

BOND INDENTURE

by and between

**Community Facilities District No. 16-I
(Millenia)**

and

**U.S. Bank National Association,
as Fiscal Agent**

Dated as of _____ 1, 2018

Re: \$ _____
City of Chula Vista
Community Facilities District No. 16-I
(Millenia)
Improvement Area No. 1
2018 Special Tax Bonds

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BOND INDENTURE

This Bond Indenture dated as of _____ 1, 2018, is entered into by and between Community Facilities District No. 16-I (Millenia), a community facilities district organized and existing under the laws of the State, and U.S. Bank National Association, as Fiscal Agent, to establish the terms and conditions and pertaining to the issuance of the Bonds as defined herein.

ARTICLE I

DEFINITIONS

SECTION 1.01 Definitions. As used in this Indenture, the following terms shall have the following meanings:

“Acquisition/Financing Agreement” means that certain Acquisition/Financing Agreement dated as of February 6, 2018 by and between the City, Community Facilities District No. 16-I (Millenia), and SLF IV- Millenia, LLC, a Delaware limited liability company, as such agreement may be amended from time to time.

“Act” means the “Mello-Roos Community Facilities Act of 1982”, as amended, being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California.

“Administrative Expense Fund” means the fund by that name established pursuant to Section 3.01 hereof.

“Administrative Expenses” means the expenses directly related to the administration of the District, including, but not limited to, the following: the costs of computing the Improvement Area No. 1 Special Taxes and preparing the annual Improvement Area No. 1 Special Tax collection schedules (whether by the City or a designee thereof or both); the costs of collecting the Improvement Area No. 1 Special Taxes (whether by the County, the City or otherwise); the costs of remitting the Improvement Area No. 1 Special Taxes to the Fiscal Agent; the costs of the Fiscal Agent (including its legal counsel) in the discharge of the duties of the Fiscal Agent required under this Indenture; the costs of the City, the District or any designee thereof of complying with the arbitrage rebate requirements or incurred in participating in and responding to an audit by the Internal Revenue Service; the costs of the City, the District, or any designee thereof of complying with City or District disclosure requirements associated with applicable federal or state securities laws and of the Act or otherwise agreed to by the City or property owners developing within Improvement Area No. 1 ; the costs associated with preparing Improvement Area No. 1 Special Tax disclosure statements and responding to public inquiries regarding the Improvement Area No. 1 Special Taxes; the costs of the City, District or any designee thereof related to an appeal of the Improvement Area No. 1 Special Tax; and the costs of any credit enhancement obtained by the City or the District (but excluding the costs of any credit enhancement required to be provided by SLF IV – Millenia, LLC and/or its successor). Administrative Expenses shall also include Delinquency Collection Expenses.

“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 Representative to the Fiscal Agent, to be allocated as the first priority of Improvement Area No. 1 Special Taxes received each Fiscal Year for the payment of Administrative Expenses.

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

“Assistant Director of Finance” means the Assistant Director of Finance of the City.

“Authorized Representative” means the City Manager, Director of Finance/Treasurer or Assistant Director of Finance of the City, acting on behalf of the District, or any other person designated in writing by the City Manager or the Director of Finance/Treasurer and authorized to act on behalf of the District under or with respect to this Indenture and all other agreements related hereto.

“Average Annual Debt Service” means the average annual debt service on the Bonds based upon a Bond Year during the term of the Bonds.

“Bond Counsel” means an attorney or firm of attorneys, selected by the District, of nationally recognized standing in matters pertaining to the tax treatment of interest on bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of the State.

“Bondowner” or “Owner”, or any similar term, means any person who shall be the registered owner or his duly authorized attorney, trustee, representative or assign of any Outstanding Bond which shall at the time be registered.

“Bonds” means the \$_____ City of Chula Vista Community Facilities District 16-I (Millenia) Improvement Area No. 1 2018 Special Tax Bonds issued pursuant to this Indenture.

“Bond Year” means each twelve-month period extending from September 2 in one calendar year to September 1 of the succeeding calendar year, except in the case of the initial Bond Year which shall be the period from the Delivery Date to and including September 1, 2018.

“Business Day” means a day that is not a Saturday or a Sunday or a day of the year on which banks in New York, New York and Los Angeles, California, or where the Principal Corporate Trust Office is located, are not required or authorized to remain open.

“Capitalized Interest Sub-Account” means the sub-account by that name within the Interest Account of the Debt Service Fund established pursuant to Section 3.01 hereof.

“City” means the City of Chula Vista, California.

“City Manager” means the City Manager of the City, acting for and on behalf of the District.

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

“Costs of Issuance” means all of the costs of formation of the District and the costs of issuing the Bonds, including but not limited to, all printing and document preparation expenses in connection with this Indenture and any supplemental indenture, the Bonds, and any and all other agreements, instruments, certificates or other documents issued in connection therewith; any computer and other expenses incurred in connection with the Bonds; the initial fees and expenses of the Fiscal Agent (including without limitation, acceptance fees and first annual fees payable in advance); and other fees and expenses incurred in connection with the formation of the District and the issuance of the Bonds, to the extent such fees and expenses are approved by the District.

“Costs of Issuance Fund” means the fund by that name established pursuant to Section 3.01 hereof.

“Comptroller of the Currency” shall mean the Comptroller of the Currency of the United States.

“Debt Service Fund” means the fund created and established pursuant to Section 3.01 hereof.

“Debt Service on Parity Refunding Obligations” means the gross debt service due in any Bond Year on any refunding bonds or other refunding obligations which have, or purport to have, a lien upon the Net Improvement Area No. 1 Special Tax Revenues on a parity with the lien of the Bonds.

“Delinquency Collection Expenses” means those fees and expenses of the District incurred by or on behalf of the District in or related to the collection of delinquent Improvement Area No. 1 Special Taxes.

“Delinquency Proceeds” means the amounts collected from the redemption of delinquent Improvement Area No. 1 Special Taxes including the penalties and interest thereon and from the sale of property sold as a result of the foreclosure of the lien of the Improvement Area No. 1 Special Tax resulting from the delinquency in the payment of Improvement Area No. 1 Special Taxes due and payable on such property.

“Delivery Date” means the date on which the Bonds are issued and delivered to the initial purchaser thereof.

“Depository” shall mean DTC and its successors and assigns or if (a) the then Depository resigns from its functions as securities depository of the Bonds, or (b) the District discontinues use of the Depository pursuant to this Indenture, any other securities depository which agrees to follow procedures required to be followed by a securities depository in connection with the Bonds and which is selected by the Treasurer.

“Director of Finance/Treasurer” means the Director of Finance/Treasurer of the City, acting for and on behalf of the District.

“District” means Community Facilities District No. 16-I (Millenia) situated in and formed by the City of Chula Vista, California.

“DTC” shall mean The Depository Trust Company, New York, New York, and its successors and assigns.

“Fiscal Agent” means U.S. Bank National Association, and any successor thereto.

“Fiscal Year” means the 12 month period beginning July 1 of each year and terminating on June 30 of the following year, or any other annual accounting period hereinafter selected and designated by the District as its fiscal year in accordance with applicable law.

“Government Obligations” means obligations described in Paragraph 1 of the definition of Permitted Investments.

“Gross Proceeds” has the meaning ascribed to such term in Section 148(f)(6) of the Code.

“Improvement Area No. 1” means Improvement Area No. 1 of the District.

“Improvement Area No. 1 Special Tax” means the Improvement Area No. 1 Special Tax authorized to be levied in the District pursuant to the Act and the Improvement Area No. 1 Special Tax RMA.

“Improvement Area No. 1 Special Tax Revenues” means (a) the proceeds of the Improvement Area No. 1 Special Tax levied by the District within Improvement Area No. 1 of the District pursuant to the Improvement Area No. 1 Special Tax RMA and received by the District, and (b) the Delinquency Proceeds.

“Improvement Area No. 1 Special Tax RMA” means the rate and method of apportionment of the Improvement Area No. 1 Special Tax originally authorized to be levied on property within Improvement Area No. 1 of the District as approved at the special election held within Improvement Area No. 1 of the District on September 13, 2016, and as it may be modified from time to time in accordance with the Act.

“Indenture” means this Bond Indenture, as amended or supplemented pursuant to the terms hereof.

“Independent Accountant” means any certified public accountant or firm of such certified public accountants appointed and paid by the District, and who, or each of whom -

1. is in fact independent and not under domination of the District or the City;
2. does not have any substantial interest, direct or indirect, in the District or the City; and

3. is not an officer or employee of the District or the City, but who may be regularly retained to make annual or other audits of the books of or reports to the City or the District.

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

“Interest Payment Date” means March 1 and September 1 of each year, commencing September 1, 2018.

“Investment Agreement” means any investment satisfying the requirements of Paragraph 11 of the definition of Permitted Investments.

“Legislative Body” means the City Council of the City, acting as the legislative body of the District.

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

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

“Net Improvement Area No. 1 Special Tax Revenues” means the Improvement Area No. 1 Special Tax Revenues minus amounts applied annually to fund the Administrative Expense Requirement.

“Nominee” shall mean the nominee of the Depository which may be the Depository, as determined from time to time by the Depository.

“Outstanding” means as to the Bonds, all of the Bonds, except:

1. Bonds theretofore canceled or surrendered for cancellation in accordance with Section 6.03 hereof;
2. Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Fiscal Agent pursuant to the terms hereof; and
3. Bonds for the payment or redemption of which monies shall have been theretofore deposited in trust (whether upon or prior to the maturity or the redemption date of such Bonds).

“Participant” shall mean a member of or participant in the Depository.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein (the Fiscal Agent shall be entitled to rely upon any written investment direction from an Authorized Representative of the District as a certification to the Fiscal Agent that such investment constitutes a Permitted Investment):

1. A. Direct obligations (other than an obligation subject to variation in principal payment) of the United States of America (“United States Treasury Obligations”);
 - B. Obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America;
 - C. Obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or
 - D. Evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.
2. Federal Housing Administration debentures.
3. The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:
 - A. Federal Home Loan Mortgage Corporation (FHLMC)
 - (1) Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)
 - (2) Senior Debt obligations
 - B. Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives)
 - (1) Consolidated system-wide bonds and notes
 - C. Federal Home Loan Banks (FHL Banks)
 - (1) Consolidated debt obligations
 - D. Federal National Mortgage Association (FNMA)
 - (1) Senior debt obligations

(2) Mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)

E. Student Loan Marketing Association (SLMA)

(1) Senior debt obligations (excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date)

F. Financing Corporation (FICO)

(1) Debt obligations

G. Resolution Funding Corporation (REFCORP)

(1) Debt obligations

4. Unsecured certificates of deposit, time deposits, and bankers' acceptances (having maturities of not more than 30 days) of any bank the short-term obligations of which are rated "A-1" or better by S&P.

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

6. Commercial paper (having original maturities of not more than 270 days rated "A-1" by S&P and "Prime-1" by Moody's.

7. Money market funds rated "AAM-1" or "AAM-G" by S&P, or better.

8. State Obligations, which means:

A. Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated "A3" by Moody's and "A" by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.

B. Direct general short-term obligations of any state agency or subdivision or agency thereof described in (A) above and rated "A-1+" by S&P and "Prime-1" by Moody's.

C. Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in A. above and rated "AA" or better by S&P and "AA" or better by Moody's.

9. Pre-refunded municipal obligations rated "AAA" by S & P and "AAA" by Moody's meeting the following requirements:

A. the municipal obligations are (1) not subject to redemption prior to maturity or (2) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

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

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

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

E. no substitution of a United States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and

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

10. Repurchase agreements:

With (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least “A” by S&P and Moody’s; or (2) any broker-dealer with “retail customers” or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least “A” by S&P and Moody’s, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation, or (3) any other entity rated “A” or better by S&P and Moody’s, provided that:

A. The market value of the collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody’s to maintain an “A” rating in an “A” rated structured financing (with a market value approach);

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

C. The repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

D. The repurchase agreement shall provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" by S&P or "A3" by Moody's, as appropriate, the provider must, at the direction of the District or the Fiscal Agent, within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the District or Fiscal Agent.

Notwithstanding the above, collateral levels need not be as specified in "A" above, so long as such collateral levels are 103% or better and the provider is rated at least "A" by S&P and Moody's, respectively.

11. Investment agreements with a domestic or foreign bank or corporation the long-term debt or financial strength of which, it or its guarantor is rated at least "AA-" by S&P and "Aa3" by Moody's; provided that, by the terms of the investment agreement:

A. the invested funds are available for withdrawal without penalty or premium, upon not more than seven days' prior notice; the District and the Fiscal Agent hereby agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

B. the investment agreement shall state that it is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof; or, in the case of a bank, that the obligation of the bank to make payments under the agreement ranks pari passu with the obligations of the bank to its other depositors and its other unsecured and unsubordinated creditors;

C. the District and the Fiscal Agent receives the opinion of domestic counsel that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable);

D. the investment agreement shall provide that if during its term

(1) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3", respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (a) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the District, the Fiscal Agent or a Holder of the Collateral free and clear of any third-party liens or claims the market value of

which collateral is maintained at levels and upon such conditions as would be acceptable to S & P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (b) transfer and assign the investment agreement to a then qualifying counterparty with ratings specified above; and

(2) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3", respectively, the provider must, at the direction of the District or the Fiscal Agent, within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment;

E. The investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

F. the investment agreement must provide that if during its term

(1) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the District or the Fiscal Agent, be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the District or Fiscal Agent, as appropriate, and

(2) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("Event of Insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the District or Fiscal Agent, as appropriate.

12. The Local Agency Investment Fund (LAIF) administered by the treasurer of the State to the extent such deposits remain in the name of and control of the Fiscal Agent.

Whenever reference is made in this definition of Permitted Investments to "collateral," collateral shall be limited to (i) cash and securities issued or guaranteed by the United States Government, including United States Treasury obligations and any other obligations the timely payment of the principal of and interest on which are guaranteed by the United States Government, and (ii) bonds, notes, debentures, obligations or other evidences of indebtedness issued or guaranteed by the Government National Mortgage Association, Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, or any other agency or instrumentality of the United States or America including but not limited to, mortgage participation certificates, mortgage pass-through certificates, and other mortgage-backed securities.

“Prepayments” means Improvement Area No. 1 Special Tax Revenues identified to the Fiscal Agent by an Authorized Representative as representing a prepayment of the Improvement Area No. 1 Special Tax.

“Principal Corporate Trust Office” means the office of the Fiscal Agent at 633 West Fifth Street, 24th Floor, Los Angeles, California 90071 or such other offices as may be specified to the District by the Fiscal Agent in writing; provided, however for transfer, registration, exchange, payment and surrender of Bonds means care of the corporate trust office of U.S. Bank National Association in St. Paul, Minnesota or such other address specified by the Fiscal Agent to the District in writing.

“Project” means the public improvements as set forth and described in Exhibit A to the Acquisition/Financing Agreement.

“Project Costs” means all expenses of and incidental to the construction, acquisition, or both, of the Project.

“Project Fund” means the fund by that name established pursuant to Section 3.01 hereof.

“Rebate Fund” means the fund by that name established pursuant to Section 3.01 hereof.

“Record Date” shall mean the fifteenth (15th) calendar day of the month immediately preceding an Interest Payment Date.

“Redemption Fund” means the fund by that name established pursuant to Section 3.01 hereof.

“Registration Books” shall have the meaning given such term in Section 2.08 hereof.

“Regulations” means the regulations promulgated under the Internal Revenue Code of 1986, as amended.

“Reserve Fund” means the fund by that name established pursuant to Section 3.01 hereof.

“Reserve Requirement” means an amount initially equal to \$[_____] which amount shall, as of any date of calculation, be equal to the least of (i) Maximum Annual Debt Service for the Bonds, (ii) one hundred twenty-five percent (125%) of Average Annual Debt Service for the Bonds, (iii) ten percent (10%) of the original issue price of the Bonds calculated in accordance with Treasury Regulations Section 1.148-2(f)(1) and (iv) \$[_____].

“Securities Depository” means, as of the Delivery Date, The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530 and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addressees providing depository services with respect to bonds as the District may designate in writing to the Fiscal Agent.

“Special Tax Consultant” means any person or firm possessing demonstrated experience and expertise in the preparation of special tax formulas and/or the administration of special taxes levied

for community facilities districts. Any such person or firm shall be appointed and paid by the District and who, or each of whom –

1. is in fact independent and not under domination of the District or the City;
2. does not have any substantial interest, direct or indirect, in the District or the City; and
3. is not an officer or employee of the District or the City, but who may be regularly retained by the City or other community facilities districts formed by the City to administer the levy of special taxes within such community facilities districts.

“Special Tax Fund” means the fund by that name established pursuant to Section 3.01 hereof.

“Standard & Poor’s” or “S&P” means S&P Global Ratings, its successors and assigns.

“State” means the State of California.

“Supplemental Indenture” means any bond indenture then in full force and effect which has been duly approved by resolution of the Legislative Body under and pursuant to the Act at a meeting of the Legislative Body duly convened and held, at which a quorum was present and acted thereon, amendatory hereof or supplemental hereto; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

“Tax Certificate” means the certificate delivered by the District on the Delivery Date relating to the requirements of Section 148 of the Code, as it may be amended and supplemented from time to time.

“Tax Exempt” means, with reference to a Permitted Investment, a Permitted Investment the interest earnings on which are excludable from gross income for federal income tax purposes pursuant to Section 103(a) of the Code, other than one described in Section 57(a)(5)(C) of the Code.

“Term Bonds” means the Bonds maturing on September 1, 20__ and on September 1, 20__.

“Treasurer” means the Treasurer of the City acting for and on behalf of the District.

“Yield” has the meaning assigned to such term for purposes of Section 148(f) of the Code.

ARTICLE II

GENERAL AUTHORIZATION AND TERMS

SECTION 2.01 Amount, Issuance and Purpose. Pursuant to the provisions of the Act, the Legislative Body has authorized the issuance of the Bonds in an aggregate principal amount of \$_____. The Bonds shall be designated City of Chula Vista Community Facilities District No. 16-I (Millenia) Improvement Area No. 1 2018 Special Tax Bonds. The purpose of the Bonds shall be to (a) pay for the acquisition or construction of the Project, (b) fund the Reserve Fund, (c) fund

capitalized interest on a portion of the Bonds through September 1, 2019 and (d) pay the Costs of Issuance.

SECTION 2.02 Type and Nature of Bond. The Bonds and interest thereon, together with any premium paid thereon upon redemption, are not obligations of the City, but are limited obligations of the District secured by and payable from an irrevocable first lien on the Net Improvement Area No. 1 Special Tax Revenues and on the monies in the funds and accounts established herein (including the investment earnings thereon) with the exception of the Project Fund, the Rebate Fund and the Administrative Expense Fund. Except for the Net Improvement Area No. 1 Special Tax Revenues, neither the faith and credit nor the taxing power of the District or the City is pledged for the payment of the Bonds or the interest thereon, and no Owner of the Bonds may compel the exercise of taxing power by the District, except as to the Improvement Area No. 1 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 District or the City, the State of California or any of its political subdivisions 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 amounts which are, under this Indenture and the Act, set aside for the payment of the Bonds and interest thereon and neither the members of the Legislative Body, the City Council of the City, nor any persons executing the Bonds are liable personally on the Bonds by reason of their issuance.

Notwithstanding anything contained in this Indenture, the District shall not be required to advance any money derived from any source of income other than the Net Improvement Area No. 1 Special Tax Revenues for the payment of the interest on or the principal of the Bonds or for the performance of any covenants herein contained.

Nothing in this Indenture or in any Supplemental Indenture shall preclude the redemption prior to maturity of any Bonds subject to call and redemption or the payment of the Bonds from proceeds of the refunding bonds issued under the Act or under any other law of the State.

SECTION 2.03 Terms of the Bonds. The Bonds shall mature on September 1 in the years, and in the respective principal amounts set forth opposite such years, and shall bear interest at the respective rates per annum, as follows:

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate (%)</u>	<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate (%)</u>
	\$			\$	

SECTION 2.04 Description of Bonds; Interest Rates. The Bonds shall be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof within a single maturity and shall be numbered as desired by the Fiscal Agent. The Bonds shall be dated as of the Delivery Date, and shall mature and be payable on September 1 in the years and in the aggregate principal amounts and shall bear interest at the rates set forth in this Indenture. The Bonds shall mature and be payable in the years and in the aggregate principal amounts and shall bear interest at the rates set forth in Section 2.03. Interest shall be payable with respect to each Bond on each Interest Payment Date (commencing September 1, 2018), until the principal sum of that Bond has been paid; provided, however, that if at the maturity date of any Bond (or if the same is redeemable and shall be duly called for redemption, then at the date fixed for redemption) funds are available for the payment or redemption thereof, in full accordance with the terms of this Indenture, such Bond shall then cease to bear interest.

SECTION 2.05 Payment. The principal of and interest on the Bonds shall be payable in lawful money of the United States of America. The principal of the Bonds and any premium due upon the redemption thereof shall be payable upon presentation and surrender thereof at maturity or the earlier redemption thereof at the Principal Corporate Trust Office of the Fiscal Agent.

Interest on any Bond shall be payable from the Interest Payment Date next preceding the date of authentication of that Bond, unless (i) such date of authentication is an Interest Payment Date, in which event interest shall be payable from such date of authentication, (ii) the date of authentication is after a Record Date but prior to the immediately succeeding Interest Payment Date, in which event interest shall be payable from the Interest Payment Date immediately succeeding the date of authentication or (iii) the date of authentication is prior to the close of business on the first Record Date, in which event interest shall be payable from the date of the Bonds; provided, however, that if at the time of authentication of a Bond, interest is in default, interest on that Bond shall be payable from the last Interest Payment Date to which the interest has been paid or made available for payment. Interest on any Bond shall be paid to the person whose name shall appear in the books of registration as required by Section 2.08 as the owner of such Bond as of the close of business on the Record Date immediately preceding such Interest Payment Date. Such interest shall be paid by check of the Fiscal Agent mailed to such Bondowner at his or her address as it appears on the books of registration as required by Section 2.08 or, upon the request in writing prior to the Record Date of a Bondowner of at least \$1,000,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to an account in the United States designated by such Owner. Interest

with respect to each Bond shall be computed using a year of 360 days comprised of twelve 30-day months.

SECTION 2.06 Execution of Bonds. The Bonds shall be executed manually or in facsimile by the Mayor of the City and countersigned by the City Clerk of the City, acting on behalf of the District. The Bonds shall then be delivered to the Fiscal Agent, for authentication and registration. In case an officer who shall have signed or attested to any of the Bonds by facsimile or otherwise shall cease to be such officer before the authentication, delivery and issuance of the Bonds, such Bonds nevertheless may be authenticated, delivered and issued, and upon such authentication, delivery and issue, shall be as binding as though those who signed and attested the same had remained in office.

SECTION 2.07 Order to Print and Authenticate Bonds. The Director of Finance/Treasurer is hereby instructed to cause Bonds in the form as set forth herein, to be printed, and to proceed to cause said Bonds to be authenticated and delivered to an authorized representative of the purchaser, upon payment of the purchase price as set forth in the purchase contract for the sale of the Bonds.

SECTION 2.08 Books of Registration; Book Entry System. There shall be kept by the Fiscal Agent, sufficient books for the registration and transfer of the Bonds (the "Registration Books") 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 register, Bonds as hereinbefore provided. The ownership of the Bonds shall be established by the Bond registration books held by the Fiscal Agent. Whenever any Bond or Bonds shall be surrendered for registration of transfer or exchange, the Fiscal Agent shall authenticate and deliver a new Bond or Bonds of the same maturity, for a like aggregate principal amount of authorized denominations; provided that the Fiscal Agent shall not be required to register transfers or make exchanges of (i) Bonds for a period of 15 days next preceding the date of any selection of the Bonds to be redeemed, or (ii) any Bonds chosen for redemption.

The Bonds shall be initially issued in the form of a single, fully registered Bond for each maturity (which may be typewritten). Upon initial issuance, the ownership of such Bonds shall be registered in the name of the Nominee identified below as nominee of the Depository. Except as hereinafter provided, all of the Outstanding Bonds shall be registered in the name of the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to this Section.

With respect to the Bonds registered in the name of the Nominee, neither the District nor the Fiscal Agent shall have any responsibility or obligation to any Participant or to any person on behalf of which such a Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, neither the District nor the Fiscal Agent shall have any responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in the Bonds (ii) the delivery to any Participant or any other person, other than an Owner of a Bond as shown in the Registration Books, of any notice with respect to the Bonds, including any notice of redemption, (iii) the selection by the Depository and its Participants of the beneficial interests in the Bonds to be redeemed in the event the District

redeems the Bonds in part, or (iv) the payment to any Participant or any other person, other than an Owner of a Bond as shown in the Registration Books, of any amount with respect to principal of or interest on the Bonds. The District and the Fiscal Agent may treat and consider the person in whose name each Bond is registered as the holder and absolute Owner of such Bond for the purpose of payment of principal and interest with respect to such Bond for the purpose of giving notices or prepayment if applicable, and other matters with respect to such Bond for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The District shall pay all principal of and interest on the Bonds only to or upon the order of the respective Owner of a Bond, as shown in the Registration Books, or his respective attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the District's obligations with respect to payment of principal of and interest on the Bonds to the extent of the sum or sums so paid. No person other than an Owner of a Bond, as shown in the Registration Books, shall receive a Bond evidencing the obligation of the District to make payments of principal and interest pursuant to this Indenture. Upon delivery by the Depository to the Owners of the Bond, and the District of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to Record Dates, the word Nominee in this Indenture shall refer to such nominee of the Depository.

In the event (i) the Depository determines not to continue to act as securities depository for the Bonds, or (ii) the Depository shall no longer so act and gives notice to the District of such determination, then the District will discontinue the book-entry system with the Depository. If the District determines to replace the Depository with another qualified securities depository, the District shall prepare or direct the preparation of a new, single, separate, fully registered Bond, per maturity, registered in the name of such successor or substitute qualified securities depository or its nominee. If the District fails to identify another qualified securities depository to replace the Depository, then the Bonds shall no longer be restricted to being registered in the register in the name of the Nominee, but shall be registered in whatever name or names Owners of the Bonds transferring or exchanging Bonds shall designate, in accordance with the provisions hereof and the District shall prepare and deliver Bonds to the Owners thereof for such purpose.

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

Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of the Nominee, all payments of principal and interest with respect to such Bond and all notice with respect to such Bond shall be made and given respectively, as instructed by the Depository and acceptable to the District.

The initial Nominee shall be Cede & Co., as Nominee of DTC.

SECTION 2.09 Exchange of Bonds. Bonds may be exchanged at the Principal Corporate Trust Office, for a like aggregate principal amount of Bonds of authorized denominations, interest rate and maturity, subject to the terms and conditions of this Indenture, including the payment of certain charges, if any, upon surrender and cancellation of a Bond. Upon such transfer and exchange, a new registered Bond or Bonds of any authorized denomination or denominations of the same maturity and for the same aggregate principal amount will be issued to the transferee in exchange therefor.

SECTION 2.10 Negotiability, Registration and Transfer of Bonds. The transfer of any Bond may be registered only upon the Registration Books upon surrender thereof to the Fiscal Agent, together with an assignment duly executed by the Owner or his attorney or legal representative, in satisfactory form. Upon any such registration of transfer, a new Bond or Bonds shall be authenticated and delivered in exchange for such Bond, in the name of the transferee, of any denomination or denominations authorized by this Indenture, and in an aggregate principal amount equal to the principal amount of such Bond or Bonds so surrendered. In all cases in which Bonds shall be exchanged or transferred, the Fiscal Agent shall authenticate the Bonds in accordance with the provisions of this Indenture. All Bonds surrendered in such exchange or transfer shall forthwith be canceled. The Fiscal Agent may make a charge for every such exchange or registration of transfer of Bonds sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration or transfer.

SECTION 2.11 Authentication. Only such of the Bonds as shall bear thereon a certificate of authentication substantially in the form set forth in Exhibit A hereto, manually executed by the Fiscal Agent, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Fiscal Agent shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder, and are entitled to the benefits of this Indenture.

ARTICLE III

FUNDS AND ACCOUNTS

SECTION 3.01 Establishment of Special Funds. The following funds and accounts identified in this Section 3.01 are hereby created and established and shall be maintained by the Fiscal Agent:

- A. Special Tax Fund;
- B. Debt Service Fund, and within the Debt Service Fund, the Interest Account, and within the Interest Account, the Capitalized Interest Sub-Account, and the Principal Account;
- C. Rebate Fund;
- D. Redemption Fund;
- E. Project Fund;

- F. Reserve Fund;
- G. Administrative Expense Fund; and
- H. Costs of Issuance Fund.

The District may, through written instructions from an Authorized Representative, direct the Fiscal Agent to establish such other accounts or sub-accounts, as may be necessary to carry out the administration of the Bonds and the proceeds of the Bonds.

SECTION 3.02 Special Tax Fund.

A. The District shall, no later than the tenth (10th) Business Day after which Improvement Area No. 1 Special Tax Revenues have been received by the District and in any event not later than February 15th and August 15th of each year, transfer such Improvement Area No. 1 Special Tax Revenues to the Fiscal Agent and, except as set forth in the following sentence, such amounts shall be deposited in the Special Tax Fund. Improvement Area No. 1 Special Tax Revenues representing Prepayments shall be deposited into the Redemption Fund and the Administrative Expense Fund as set forth in written instructions from an Authorized Representative.

B. The Improvement Area No. 1 Special Tax Revenues deposited in the Special Tax Fund shall be held in trust and deposited in the following accounts of the Special Tax Fund or transferred to the following other funds and accounts on the dates and in the amounts set forth in the following paragraphs and in the following order of priority:

1. The Fiscal Agent shall each Fiscal Year transfer to the Administrative Expense Fund from the Improvement Area No. 1 Special Tax Revenues received by the Fiscal Agent during such Fiscal Year an amount equal to the Administrative Expense Requirement.

2. The Fiscal Agent shall transfer to the Interest Account of the Debt Service Fund, on each Interest Payment Date and date for redemption of the Bonds, an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest due or becoming due and payable on such Interest Payment Date on all Outstanding Bonds or to be paid on the Bonds being redeemed on such date.

3. The Fiscal Agent shall transfer to the Principal Account of the Debt Service Fund, on each September 1, an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of, and premium (if any) on the Bonds coming due and payable on such September 1, whether at maturity or by mandatory sinking fund payments on the Term Bonds.

4. On or after September 2 of each year after making the deposits and transfers required under 1. through 3. above, the Fiscal Agent shall transfer the amount, if any, necessary to replenish the amount then on deposit in the Reserve Fund to an amount equal to the Reserve Requirement.

5. On or after September 2 of each year after making the deposits and transfers required under 1. through 4. above, upon receipt of written instructions from an Authorized Representative, the Fiscal Agent shall transfer from the Special Tax Fund to the Rebate Fund the amount specified in such request.

6. On or after September 2 of each year after making the deposits and transfers required under 1. through 5. above, upon receipt of a written request of an Authorized Representative, the Fiscal Agent shall transfer from the Special Tax Fund to the Administrative Expense Fund the amounts specified in such request to pay those Administrative Expenses which the District reasonably expects will become due and payable during such Fiscal Year or the cost of which Administrative Expenses have previously been incurred and paid by the District from funds other than the Administrative Expense Fund in excess of the Administrative Expense Requirement for such Fiscal Year.

7. If, on or after September 2 of each year, after making the deposits and transfers required under 1. through 6. above, monies remain in the Special Tax Fund, such monies shall be transferred to the Project Fund until the Project Fund is closed.

C. The Fiscal Agent shall, upon receipt of Improvement Area No. 1 Special Tax Revenues representing Prepayments, immediately transfer Prepayments to the Redemption Fund and utilize such funds to redeem Bonds pursuant to Section 4.03B as set forth in written instructions to be delivered to the Fiscal Agent by an Authorized Representative; provided, however, that any portion of a Prepayment constituting Administrative Expenses shall be deposited into the Administrative Expense Fund as set forth in such written instructions. The Fiscal Agent may conclusively rely upon such instructions.

D. When there are no longer any Bonds Outstanding, any amounts then remaining on deposit in the Special Tax Fund shall be transferred to the District and used for any lawful purpose under the Act.

SECTION 3.03 Debt Service Fund.

A. Interest Account. All moneys in the Interest Account, including the Capitalized Interest Sub-Account, shall be used and withdrawn by the Fiscal Agent solely for the purpose of paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds redeemed prior to maturity). All funds in the Capitalized Interest Sub-Account shall be used and withdrawn to pay interest on the Bonds prior to using any other funds on deposit in the Interest Account for such purpose.

B. Principal Account. All moneys in the Principal Account shall be used and withdrawn by the Fiscal Agent solely for the purpose of (i) paying the principal of the Bonds at the maturity thereof, or (ii) paying the principal of the Term Bonds upon the mandatory sinking fund redemption thereof pursuant to this Indenture.

SECTION 3.04 Costs of Issuance Fund. The Fiscal Agent shall, upon receipt of a payment request in the form set forth in Exhibit B hereto duly executed by an Authorized

Representative, disburse money from the Costs of Issuance Fund, if any, on such dates and in such amounts as specified in such requisition to pay the Costs of Issuance related to the Bonds. Any amounts remaining on deposit in the Costs of Issuance Fund on the earlier of the date on which all Costs of Issuance have been paid as stated in writing by an Authorized Representative delivered to the Fiscal Agent or six months after the Delivery Date of the Bonds shall be transferred to the Project Fund.

SECTION 3.05 Project Fund. The Fiscal Agent shall, from time to time, disburse monies from the Project Fund to pay the Project Costs. Upon receipt of a payment request in the form set forth in Exhibit C hereto duly executed by an Authorized Representative (which payment request shall not exceed the corresponding payment request provided to the City under the Acquisition/Financing Agreement), the Fiscal Agent shall pay the Project Costs from amounts in the Project Fund directly to the contractor(s) or such other person(s), corporation(s) or entity(ies) specified in the payment request (including reimbursements, if any, to the District). The Fiscal Agent may rely on an executed payment request as complete authorization for said payments.

After the final payment or reimbursement of all Project Costs, as certified by delivery of a written notice from an Authorized Representative to the Fiscal Agent, the Fiscal Agent shall transfer excess monies, if any, on deposit in, or subsequently deposited in, the Project Fund to the Special Tax Fund and the Fiscal Agent shall apply the amount so transferred in accordance with Section 3.02 herein. Upon such transfer the Project Fund shall be closed.

Notwithstanding anything herein to the contrary, if on the date which is three (3) years from the Delivery Date of the Bonds, any funds derived from the Bonds remain on deposit in the Project Fund, the Fiscal Agent shall, upon the receipt of written instructions from an Authorized Representative, immediately restrict the yield on such amounts so that the Yield earned on the investment of such amounts is not in excess of the Yield on the Bonds, unless in the written opinion of Bond Counsel delivered to the Fiscal Agent such restriction is not necessary to prevent an impairment of the exclusion of interest on the Bonds from gross income for federal income tax purposes.

SECTION 3.06 Reserve Fund. Moneys on deposit in the Reserve Fund shall be used solely for the purpose of paying the principal of and interest on the Bonds as such amounts shall become due and payable in the event that the moneys in the Special Tax Fund and the Debt Service Fund for such purpose are insufficient therefor or redeeming Bonds as described below. The Fiscal Agent shall, when and to the extent necessary, withdraw money from the Reserve Fund and transfer such money to the Debt Service Fund or the Redemption Fund for such purpose.

All Permitted Investments in the Reserve Fund shall be valued at their fair market value semi-annually on March 1 and September 1 and on any other date as requested in writing by an Authorized Representative. On any date after the transfers required by Section 3.02B(1), (2) and (3) have been made for any Bond Year, if the amount on deposit in the Reserve Fund is less than the Reserve Requirement, the Fiscal Agent shall transfer to the Reserve Fund from the first available monies in the Special Tax Fund an amount necessary to increase the balance therein to the Reserve Requirement. If on September 1 of each year following the payment of scheduled debt service due and payable on such date, or the first Business Day thereafter if September 1 is not a Business Day,

the amount on deposit in the Reserve Fund is in excess of the Reserve Requirement, the Fiscal Agent shall transfer such excess to the Special Tax Fund. In connection with any optional or extraordinary mandatory redemption of Bonds from Prepayments or a partial defeasance of Bonds, amounts in the Reserve Fund may be applied to such redemption or partial defeasance so long as the amount on deposit in the Reserve Fund following such redemption or partial defeasance equals the Reserve Requirement. The District shall set forth in a written request of an Authorized Representative the amount in the Reserve Fund to be transferred to the Redemption Fund on a redemption date or to be transferred pursuant to this Indenture to partially defease Bonds, and the Fiscal Agent shall make such transfer on the applicable redemption or defeasance date, subject to the limitation in the preceding sentence.

Upon receipt of written instructions from an Authorized Representative instructing the Fiscal Agent to transfer certain moneys representing a Reserve Fund credit for the prepayment of a Special Tax obligation, the Fiscal Agent shall transfer the amount specified in such instructions from the Reserve Fund to the Redemption Fund for the purpose of redeeming Bonds pursuant to such instructions.

Whenever the balance in the Reserve Fund exceeds the amount required to redeem or pay the Outstanding Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, the Fiscal Agent shall transfer the amount in the Reserve Fund to the Redemption Fund to be applied, on the next succeeding Interest Payment Date, to the payment and redemption, in accordance with Section 4.03 of all of the Outstanding Bonds. In the event that the amount so transferred from the Reserve Fund to the Redemption Fund exceeds the amount required to pay and redeem the Outstanding Bonds, the balance in the Reserve Fund shall be transferred to the District to be used for any lawful purpose of the District as set forth in the Act.

SECTION 3.07 Rebate Fund. The District shall calculate Excess Investment Earnings as defined in, and in accordance with, the Tax Certificate, and shall, in writing, direct the Fiscal Agent to transfer funds to the Rebate Fund from funds furnished by the District as provided for in this Indenture and the Tax Certificate.

Notwithstanding the foregoing, the Tax Certificate, including the method of computing Excess Investment Earnings (as defined in the Tax Certificate) may be modified, in whole or in part, without the consent of the Owners of the Bonds, upon receipt by the District of an opinion of Bond Counsel to the effect that such modification shall not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds then Outstanding.

The Fiscal Agent shall not be responsible for calculating rebate amounts or for the adequacy or correctness of any rebate report or rebate calculations. The Fiscal Agent shall be deemed conclusively to have complied with the provisions of this Indenture regarding calculation and payment of rebate if it follows the directions of the District and it shall have no independent duty to review such calculations or enforce the compliance by the District with such rebate requirements.

SECTION 3.08 Redemption Fund. Monies may be deposited by the District or the Fiscal Agent pursuant to the terms of Sections 3.02C or 3.06 into the Redemption Fund and shall be set aside and used solely for the purpose of redeeming Bonds in accordance with Section 4.03A or

Section 4.03B, as applicable. Following the redemption of any Bonds, if any funds remain in the Redemption Fund, such funds shall be transferred to the Special Tax Fund.

SECTION 3.09 Administrative Expense Fund. The Fiscal Agent shall deposit from time to time the amounts authorized for deposit therein pursuant to Section 3.02. The moneys in the Administrative Expense Fund shall be used to pay Administrative Expenses from time to time upon receipt by the Fiscal Agent of a written request executed by an Authorized Representative specifying the name and address of the payee and the amount of the Administrative Expense and a description thereof and further stating that such request has not formed the basis of any prior request for payment.

SECTION 3.10 Investment of Funds. Unless otherwise specified in this Indenture, monies in the Special Tax Fund, the Debt Service Fund, the Project Fund, the Reserve Fund, the Costs of Issuance Fund and Administrative Expense Fund shall, at the written direction of an Authorized Representative given at least two (2) days prior, be invested and reinvested in Permitted Investments (including investments with the Fiscal Agent or an affiliate of the Fiscal Agent or investments for which the Fiscal Agent or an affiliate of the Fiscal Agent acts as investment advisor or provides other services so long as the investments are Permitted Investments). Monies in the Redemption Fund and the Rebate Fund shall, at the written direction of an Authorized Representative, be invested in Government Obligations. Notwithstanding anything herein to the contrary, in the absence of written investment instructions, the Fiscal Agent shall invest solely in investments identified in paragraph 7 of the definition of Permitted Investments.

The District acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District the right to receive brokerage confirmations of security transactions as they occur, the District specifically waives receipt of such confirmations to the extent permitted by law. The Fiscal Agent will furnish the District periodic cash transaction statements, which include detail for all investment transactions made by the Fiscal Agent hereunder.

Obligations purchased as investments of monies in any fund or account shall be deemed at all times to be a part of such fund or account. Except as provided otherwise herein, any income realized on or losses resulting from investments in any fund or account shall be credited or charged to such fund or account. Subject to the restrictions set forth herein and/or any written investment instructions received by Fiscal Agent pursuant to this Section 3.10, monies in said funds and accounts may be from time to time invested by the Fiscal Agent in any manner so long as:

(1) Monies in the Project Fund, Administrative Expense Fund and Rebate Fund shall be invested in obligations which will by their terms mature as close as practicable to the date the District estimates the monies represented by the particular investment will be needed for withdrawal from such fund; and

(2) Monies in the Special Tax Fund, the Debt Service Fund, the Redemption Fund and the Reserve Fund shall be invested only in obligations which will by their terms either mature or allow for withdrawals at par on such dates so as to ensure the payment of principal and interest on the Bonds as the same become due; provided, however, that except for Permitted Investments which

permit withdrawal at par at any time, investment of monies on deposit in the Reserve Fund shall have an average aggregate weighted term not greater than five (5) years.

The Fiscal Agent shall sell or present for redemption any obligations so purchased whenever it may be necessary to do so in order to provide monies to meet any payment or transfer for such funds and accounts or from such funds and accounts. The Fiscal Agent shall not be liable for any loss from any investments made or sold by it in accordance with the provisions of this Indenture.

SECTION 3.11 Disposition of Bond Proceeds.

Upon the receipt of \$_____ as the sale proceeds for the Bonds (being the par amount of \$_____ less the underwriter's discount of \$_____ and [plus/less] original issue [premium/discount] of \$_____), the Fiscal Agent shall transfer or set aside and deposit or cause to be deposited such funds as follows:

\$_____ shall be deposited in the Project Fund;

\$_____ shall be deposited in the Reserve Fund;

\$_____ shall be deposited into the Costs of Issuance Fund;

\$_____ shall be deposited in the Capitalized Interest Sub-Account of the Interest Account of the Debt Service Fund; and

\$75,000 shall be deposited in the Administrative Expense Fund.

The Fiscal Agent may establish such temporary funds or accounts on its records, as it may deem appropriate to facilitate such deposits and transfers.

ARTICLE IV

REDEMPTION

SECTION 4.01 Notice of Redemption.

A. Notice to Bondholders: So long as the Bonds are held in book-entry form by the Depository, or its Nominee, notice of redemption should be given to the Depository in such manner as is set forth in the procedures of the Depository, at least thirty (30) days but not more than forty-five (45) days prior to the redemption date. If the Bonds are no longer registered to the Depository, or its Nominee, the Fiscal Agent shall mail, at least thirty (30) days but not more than forty-five (45) days prior to the date of redemption, notice of redemption, by first-class mail, postage prepaid, to the original purchaser of the Bonds and the respective registered Owners of the Bonds at the addresses appearing on the Bond registry books. The notice of redemption shall: (a) state the redemption date; (b) state the redemption price; (c) state the bond registration numbers, dates of maturity and CUSIP numbers of the Bonds to be redeemed, and in the case of Bonds to be redeemed in part, the respective principal portions to be redeemed; provided, however, that whenever any call includes all Bonds of a maturity, the numbers of the Bonds of such maturity need not be stated; (d) state that

such Bonds must be surrendered at the Principal Corporate Trust Office of the Fiscal Agent; (e) state that further interest on such Bonds will not accrue from and after the designated redemption date; (f) state the date of the issue of the Bonds as originally issued; (g) state the rate of interest borne by each Bond being redeemed; and (h) state that any other descriptive information needed to identify accurately the Bonds being redeemed as the District shall direct.

B. Further Notice: In addition to the notice of redemption given pursuant to Section 4.01A above, further notice shall be given as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed.

Each further notice of redemption shall be sent at least 2 days before the notice of redemption is mailed to the Bondholders pursuant to Section 4.01A by registered or certified mail or overnight delivery service to the Securities Depositories and to at least one (1) Information Services that disseminate notice of redemption of obligations similar to the Bonds or, in accordance with the then-current guidelines of the Securities and Exchange Commission, such other services providing information on called bonds, or no such other services, as District may determine in its sole discretion.

C. Conditional Notice: Any notice of optional redemption of the Bonds delivered in accordance with Section 4.03A 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.

D. Right to Rescind: The District may rescind any optional redemption and notice thereof for any reason on any date 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 Debt Service 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

E. Failure to Receive Notice: So long as notice has been provided as set forth in Section 4.01A above, the actual receipt by the Owner of any Bond of notice of such redemption shall not be a condition precedent to redemption, and failure to receive such notice shall not affect the validity of the proceedings for redemption of such Bonds or the cessation of interest on the date fixed for redemption.

F. Certificate of Giving Notice: The notice or notices required by this Section shall be given by the Fiscal Agent on behalf of the District. A certificate by the Fiscal Agent that notice of

call and redemption has been given to the registered Owners of the Bonds as herein provided shall be conclusive as against all parties, and no Owner whose Bond is called for redemption may object thereto, or object to cessation of interest on the redemption date, by any claim or showing that he failed to receive actual notice of call and redemption.

SECTION 4.02 Effect of Redemption. When notice of redemption has been given substantially as provided for herein, and when the amount necessary for the redemption of the Bonds called for redemption is set aside for that purpose in the Debt Service Fund or the Redemption Fund, as provided for herein, the Bonds designated for redemption shall become due and payable on the date fixed for redemption thereof, and upon presentation and surrender of said Bonds at the place specified in the notice of redemption, said Bonds shall be redeemed and paid at the redemption price out of the Debt Service Fund or the Redemption Fund and no interest will accrue on such Bonds or portions of Bonds called for redemption from and after the redemption date specified in said notice, and the Owners of such Bonds so called for redemption after such redemption date shall look for the payment of principal and premium, if any, of such Bonds or portions of Bonds only to the Debt Service Fund or the Redemption Fund, as applicable. All Bonds redeemed shall be canceled forthwith by the Fiscal Agent and shall not be reissued. Upon surrender of Bonds redeemed in part, a new Bond or Bonds of the same maturity shall be registered, authenticated and delivered to the registered Owner at the expense of the District, in the aggregate principal amount of the unredeemed portion. All unpaid interest payable at or prior to the date fixed for redemption shall continue to be payable to the respective registered owners of such Bonds or their order, but without interest thereon.

SECTION 4.03 Redemption Prices and Terms.

A. Optional Redemption. The Bonds may be redeemed at the option of the District prior to maturity as a whole, or in part on any [Interest Payment Date/date] from such maturities as are selected by the District, and by lot within a maturity, from any source of funds, at the following redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed), together with accrued interest to the date of redemption:

<u>Redemption Date</u>	<u>Redemption Price</u>
September 1, 20__ through March 1, 20__	103%
September 1, 20__ through March 1, 20__	102
September 1, 20__ through March 1, 20__	101
September 1, 20__ and thereafter	100

B. Extraordinary Mandatory Redemption. The Bonds shall be subject to extraordinary mandatory redemption on any Interest Payment Date, prior to maturity, as a whole, or in part as nearly as practicable on a pro rata basis among maturities of authorized denominations, from amounts deposited to the Redemption Fund in connection with a Prepayment of Improvement Area No. 1 Special Taxes pursuant to the Improvement Area No. 1 Special Tax RMA. An Authorized Representative shall deliver written instructions to the Fiscal Agent not less than 60 days prior to the redemption date directing the Fiscal Agent to utilize the Improvement Area No. 1 Special Tax Revenues transferred to the Redemption Fund pursuant to Section 3.02C and Section 3.06 to redeem Bonds pursuant to this Section 4.03B. Such extraordinary mandatory redemption of the Bonds shall

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

<u>Redemption Date</u>	<u>Redemption Price</u>
September 1, 20__ through March 1, 20__	103%
September 1, 20__ through March 1, 20__	102
September 1, 20__ through March 1, 20__	101
September 1, 20 and thereafter	100

C. Mandatory Sinking Fund Redemption. The Bonds maturing on September 1, 20__ are subject to mandatory sinking fund redemption, in part by lot, on September 1 in each year commencing September 1, 20__ at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued and unpaid interest thereon to the date fixed for redemption, without premium, in the aggregate principal amount and in the years shown on the following redemption schedule:

<u>Redemption Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u> \$
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The Bonds maturing on September 1, 20__, are subject to mandatory sinking fund redemption, in part, by lot, on September 1 of each year commencing September 1, 20__, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued and unpaid interest thereon to the date fixed for redemption, without premium, in the aggregate principal amounts and in the years shown in the following redemption schedule.

<u>Redemption Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u> \$
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In the event of a partial optional redemption or extraordinary mandatory redemption of the Bonds maturing on September 1, 20__, or September 20__, each of the remaining mandatory sinking fund payments for the applicable maturity of the Bonds so redeemed will be reduced, as nearly as practicable, on a pro rata basis in integral multiples of \$5,000.

D. Purchase in Lieu of Redemption. In lieu of such an optional, extraordinary mandatory or mandatory sinking fund redemption, the District may elect to purchase such Bonds at public or private sale at such prices as the District may in its discretion determine; provided, that, unless

otherwise authorized by law, the purchase price (including brokerage and other charges) thereof shall not exceed the principal amount thereof, plus the applicable premium, if any, stated above, plus accrued interest to the purchase date.

E. Notice and Selection of Bonds for Optional Redemption. In the event the District shall elect to redeem Bonds as provided in Section 4.03A, the District shall give written notice to the Fiscal Agent of its election so to redeem not less than sixty (60) days prior to the redemption date, the principal amount of the Bonds to be redeemed and the maturities from which such Bonds are to be redeemed, and the principal amount of the Bonds to be redeemed from each such maturity.

The notice to the Fiscal Agent shall be given not less than sixty (60) days prior to the redemption date or such shorter period as shall be acceptable to the Fiscal Agent in its sole discretion. If less than all of the Bonds Outstanding are to be redeemed, the portion of any Bond of a denomination of more than \$5,000 to be redeemed shall be in the principal amount of \$5,000 or a multiple thereof, and, in selecting portions of such Bonds for redemption, the District shall treat each such Bond as representing that number of Bonds of \$5,000 denomination which is obtained by dividing the principal amount of such Bond to be redeemed in part by \$5,000.

ARTICLE V

SUPPLEMENTAL INDENTURES

SECTION 5.01 Amendments or Supplements. The Legislative Body may, by adoption of a resolution from time to time, and at any time but without notice to or consent of any of the Bondholders, approve a Supplemental Indenture hereto for any of the following purposes:

- (a) to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provision with respect to matters or questions arising under this Indenture or in any Supplemental Indenture, provided that such action shall not be materially adverse to the interests of the Bondowners;
- (b) to add to the covenants and agreements of and the limitations and the restrictions upon the District contained in this Indenture, other covenants, agreements, limitations and restrictions to be observed by the District which are not contrary to or inconsistent with this Indenture as theretofore in effect;
- (c) to modify, alter, amend or supplement this Indenture in any other respect which is not materially adverse to the interests of the Bondowners; and
- (d) to amend any provision of this Indenture relating to the Code as may be necessary or appropriate to assure compliance with the Code and the exclusion from gross income of interest on the Bonds.

Exclusive of the Supplemental Indentures hereto provided for in the first paragraph of this Section 5.01, the Owners of not less than 60% in aggregate principal amount of the Bonds then Outstanding shall have the right to consent to and approve the adoption by the District of such

Supplemental Indentures as shall be deemed necessary or desirable by the District for the purpose of waiving, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Indenture; provided, however, that nothing herein shall permit, or be construed as permitting, (a) an extension of the maturity date of the principal of, or the payment date of interest on, any Bond, or (b) a reduction in the principal amount of, or redemption premium on, any Bond or the rate of interest thereon without the consent of the affected Bondowner(s), or permit, or be construed as permitting, (x) a preference or priority of any Bond or Bonds over any other Bond or Bonds, (y) a reduction in the aggregate principal amount of the Bonds the Owners of which are required to consent to such Supplemental Indenture, or (z) creating of a pledge of or lien or charge upon the Net Improvement Area No. 1 Special Tax Revenues superior to the pledge provided for in Section 2.02 hereof, without the consent of the Owners of all Bonds then Outstanding.

If at any time the District shall desire to approve a Supplemental Indenture, which pursuant to the terms of this Section 5.01 shall require the consent of the Bondowners, the District shall so notify the Fiscal Agent and shall deliver to the Fiscal Agent a copy of the proposed Supplemental Indenture. The District shall, at the expense of the District, cause notice of the proposed Supplemental Indenture to be mailed, postage prepaid, to all Bondowners at their addresses as they appear in the Registration Books. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that a copy thereof is on file at the principal office of the District for inspection by all Bondowners. The failure of any Bondowner to receive such notice shall not affect the validity of such Supplemental Indenture when consented to and approved as in this Section 5.01 provided. Whenever at any time within one year after the date of the first mailing of such notice, the District shall receive an instrument or instruments purporting to be executed by the Owners of not less than 60% in aggregate principal amount of the Bonds then Outstanding, which instrument or instruments shall refer to the proposed Supplemental Indenture described in such notice, and shall specifically consent to the approval thereof by the Legislative Body substantially in the form of the copy thereof referred to in such Notice as on file with the District, such proposed Supplemental Indenture, when duly approved by the Legislative Body, shall thereafter become a part of the proceedings for the issuance of the Bonds. In determining whether the Owners of 60% of the aggregate principal amount of the Bonds have consented to the approval of any Supplemental Indenture, Bonds which are owned by the District or by any person directly or indirectly controlling or controlled by or under the direct or indirect common control with the District, shall be disregarded and shall be treated as though they were not outstanding for the purpose of any such determination.

Upon the approval of any Supplemental Indenture hereto and the receipt of consent to any such Supplemental Indenture from the Owners of the appropriate aggregate principal amount of Bonds in instances where such consent is required pursuant to the provisions of this Section 5.01, this Indenture shall be, and shall be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the District and all Owners of Bonds then Outstanding shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such modifications and amendments. Notwithstanding anything herein to the contrary, no Supplemental Indenture shall be entered into which would modify the duties of the Fiscal Agent hereunder, without the prior written consent of the Fiscal Agent.

ARTICLE VI

MISCELLANEOUS CONDITIONS

SECTION 6.01 Ownership of Bonds. The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute Owner thereof for all purposes, and payment of or on account of the principal and redemption premium, if any, of any such Bond, and the interest on any such Bond, shall be made only to or upon the order of the registered Owner thereof or his legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond, including the redemption premium, if any, and interest thereon, to the extent of the sum or sums so paid.

SECTION 6.02 Mutilated, Lost, Destroyed or Stolen Bonds. If any Bond shall become mutilated, the Fiscal Agent shall authenticate and deliver a new Bond of like tenor, date and maturity 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. 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 is satisfactory to the Fiscal Agent and, if an indemnity satisfactory to the Fiscal Agent shall be given, the Fiscal Agent shall authenticate and deliver a new Bond of like tenor and maturity, numbered and dated as the Fiscal Agent shall determine in lieu of and in substitution for the Bond so lost, destroyed or stolen. Any Bond issued under the provisions of this Section 6.02 in lieu of any Bond alleged to have been lost, destroyed or stolen shall be equally and proportionately entitled to the benefits hereof with all other Bonds secured hereby. The Fiscal Agent shall not treat both the original Bond and any replacement Bond as being Outstanding for the purpose of determining the principal amount of Bonds which may be executed, authenticated and delivered hereunder or for the purpose of determining any percentage of Bonds Outstanding hereunder, but both the original and replacement Bond shall be treated as one and the same.

SECTION 6.03 Cancellation of Bonds. All Bonds paid or redeemed, either at or before maturity, shall be canceled upon the payment or redemption of such Bonds, and shall be delivered to the Fiscal Agent when such payment or redemption is made. All Bonds canceled under any of the provisions of this Indenture shall be destroyed by the Fiscal Agent, which shall execute and provide the District with a certificate of destruction.

SECTION 6.04 Covenants. As long as the Bonds are Outstanding and unpaid, the District shall (through its proper members, officers, agents or employees) faithfully perform and abide by all of the covenants and agreements set forth in this Section 6.04; provided, however, that said covenants do not require the District to expend any funds other than the Net Improvement Area No. 1 Special Tax Revenues.

A. The District will review the public records of the County of San Diego, California, in connection with the collection of the Improvement Area No. 1 Special Taxes not later than July 1 of each year to determine the amount of the Improvement Area No. 1 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 Improvement Area No. 1 Special

Taxes in the aggregate of \$5,000 or more by October 1 following the close of the Fiscal Year in which the Improvement Area No. 1 Special Taxes were due, and (ii) against all properties with delinquent Improvement Area No. 1 Special Taxes in the aggregate of \$5,000 or more by October 1 following the close of any Fiscal Year if the amount of the Reserve Fund is less than the Reserve Requirement.

B. The District shall preserve and protect the security of the Bonds and the rights of the Bondowners and defend their rights against all claims and demands of all persons. Until such time as an amount has been set aside sufficient to pay Outstanding Bonds at maturity or to the date of redemption if redeemed prior to maturity, plus unpaid interest thereon and premium, if any, to maturity or to the date of redemption if redeemed prior to maturity, the District will faithfully perform and abide by all of the covenants, undertakings and provisions contained in this Indenture or in any Bond issued hereunder.

C. The District will not issue any other obligations payable, principal or interest, from the Improvement Area No. 1 Special Taxes which have, or purport to have, any lien upon the Improvement Area No. 1 Special Taxes superior to or, except as permitted in the following sentence, on a parity with the lien of the Bonds herein authorized. Nothing in this Indenture shall prevent the District from issuing and selling, pursuant to law, refunding bonds or other refunding obligations payable from and having a first lien upon the Improvement Area No. 1 Special Taxes on a parity with the Outstanding Bonds so long as the issuance of such refunding bonds or other refunding obligations results in a reduction in each Bond Year on the Annual Debt Service on the Bonds when combined with the Debt Service on Parity Refunding Obligations following the issuance of such refunding bonds or other refunding obligations.

D. The District will duly and punctually pay or cause to be paid the principal of and interest on each of the Bonds issued hereunder on the date, at the place and in the manner provided in said Bonds, but only out of Net Improvement Area No. 1 Special Tax Revenues and such other funds as may be herein provided.

E. The District shall comply with all requirements of the Act so as to assure the timely collection of the Improvement Area No. 1 Special Taxes in an amount sufficient to pay the Annual Debt Service on the Bonds when due, Administrative Expenses when due and amounts, if any, to replenish the Reserve Fund to the Reserve Requirement. Prior to July 1 of each year, the District shall ascertain the parcels on which the Improvement Area No. 1 Special Taxes are to be levied in the following Fiscal Year, taking into account any subdivisions of parcels during the current Fiscal Year. The District shall effect the levy of the Improvement Area No. 1 Special Tax in accordance with the Improvement Area No. 1 Special Tax RMA and the Act each Fiscal Year so that the computation of such levy is complete and transmitted to the Auditor of the County of San Diego before the final date on which the Auditor of the County of San Diego will accept the transmission of the Improvement Area No. 1 Special Tax for the parcels within Improvement Area No. 1 for inclusion on the next real property tax roll. Upon completion of the computation of the amount of the Improvement Area No. 1 Special Tax levy, the District shall prepare or cause to be prepared, and shall transmit or cause to be transmitted to the Auditor of the County of San Diego, such data as such Auditor requires to include the levy of the Improvement Area No. 1 Special Tax on the next real property tax roll.

The District finds and determines that, historically, delinquencies in the payment of special taxes authorized pursuant to the Act in community facilities districts in Southern California have from time to time been at levels requiring the levy of special taxes at the maximum authorized rates in order to make timely payment of principal of and interest on the outstanding indebtedness of such community facilities districts. For this reason, the District has determined that, absent the certification described below, a reduction in the Maximum Special Tax (as such term is defined in the Improvement Area No. 1 Special Tax RMA) authorized to be levied below the levels provided would interfere with the timely retirement of the Bonds. The District has determined it to be necessary in order to preserve the security for the Bonds to covenant, and, to the maximum extent that the law permits it to do so, the District does covenant, that it shall not initiate proceedings to reduce the Maximum Special Tax rates (as set forth in the Improvement Area No. 1 Special Tax RMA), unless, in connection therewith, (i) the District receives a certificate from one or more Special Tax Consultants which, when taken together, certify that, on the basis of the parcels of land and improvements existing in Improvement Area No. 1 as of the July 1 preceding the reduction, the Maximum Special Tax which may be levied on all Assessor's Parcels (as such term is defined in the Improvement Area No. 1 Special Tax RMA) of taxable property on which a completed structure is located in each Fiscal Year will equal at least 110% of the largest sum of the Annual Debt Service on the Bonds to remain Outstanding and the Debt Service on Parity Refunding Obligations outstanding ("Maximum Debt Service") after the reduction is approved and will not reduce the Maximum Special Tax payable from parcels on which a completed structure is located or to be located at buildout of Improvement Area No. 1 as proposed to less than 110% of the Maximum Debt Service, and (ii) the City Council, acting as the legislative body of the District, finds pursuant to this Indenture that any reduction made under such conditions will not adversely affect the interests of the Owners of the Bonds. Any reduction in the Maximum Special Tax approved pursuant to the preceding sentence may be approved without the consent of the Owners of the Bonds.

The District covenants that, in the event that any initiative is adopted by the qualified electors which purports to reduce the Maximum Special Tax below the levels authorized pursuant to the Improvement Area No. 1 Special Tax RMA or to limit the power or authority of the District to levy Improvement Area No. 1 Special Taxes pursuant to the Improvement Area No. 1 Special Tax RMA, the District shall, from funds available hereunder, commence and pursue legal action in order to preserve the authority and power of the District to levy Improvement Area No. 1 Special Taxes pursuant to the Improvement Area No. 1 Special Tax RMA.

F. The District will at all times keep, or cause to be kept, proper and current books and accounts (separate from all other records and accounts) in which complete and accurate entries shall be made of all transactions relating to the Improvement Area No. 1 Special Tax Revenues and other funds herein provided for.

G. The District will not directly or indirectly use or permit the use of any proceeds of the Bonds or any other funds of the District or take or omit to take any action that would cause the Bonds to be "private activity bonds" within the meaning of Section 141 of the Code, or obligations which are "federally guaranteed" within the meaning of Section 149(b) of the Code. The District will not allow five percent (5%) or more of the proceeds of the Bonds to be used in the trade or business of any non-governmental units and will not loan five percent (5%) or more of the proceeds of the Bonds to any non-governmental units.

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

Without limiting the generality of the foregoing, the District agrees that there shall be paid from time to time all amounts required to be rebated to the United States of America pursuant to Section 148(f) of the Code and any temporary, proposed or final Treasury Regulations as may be applicable to the Bonds from time to time. This covenant shall survive payment in full or defeasance of the Bonds. The District specifically covenants to pay or cause to be paid to the United States of America at the times and in the amounts determined under Section 3.07.

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

I. The District shall not directly or indirectly extend the maturity dates of the Bonds or the time of payment of interest with respect thereto.

J. Not later than October 30 of each year, commencing October 30, 2019, and until October 30 following the final maturity of the Bonds, the District shall supply or cause to be supplied the information, if any, then required by Government Code Section 53359.5 to the California Debt and Investment Advisory Commission.

K. The District covenants that it will not adopt any policy pursuant to Section 53341.1 of the Act permitting tender of Bonds in full payment or partial payment of any Improvement Area No. 1 Special Taxes unless it first receives a certificate of a Special Tax Consultant that accepting such tender will not result in the District having insufficient Net Improvement Area No. 1 Special Tax Revenues to pay the principal of and interest on the Bonds when due.

L. The District shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the District under the provisions of this Indenture. The District warrants that upon the date of execution and delivery of the Bonds, the conditions, acts and things required by law and this Indenture to exist, to have happened and to have been performed precedent to and in the execution and delivery of such Bonds do exist, have

happened and have been performed and the execution and delivery of the Bonds shall comply in all respects with the applicable laws of the State.

SECTION 6.05 Arbitrage Certificate. On the basis of the facts, estimates and circumstances now in existence and in existence on the date of issue of the Bonds, as determined by the Treasurer, said Treasurer is hereby authorized to certify that it is not expected that the proceeds of the Bonds will be used in a manner that would cause the Bonds to be arbitrage bonds. Such certification shall be delivered to the purchaser together with the Bonds.

SECTION 6.06 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 the Indenture, then the Owner of such Bond shall cease to be entitled to the pledge of the Net Improvement Area No. 1 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 the Indenture shall thereupon cease, terminate and become void and discharged and satisfied. In the event of the defeasance of all Outstanding Bonds, the Fiscal Agent shall pay over or deliver to the District all money or securities held by it pursuant to the Indenture which are not required for the payment of the principal of, 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 preceding paragraph if such Bond is paid in any one or more of the following ways:

- (a) by paying or causing to be paid the principal of, premium, if any, and interest on such Bond, as and when the same shall become due and payable;
- (b) by depositing with the Fiscal Agent, in trust, at or before maturity, money which, together with the amounts then on deposit in the funds established pursuant to the Indenture (exclusive of the Rebate 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
- (c) by depositing with the Fiscal Agent or an escrow bank appointed by the District, in trust, noncallable Permitted Investments of the type described in subparagraph 1 of the definition thereof, in such amount as an Independent Accountant shall determine (as set forth in a verification report from such Independent Accountant) will be sufficient, together with the interest to accrue thereon and moneys then on deposit in the funds established under the Indenture (exclusive of the Rebate 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 the Indenture 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 and except

for the covenants of the District to preserve the exclusion of the interest on the Bonds from gross income for federal income tax purposes. 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 (b) or (c) above, there shall be provided to the District and the Fiscal Agent (i) a report of the Independent Accountant verifying the determination made pursuant to paragraph (b) or (c) above, as applicable (the "Verification Report") stating its opinion as to the sufficiency of the moneys or securities deposited with the Fiscal Agent or the escrow bank, together with the interest to accrue thereon and moneys then on deposit in the funds established under the Indenture (exclusive of the Rebate 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 all such Bonds to be defeased in accordance with the Indenture as and when the same shall become due and payable, and (ii) an opinion of Bond Counsel (which may rely upon the opinion of the Independent Accountant) to the effect that the Bonds being defeased have been defeased in accordance with the Indenture and are no longer Outstanding. The Verification Report and opinion of Bond Counsel shall be acceptable in form and substance to the District, and addressed to the District and the Fiscal Agent.

SECTION 6.07 Fiscal Agent. The District hereby appoints U.S. Bank National Association as Fiscal Agent for the Bonds. The Fiscal Agent is hereby authorized to and shall mail or otherwise provide for the payment of interest payments to the Bondholders, and upon written instruction of the District shall select Bonds for redemption, give notice of redemption of Bonds and maintain the Bond Register. The Fiscal Agent is hereby authorized to pay the principal of and premium, if any, on the Bonds when the same are duly presented to it for payment at maturity or on call and redemption, to provide for the registration of transfer and exchange of Bonds presented to it for such purposes, to provide for the cancellation of Bonds all as provided in this Indenture, and to provide for the authentication of Bonds, and shall perform all other duties assigned to or imposed on it as provided in this Indenture. The Fiscal Agent shall keep accurate records of all Bonds paid and discharged by it.

The District shall from time to time, subject to any agreement between the District and the Fiscal Agent then in force, pay to the Fiscal Agent compensation for its services, reimburse the Fiscal Agent for all its advances and expenditures, including, but not limited to, advances to and fees and expenses of independent accountants or counsel employed by it in the exercise and performance of its powers and duties hereunder, and indemnify and hold the Fiscal Agent, its officers, directors, agents and employees, harmless from and against losses, claims, expenses and liabilities not arising from its own negligence or willful misconduct which it may incur in the exercise and performance of its powers and duties hereunder. Such obligations shall survive the termination or discharge of this Indenture.

The District may at any time at its sole discretion remove the Fiscal Agent initially appointed, and any successor thereto, by delivering to the Fiscal Agent a written notice of its decision to remove the Fiscal Agent and may appoint a successor or successors thereto, provided that any such successor, other than the Treasurer, shall be a bank or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least fifty million dollars (\$50,000,000), and subject

to supervision or examination by Federal or State authority. Any removal shall become effective only upon acceptance of appointment by the successor Fiscal Agent or the Treasurer. If any bank or trust company appointed as a successor 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 the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

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

SECTION 6.08 Liability of Fiscal Agent. The recitals of fact and all promises, covenants and agreements contained herein and in the Bonds shall be taken as statements, promises, covenants and agreements of the District, and the Fiscal Agent assumes no responsibility for the correctness of the same and makes no representations as to the validity or sufficiency of this Indenture or of the Bonds, and shall incur no responsibility in respect thereof, other than in connection with its duties or obligations herein or in the Bonds or in the certificate of authentication on the Bonds. The Fiscal Agent shall be under no responsibility or duty with respect to the issuance of the Bonds. The Fiscal Agent shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Fiscal Agent shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

The Fiscal Agent shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Fiscal Agent may consult with counsel, who may be counsel to the District, 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 hereunder in good faith and in accordance therewith.

Whenever in the administration of its duties under this Indenture, 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 bad faith on the part of the Fiscal Agent, be deemed to be conclusively proved and established by a written 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 Indenture 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 of such matter or may require such additional evidence as to it may seem reasonable.

The Fiscal Agent shall have no duty or obligation to enforce the collection of funds to be deposited with it hereunder or as to the correctness of any amounts received, and its liability shall be limited to the proper accounting for such funds as it actually receives.

No provision of this Indenture or any other document related hereto shall require the Fiscal Agent to risk or advance its own funds or otherwise incur any financial liability in the performance of its duties or the exercise of its rights hereunder.

The permissive right of the Fiscal Agent to do things enumerated in this Indenture shall not be construed as a duty.

The Fiscal Agent may execute any of the duties of the Fiscal Agent or powers hereof and perform any of its duties through attorneys, agents and receivers and shall not be answerable for the conduct of the same if appointed by it with reasonable care.

The Fiscal Agent shall be responsible for only those duties expressly set forth in this Indenture and no implied duties or obligations shall be read into this Indenture against the Fiscal Agent.

SECTION 6.09 Provisions Constitute Contract. The provisions of this Indenture shall constitute a contract between the District and the Bondowners and the provisions hereof shall be enforceable by any Bondowner for the equal benefit and protection of all Bondowners similarly situated by mandamus, accounting, mandatory injunction or any other suit, action or proceeding at law or in equity that is now or may hereafter be authorized under the laws of the State in any court of competent jurisdiction. Said contract is made under and is to be construed in accordance with the laws of the State.

No remedy conferred hereby upon any Bondowner is intended to be exclusive of any other remedy, but each such remedy is cumulative and in addition to every other remedy and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law of the State. No waiver of any default or breach of duty or contract by any Bondowner shall affect any subsequent default or breach of duty or contract or shall impair any rights or remedies on said subsequent default or breach. No delay or omission of any Bondowner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed as a waiver of any such default or acquiescence therein. Every substantive right and every remedy conferred upon the Bondowners may be enforced and exercised as often as may be deemed expedient. 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 then, and in every such case, the District 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 Indenture shall be irrevocable, but shall be subject to modification to the extent and in the manner provided in this Indenture, but to no greater extent and in no other manner.

SECTION 6.10 CUSIP Numbers. CUSIP identification numbers, if available, will be imprinted on the Bonds, but such numbers shall not constitute a part of the contract evidenced by the Bonds and no liability shall hereafter attach to the District or the Fiscal Agent, or any of the officers or agents thereof because of or on account of said numbers.

SECTION 6.11 Severability. If any covenant, agreement or provision, or any portion thereof, contained in this Indenture, or the application thereof to any person or circumstance, is held to be unconstitutional, invalid or unenforceable, the remainder of this Indenture and the application of any such covenant, agreement or provision, or portion thereof, to any other persons or circumstances, shall be deemed severable and shall not be affected, and this Indenture and the Bonds issued pursuant hereto shall remain valid and the Bondholder shall retain all valid rights and benefits accorded to them under this Indenture and the Constitution and laws of the State of California. If the provisions relating to the appointment and duties of a Fiscal Agent are held to be unconstitutional, invalid or unenforceable, said duties shall be performed by the Treasurer.

SECTION 6.12 Unclaimed Money. All money which the Fiscal Agent shall have received from any source and set aside for the purpose of paying or redeeming any of the Bonds shall be held in trust for the respective owners of such Bonds, but any money which shall be so set aside or deposited by the Fiscal Agent and which shall remain unclaimed by the Owners of such Bonds for a period of one year after the date on which any payment or redemption with respect to such Bonds shall have become due and payable shall be transferred to the District; provided, however, that the Fiscal Agent, before making such payment, shall cause notice to be mailed to the Owners of such Bonds, by first-class mail, postage prepaid, not less than 90 days prior to the date of such payment to the effect that said money has not been claimed and that after a date named therein any unclaimed balance of said money then remaining will be transferred to the District. Thereafter, the Owners of such Bonds shall look only to the District for payment and then only to the extent of the amount so received without any interest thereon.

SECTION 6.13 Nonpresentment of Bonds. Except as otherwise provided in Section 6.12 hereof, in the event any Bonds shall not be presented for payment when the principal thereof becomes due, if funds sufficient to pay such Bonds shall be held by the Fiscal Agent for the benefit of the Owners thereof, all liability of the District to the Owners thereof shall forthwith cease and be completely discharged and thereupon it shall be the duty of the Fiscal Agent to hold such funds (subject to Section 6.12 hereof), without liability for interest thereon, for the benefit of the Owners of such Bonds, who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on, or with respect to, such Bonds.

SECTION 6.14 Continuing Disclosure. The District hereby covenants and agrees that it will comply with and carry out all of the provisions of that certain Continuing Disclosure Agreement dated as of _____ 1, 2018 between the District and Willdan Financial Services (the "Continuing Disclosure Agreement"). Notwithstanding any other provision of this Indenture, failure of the District to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default under the provisions of this Indenture.

SECTION 6.15 Execution of Documents and Proof of Ownership by Owners. Any request, consent, declaration or other instrument which this Indenture may require or permit to be

executed by Owners may be in one or more instruments of similar tenor, and shall be executed by 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 a request, consent, declaration or other instrument, or of a writing appointing such an 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 a notary public or other officer.

Any request, consent, 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 6.16 Notices to and Demands on District and Fiscal Agent. Any notice or demand which by any provision of this Indenture 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 (first class, registered or certified) 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
Finance Department
276 Fourth Avenue
Chula Vista, CA 91910
Attention: Director of Finance/Treasurer
RE: Community Facilities District No. 16-I
(Millenia) Improvement Area No. 1
2018 Special Tax Bonds

Any notice or demand which by any provision of this Indenture 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 (first class, registered or certified) 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
Reference: Chula Vista CFD

SECTION 6.17 Applicable Law. This Indenture 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 6.18 Payment on Business Day. In any case where the date of the payment of interest on or of principal (and premium, if any) of the Bonds or the date fixed for redemption is other than a Business Day, the payment of interest or principal (and premium, if any) 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 from and after such date.

SECTION 6.19 Counterparts. This Indenture may be executed in counterparts, each of which shall be deemed an original.

ARTICLE VII

BOND FORM

SECTION 7.01 Form of Bonds. The format of the Bonds as authorized and to be issued for these proceedings shall be substantially in the form as set forth in the attached, referenced and incorporated Exhibit "A".

SECTION 7.02 Temporary Bonds. Any Bonds issued under this Indenture may be initially issued in temporary form exchangeable for definitive bonds. The Bonds may be issued as one temporary bond with an attached maturity schedule and interest rate schedule to represent all Bonds. The temporary bond may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the District and may contain such references to any of the provisions of this Indenture as may be appropriate. Every temporary Bond shall be executed by the District in substantially the same manner as provided in Section 2.06 hereof. If the District issues one or more temporary Bonds, it will execute and furnish definitive Bonds without delay upon the request of any Owner and thereupon the temporary bonds may be surrendered for cancellation at the Principal Corporate Trust Office of the Fiscal Agent, and the District shall deliver in exchange for such temporary bonds an equal aggregate principal amount of definitive Bonds of the same interest rates and maturities. Until so exchanged, the temporary bonds shall be entitled to the same benefits under this Indenture as definitive Bonds issued hereunder.

ARTICLE VIII

EVENT OF DEFAULT

SECTION 8.01 Events of Default. The following events shall be Events of Default under this Indenture.

- (a) Default in the due and punctual payment of the principal of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise.
- (b) Default in the due and punctual payment of interest on any Bond when and as such interest shall become due and payable.

- (c) Default by the District in the observance of any of the other covenants, agreements or conditions on its part in this Indenture or in the Bonds contained, if such default shall have continued for a period of thirty (30) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the District by the Fiscal Agent or to the District and the Fiscal Agent by the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding; provided that such default (other than a default arising from nonpayment of the Fiscal Agent's fees and expenses, which must be cured within such 30-day period unless waived by the Fiscal Agent) shall not constitute an Event of Default under this Indenture if the District shall commence to cure such default within said thirty (30) day period and thereafter diligently and in good faith shall cure such default within a reasonable period of time; or
- (d) The filing by the District of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the District, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the District or of the whole or any substantial part of its property.

SECTION 8.02 Application of Revenues and Other Funds after Default. If a default in the payment of the Bonds shall occur and be continuing, all revenues and any other funds then held or thereafter received under any of the provisions of this Indenture shall be applied as follows and in the following order:

A. To the payment of any expenses necessary in the opinion of the District to protect the interest of the owners of the Bonds and payment of reasonable 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 Indenture;

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

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

Second: To the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by call for redemption, with interest on the overdue principal at the rate borne by the respective Bonds on the date of maturity of 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 discrimination or preference.

(Remainder of page intentionally left blank)

IN WITNESS WHEREOF, the District and the Fiscal Agent have executed this Bond Indenture effective the date first above written.

COMMUNITY FACILITIES DISTRICT NO. 16-I
(MILLENNIA)

By: _____
DIRECTOR OF FINANCE/TREASURER

U.S. BANK NATIONAL ASSOCIATION
as Fiscal Agent

By: _____
AUTHORIZED OFFICER

EXHIBIT “A” – FORM OF BOND

R - ___

\$ _____

United States of America
State of California

**CITY OF CHULA VISTA
COMMUNITY FACILITIES DISTRICT NO. 16-I (MILLENNIA)
IMPROVEMENT AREA NO. 1
2018 SPECIAL TAX BONDS**

Interest Rate	Maturity Date	Bond Date	CUSIP No.
%	September 1, 20__	_____, 2018	_____

Registered Owner: **Cede & Co.**

Principal Amount:

City of Chula Vista Community Facilities District No. 16-I (Millenia) (the “District”), situated in Chula Vista, California, for value received, hereby promises to pay, solely from Net Improvement Area No. 1 Special Tax Revenues (as hereafter defined), to the registered 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 semiannually on each March 1 and September 1, commencing September 1, 2018, (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 and premium, if any, on this Bond are payable to the registered owner hereof in lawful money of the United States of America upon presentation and surrender of this Bond at maturity or redemption at the corporate trust office or agency of U.S. Bank National Association (the “Fiscal Agent”) in Los Angeles, California (or such other office designated by the Fiscal Agent). Interest on this Bond is payable from the Interest Payment Date next preceding the date of its authentication, unless (i) such date of authentication is an Interest Payment Date, in which event interest shall be payable from such date of authentication, (ii) the date of authentication is after the 15th calendar day of the month preceding the Interest Payment Date (the “Record Date”) but prior to the immediately succeeding Interest Payment Date, in which event interest shall be payable from the Interest Payment Date immediately succeeding the date of authentication or (iii) the date of authentication is prior to the close of business on the first Record Date, in which event interest shall be payable from the Bond Date above; provided, however, that if at the time of authentication of this Bond, interest is in default, interest on this Bond shall be payable from the last Interest Payment Date to which the interest has been paid or made available for payment. Interest on this Bond shall be payable by check of the Fiscal Agent mailed first class, postage prepaid, to the registered owner hereof at such registered owner’s address as it appears on the registration books maintained by the Fiscal Agent as of the close of business on the Record Date preceding the Interest Payment Date or, upon request in writing prior to the Record Date received from a registered owner of at least \$1,000,000 in aggregate principal amount of the Bonds, by wire transfer in immediately available funds to an account in the United States of America designated by such registered owner.

This Bond is one of a duly authorized issue of the “City of Chula Vista Community Facilities District No. 16-I (Millenia) Improvement Area No. 1 2018 Special Tax Bonds” (the “Bonds”) issued in the aggregate principal amount of \$_____ pursuant to the Mello-Roos Community Facilities Act of 1982, constituting Sections 53311, et seq. of the California Government Code, as amended (the “Act”) and the City of Chula Vista Community Facilities District Ordinance enacted pursuant to the powers reserved by the City of Chula Vista under Sections 3, 5 and 7 of Article XI of the Constitution of the State of California (the “Ordinance”), for the purpose of financing certain public improvements in and for the District. The creation of the Bonds and the terms and conditions thereof are provided for by a Bond Indenture (the “Indenture”) dated as of _____ 1, 2018, and this reference incorporates the Indenture herein, and by acceptance hereof the owner of this Bond assents to said terms and conditions. All capitalized terms used herein shall have the same meaning as set forth in the Indenture unless otherwise specified herein. The Indenture is authorized under, this Bond is issued under, and both are to be construed in accordance with, the laws of the State of California.

Pursuant to the Act and the Indenture, the principal of, premium, if any, and interest on this Bond are payable solely from, and shall be secured by a pledge of and lien upon, the proceeds of the Improvement Area No. 1 Special Tax (as defined in the Indenture) levied and received by the District and the proceeds of the redemption and sale of property sold as a result of foreclosure of the lien of the Improvement Area No. 1 Special Tax to the amount of such lien and penalties thereon minus amounts applied annually to fund the Administrative Expense Requirement (together, the “Net Improvement Area No. 1 Special Tax Revenues”) and certain funds held under the Indenture. The Bonds are not general obligations of the City of Chula Vista or the District, but are special, limited obligations of the District, and neither the faith and credit nor the taxing power of the District, the City of Chula Vista, the State of California, or any political subdivision thereof is pledged to the payment of the Bonds. Except for the Net Improvement Area No. 1 Special Tax Revenues, no other revenues or taxes are pledged to the payment of the Bonds.

The District will review the public records of the County of San Diego, California, in connection with the collection of the Improvement Area No. 1 Special Taxes and will commence and diligently pursue to completion, judicial foreclosure proceedings against (i) properties under common ownership with delinquent Improvement Area No. 1 Special Taxes in the aggregate of \$5,000 or more by October 1 following the close of the Fiscal Year in which the Improvement Area No. 1 Special Taxes were due, and (ii) against all properties with delinquent Improvement Area No. 1 Special Taxes in the aggregate of \$5,000 or more by October 1 following the close of any fiscal year if the amount in the Reserve Fund is less than the Reserve Requirement.

The Bonds may be redeemed at the option of the District prior to maturity as a whole, or in part on any Interest Payment Date, from such maturities as are selected by the District, and by lot within a maturity, from any source of funds, at the following redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed), together with accrued interest to the date of redemption:

<u>Redemption Date</u>	<u>Redemption Price</u>
September 1, 20__ through March 1, 20__	103%
September 1, 20__ through March 1, 20__	102
September 1, 20__ through March 1, 20__	101
September 1, 20__ and thereafter	100

The Bonds are subject to extraordinary mandatory redemption on any Interest Payment Date, prior to maturity, as a whole, or in part as nearly as practicable on a pro rata basis among maturities in authorized denominations, from the amounts deposited in the Redemption Fund in connection with the prepayment of Improvement Area No. 1 Special Taxes pursuant to the Improvement Area No. 1 Special Tax RMA. Such extraordinary mandatory redemption of the Bonds shall be at the following redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed), together with accrued interest thereon to the date of redemption:

<u>Redemption Date</u>	<u>Redemption Price</u>
September 1, 20__ through March 1, 20__	103%
September 1, 20__ through March 1, 20__	102
September 1, 20__ through March 1, 20__	101
September 1, 20__ and thereafter	100

The Bonds maturing on September 1, 20__ are subject to mandatory sinking fund redemption, in part, by lot, on September 1 of each year commencing September 1, 20__ at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued and unpaid interest thereon to the date fixed for redemption, without premium, in the aggregate principal amounts and in the years shown in the following redemption schedule.

<u>Redemption Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u> \$
--	---

The Bonds maturing on September 1, 20__ are subject to mandatory sinking fund redemption, in part, by lot, on September 1 of each year commencing September 1, 20__ at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued and unpaid interest thereon to the date fixed for redemption, without premium, in the aggregate principal amounts and in the years shown in the following redemption schedule.

Redemption Date
(September 1)

Principal
Amount
\$

Notice of redemption with respect to the Bonds to be redeemed shall be given by the Fiscal Agent to the registered owner thereof at least 30 days but not more than 45 days prior to the redemption date, by first class mail, postage prepaid, at their addresses appearing on the Bond Register; provided, however, so long as the Bonds are registered in the name of the Nominee, notice shall be given in such manner as complies with the requirements of the Depository.

This Bond shall be issued only in fully registered form in the denominations of \$5,000 or any integral multiple thereof. No transfer hereof shall be valid for any purpose unless made by the registered owner, by execution of the form of assignment printed hereon, and authenticated as herein provided, and the principal hereof, interest hereon and any redemption premium shall be payable only to the registered owner or to such owner's order. Interest on this Bond shall be payable to the person whose name appears upon the Bond Register as the registered owner hereof as of the close of business on the Record Date or to such person's order. The Fiscal Agent shall require the registered owner requesting transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange. The Fiscal Agent shall not be required to register, transfer or make exchanges of (i) Bonds for a period of 15 days next preceding the date of any selection of Bonds to be redeemed or (ii) any Bonds chosen for redemption.

This Bond shall not become valid or obligatory for any purpose until the certificate of authentication hereon printed shall have been dated and manually 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, together with all other indebtedness of the District, does not exceed any debt limit prescribed by the laws or Constitution of the State of California.

IN WITNESS WHEREOF, the City of Chula Vista Community Facilities District No. 16-I (Millenia), has caused this Bond to be dated as of _____, 2018 and to be signed by the Mayor of the City of Chula Vista by his or her manual signature and attested by the City Clerk by his or her manual signature.

City Clerk, City of Chula Vista, for and on
behalf of the City of Chula Vista Community
Facilities District No. 16-I (Millenia)

Mayor, City of Chula Vista, for and on behalf
of the City of Chula Vista Community
Facilities District No. 16-I (Millenia)

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within defined Indenture.

Dated: _____

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-mentioned registered Bond and hereby irrevocably constitute(s) and appoint(s), _____ attorney, to transfer the same on the books of the Fiscal Agent with full power of substitution in the premises.

Dated: _____

Signature

Guaranteed: _____

NOTICE: Signature must be guaranteed by a qualified guarantor.

NOTICE: The signature on this assignment must correspond with the name as it appears on the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever

EXHIBIT "B"

REQUISITION FOR COSTS OF ISSUANCE

**REQUISITION NO. _____ PERTAINING TO DISBURSEMENTS
FROM COSTS OF ISSUANCE FUND FOR COSTS OF ISSUANCE**

The undersigned hereby states and certifies:

(i) that the undersigned is the duly appointed, qualified and acting Director of Finance/Treasurer of the City of Chula Vista (the "City") and as such is an Authorized Representative of the District within the meaning of the Bond Indenture hereinafter defined;

(ii) that, pursuant to Section 3.04 of the Bond Indenture, dated as of _____ 1, 2018 (the "Bond Indenture"), between U.S. Bank National Association, as fiscal agent (the "Fiscal Agent"), by and between the Fiscal Agent and the District, the undersigned hereby requests the Fiscal Agent to disburse, upon receipt of an invoice or invoices from the payees designated on Attachment A attached hereto and incorporated herein by this reference, from the from the Cost of Issuance Fund established under the Bond Indenture to each such payee, amounts not to exceed the respective sum set forth in Attachment A opposite the designation for each such payee;

(iii) that such payments should be made in accordance with the payment instructions contained in such invoices; and

(iv) that the amounts to be disbursed are properly chargeable to the Cost of Issuance Fund.

Date: _____

City of Chula Vista Community Facilities District
No. 16-I (Millenia)

By: _____
David Bilby, Director of Finance/Treasurer
City of Chula Vista

ATTACHMENT A

COSTS OF ISSUANCE

Payee	Description of Cost of Issuance	Amount

EXHIBIT “C”

REQUISITION FOR COSTS

**REQUISITION NO. ___ PERTAINING TO DISBURSEMENTS
FROM THE PROJECT FUND**

TO FUND PROJECT COSTS

The undersigned hereby states and certifies:

(i) that the undersigned is the duly appointed, qualified and acting Director of Finance/Treasurer of the City of Chula Vista (the “City”) and as such is an Authorized Representative of the District within the meaning of the Bond Indenture hereinafter defined;

(ii) that, pursuant to Section 3.05 of the Bond Indenture, dated as of _____ 1, 2018 (the “Bond Indenture”), between U.S. Bank National Association, as fiscal agent (the “Fiscal Agent”), by and between the Fiscal Agent and the District, the undersigned hereby requests the Fiscal Agent to disburse to the payees designated on Attachment A attached hereto and incorporated herein by this reference, from the Project Fund established under the Bond Indenture to each such payee, the respective sum set forth in Attachment A opposite the designation for each such payee;

(iii) that such payments should be made in accordance with the payment instructions contained in Attachment A; and

(iv) that the amounts to be disbursed are properly chargeable to the Project Fund.

Date: _____

City of Chula Vista Community Facilities District
No. 16-I (Millenia)

By: _____
David Bilby, Director of Finance/Treasurer
City of Chula Vista

ATTACHMENT A

PROJECT COSTS

Payee	Description of Project Costs	Amount