national or international calamity or crisis, including a financial crisis, the effect of which on the financial markets of the United States is such as, in the reasonable judgment of the Underwriter, would materially adversely affect the market for or market price of the Bonds; or

(g) there is in force a general suspension of trading on the New York Stock Exchange, the effect of which on the financial markets of the United States is such as, in the reasonable judgment of the Underwriter, would materially adversely affect the market for or market price of the Bonds; or

(h) a general banking moratorium is declared by federal, New York or State authorities; or

(i) any proceeding is pending or threatened by the Securities and Exchange Commission against the City, the City Council, the Community Facilities Districts, or the Authority; or

(j) additional material restrictions not in force as of the date hereof are imposed upon trading in securities generally by any governmental authority or by any national securities exchange which adversely affects the Underwriter's ability to sell the Bonds; or

(k) the New York Stock Exchange or other national securities exchange, or any governmental authority, imposes, as to the Bonds or obligations of the general character of the Bonds, any material restrictions not now in force, or increases materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, Underwriter; or

(l) an amendment to the federal or State constitution is enacted or action is taken by any federal or State court, legislative body, regulatory body or other authority

materially adversely affecting the tax status of the Authority, its property, income or securities (or interest thereon), the validity or enforceability of the Special Taxes or the ability of the Authority to issue the Bonds or either of the Community Facilities Districts to issue its respective series of Special Tax Refunding Bonds, or the levy of any of the Special Taxes, as contemplated by the Resolution of Issuance, each Fiscal Agent Agreement, this Purchase Agreement and the Final Official Statement.

13. Conditions to Closing. The obligations of the Underwriter to purchase the Bonds shall be subject (i) to the performance by the Authority, the City and each Community Facilities District of their respective obligations to be performed hereunder at and prior to the Closing, (ii) to the accuracy as of the date hereof and as of the time of the Closing of the representations and warranties of the Authority, the City, and the Community Facilities Districts herein, and (iii) to the following conditions, including the delivery by the Authority of such documents as are enumerated herein in form and substance satisfactory to the Underwriter:

(a) At the time of Closing, (i) the Final Official Statement, the Resolution of Issuance, the Indenture, the Continuing Disclosure Agreement, the CFD Resolution, each Fiscal Agent Agreement, the First Amendments, the Escrow Agreement and this Purchase Agreement shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Underwriter, and (ii) each of the Community Facilities Districts shall have been duly formed and there shall be in full force and effect such resolutions as, in the opinion of Bond Counsel, are necessary in connection with the transactions contemplated hereby, including, but not limited to, the Resolution of Issuance and the CFD Resolution.

(b) The Underwriter shall receive the Bonds at or prior to the Closing. The terms of the Bonds delivered shall in all instances be as described in the Final Official Statement.

(c) At or prior to the Closing, the Underwriter shall receive the following documents in such number of counterparts as are mutually agreeable to the Underwriter and the Authority:

(i) A final approving opinion of Bond Counsel dated the Closing Date in the form attached as an appendix to the Final Official Statement.

(ii) A letter or letters of Bond Counsel addressed to the Underwriter, which includes a statement to the effect that Bond Counsel's final approving opinion may be relied upon by the Underwriter to the same extent as if such opinion were addressed to the Underwriter, and further provides:

(A) The statements contained in the Official Statement on the cover page and under the captions "INTRODUCTION," "THE BONDS," "SECURITY FOR THE BONDS" (but excluding the subsections captioned "– Rates and Methods of Apportionment of Special Taxes"), and "CONCLUDING INFORMATION – Tax Matters," and in Appendix B and Appendix C thereto, are accurate in all material respects, insofar as such statements purport to summarize certain provisions of the Bonds, the Special Tax Refunding Bonds, the Indenture, the Resolution of Issuance, the Fiscal Agent Agreements, the First Amendments, and the CFD Resolution;

(B) the Authority is a joint exercise of powers authority duly organized and validly existing under the laws of the State, including the Act;

(C) each Community Facilities District is a community facilities district duly organized and validly existing under the laws of the State, including the Mello-Roos Act;

(D) the Authority has duly and validly executed and delivered the Bonds and the Authority Documents, and the Bonds and the Authority Documents constitute the legal, valid and binding obligations of the Authority, enforceable against the Authority in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium and other laws affecting enforcement of creditors' rights in general and to the application of equitable principles if equitable remedies are sought;

(E) each Community Facilities District has duly and validly executed and delivered its respective Fiscal Agent Agreement, its respective Special Tax Refunding Bonds and its respective CFD Documents, and each constitute the legal, valid and binding obligations of each respective Community Facilities District, enforceable against each respective Community Facilities District in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium and other laws affecting enforcement of creditors' rights in general and to the application of equitable principles if equitable remedies are sought;

(F) the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended; and

(G) each series of Special Tax Refunding Bonds is not subject to the registration requirements of the Securities Act of 1933, as amended, and each Fiscal Agent Agreement is exempt from qualification under the Trust Indenture Act of 1939, as amended.

(iii) A letter of Stradling Yocca Carlson & Rauth, as disclosure counsel to the Authority, addressed to the Authority and the Underwriter, to the effect that without passing upon or assuming any responsibility for the accuracy, completeness or fairness of the statements contained in the Final Official Statement and making no representation that they have independently verified the accuracy, completeness or fairness of any such statements, based upon the information made available to them in the course of their participation in the preparation of the Final Official Statement, nothing has come to such counsel's attention which would lead them to believe that the Final Official Statement, including the cover page (but excluding therefrom the appendices thereto, financial statements and statistical data, and information regarding The Depository Trust Company and its book entry system, as to which no opinion

need be expressed) contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(iv) A letter of Jones Hall, A Professional Law Corporation (**"Underwriter's Counsel"**), addressed to the Underwriter, in form and substance acceptable to the Underwriter.

(v) An opinion, dated the Closing Date and addressed to the Underwriter, of Lounsbery Ferguson Altona & Peak, special counsel to the Authority and the Community Facilities Districts, in form and substance acceptable to the Underwriter, to the following effect:

(A) The Authority has full legal right, power and authority to adopt the Resolution of Issuance, to issue the Bonds and to execute and deliver the Authority Documents.

(B) Each Community Facilities District has full legal right, power and authority to adopt the CFD Resolution, to issue its Special Tax Refunding Bonds and to execute and deliver its respective CFD Documents.

(C) Except as is specifically disclosed in the Final Official Statement, and to the best of such counsel's knowledge, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending with respect to which the Authority has been served with process or threatened, which (i) in any way questions the powers of the Authority or the Board of the Authority, or (ii) in any way questions the validity of any proceeding taken by the Board of the Authority in connection with the issuance of the Bonds, or (iii) wherein an unfavorable decision, ruling or finding could materially adversely affect the transactions contemplated by this Purchase Agreement, or (iv) which, in any way, could adversely affect the validity or enforceability of the Authority Documents, or (v) to the knowledge of the Authority, which in any way questions the exclusion from gross income of the recipients thereof of the interest on the Bonds for federal income tax purposes, or (vi) in any other way questions the status of the Bonds under State tax laws or regulations.

(D) Except as is specifically disclosed in the Final Official Statement, and to the best of such counsel's knowledge, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending with respect to which any Community Facilities District has been served with process or threatened, which (i) in any way questions the powers of the City Council of the City or of any Community Facilities District, or (ii) in any way questions the validity of any proceeding taken by the City Council of the City in connection with the issuance of any of the Special Tax Refunding Bonds, or (iii) wherein an unfavorable decision, ruling or finding could materially adversely affect the transactions contemplated by this Purchase Agreement, or (iv) which, in any way, could adversely affect the validity or

enforceability of the CFD Resolution, any of the Special Tax Refunding Bonds, or the CFD Documents, or (v) which in any way questions the exclusion from gross income of the recipients thereof of the interest on the Special Tax Refunding Bonds for federal income tax purposes, or (vi) in any other way questions the status of the Special Tax Refunding Bonds under State tax laws or regulations.

(E) Neither the adoption of the Resolution of Issuance, the execution and delivery of the Authority Documents, nor the consummation of the transactions on the part of the Authority contemplated herein or therein or the compliance by the Authority with the provisions hereof or thereof will conflict with, or constitute on the part of the Authority a violation of, or a breach of or default under, (i) any material indenture, mortgage, commitment, note or other agreement or instrument to which the Authority is a party or by which it is bound, (ii) any provision of the Bond Law, or the State Constitution or (iii) any existing law, rule, regulation, ordinance, judgment, order or decree to which the Authority (or the members of the Authority, the members of the Board of the Authority, or any of its officers in their respective capacities as such) is subject, that would have a material adverse affect on the ability of the Authority to perform its obligations under the Authority Documents; provided, however, that no opinion need be expressed as to financial capability or lack thereof.

(F) Neither the adoption of the CFD Resolution, the execution and delivery of the Special Tax Refunding Bonds and this Purchase Agreement, nor the consummation of the transactions on the part of each Community Facilities District contemplated herein or therein or the compliance by each Community Facilities District with the provisions hereof or thereof, will conflict with, or constitute on the part of any Community Facilities District a violation of, or a breach of or default under, (i) any material indenture, mortgage, commitment, note or other agreement or instrument to which any Community Facilities District is a party or by which it is bound, (ii) any provision of the Mello-Roos Act or the State Constitution or (iii) any existing law, rule, regulation, ordinance, judgment, order or decree to which any Community Facilities District (or the members of the City Council of the City or any of its officers in their respective capacities as such) is subject, that would have a material adverse effect on the ability of any Community Facilities District to perform its respective obligations under its respective series of Special Tax Refunding Bonds or the CFD Documents; provided, however, that no opinion need be expressed as to financial capability or lack thereof.

(vi) The Final Official Statement executed on behalf of the Authority by a duly authorized officer.

(vii) Certified copies of the Resolution of Issuance and the CFD Resolution.

(viii) Specimen Bonds.

(ix) Evidence that Internal Revenue Service Form 8038 has been executed by the Authority and will be filed with the Internal Revenue Service.

(x) Executed copies of the Indenture, each Fiscal Agent Agreement, the First Amendments, the Continuing Disclosure Agreement, the Escrow Agreement, and this Purchase Agreement.

(xi) A non-arbitrage certificate executed by the Authority and the Community Facilities District in form and substance satisfactory to Bond Counsel.

(xii) In connection with printing and distribution of the Preliminary Official Statement, an executed certificate of the Authority and the Community Facilities Districts in the form attached hereto as Exhibit C.

(xiii) A closing certificate, in form and substance as set forth in Exhibit D hereto, of the Authority, dated as of the Closing Date.

(xiv) A closing certificate, in form and substance as set forth in Exhibits E and F hereto, of each Community Facilities District, dated as of the Closing Date.

(xv) A certificate in form and substance as set forth in Exhibit G hereto, dated as of the Closing Date, of David Taussig & Associates, Inc., Newport Beach, California, special tax consultant.

(xvi) A report of Applied Best Practices, LLC, with regards to its continuing disclosure due diligence survey.

(xvii) A certificate in form and substance as set forth in Exhibit H hereto, dated as of the Closing Date, of the Trustee and Fiscal Agent.

(xviii) An opinion of counsel to the Trustee and Fiscal Agent, dated as of the Closing Date, in form and substance satisfactory to the Underwriter and Bond Counsel.

(xix) [The Policy issued by the Insurer, along with a certificate or opinion of counsel, satisfactory to the Authority, the Underwriter and Bond Counsel, of the Insurer regarding the enforceability of the Policy and the statements in the Preliminary Official Statement and the Official Statement regarding the Insurer and the Policy.]

(xx) A certificate of Fieldman, Rolapp & Associates, the City's financial advisory, in the form and substance attached hereto as Exhibit I.

(xxi) Evidence that Standard & Poor's has assigned its municipal bond rating of "[____]" to the Bonds.

(xxii) Such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter or Bond Counsel may reasonably request to evidence compliance by the Authority and the Community Facilities Districts with legal requirements, the truth and accuracy, as of the time

of Closing, of the representations of the Authority and the Community Facilities Districts herein contained, and the due performance or satisfaction by the Authority and the Community Facilities District at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the Authority and the Community Facilities Districts.

If the Authority or the Community Facilities Districts are unable to satisfy the conditions to the obligations of the Underwriter contained in this Purchase Agreement, or if the obligations of the Underwriter to purchase and accept delivery of the Bonds are terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate and neither the Underwriter, the Authority nor the Community Facilities Districts shall be under further obligation hereunder; except that the respective obligations to pay expenses, as provided in Section 16 hereof shall continue in full force and effect.

14. Conditions to Authority's and the Community Facilities Districts' Obligations. The obligations of the Authority and the Community Facilities Districts hereunder are subject to the performance by the Underwriter of its obligations hereunder.

15. Survival of Representations, Warranties and Agreements. All representations, warranties and agreements of the Authority and the Community Facilities Districts hereunder shall remain operative and in full force and effect, regardless of any investigations made by or on behalf of the Underwriter, and shall survive the Closing.

16. Expenses. The Authority shall pay or cause to be paid all reasonable expenses incident to the issuance of the Bonds and to the performance of its obligations and the obligations of the Community Facilities Districts under this Purchase Agreement, including, but not limited to, delivery of the Bonds and the Special Tax Refunding Bonds, costs of printing the Bonds, the Preliminary Official Statement and the Final Official Statement, any amendment or supplement to the Preliminary Official Statement or Final Official Statement and this Purchase Agreement, fees and disbursements of Bond Counsel and Special Counsel, any financial advisor and other consultants, including the fees and expenses of the Special Tax Consultant and the Trustee and Fiscal Agent.

The Underwriter shall pay all advertising expenses in connection with the public offering of the Bonds, and all other expenses incurred by it in connection with its public offering and distribution of the Bonds, including without limitation the fees and expenses of its counsel.

17. No Fiduciary Duty. The Authority and the Community Facilities Districts acknowledge and agree that:

(i) the purchase and sale of the Bonds under this Purchase Agreement is an arm's-length commercial transaction between the Authority and the Underwriter,

(ii) in connection therewith, and with the discussions, undertakings and procedures leading up to the consummation of the purchase and sale of the Bonds under this Purchase Agreement, the Underwriter is and has been acting solely as principal and is not acting as the agent or fiduciary of the Authority, the City or the Community Facilities Districts,

(iii) the Underwriter has not assumed a fiduciary responsibility in favor of the Authority, the City or the Community Facilities Districts with respect to (a) the offering of

the Bonds contemplated hereby or the process leading thereto (whether or not the Underwriter, or any affiliate of the Underwriter, has advised or is currently advising the Authority, the City or the Community Facilities Districts on other matters), or (b) any other obligation to the Authority, the City or the Community Facilities Districts with respect to the offering contemplated hereby except the obligations expressly set forth in this Purchase Agreement, and

(iv) the Authority, the City or the Community Facilities Districts have consulted their own legal, financial and other advisors to the extent they have deemed appropriate in connection with this transaction.

The Community Facilities Districts and the Authority acknowledge that they have previously provided the Underwriter with an acknowledgement of receipt of the required Underwriter disclosure under Rule G-17 of the Municipal Securities Rulemaking Board.

18. Notices. Any notice or other communication to be given to the Authority, the City or the Community Facilities Districts under this Purchase Agreement may be given by delivering the same in writing at its address set forth above, and any notice or other communication to be given to the Underwriter under this Purchase Agreement may be given by delivering the same in writing to:

Stifel Nicolaus & Company, Incorporated,
One Montgomery Street, 35th Floor
San Francisco, California 94104
Attention: Sara Brown

19. Benefit. This Purchase Agreement is made solely for the benefit of the Authority, the City, the Community Facilities Districts and the Underwriter (including the successors or assigns of the Underwriter) and no other person, including any purchaser of the Bonds, shall acquire or have any right hereunder or by virtue hereof.

20. Governing Law. This Purchase Agreement shall be governed by and construed in accordance with the laws of the State of California.

21. Effective Date. This Purchase Agreement shall become effective upon acceptance hereof by the Authority and the Community Facilities Districts.

22. Counterparts. This Purchase Agreement may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

23. Severability. If any provision of this Purchase Agreement is held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

STIFEL, NICOLAUS & COMPANY,
INCORPORATED

By: _____
Managing Director

Accepted and agreed to as of
the date first above written:

CITY OF SAN MARCOS
PUBLIC FINANCING AUTHORITY

James M. Desmond,
Chairman

Time of Execution: _____ (California
Time)

CITY OF SAN MARCOS COMMUNITY FACILITIES DISTRICT NO. 91-01

By: _____
City Manager

Time of Execution: _____ (California Time)

CITY OF SAN MARCOS COMMUNITY FACILITIES DISTRICT NO. 99-01

By: _____
City Manager

Time of Execution: _____ (California Time)

EXHIBIT A

\$[_____]
**SAN MARCOS PUBLIC FINANCING AUTHORITY
SPECIAL TAX REVENUE REFUNDING BONDS
SERIES 2014A**

\$[_____] Serial Bonds

<u>Maturity</u> (<u>September 1</u>)	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>
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C = Priced to the optional redemption date of [September 1, 20__].

Term Bonds

<u>Maturity</u> (<u>September 1</u>)	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>
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C = Priced to the optional redemption date of [September 1, 20__].

EXHIBIT B

Improvement Areas of CFD No. 99-01

The Improvement Areas of CFD No. 99-01 referred to in Section 4(b) to this Bond Purchase Agreement are:

1. Improvement Area A1;
2. Improvement Area A2;
3. Improvement Area B1;
4. Improvement Area B2;
5. Improvement Area C1;
6. Improvement Area D1;
7. Improvement Area F2/V2;
8. Improvement Area G3;
9. Improvement Area H1A;
10. Improvement Area H1B;
11. Improvement Area J;
12. Improvement Area M;
13. Improvement Area N1;
14. Improvement Area N2;
15. Improvement Area R1;
16. Improvement Area R2; and
17. Improvement Area V1A.

EXHIBIT C

SAN MARCOS PUBLIC FINANCING AUTHORITY SPECIAL TAX REVENUE REFUNDING BONDS SERIES 2014A

ISSUER 15c2-12 CERTIFICATE

The undersigned hereby certifies and represents that he or she is the duly appointed and acting representative of the San Marcos Public Financing Authority (the "Authority"), the duly appointed and acting representative of the City of San Marcos Community Facilities District No. 91-01 (Twin Oaks Valley Ranch) ("CFD No. 91-01"), and the duly appointed and acting representative of the City of San Marcos Community Facilities District No. 99-01 ("CFD No. 99-01") and is duly authorized to execute and deliver this Certificate and further hereby certifies and reconfirms on behalf of the Authority as follows:

(1) This Certificate is delivered in connection with the offering and sale of the bonds captioned above (the "Bonds") in order to enable the underwriter of the Bonds to comply with Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule").

(2) In connection with the offering and sale of the Bonds, there has been prepared a Preliminary Official Statement, setting forth information concerning the Bonds, the Authority, CFD No. 91-01 and CFD No. 99-01 and other matters (the "Preliminary Official Statement").

(3) As used herein, "Permitted Omissions" means the offering price(s), interest rate(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, ratings and other terms of the Bonds depending on such matters, all with respect to the Bonds.

(4) The Preliminary Official Statement is, except for the Permitted Omissions, deemed final within the meaning of Rule 15c2-12, and the information therein is accurate and complete except for the Permitted Omissions.

IN WITNESS WHEREOF, the undersigned has caused this certificate to be executed as of [September __], 2014 .

CITY OF SAN MARCOS PUBLIC
FINANCING AUTHORITY

By: _____

Title: _____

CITY OF SAN MARCOS COMMUNITY
FACILITIES DISTRICT NO. 91-01 (TWIN
OAKS VALLEY RANCH)

By: _____

Title: _____

CITY OF SAN MARCOS COMMUNITY
FACILITIES DISTRICT NO. 99-01

By: _____

Title: _____

EXHIBIT D

\$[_____]

SAN MARCOS PUBLIC FINANCING AUTHORITY SPECIAL TAX REVENUE REFUNDING BONDS SERIES 2014A

ISSUER CLOSING CERTIFICATE

The undersigned hereby certifies and represents that he or she is the duly appointed and acting representative of the San Marcos Public Financing Authority (the "Authority"), and is duly authorized to execute and deliver this Certificate in connection with the offering and sale of the bonds captioned above, and further hereby certifies and reconfirms on behalf of the Authority as follows:

(1) the representations, warranties and covenants of the Authority contained in that certain Bond Purchase Agreement by and among the Authority, the City of San Marcos (as legislative body of the Community Facilities Districts named therein) and Stifel, Nicolaus & Company, Incorporated, dated October __, 2014 (the "Purchase Agreement") are true and correct and in all material respects as of the date hereof as if made on the date hereof;

(2) the representations and warranties of the Authority contained in the Authority Documents are true and correct in all material respects as of the date hereof as if made on the date hereof, and the Authority has complied with all agreements, covenants and conditions to be complied with by the Authority under the Authority Documents as of the date hereof;

(3) to the best knowledge of the Authority, no event affecting the Authority has occurred since the date of the Final Official Statement which either makes untrue or incorrect in any material respect as of the date hereof the statements or information relating to the Authority contained in the Final Official Statement or is not reflected in the Final Official Statement but should be reflected therein in order to make such statements and information therein not misleading in any material respect.

Capitalized terms not defined herein have the same meaning as is set forth in the Purchase Agreement.

Dated: [October __], 2014.

CITY OF SAN MARCOS PUBLIC
FINANCING AUTHORITY

By: _____

Title: _____

EXHIBIT E

\$[_____]

SAN MARCOS PUBLIC FINANCING AUTHORITY SPECIAL TAX REVENUE REFUNDING BONDS SERIES 2014A

FORM OF COMMUNITY FACILITIES DISTRICT CLOSING CERTIFICATE

The undersigned hereby certifies and represents that he or she is the duly appointed and acting representative of the City of San Marcos Community Facilities District No. 91-01 (Twin Oaks Valley Ranch) ("CFD No. 91-01"), which is a community facilities district duly organized and existing under the laws of the State of California, and is authorized to execute this Certificate in connection with the issuance of the bonds captioned above (the "Bonds"), and further hereby certifies and reconfirms on behalf of the CFD No. 91-01 as follows:

(1) the representations, warranties and covenants of CFD No. 91-01 contained in that certain Bond Purchase Agreement by and among the Authority, CFD No. 91-01, the City of Can Marcos Community Facilities District No. 99-01, and Stifel, Nicolaus & Company, Incorporated, dated October __, 2014 (the "Purchase Agreement"), are true and correct and in all material respects as of the date hereof as if made on the date hereof;

(2) CFD No. 91-01 has complied with all agreements, covenants and conditions to be complied with by CFD No. 91-01 under each Fiscal Agent Agreement as of the date hereof;

(3) to the best knowledge of CFD No. 91-01, no event affecting CFD No. 91-01 has occurred since the date of the Final Official Statement which either makes untrue or incorrect in any material respect as of the date hereof the statements or information relating to CFD No. 91-01 contained in the Final Official Statement or is not reflected in the Final Official Statement but should be reflected therein in order to make such statements and information therein not misleading in any material respect;

(4) Except as disclosed in the Final Official Statement, there are, to the best of CFD No. 91-01's knowledge, after reasonable and diligent investigation of records made available by the County of San Diego, no entities with outstanding assessment or special tax liens against any of the properties within CFD No. 91-01; and

(5) The Special Tax has been levied for fiscal year 2014-15 in accordance with the Rate and Method of Apportionment of Special Tax for CFD No. 91-01.

Capitalized terms not defined herein have the same meaning as is set forth in the Purchase Agreement.

Dated: [October __], 2014

CITY OF SAN MARCOS COMMUNITY
FACILITIES DISTRICT NO. 91-01 (TWIN
OAKS VALLEY RANCH)

By: _____

Title: _____

EXHIBIT F

SAN MARCOS PUBLIC FINANCING AUTHORITY SPECIAL TAX REVENUE REFUNDING BONDS SERIES 2014A

FORM OF COMMUNITY FACILITIES DISTRICT CLOSING CERTIFICATE

The undersigned hereby certifies and represents that he or she is the duly appointed and acting representative of the City of San Marcos Community Facilities District No. 99-01 ("CFD No. 99-01"), which is a community facilities district duly organized and existing under the laws of the State of California, and is authorized to execute this Certificate in connection with the issuance of the bonds captioned above (the "Bonds"), and further hereby certifies and reconfirms on behalf of the CFD No. 99-01 as follows:

(1) the representations, warranties and covenants of CFD No. 99-01 contained in that certain Bond Purchase Agreement by and among the Authority, CFD No. 99-01, the City of Can Marcos Community Facilities District No. 91-01 (Twin Oaks Valley Road) and Stifel, Nicolaus & Company, Incorporated, dated October __, 2014 (the "Purchase Agreement"), are true and correct and in all material respects as of the date hereof as if made on the date hereof;

(2) CFD No. 99-01 has complied with all agreements, covenants and conditions to be complied with by CFD No. 99-01 under each Fiscal Agent Agreement as of the date hereof;

(3) to the best knowledge of CFD No. 99-01, no event affecting CFD No. 99-01 has occurred since the date of the Final Official Statement which either makes untrue or incorrect in any material respect as of the date hereof the statements or information relating to CFD No. 99-01 contained in the Final Official Statement or is not reflected in the Final Official Statement but should be reflected therein in order to make such statements and information therein not misleading in any material respect; and

(4) Except as disclosed in the Final Official Statement, there are, to the best of CFD No. 99-01's knowledge, after reasonable and diligent investigation of records made available by the County of San Diego, no entities with outstanding assessment or special tax liens against any of the properties within CFD No. 99-01; and

(5) The Special Tax has been levied for fiscal year 2014-15 in each respective Improvement Area in accordance with the Rate and Method of Apportionment of Special Tax for CFD No. 99-01.

Capitalized terms not defined herein have the same meaning as is set forth in the Purchase Agreement.

Dated: [October __], 2014

CITY OF SAN MARCOS COMMUNITY
FACILITIES DISTRICT NO. 99-01

By: _____

Title: _____

EXHIBIT G

\$_[_____]

SAN MARCOS PUBLIC FINANCING AUTHORITY SPECIAL TAX REVENUE REFUNDING BONDS SERIES 2014A

CERTIFICATE OF SPECIAL TAX CONSULTANT

David Taussig & Associates, Inc. (the "Special Tax Consultant"), Newport Beach, California was retained as Special Tax Consultant and has reviewed the Rate and Method of Apportionment for City of San Marcos Community Facilities District No. 91-01 (Twin Oaks Valley Ranch) and [each Improvement Area of City of San Marcos Community Facilities District No. 99-01 (each a "Rate and Method")] OR [a consolidated Rate and Method of Apportionment of the Improvement Areas of City of San Marcos Community Facilities District No. 99-01)] all as set forth in Appendix F to the Official Statement (the "Official Statement") dated October __, 2014, relating to the bonds captioned above (the "Bonds"), and the summaries and descriptions of each Rate and Method contained in the Official Statement.

Based upon such review, the Special Tax Consultant hereby certifies as follows:

(a) The Special Tax levied under each Rate and Method, if levied in the maximum amounts permitted pursuant to the special tax formula set forth in each Rate and Method on the date hereof, would be levied in a combined amount equal to at least 110% of the gross annual debt service on the Special Tax Refunding Bonds, provided that the annual debt service figures in the debt service schedules contained in the Official Statement, as well as Special Tax information provided by the City of San Marcos, which were relied upon by Special Tax Consultant, are substantially true and correct.

Although the Special Tax, if levied in the maximum amounts pursuant to the special tax formula set forth in each Rate and Method, would be levied in a combined amount equal to at least 110% of the gross annual debt service payable with respect to the Special Tax Refunding Bonds each year, no representation is made herein as to actual amounts that will be collected in future years.

(b) All summaries of and information with respect to each Rate and Method in the Official Statement, and all other information provided by the Special Tax Consultant for inclusion in the Official Statement, are true and correct as of the date of the Official Statement and as of the date hereof.

Capitalized terms not defined herein have the same meaning as is set forth in the Official Statement.

Dated: [October __], 2014

DAVID TAUSSIG & ASSOCIATES, INC.

By: _____

Title: _____

EXHIBIT H

\$[_____]

SAN MARCOS PUBLIC FINANCING AUTHORITY SPECIAL TAX REVENUE REFUNDING BONDS SERIES 2014A

CERTIFICATE OF TRUSTEE AND FISCAL AGENT

The undersigned hereby states and certifies that he or she is an authorized officer of MUFG Union Bank, N.A. (the "Bank"), as trustee under an Indenture of Trust dated as of October 1, 2014 (the "Indenture"), by and between the Bank and the San Marcos Public Financing Authority (the "Authority"), relating to the captioned bonds (the "Bonds"), as fiscal agent under the fiscal agent agreements (collectively, the "Fiscal Agent Agreements"), each of which is dated as of October 1, 2014, and is by and between the Bank and City of San Marcos Community Facilities District No. 91-01 (Twin Oaks Valley Ranch) ("CFD No. 91-01") and City of San Marcos Community Facilities District No. 99-01 ("CFD No. 99-01"), respectively, as fiscal agent under first amendments to fiscal agent agreements, dated October 1, 2014 (the "First Amendments") by and between the Bank and CFD No. 91-01, and as escrow bank, prior trustee and prior fiscal agent under an escrow agreement (the "Escrow Agreement") by and between the Bank, CFD No. 91-01, CFD No. 99-01, and the Authority.

As such, the undersigned is familiar with the following facts and is authorized and qualified to certify the following facts on behalf of the Bank:

(1) The Bank is duly organized and existing as a national banking association under the laws of the United States of America, having the full power and authority to enter into and perform its duties under the Indenture, and to perform its respective duties each Fiscal Agent Agreement.

(2) The Indenture, the Escrow Agreement, each Fiscal Agent Agreement, and the First Amendments have been duly authorized, executed and delivered by the Bank.

(3) To the best knowledge of the Bank, after due inquiry, there is no action, suit, proceeding or investigation, at law or in equity, before or by any court or governmental agency, public board or body pending against the Bank or threatened against the Bank which in the reasonable judgment of the Bank would affect the existence of the Bank or in any way contesting or affecting the validity or enforceability of the Indenture or the Escrow Agreement or contesting the powers of the Bank or its authority to enter into and perform its obligations under the Indenture or the Escrow Agreement.

The Trustee has the full power and authority to enter into and perform its duties as dissemination agent under the Continuing Disclosure Agreement dated as of [October ____], 2014, by and between the Authority and the Trustee, as dissemination agent thereunder.

Dated: [October ____], 2014

MUFG UNION BANK, N.A.,
as Trustee and Fiscal Agent

By _____
Authorized Officer

EXHIBIT I

**\$[_____]
SAN MARCOS PUBLIC FINANCING AUTHORITY
SPECIAL TAX REVENUE REFUNDING BONDS
SERIES 2014A**

CERTIFICATE OF FINANCIAL ADVISOR

The undersigned hereby states and certifies:

- i. that the undersigned is an authorized officer of Fieldman, Rolapp & Associates (the "Financial Advisor"), which has acted as financial advisor to the City of San Marcos (the "City") in connection with the issuance of the above-referenced bonds (the "Bonds"), and as such, is familiar with the facts herein certified and is authorized and qualified to certify the same;
- ii. that the Financial Advisor has participated in the preparation of the Preliminary Official Statement dated [September ____], 2014 and the final Official Statement dated [October ____], 2014 (the "Official Statement") relating to the Bonds; and
- iii. that nothing has come to the attention of the Financial Advisor which would lead it to believe that the Official Statement contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

Dated: [October ____], 2014

Fieldman, Rolapp & Associates,
as Financial Advisor

By _____
Authorized Officer

