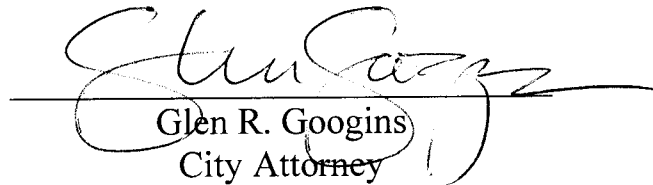


THE ATTACHED AGREEMENT HAS BEEN REVIEWED
AND APPROVED AS TO FORM BY THE CITY
ATTORNEY'S OFFICE AND WILL BE
FORMALLY SIGNED UPON APPROVAL BY
THE CITY COUNCIL


Glen R. Googins
City Attorney

Dated: 6/11/15

FISCAL AGENT AGREEMENT
BETWEEN
THE CITY OF CHULA VISTA
COMMUNITY FACILITIES DISTRICT NO. 12-I
(MCMILLIN OTAY RANCH VILLAGE SEVEN)
AND
U.S. BANK NATIONAL ASSOCIATION

FISCAL AGENT AGREEMENT

by and between

CITY OF CHULA VISTA
COMMUNITY FACILITIES DISTRICT NO. 12-I
(MCMILLIN OTAY RANCH VILLAGE SEVEN)

and

U.S. BANK NATIONAL ASSOCIATION
as Fiscal Agent

Dated as of July 1, 2015

Relating to:

\$ _____

City of Chula Vista
Community Facilities District No. 12-I
(McMillin Otay Ranch Village Seven)
Special Tax Refunding Bonds, Series 2015

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FISCAL AGENT AGREEMENT

THIS FISCAL AGENT AGREEMENT (the “Agreement”) is made and entered into as of July 1, 2015, by and between the City of Chula Vista Community Facilities District No. 12-I (McMillin Otay Ranch Village Seven) (the “District”), a community facilities district, organized and existing under and by virtue of the laws of the State of California, and U.S. Bank National Association, 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 Chula Vista (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, on November 1, 2005, the City Council adopted Resolution No. 2005-357 (the “Prior Resolution”) authorizing the issuance and sale of bonds for the District pursuant to the Bond Indenture, dated as of November 1, 2005 by and between the District and U.S. Bank National Association, as fiscal agent (the “Prior Bond Indenture”), designated “City of Chula Vista Community Facilities District No. 12-I (McMillin Otay Ranch Village Seven) 2005 Special Tax Bonds” (the “Prior Special Tax Bonds”), for the purpose of funding the acquisition, rehabilitation and construction of certain public improvements constituting the Project (as such term is defined in the Prior Bond Indenture) within the District;

WHEREAS, on December 6, 2005, the Prior Special Tax Bonds in the principal amount of \$22,565,000 were issued;

WHEREAS, on _____, 2015, the City Council adopted Resolution No. 2015-____ (the “Resolution”) (a) authorizing the issuance and sale of bonds of the District pursuant to a Fiscal Agent Agreement, dated as of July 1, 2015 (the “Fiscal Agent Agreement”), by and between the District and U.S. Bank National Association, as fiscal agent (the “Fiscal Agent”) designated “City of Chula Vista Community Facilities District No. 12-I (McMillin Otay Ranch Village Seven) Special Tax Refunding Bonds, Series 2015” (the “Bonds”), for the purpose of financing the defeasance and refunding of 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, including collection of delinquent Special Taxes through judicial foreclosure proceedings, 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 and the fees, costs and expenses of bond insurance, if applicable, the Proportionate Share of the salaries of City staff directly related to the carrying out by the City, for and on behalf of the District, of the 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.

“Administrative Expense Requirement” means an annual amount equal to \$75,000, 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.

“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 Chula Vista Municipal 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 July 1, 2015, by and between the Authority and the Authority Trustee, pursuant to which the Authority Bonds are issued.

“Authority Trustee” means U.S. Bank National Association, or any successor thereto appointed under the Authority Indenture.

“Authorized Officer” means the City Manager, Deputy City Manager, Director of Finance (if such position is separate and apart from that of the Deputy City Manager), Assistant 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 Chula Vista Community Facilities District No. 12-I (McMillin Otay Ranch Village Seven) Special Tax Refunding Bonds, Series 2015, 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 Fiscal Agent 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 Chula Vista, 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 and which are non-callable.

“District” means the City of Chula Vista Community Facilities District No. 12-I (McMillin Otay Ranch Village Seven), formed pursuant to the Resolution of Formation.

“DTC” means The Depository Trust Company.

“Escrow Bank” means U.S. Bank National Association, acting as escrow bank under the Escrow Agreement.

“Escrow Agreement” means that Escrow Deposit and Trust Agreement dated as of July 1, 2015 by and between the District and the Escrow Bank relating to defeasance of the Prior Special Tax Bonds.

“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, acting as the legislative body of the District.

“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, 2016.

“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 Administrative Expense Requirement.

“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. 3028, adopted by the Governing Body on December 6, 2005.

“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 the principal corporate trust office of the Fiscal Agent as may be designated from time to time by the Fiscal Agent in writing to the District initially set forth in Section 11.07 hereof.

“Prior Bond Indenture” means the Bond Indenture, dated as of April 1, 2006 by and between the District and the Prior Fiscal Agent.

“Prior Fiscal Agent” means U.S. Bank National Association.

“Prior Special Tax Bonds” means the outstanding City of Chula Vista Community Facilities District No. 12-I (McMillin Otay Ranch Village Seven) 2005 Special Tax Bonds.

“Proportionate Share” shall have the meaning given such term in the Authority Indenture.

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

“Resolution of Formation” means Resolution No. 2005-285, adopted by the Governing Body on August 23, 2005, as now in effect or as it may hereafter be amended from time to time.

“Resolution of Issuance” means Resolution No. 2015-____, adopted by the Governing Body, acting as the legislative body of the District, on _____, 2015.

“RMA” means the Rate and Method of Apportionment of the Special Tax for the District approved by the qualified electors within the District at a special election held on August 30, 2005.

“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 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 Chula Vista Community Facilities District No. 12-I (McMillin Otay Ranch Village Seven) Special Tax Refunding Bonds, Series 2015.” 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.

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	<u>Interest Rate</u> %
--------------------------------	-----------	---------------------------

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 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 immediately available funds, so long as the Bonds are owned by the Authority, or by check or draft of the Fiscal Agent sent 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 \$_____ 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, 2026 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, 2025, 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 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, commencing March 1, 2016, 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, 2016 through March 1, 2023	103%
September 1, 2023 and March 1, 2024	102%
September 1, 2024 and March 1, 2025	101%
September 1, 2025 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 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. Mandatory Sinking Fund Redemption. The Outstanding Bonds maturing on September 1, 20__ in the original principal amount of \$_____ 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>
	\$

(maturity)

The Outstanding Bonds maturing on September 1, 20__ in the original principal amount of \$_____ 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:

Sinking Fund Redemption Date <u>(September 1)</u>	<u>Principal Amount</u> \$
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(maturity)

If some but not all of the Bonds maturing on September 1, 20__ are redeemed pursuant to subsection (a) above, the principal amount of Bonds maturing on 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 such Bonds maturing on September 1, 20__ redeemed pursuant to subsection (a) above.

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

D. 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.

E. 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 unless the Fiscal Agent agrees to a shorter period.

F. 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.

Any notice of optional redemption of the Bonds delivered in accordance with this Section 2.03 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 District shall not be required to redeem such Bonds and the redemption shall not be made and the Fiscal Agent 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 District 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 Bond Fund 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.

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.

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 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.

G. 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 Fiscal Agent 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. 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.

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 or other obligations entitled to a lien on the Net Special Tax Revenues shall be issued or incurred by the District.

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 \$_____ plus the net original issue premium of \$_____, minus the Original Purchaser's discount and the [premium on the Insurance Policy (as defined in the Authority Indenture)]) totaling \$_____, shall be paid to the Fiscal Agent, who shall forthwith set aside, pay over and transfer such proceeds on the Closing Date as follows:

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

\$_____ shall be transferred to the Authority Trustee for deposit into the Reserve Fund held under the Authority Indenture; and

\$_____ shall be transferred to the Authority Trustee for deposit into the Costs of Issuance Fund held under the Authority Indenture.

On the Closing Date any funds then on deposit in the Administrative Expense Fund established pursuant to the Prior Bond Indenture shall be transferred by the Prior Fiscal Agent to the Fiscal Agent, who shall upon receipt forthwith deposit such proceeds in the Administrative Expense Fund established pursuant to this Agreement.

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, except Special Tax Revenues representing Prepayments which shall be deposited in the Prepayment Account. 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 Administrative Expense Requirement 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;

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; and

c. if on such date, the amount on deposit in the Special Tax Fund is insufficient to make the deposit required pursuant to the preceding paragraph b., the Fiscal Agent shall immediately notify the Trustee of the amount of such deficiency;

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 on or before the preceding June 30 of written instructions from an Authorized Officer, 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 current Fiscal Year or the reimbursement of any Administrative Expenses

incurred during the Fiscal Year ending on June 30 of prior Fiscal Year 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, moneys 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 paragraph 2 of 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 Authority 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. 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 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 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 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 (a) the Special Tax Refunding Bonds Prepayment Reserve Fund Credit in the Prepayment Account of the Bond Fund upon receipt from the Authority Trustee and (b) amounts received from the District together with written instructions to utilize such amounts to optionally call the Bonds or a portion of the Bonds pursuant to Section 2.03A. 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 2a 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 2 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 and Investment 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 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 Authority 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 will review the public records of the County of San Diego, California, in connection with the collection of the Special Taxes not later than July 1 of each year to determine the amount of the Special Tax collected in the prior Fiscal Year and will commence and diligently pursue to completion, judicial foreclosure proceedings against (i) properties under common ownership with delinquent Special Taxes in the aggregate of \$5,000 or more by October 1 following the close of the Fiscal Year in which the Special Taxes were due, and (ii) against all properties with delinquent Special Taxes in the aggregate of \$2,500 or more by October 1 following the close of any Fiscal Year if the amount of the Authority Reserve Fund is less than the Reserve Requirement.

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, 2016, 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. 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 RMA.

Section 5.17. 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 5.16 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.

Section 5.18. Parity Bonds. The District covenants that except as provided below it will not issue any other obligations payable, principal or interest, from the Net Special Tax Revenues which have, or purport to have, any lien upon the Net Special Tax Revenues superior to or on a parity with the lien of the Bonds. Nothing in this Agreement shall, however, 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 and have a lien upon the Net Special Tax Revenues on a parity with the Bonds to be outstanding following the issuance of such refunding bonds; provided, however, that the issuance of such refunding bonds will result in a reduction of Annual Debt Service on all Bonds to be Outstanding following the issuance of such refunding bonds and there is a corresponding refunding of the Authority Bonds.

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.

In the event of any transfer by the Authority Trustee from the Revenue Fund to the Residual Account thereof pursuant to Section 5.02(f) of the Authority Indenture, all moneys on deposit in the Special Tax Fund and the Bond Fund shall be held in cash or invested in Permitted Investments constituting cash equivalents until the payment of the principal of and interest on the Bonds on the September 1 Interest Payment Date following such transfer.

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 as 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.

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. U.S. Bank National Association, 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; and/or
- (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 Owner, 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 or demand which by any provision of this Agreement is required or permitted to be given or served by the Fiscal Agent to or on the District may be given or served by being deposited postage prepaid in a post office letter box addressed (until another address is filed by the District with the Fiscal Agent) as follows:

City of Chula Vista Community
Facilities District No. 12-I (McMillin Otay Ranch Village Seven)
c/o City of Chula Vista
Finance Department
276 Fourth Avenue
Chula Vista, CA 91910
Attention: Director of Finance c/o City of Chula Vista

Any notice or demand which by any provision of this Agreement is required or permitted to be given or served by the District to or on the Fiscal Agent may be given or served by being deposited postage prepaid in a post office letter box addressed (until another address is filed by the Fiscal Agent with the District) as follows:

U.S. Bank National Association
Attn: Corporate Trust
633 West Fifth Street, 24th Floor
Los Angeles, CA 90071

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. 12-I (McMillin Otay Ranch Village Seven) Special Tax Refunding Bonds, Series 2015 to be executed in its name and the Fiscal Agent has caused this Agreement to be executed in its name, all as of July 1, 2015.

CITY OF CHULA VISTA COMMUNITY
FACILITIES DISTRICT NO. 12-I
(MCMILLIN OTAY RANCH VILLAGE
SEVEN)

By: _____
Director of Finance

U.S. BANK NATIONAL ASSOCIATION, as
Fiscal Agent

By: _____
Authorized Officer

EXHIBIT A
FORM OF BOND

\$ _____

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF SAN DIEGO
CITY OF CHULA VISTA
COMMUNITY FACILITIES DISTRICT NO. 12-I
(MCMILLIN OTAY RANCH VILLAGE SEVEN)
SPECIAL TAX REFUNDING BONDS, SERIES 2015

INTEREST RATE

MATURITY DATE

DATED DATE

September 1, ____

_____, 2015

REGISTERED OWNER:

U.S. BANK NATIONAL ASSOCIATION, as Trustee,
on behalf of the Chula Vista Municipal Financing
Authority

PRINCIPAL AMOUNT:

DOLLARS

City of Chula Vista Community Facilities District No. 12-I (McMillin Otay Ranch Village Seven) (the "District"), for value received, hereby promises to pay solely from Net Special Tax Revenues (as defined in the Agreement) to be collected in the District 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, 2016 (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 U.S. Bank National Association (the "Fiscal Agent"). Interest on this Bond shall be paid by check of the Fiscal Agent mailed five (5) days 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 whether or not such day is a Business Day (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 Chula Vista Community Facilities District No. 12-I (McMillin Otay Ranch Village Seven) Special Tax Refunding Bonds, Series 2015. The Bonds have been issued for the purpose of refunding the City of Chula Vista Community Facilities District No. 12-I (McMillin Otay Ranch Village Seven) 2005 Special Tax Bonds (the “Prior Special Tax Bonds”). The issuance of the Bonds and the terms and conditions thereof are provided for by the Fiscal Agent Agreement, dated as of July 1, 2015 (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 Dated 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 Chula Vista 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, 2026, 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, 2025, 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, commencing March 1, 2016, 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, 2016 through March 1, 2023	103%
September 1, 2023 and March 1, 2024	102%
September 1, 2024 and March 1, 2025	101%
September 1, 2025 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.

The Outstanding Bonds maturing on September 1, 20__ in the original principal amount of \$_____ 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, as provided in the Indenture.

The Outstanding Bonds maturing on September 1, 20__, in the original principal amount of \$_____ 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, as provided in the Indenture.

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.

[Remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the City of Chula Vista Community Facilities District 12-I (McMillin Otay Ranch Village Seven) has caused this Bond to be dated _____, 2015, 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 CHULA VISTA COMMUNITY
FACILITIES DISTRICT NO. 12-I
(MCMILLIN OTAY RANCH VILLAGE
SEVEN)

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 _____,_____.

U.S. BANK NATIONAL ASSOCIATION, 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), 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 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) 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.