
FISCAL AGENT AGREEMENT

by and between

CITY OF DESERT HOT SPRINGS

and

**WILMINGTON TRUST, N.A.,
as Fiscal Agent**

Dated as of January 1, 2020

Relating to:

**\$ _____
City of Desert Hot Springs
Community Facilities District No. 2006-1 Improvement Area 1
Special Tax Refunding Bonds
Series 2020**

TABLE OF CONTENTS

ARTICLE I

STATUTORY AUTHORITY AND DEFINITIONS

Section 1.01 Authority for this Agreement 3
Section 1.02 Agreement for Benefit of Bondowners 3
Section 1.03 Definitions 3

ARTICLE II

THE 2020 BONDS

Section 2.01 Principal Amount; Designation 11
Section 2.02 Terms of the 2020 Bonds 11
Section 2.03 Redemption 12
Section 2.04 Form of Bonds 14
Section 2.05 Execution of Bonds 15
Section 2.06 Transfer of Bonds 15
Section 2.07 Exchange of Bonds 15
Section 2.08 Bond Register 16
Section 2.09 Temporary Bonds 16
Section 2.10 Bonds Mutilated, Lost, Destroyed or Stolen 16
Section 2.11 Limited Obligation 16
Section 2.10. No Book-Entry System; No CUSIPs 17

ARTICLE III

ISSUANCE OF BONDS

Section 3.01 Issuance and Delivery of Bonds 18
Section 3.02 Application of Proceeds of Sale of 2020 Bonds 18
Section 3.03 Special Tax Fund 18
Section 3.04 Costs of Issuance Fund 19

ARTICLE IV

SPECIAL TAX REVENUES; BOND FUND AND Reserve Fund

Section 4.01 Pledge of Special Tax Revenues and Other Amounts 20
Section 4.02 Bond Fund 20
Section 4.03 Reserve Fund 21

ARTICLE V

OTHER COVENANTS OF THE CITY

Section 5.01 Punctual Payment 24
Section 5.02 Limited Obligation 24
Section 5.03 Extension of Time for Payment 24
Section 5.04 Against Encumbrances 24
Section 5.05 Books and Accounts 24
Section 5.06 Protection of Security and Rights of Owners 24
Section 5.07 Private Activity Bond Limitation 25
Section 5.08 Federal Guarantee Prohibition 25
Section 5.09 Collection of Special Tax Revenues 25
Section 5.10 Further Assurances 25
Section 5.11 No Arbitrage 26
Section 5.12 Maintenance of Tax-Exemption 26
Section 5.13 Annual State Reports 26
Section 5.14 Covenant to Foreclose 27
Section 5.15 Additional Bonds 27
Section 5.16 Yield of the Bonds 29

**ARTICLE VI
INVESTMENTS; DISPOSITION OF INVESTMENT PROCEEDS;
LIABILITY OF THE CITY**

Section 6.01	Deposit and Investment of Moneys in Funds.....	30
Section 6.02	Rebate of Excess Investment Earnings to the United States	31
Section 6.03	Limited Obligation.....	31

**ARTICLE VII
THE FISCAL AGENT**

Section 7.01	Appointment of Fiscal Agent.....	32
Section 7.02	Liability of Fiscal Agent.....	32
Section 7.03	Information.....	34
Section 7.04	Notice to Fiscal Agent.....	34
Section 7.05	Compensation, Indemnification.....	35

**ARTICLE VIII
MODIFICATION OR AMENDMENT OF THIS AGREEMENT**

Section 8.01	Amendments Permitted	36
Section 8.02	Owners' Meetings.....	36
Section 8.03	Procedure for Amendment with Written Consent of Owners.....	37
Section 8.04	Disqualified Bonds.....	37
Section 8.05	Effect of Supplemental Agreement	37
Section 8.06	Endorsement or Replacement of Bonds Issued After Amendments.....	38
Section 8.07	Amendatory Endorsement of Bonds	38
Section 8.08	Opinion of Counsel Regarding Supplemental Agreement.....	38

**ARTICLE IX
MISCELLANEOUS**

Section 9.01	Benefits of Agreement Limited to Parties	39
Section 9.02	Successor is Deemed Included in All References to Predecessor	39
Section 9.03	Discharge of Agreement.....	39
Section 9.04	Execution of Documents and Proof of Ownership by Owners.....	40
Section 9.05	Waiver of Personal Liability.....	40
Section 9.06	Notices to and Demands on City and Fiscal Agent.....	40
Section 9.07	Partial Invalidity	41
Section 9.08	Unclaimed Moneys.....	41
Section 9.09	Applicable Law	41
Section 9.10	Conflict with Act.....	41
Section 9.11	Conclusive Evidence of Regularity.....	41
Section 9.12	Payment on Business Day.....	41
Section 9.13	Counterparts	41

EXHIBIT A	FORM OF BOND	
EXHIBIT B	FORM OF REQUEST FOR DISBURSEMENT	

FISCAL AGENT AGREEMENT

THIS FISCAL AGENT AGREEMENT (the "Agreement") is made and entered into as of February 1, 2020, by and between the City of Desert Hot Springs, California, a public body, corporate and politic, organized and existing under and by virtue of the Constitution and laws of the State of California (the "City") for and on behalf of the City of Desert Hot Springs Community Facilities District No. 2006-1 (the "District"), and Wilmington Trust, N.A., as fiscal agent (the "Fiscal Agent").

WITNESSETH:

WHEREAS, the City Council of the City has formed the District under the provisions of the Mello-Roos Community Facilities Act of 1982, as amended (constituting Section 53311 *et seq.* of the California Government Code) (the "Act") and Resolution No. 2010-13 of the City Council adopted on January 16, 2010; and

WHEREAS, the City Council, as the legislative body of the District, is authorized under the Act to levy special taxes to pay for the costs of facilities within the District and to authorize the issuance of bonds secured by said special taxes under the Act; and

WHEREAS, following a vote of landowners in Improvement Area 1 of the District authorizing the levy of a special tax, the City Council, as legislative body of the District, authorized the issuance of special tax bonds of the City for the District in the maximum principal amount of not to exceed \$8,000,000 (the "Authorization") and caused refunding bonds to be issued for the District in 2010, in the original principal amount of \$2,285,000, designated City of Desert Hot Springs Community Facilities District No. 2006-1 Improvement Area 1 Special Tax Refunding Bonds Series 2010 (the "2010 Bonds"); and

WHEREAS, under the provisions of the Act, on _____, 2020, the City Council of the City adopted its Resolution No. _____ (the "Resolution"), which resolution, among other matters, authorized the issuance of the City of Desert Hot Springs Community Facilities District No. 2006-1 Improvement Area 1 Special Tax Refunding Bonds, Series 2020 to refund, in full, the 2010 Bonds; and

WHEREAS, it is in the public interest and for the benefit of the City, the District, the persons responsible for the payment of special taxes and the Owners of the Bonds (as defined herein) that the City enter into this Agreement to provide for the issuance of the Bonds, the disbursement of proceeds of the Bonds, the disposition of the special taxes securing the Bonds and any additional bonds authorized to be issued hereunder and the administration and payment of the Bonds; and

WHEREAS, the City has determined that all things necessary to cause the Bonds, when authenticated by the City for the District and issued as in the Act, the Resolution and this Agreement provided to be legal, valid and binding and special obligations of the City for the District in accordance with their terms, and all things necessary to cause the creation, authorization, execution and delivery of this Agreement and the creation, authorization, execution and issuance of the Bonds, subject to the terms hereof, have in all respects been duly authorized.

NOW, THEREFORE, in consideration of the covenants and provisions herein set forth and for other valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

ARTICLE I

STATUTORY AUTHORITY AND DEFINITIONS

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

Section 1.02. Agreement for Benefit of Bondowners. The provisions, covenants and agreements herein set forth to be performed by or on behalf of the City shall be for the equal benefit, protection and security of the Owners. All of the Bonds, without regard to the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, except as expressly provided in or permitted by this Agreement. The Fiscal Agent may become the Owner of any of the Bonds in its own or any other capacity with the same rights it would have if it were not Fiscal Agent.

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

"Additional Bonds" means any Series of bonds, other than the 2020 Bonds issued pursuant to Section 5.16 hereof.

"Administrative Expenses" means any or all of the following: the fees and expenses of the Fiscal Agent (including any fees or expenses of its counsel), the expenses of the City in carrying out its duties hereunder (including, but not limited to, the levying and collection of the Special Taxes, and the foreclosure of the liens of delinquent Special Taxes) including the fees and expenses of its counsel, an allocable share of the salaries of City staff directly related thereto and a proportionate amount of City general administrative overhead related thereto, any amounts paid by the City from its general fund pursuant to Section 6.02, and all other costs and expenses of the City or the Fiscal Agent incurred in connection with the issuance and administration of the Bonds and/or the discharge of their respective duties hereunder (including, but not limited to, the calculation of the levy of the Special Taxes, foreclosures with respect to delinquent taxes, and the calculation of amounts subject to rebate to the United States) and, in the case of the City, in any way related to the administration of the District. Administrative Expenses shall include any such expenses incurred in prior years but not yet paid, and any advances of funds by the City under Section 6.02.

"Agreement" means this Fiscal Agent Agreement, as it may be amended or supplemented from time to time by any Supplemental Agreement.

"Annual Debt Service" means, for each Bond Year and each Series of Outstanding Bonds, the sum of (i) the interest due on the respective Series of Outstanding Bonds in such Bond Year, assuming that such Outstanding Bonds are retired as scheduled, and (ii) the principal amount of the respective Series of Outstanding Bonds, including any mandatory sinking fund payments, if any, due in such Bond Year.

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

“Bond Counsel” means any attorney or firm of attorneys acceptable to the City and nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities.

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

“Bond Year” means each twelve-month period beginning on September 2 in any year and extending to the next succeeding September 1, both dates inclusive; except that the first Bond Year shall begin on the Closing Date and end on September 1, 2020.

“Bonds” means the 2020 Bonds and any Additional Bonds.

“Business Day” means any day other than (i) a Saturday or a Sunday or (ii) a day on which banking institutions in the state in which the Principal Office of the Fiscal Agent is located are authorized or obligated by law or executive order to be closed.

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

“Finance Director” means the duly acting Finance Director of the City, or if the City has no Finance Director, the Treasurer, the Finance Director or other officer of the City serving a similar role.

“City” means the City of Desert Hot Springs, California, and any successor thereto.

“Closing Date” means _____, 2020, the date upon which there is a physical delivery of the 2020 Bonds in exchange for the amount representing the purchase price of the 2020 Bonds by the Original Purchaser.

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

“Costs of Issuance” means items of expense payable or reimbursable directly or indirectly by the City and related to the authorization, sale and issuance of the Bonds, which items of expense shall include, but not be limited to, printing costs, costs of reproducing and binding documents, closing costs, filing and recording fees, initial fees, expenses and charges of the Fiscal Agent, including its first annual administration fee, and expenses and fees of counsel to the Fiscal Agent, expenses incurred by the City in connection with the issuance of the Bonds, financial advisor fees, Bond (underwriter’s) discount, placement or underwriting fee, legal fees and charges, including bond counsel, charges for execution, transportation and safekeeping of the Bonds and other costs, charges and fees in connection with the foregoing.

“Costs of Issuance Fund” means the fund by that name established pursuant to Section 3.04(A) hereof.

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

“District” means the City of Desert Hot Springs Community Facilities District No. 2006-1 formed pursuant to the Resolution of Formation.

“Fair Market Value” means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Code) and, otherwise, the term *“Fair Market Value”* means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security—State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) the investment is the Local Agency Investment Fund of the State of California, but only if at all times during which the investment is held its yield is reasonably expected to be equal to or greater than the yield on a reasonably comparable direct obligation of the United States.

“Federal Securities” means any of the following which are non-callable and which at the time of investment are legal investments under the laws of the State of California for funds held by the Fiscal Agent (the Fiscal Agent entitled to rely upon investment direction from the City as a certification that such investment constitutes a legal investment).

(i) Direct general obligations of the United States of America (including obligations issued or held in book-entry form on the books of the United States Department of the Treasury) and obligations, the payment of principal of and interest on which are directly or indirectly guaranteed by the United States of America, including, without limitation, such of the foregoing which are commonly referred to as *“stripped”* obligations and coupons; or

(ii) Any of the following obligations of the following agencies of the United States of America: (a) direct obligations of the Export-Import Bank, (b) certificates of beneficial ownership issued by the Farmers Home Administration, (c) participation certificates issued by the General Services Administration, (d) mortgage-backed bonds or passthrough obligations issued and guaranteed by the Government National Mortgage Association, (e) project notes issued by the United States Department of Housing and Urban Development, and (f) public housing notes and bonds guaranteed by the United States of America.

“Fiscal Agent” means the Fiscal Agent appointed by the City and acting as an independent fiscal agent with the duties and powers herein provided, its successors and

assigns, and any other corporation or association which may at any time be substituted in its place, as provided in Section 7.01.

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

“Improvement Area 1” means Improvement Area 1 of the District, designated in the Resolution of Formation.

“Interest Payment Dates” means March 1 and September 1 of each year, commencing September 1, 2020.

“Maximum Annual Debt Service” means, for each Series of Outstanding Bonds, the largest Annual Debt Service for any Bond Year after the calculation is made through the final maturity date of the respective Series of Outstanding Bonds.

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

“Ordinance” means any ordinance of the City levying the Special Taxes.

“Original Purchaser” means the first purchaser of the Bonds from the City.

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 8.04) all Bonds except (i) Bonds theretofore canceled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation; (ii) Bonds paid or deemed to have been paid within the meaning of Section 9.03; and (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the City pursuant to the Agreement or any Supplemental Agreement.

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

“Permitted Investments” means any of the following, to the extent that they are lawful investments for City funds at the time of investment, and are acquired at Fair Market Value (the Fiscal Agent is entitled to rely upon investment direction from the City as a certification that such investment constitutes a legal investment):

- (i) Federal Securities;
- (ii) any of following obligations of federal agencies not guaranteed by the United States of America: (a) debentures issued by the Federal Housing Administration; (b) participation certificates or senior debt obligations of the Federal Home Loan Mortgage Corporation or Farm Credit Banks (consisting of Federal Land Banks, Federal Intermediate Credit Banks or Banks for Cooperatives); (c) bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act, bonds of any federal home loan bank established under said act and stocks, bonds, debentures, participations and other obligations of or issued by the Federal National Mortgage Association, the Student Loan Marketing Association, the Government National Mortgage Association and the Federal Home Loan Mortgage

Corporation; and (d) bonds, notes or other obligations issued or assumed by the International Bank for Reconstruction and Development;

(iii) interest-bearing demand or time deposits (including certificates of deposit) in federal or State of California chartered banks (including the Fiscal Agent and its affiliates), provided that (a) in the case of a savings and loan association, such demand or time deposits shall be fully insured by the Federal Deposit Insurance Corporation, or the unsecured obligations of such savings and loan association shall be rated in one of the top two rating categories by a nationally recognized rating service, and (b) in the case of a bank, such demand or time deposits shall be fully insured by the Federal Deposit Insurance Corporation, or the unsecured obligations of such bank (or the unsecured obligations of the parent bank holding company of which such bank is the lead bank) shall be rated in one of the top two rating categories by a nationally recognized rating service;

(iv) repurchase agreements with a registered broker/dealer subject to the Securities Investors Protection Corporation Liquidation in the event of insolvency, or any commercial bank provided that: (a) the unsecured obligations of such bank shall be rated in one of the top two rating categories by a nationally recognized rating service, or such bank shall be the lead bank of a banking holding company whose unsecured obligations are rated in one of the top two rating categories by a nationally recognized rating service; (b) the most recent reported combined capital, surplus and undivided profits of such bank shall be not less than \$100 million; (c) the repurchase obligation under any such repurchase obligation shall be required to be performed in not more than thirty (30) days; (d) the entity holding such securities as described in clause (c) shall have a pledged first security interest therein for the benefit of the Fiscal Agent under the California Commercial Code or pursuant to the book-entry procedures described by 31 C.F.R. 306.1 *et seq.* or 31 C.F.R. 350.0 *et seq.* and are rated in one of the top two rating categories by a nationally recognized rating service;

(v) bankers acceptances endorsed and guaranteed by banks described in clause (iv) above;

(vi) obligations, the interest on which is exempt from federal income taxation under Section 103 of the Code and which are rated in the one of the top two rating categories by a nationally recognized rating service;

(vii) money market funds which invest solely in Federal Securities or in obligations described in the preceding clause (ii) of this definition, or money market funds which are rated in the highest rating category by Standard & Poor's Ratings Services or Moody's Investor Service, including such funds for which the Fiscal Agent, its affiliates or subsidiaries provide investment advisory or other management services or for which the Fiscal Agent or an affiliate of the Fiscal Agent serves as investment administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (a) the Fiscal Agent or an affiliate of the Fiscal Agent receives and retains a fee for services provided to the fund, (b) the Fiscal Agent collects fees for services rendered pursuant to this Agreement, which fees are separate from the fees received from such funds, and (c) services performed for such funds and pursuant to this Agreement may at times duplicate those provided to such funds by the Fiscal Agent or an affiliate of the Fiscal Agent;

(viii) units of a taxable government money market portfolio comprised solely of obligations listed in (i) and (iv) above, such funds for which the Fiscal Agent, its affiliates or subsidiaries provide investment advisory or other management services or for which the Fiscal Agent or an affiliate of the Fiscal Agent serves as investment administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (a) the Fiscal Agent or an affiliate of the Fiscal Agent receives and retains a fee for services provided to the fund, (b) the Fiscal Agent collects fees for services rendered pursuant to this Agreement, which fees are separate from the fees received from such funds, and (c) services performed for such funds and pursuant to this Agreement may at times duplicate those provided to such funds by the Fiscal Agent or an affiliate of the Fiscal Agent;

(ix) any investment which is a legal investment for proceeds of the Bonds at the time of the execution of such agreement, and which investment is made pursuant to an agreement between the City or the Fiscal Agent or any successor Fiscal Agent and a financial institution or governmental body whose long term debt obligations are rated in one of the top two rating categories by a nationally recognized rating service;

(x) commercial paper which at the time of purchase is of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided for by Moody's Investors Service, or Standard and Poor's Corporation, of issuing corporations that are organized and operating within the United States and having total assets in excess of five hundred million dollars (\$500,000,000) and having an "AA" or higher rating for the issuer's debentures, other than commercial paper, as provided for by Moody's Investors Service or Standard and Poor's Corporation, and provided that purchases of eligible commercial paper may not exceed 180 days maturity nor represent more than 10 percent of the outstanding paper of an issuing corporation;

(xi) any general obligation of a bank or insurance company whose long term debt obligations are rated in one of the two highest rating categories of a national rating service;

(xii) shares in a common law trust established pursuant to Title 1, Division 7, Charter 5 of the Government Code of the State which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the Government Code of the State, as it may be amended;

(xiii) shares in the California Asset Management Program;

(xiv) the Local Agency Investment Fund established pursuant to Section 16429.1 of the Government Code of the State of California, *provided, however*, that the Fiscal Agent shall be permitted to make investments and withdrawals in its own name and the Fiscal Agent may restrict investments in the such fund if necessary to keep moneys available for the purposes of this Fiscal Agent Agreement; or

(xv) any other lawful investment for City funds.

"Prepayment" means moneys received by the City from the prepayment of Special Taxes as provided in the Rate and Method.

"Prepayment Account" means the account within the Bond Fund by that name established pursuant to Section 4.02(A) hereof.

"Principal Office" means the corporate trust office of the Fiscal Agent set forth in Section 9.06, or such other or additional offices as may be designated by the Fiscal Agent.

"Project" means the acquisitions and improvements described in the Resolution of Intention.

"Qualified Reserve Fund Credit Instrument" means an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company and deposited with the Fiscal Agent, provided that all of the following requirements are met: (a) the long-term credit rating of such bank or insurance company is rated in the top two categories (without regard to modifier) by S&P or Moody's at the time of issuance; (b) such letter of credit or surety bond has a term of at least 12 months; (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement being met by such instrument or with respect to which funds are proposed to be released pursuant to the Fiscal Agent Agreement; and (d) the Fiscal Agent is authorized pursuant to the terms of such letter of credit or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Bond Fund for the purpose of making payments required pursuant to the Fiscal Agent Agreement.

"Rate and Method" means Rate and Method of Apportionment of Special Tax applicable to Improvement Area 1.

"Record Date" means the 15th day of the month next preceding the month of the applicable Interest Payment Date whether or not such day is a Business Day.

"Regulations" means temporary and permanent regulations promulgated under the Code.

"Reserve Fund" means the fund by that name established pursuant to Section 4.03(A) hereof.

[[["Reserve Requirement" means, with respect to each Series of Bonds, an amount equal to [[[the lesser of (a) Maximum Annual Debt Service on the respective Outstanding Bonds, (b) 125% of the average Annual Debt Service on the respective Outstanding Bonds, or (c) 10% of the original principal amount of the respective Bonds (or the issue price of the respective Bonds excluding accrued interest, if the net original issue discount or premium is less than 98% or more than 102% of the principal amount of the respective Bonds), as calculated by the City; provided, that (i) the Reserve Requirement shall not increase after the date of issuance of the applicable Series of Bonds, and (ii) the District may meet all or a portion of the Reserve Requirement for a Series of Bonds by depositing a Qualified Reserve Fund Credit Instrument in the Reserve Fund in accordance with Section 4.03(A).]]]]

"Resolution" has the meaning set forth in the Recitals.

"Resolution of Intention" means Resolution No. 2006-107, adopted by the City Council of the City on November 21, 2006.

“Resolution of Formation” means Resolution No. 2007-13, adopted by the City Council of the City on January 16, 2007, establishing the District for the purpose of providing for the financing of certain public facilities in and for such District.

“Securities Depositories” means The Depository Trust Company, New York, New York; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the City may designate in an Officer’s Certificate delivered to the Fiscal Agent.

“Series” means a series of Bonds issued under this Fiscal Agent Agreement.

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

“Special Tax Revenues” means the proceeds of the Special Taxes received by the City, including all scheduled payments and delinquent payments thereof, interest and penalties thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes, net of the administration charge of the County (currently 1%).

“Special Taxes” means the aggregate annual “Facilities Special Tax” (as defined in the Rate and Method) levied within Improvement Area 1 pursuant to the Act, the Ordinance and this Agreement.

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

“2020 Bonds” means the City of Desert Hot Springs Community Facilities District No. 2006-1 Improvement Area 1 Special Tax Refunding Bonds, Series 2020.

“2020 Reserve Account” means the account within the Reserve Fund by that name established pursuant to Section 4.03(A).

“2010 Bonds” has the meaning set forth in the Recitals.

ARTICLE II
THE 2020 BONDS

Section 2.01. Principal Amount; Designation. The 2020 Bonds in the aggregate principal amount of _____ Million _____ Thousand Dollars (\$_____) are hereby authorized to be issued by the City for the District under and subject to the terms of the Resolution and this Agreement, the Act and other applicable laws of the State of California. The 2020 Bonds shall be designated the “City of Desert Hot Springs Community Facilities District No. 2006-1 Improvement Area 1 Special Tax Refunding Bonds, Series 2020.”

Section 2.02. Terms of the 2020 Bonds.

(A) Form; Denominations. The 2020 Bonds shall be issued as fully registered Bonds without coupons in the denomination of \$5,000 or any integral multiple of \$5,000 in excess thereof. The 2020 Bonds shall be lettered and numbered in a customary manner as determined by the Fiscal Agent.

(B) Date of the 2020 Bonds. The 2020 Bonds shall be dated the Closing Date and be in the principal amounts and mature as follows.

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>CUSIP[†]</u> <u>(Base 25041U)</u>
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			

(C) No CUSIP Identification Numbers. The Bonds shall not be rated, shall not have a CUSIP number, shall not be issued pursuant to an offering document, and shall be registered in the name of the Original Purchaser.

(D) Interest. The 2020 Bonds shall bear interest at the rates set forth above payable on the Interest Payment Dates in each year. Interest shall be calculated on the basis of a 360-day year composed of twelve 30-day months. Each 2020 Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated on an Interest Payment Date, in which event it shall bear interest from such date

of authentication, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (iii) it is authenticated prior to the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from the Closing Date; provided, however, that if at the time of authentication of a 2020 Bond, interest is in default thereon, such 2020 Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

(E) Method of Payment. Interest on the 2020 Bonds (including the final interest payment upon maturity or earlier redemption) is payable by check of the Fiscal Agent mailed on the Interest Payment Dates by first class mail to the registered Owner thereof at such registered Owner’s address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer made on such Interest Payment Date upon written instructions received by the Fiscal Agent on or before the Record Date preceding the Interest Payment Date of any Owner of \$1,000,000 or more in aggregate principal amount of 2020 Bonds; provided that so long as any 2020 Bonds are in book-entry form, payments with respect to such 2020 Bonds shall be made by wire transfer or such other method acceptable to the Fiscal Agent to the Depository. The principal of the 2020 Bonds and any premium on the 2020 Bonds are payable in lawful money of the United States of America. All 2020 Bonds paid by the Fiscal Agent pursuant to this Section shall be cancelled by the Fiscal Agent. The Fiscal Agent shall destroy the cancelled 2020 Bonds and issue a certificate of destruction thereof to the City.

Section 2.03. Redemption.

(A) Redemption Dates.

(i) Optional Redemption. The 2020 Bonds maturing on or before September 1, _____ are not subject to optional redemption. The 2020 Bonds maturing on or after September 1, _____ are subject to optional redemption from any source of available funds (other than Prepayments of the Special Tax by property owners), in whole or in part among maturities as specified by the City and by lot within a maturity, on and after September 1, _____ at the following dates and respective redemption prices (expressed as percentages of the principal amount of the 2020 Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
September 1, _____ through August 31, _____	103%
September 1, _____ through August 31, _____	102
September 1, _____ through August 31, _____	101
September 1, _____ and any date thereafter	100

(ii) Mandatory Redemption From Prepayments. The 2020 Bonds are subject to mandatory redemption from Prepayments of the Special Tax by property owners, in whole or in part among maturities as specified by the City and by lot within a maturity, on any Interest Payment Date at the following respective redemption prices (expressed as percentages of the principal amount of the 2020 Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
September 1, 2020 to March 1, _____	103%
September 1, _____ and March 1, _____	102
September 1, _____ and March 1, _____	101
September 1, _____ and Interest Payment Dates thereafter	100

In lieu of redemption under this Section 2.03, moneys in the Bond Fund may be used and withdrawn by the Fiscal Agent for purchase of Outstanding 2020 Bonds, upon the filing with the Fiscal Agent of an Officer's Certificate requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Officer's Certificate may provide, but in no event may 2020 Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase.

(B) Sinking Fund Redemption. The Bonds are subject to mandatory redemption, in part, from Sinking Account payments set forth in the following schedule, at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption; provided, however, that if some but not all of the Bonds have been redeemed pursuant to subsection (a) above, the total amount of Sinking Account payments to be made subsequent to such redemption shall be reduced in an amount equal to the principal amount of the Bonds so redeemed by reducing future Sinking Account payments in inverse of maturity, as shall be designated pursuant to written notice filed by the Original Purchaser with the City and the Fiscal Agent.

Sinking Account Redemption Date (September 1)	Principal Amount to be Redeemed
2020	
2021	
2022	
2023	
2024	
2025	
2026	
2027	
2028	
2029	
2030	
2031	
2032	
2033	
2034	
2035	
2036	
2037	
2038 [†]	

[†] Maturity

(C) Notice to Fiscal Agent. The City shall give the Fiscal Agent an Officer's Certificate containing notice of its intention to redeem 2020 Bonds pursuant to Section 2.03(A)(i) and (ii) not less than 60 days prior to the applicable redemption date.

(D) Redemption Procedure by Fiscal Agent; Rescission. (a) Written notice of optional redemption shall be given by the City to the Fiscal Agent at least 30 days prior to the date of redemption (unless a shorter time shall be acceptable to the Fiscal Agent in the sole determination of the Fiscal Agent). Unless waived by the Owner, notice of any such redemption shall be given by the Fiscal Agent on behalf of the City by mailing a copy of a redemption notice by first class mail, postage prepaid, at least 20 days and not more than 60 days prior to the date fixed for redemption to the Owner of the 2020 Bond or 2020 Bonds to be redeemed at the address shown on the Bond Registration Books. *No notice of redemption shall be required to be sent by the Fiscal Agent to the Owners for mandatory sinking fund redemption.*

All notices of redemption shall be dated and shall state: (i) the redemption date, (ii) the redemption price, (iii) if less than all Outstanding 2020 Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the 2020 Bonds to be redeemed, (iv) that on the redemption date the redemption price will become due and payable upon each such 2020 Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date, and (v) the place where such 2020 Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the Trust Office, if applicable.

Notice of redemption having been given as aforesaid, the 2020 Bonds or portions of 2020 Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the City shall default in the payment of the redemption price) interest with respect to such 2020 Bonds or portions of 2020 Bonds shall cease to accrue and be payable. Upon surrender of the 2020 Bond for full redemption in accordance with said notice, such 2020 Bonds shall be paid by the Fiscal Agent at the redemption price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest.

(b) Notice of redemption of 2020 Bonds shall be given by the Fiscal Agent, at the expense of the City, for and on behalf of the City.

(c) Notwithstanding the foregoing, in the case of any optional redemption, the notice of redemption may state that the redemption is conditioned upon receipt by the Fiscal Agent of sufficient moneys to redeem the 2020 Bonds to be redeemed on the anticipated redemption date, and that the optional redemption shall not occur if, by no later than the scheduled redemption date, sufficient moneys to redeem such 2020 Bonds have not been deposited with the Fiscal Agent. In the event that the Fiscal Agent does not receive sufficient funds by the scheduled optional redemption date to so redeem the 2020 Bonds to be optionally redeemed, such event shall not constitute an Event of Default; the Fiscal Agent shall send written notice to the Owners, to the effect that the redemption did not occur as anticipated, and the 2020 Bonds for which notice of optional redemption was given shall remain Outstanding for all purposes of this Indenture.

Section 2.04. Form of Bonds. The 2020 Bonds, the form of Fiscal Agent's certificate of authentication and the form of assignment, to appear thereon, shall be substantially in the forms, respectively, set forth in Exhibit A attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Agreement, the Resolution and the Act.

Section 2.05. Execution of Bonds. The Bonds shall be executed on behalf of the City by the Mayor and the City Clerk of the City who are in office on the date of adoption of this Agreement or at any time thereafter, and the seal of the City may be impressed, imprinted or reproduced by facsimile signature thereon. If any officer whose signature appears on any Bond ceases to be such officer before delivery of the Bonds to the Owner, such signature shall nevertheless be as effective as if the officer had remained in office until the delivery of the Bonds to the Owner. Any Bond may be signed and attested on behalf of the City by such persons as at the actual date of the execution of such Bond shall be the proper officers of the City although at the nominal date of such Bond any such person shall not have been such officer of the City.

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

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

Whenever any Bond or Bonds shall be surrendered for transfer, the City shall execute and the Fiscal Agent shall authenticate and deliver a new Bond or Bonds, for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity.

No transfers of Bonds shall be required to be made (i) within 15 days prior to the date established by the Fiscal Agent for selection of Bonds for redemption or (ii) with respect to a Bond after such Bond has been selected for redemption.

Prior to any transfer of the Bonds outside the book-entry system (including, but not limited to, the initial transfer outside the book-entry system) the transferor shall provide or cause to be provided to the Fiscal Agent all information necessary to allow the Fiscal Agent to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Internal Revenue Code Section 6045, as amended. The Fiscal Agent shall conclusively rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

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

No exchanges of Bonds shall be required to be made (i) within 15 days prior to the date established by the Fiscal Agent for selection of Bonds for redemption or (ii) with respect to a Bond after such Bond has been selected for redemption.

Section 2.08. Bond Register. The Fiscal Agent will keep or cause to be kept, at its Principal Office, sufficient books for the registration and transfer of the Bonds (the "Bond Register"), which books shall show the series number, date, amount, rate of interest and Owner of each Bond and shall at all times be open to inspection by the City during regular business hours upon reasonable notice; and, upon presentation for such purpose, the Fiscal Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, the ownership of the Bonds as hereinbefore provided.

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

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

Section 2.11. Limited Obligation. All obligations of the City under this Agreement and the Bonds shall be special obligations of the City, payable solely from the Special Tax Revenues and the funds pledged therefore hereunder. Neither the full faith and credit nor the taxing power of the City (except to the limited extent set forth herein) or the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

Section 2.12. No Book-Entry System; No CUSIPs. The Bonds shall not be held in the book-entry system and no CUSIP shall be obtained for the Bonds, absent the prior written agreement of the Original Purchaser and the City.

ARTICLE III

ISSUANCE OF BONDS

Section 3.01. Issuance and Delivery of Bonds. At any time after the execution of this Agreement, the City may issue the Bonds for the District in the aggregate principal amount set forth in Section 2.01 (with respect to the 2020 Bonds) or as authorized in any Supplemental Agreement (with respect to any Additional Bonds) and deliver such Bonds to the Original Purchaser. The Authorized Officers of the City are hereby authorized and directed to deliver any and all documents and instruments necessary to cause the issuance of Bonds in accordance with the provisions of the Act, the Resolution and this Agreement, to authorize the payment of Costs of Issuance of the Bonds from the proceeds of the Bonds and to do and cause to be done any and all acts and things necessary or convenient for delivery of the Bonds to the Original Purchaser.

Section 3.02. Application of Proceeds of Sale of 2020 Bonds. The proceeds of the purchase of the 2020 Bonds by the Original Purchaser in the amount of \$_____, (representing the aggregate principal amount of the 2020 Bonds (\$_____)), shall be paid to the Fiscal Agent, who shall forthwith set aside, pay over and deposit such proceeds on the Closing Date as follows:

- (i) Transfer to Wells Fargo Bank, National Association, as fiscal agent for the 2010 Bonds, pursuant to Irrevocable Refunding Instructions related to the 2010 Bonds, \$_____.
- (ii) Deposit in the 2020 Reserve Account of the Reserve Fund, \$_____, equaling the Reserve Requirement for the 2020 Bonds; and
- (iii) Deposit in the Costs of Issuance Fund \$_____.

Section 3.03. Special Tax Fund.

(A) Establishment of Special Tax Fund. There is hereby established as a separate fund to be held by the Finance Director, the Community Facilities District No. 2006-1 Improvement Area 1 Special Tax Refunding Bonds Special Tax Fund, to the credit of which the City shall deposit, immediately upon receipt, all Special Tax Revenues received by the City (other than as a result of Prepayments), and within such fund, a Surplus Account, to the credit of which the City shall deposit surplus Special Tax Revenues described in Section 3.03(B) below. Moneys in the Special Tax Fund shall be held in trust by the City for the benefit of the City and the Owners of the Bonds, shall be disbursed as provided below and, pending any disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

(B) Disbursements. As soon as practicable after the receipt by the City of any Special Tax Revenues, other than as a result of Prepayments, or the transfer of amounts to the Special Tax Fund pursuant to the terms hereof, but no later than ten (10) Business Days after such receipt or transfer, the Finance Director shall withdraw from the Special Tax Fund and transfer to the Fiscal Agent for deposit: (i) in the Bond Fund, an amount, taking into account any amounts then on deposit in the Bond Fund, such that the amount in the Bond Fund equals the principal, premium, if any, and interest due on the Bonds during the then-current Bond Year; (ii) in the Reserve Fund, an amount, taking into account amounts then on deposit in each reserve account within the Reserve Fund, so that the amount in the reserve

accounts of the Reserve Fund equals the Reserve Requirement with respect to each Series of Bonds. In the event of any shortfall in disbursement amounts needed for multiple Series of Bonds, allocations of available moneys shall be made to each Series on a pro rata basis according to principal amounts outstanding. After the transfers under subsections (i) and (ii) have been made, the City may, on or after September 2nd of each year transfer to the Surplus Account the amount remaining in the Special Tax Fund, whereupon such moneys transferred shall be free of the pledge for payment of the Bonds.

From time to time, the City may withdraw from the Surplus Account of the Special Tax Fund amounts needed to pay Administrative Expenses or the costs of the Project or incidental expenses of the District authorized under the Act. Moneys in the Surplus Account may, at the City's discretion, also be used to pay the principal of, premium, if any, and interest on the Bonds or to replenish any reserve account to the amount of the applicable Reserve Requirement.

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

Section 3.04. Costs of Issuance Fund.

(A) Establishment of Costs of Issuance Fund. There is hereby established as a separate fund to be held by the Fiscal Agent, the Community Facilities District No. 2006-1 Improvement Area 1 Special Tax Refunding Bonds Costs of Issuance Fund, to the credit of which a deposit shall be made as required by Section 3.02. Moneys in the Costs of Issuance Fund shall be held in trust by the Fiscal Agent and shall be disbursed as provided in subsection (B) of this Section for the payment or reimbursement of Costs of Issuance of the 2020 Bonds.

(B) Disbursement. Amounts in the Costs of Issuance Fund shall be disbursed from time to time to pay Costs of Issuance, as set forth in an Officer's Certificate containing respective amounts to be paid to the designated payees, signed by an Authorized Officer or a designee thereof and delivered to the Fiscal Agent. The Fiscal Agent shall pay all Costs of Issuance of the Bonds upon receipt of an invoice from any such payee which requests payment in an amount which is less than or equal to the amount set forth with respect to such payee in such Officer's Certificate, or upon receipt of an Officer's Certificate requesting payment of a Cost of Issuance not listed on the initial Officer's Certificate delivered to the Fiscal Agent on the Closing Date of the Bonds. Each such Officer's Certificate shall be sufficient evidence to the Fiscal Agent of the facts stated therein and the Fiscal Agent shall have no duty to confirm the accuracy of such facts. The Fiscal Agent shall maintain the Costs of Issuance Fund for a period of 3 months, from the Closing Date of the Bonds and then shall transfer any moneys remaining therein, including any investment earnings thereon, to the Finance Director for deposit by the Finance Director in the Special Tax Fund. Thereafter, every invoice received by the Fiscal Agent shall be submitted to the Finance Director for payment from amounts on deposit in the Special Tax Fund.

(C) Investment. Moneys in the Costs of Issuance Fund shall be invested and deposited in accordance with Section 6.01. Interest earnings and profits resulting from said investment shall be retained by the Fiscal Agent in the Costs of Issuance Fund to be used for the purposes of such fund.

ARTICLE IV

SPECIAL TAX REVENUES; BOND FUND AND RESERVE FUND

Section 4.01. Pledge of Special Tax Revenues and Other Amounts. All of the Special Tax Revenues and all moneys deposited in the Bond Fund and, until disbursed as provided herein, the Special Tax Fund are hereby pledged to secure the repayment of the Bonds. In addition, the 2020 Bonds shall be secured by a pledge and lien on the 2020 Reserve Account of the Reserve Fund, and each Series of Additional Bonds shall be secured by a separate reserve account established within the Reserve Fund as set forth in a Supplemental Agreement. Such pledge shall constitute a first lien on the Special Tax Revenues and said amounts. The Special Tax Revenues and all moneys deposited into such funds (except as otherwise provided herein) are hereby dedicated in their entirety to the payment of the principal of, including any mandatory sinking fund payments, and interest and any premium on, the Bonds as provided herein and in the Act until all of the Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose in accordance with Section 9.03.

In addition, the 2020 Bonds shall be secured by a pledge and lien on the 2020 Reserve Account. Each Series of Additional Bonds, if any, shall be secured by a separate reserve account of the Reserve Fund as set forth in a Supplemental Agreement.

Amounts in the Costs of Issuance Fund for any Series of Bonds are not pledged to the repayment of the Bonds. The facilities acquired with the proceeds of the Bonds are not in any way pledged to pay the Debt Service on the Bonds. Any proceeds of condemnation, destruction or other disposition of any facilities financed with the proceeds of the Bonds are not pledged to pay the Debt Service on the Bonds and are free and clear of any lien or obligation imposed hereunder.

Section 4.02. Bond Fund.

(A) Establishment of Bond Fund. There is hereby established as a separate fund to be held by the Fiscal Agent, the Community Facilities District No. 2006-1 Improvement Area 1 Special Tax Refunding Bonds Bond Fund, to the credit of which deposits shall be made as required by clause (i) of Section 3.03(B), Section 4.03 and any other amounts required to be deposited therein by this Agreement or the Act. Moneys in the Bond Fund shall be held in trust by the Fiscal Agent for the benefit of the Owners of the Bonds, shall be disbursed for the payment of the principal of, and interest and any premium on, the Bonds as provided below, and, pending such disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

Within the Bond Fund there is hereby established the Prepayment Account, which shall be used exclusively for the administration of any prepayments of Special Taxes to assure the timely redemption of Bonds. Monies in the Prepayment Account shall be used to redeem Bonds on the redemption date specified in the notice to the Fiscal Agent given pursuant to Section 2.03(A)(ii). In the event all of the Special Taxes are prepaid in full, the Prepayment Account shall be closed.

(B) Disbursements. On each Interest Payment Date, the Fiscal Agent shall withdraw from the Bond Fund and pay to the Owners of the Bonds the principal of, and interest and any premium, then due and payable on the Bonds, including any amounts due on the Bonds by reason of any redemption of the Bonds under Section 2.03(A)(i).

In the event that amounts in the Bond Fund are insufficient to pay regularly scheduled payments of principal of and interest on any Series of Bonds, the Fiscal Agent shall withdraw from the respective reserve accounts within the Reserve Fund established for such Series of Bonds on a pro rata basis to the extent of any funds therein, the amount of such insufficiency, and the Fiscal Agent shall provide written notice to the Finance Director of the amounts so withdrawn from the Reserve Fund. Amounts so withdrawn from the Reserve Fund shall be deposited in the Bond Fund.

If, after the foregoing transfer, there are insufficient funds in the Bond Fund to make the payments provided for to pay regularly scheduled payments of principal of and interest on the Bonds, the Fiscal Agent shall apply the available funds first to the payment of interest on the Bonds, then to the payment of principal due on the Bonds other than by reason of sinking payments, and then to payment of principal due on the Bonds by reason of sinking payments. Any sinking payment. If any, not made as scheduled shall be added to the sinking payment to be made on the next sinking payment date.

(C) Investment. Moneys in the Bond Fund shall be invested and deposited in accordance with Section 6.01. Interest earnings and profits resulting from such investment and deposit shall be retained in the Bond Fund to be used for the purposes of such fund.

(D) Deficiency. If ten days before any Interest Payment Date it appears to the Fiscal Agent that there is a danger of deficiency in the Bond Fund and that the Fiscal Agent may be unable to pay regularly scheduled debt service on the Bonds in a timely manner, the Fiscal Agent shall report to the Finance Director such fact. The City covenants to increase the levy of the Special Taxes in the next Fiscal Year (subject to the maximum amount authorized by the Resolution of Formation) in accordance with the procedures set forth in the Act for the purpose of curing Bond Fund deficiencies.

If on any Interest Payment Date the Fiscal Agent is unable to pay principal, interest and premium, if any, due on any Interest Payment Date for the Bonds due to insufficient funds in the Bond Fund, or if funds are withdrawn from the Reserve Fund to pay principal and/or interest on the Bonds the Fiscal Agent shall notify the Finance Director in writing of such fact, and the Finance Director shall notify CDIAC of such fact within 10 days of such Interest Payment Date. The Fiscal Agent has no obligation under this Agreement to provide notice or disclosure to the Bondowners of insufficient funds or anticipation of deficiency in the Bond Fund.

Section 4.03. Reserve Fund.

(A) Establishment of Fund. There is hereby established as a separate fund to be held by the Fiscal Agent, the Community Facilities District No. 2006-1 Improvement Area 1 Special Tax Refunding Bonds Reserve Fund, and within the Reserve Fund shall be established a “2020 Reserve Account,” to the credit of which a deposit shall be made as required by Section 3.02 and deposits shall be made as provided in Section 3.03(B). For each respective Series of Additional Bonds, if any, the Fiscal Agent shall establish a separate reserve account for each such Series. Moneys in each reserve account shall be held in trust by the Fiscal Agent for the benefit of the Owners of the respective Series of Bonds as a reserve for the payment of principal of, and interest on, the respective Series of Bonds and shall be subject to a lien in favor of the Owners of such Series.

The City has the right to either meet the Reserve Requirement at the time of issuance of a Series of Bonds or at any time thereafter to cause the Fiscal Agent to release cash from the Reserve Fund, in whole or in part, by tendering to the Fiscal Agent: (1) a Qualified Reserve Fund Credit Instrument, and (2) in the case of a release, an opinion of Bond Counsel stating that such release will not, of itself, cause the portion of the interest on the Bonds secured thereby to become includable in gross income for purposes of federal income taxation. Upon tender of such items to the Fiscal Agent in connection with a release of cash, the Fiscal Agent will transfer such funds to the City. Prior to the expiration of any Qualified Reserve Fund Credit Instrument, if applicable, the City is obligated either to replace such Qualified Reserve Fund Credit Instrument with a new Qualified Reserve Fund Credit Instrument, or to deposit or cause to be deposited with the Fiscal Agent an amount of funds such that the funds on deposit in the reserve account together with all Qualified Reserve Fund Credit Instruments held by the Fiscal Agent is at least equal to the Reserve Requirement (which funds may come from a draw by the Fiscal Agent on the Qualified Reserve Fund Credit Instrument prior to its expiration).

(B) Use of Fund. Except as otherwise provided in this Section, all amounts deposited in a reserve account of the Reserve Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency within five days prior to any Interest Payment Date in the Bond Fund of the amount required for payment of the principal of, and interest on, the respective Series of Bonds on such Interest Payment Date. Whenever transfer is made from any reserve account to the Bond Fund due to a deficiency in the Bond Fund, the Fiscal Agent shall provide written notice thereof to the Finance Director.

(C) Transfer of Excess of Reserve Requirement. Whenever, on the Business Day prior to any Interest Payment Date, the amount in any reserve account within the Reserve Fund exceeds the Reserve Requirement for the applicable Series of Bonds covered by such reserve account (it being understood the City calculates the Reserve Requirement in accordance with the definition thereof), the Fiscal Agent shall provide written notice to the Finance Director of the amount of the excess. The Finance Director shall advise the Fiscal Agent in writing of the amount, if any, of any transfer required pursuant to Section 4.03(D) and 6.02 below, and otherwise direct the Fiscal Agent to transfer an amount equal to the excess such the reserve account to the Bond Fund to be used for the payment of the principal of and interest on the Outstanding Bonds covered by the applicable reserve account in accordance with Section 4.02; provided, however, that to the extent that such excess results from the prepayment of Special Taxes and redemption of Bonds as provided in an Officer's Certificate in accordance with Section 2.03(B), such amount shall be transferred to the Prepayment Account and applied to the corresponding redemption of Bonds.

(D) Transfer for Rebate Purposes. Investment earnings on amounts in the Reserve Fund may be withdrawn from the Reserve Fund for purposes of making payment to the federal government to comply with Section 6.02.

(E) Transfer When Balance Exceeds Outstanding Bonds. Whenever the balance in a reserve account of the Reserve Fund exceeds the amount required to redeem or pay the Outstanding Bonds covered by such reserve account, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, and after making any transfer required under Section 4.03(D) above and upon receipt of an Officer's Certificate directing it to do so, the Fiscal Agent shall transfer the amount in the applicable reserve account of the Reserve Fund to the Bond Fund to be applied, on the next succeeding Interest Payment Date to the payment and redemption, in accordance with Section 4.02 or 2.03 as

applicable, of all such Outstanding Bonds. In the event that the amount so transferred to the Bond Fund exceeds the amount required to pay and redeem the Outstanding Bonds covered by the applicable reserve account, the balance in such reserve account shall be transferred to the City, after payment of any amounts due the Fiscal Agent hereunder, to be used for any lawful purpose of the City.

Notwithstanding the foregoing, no amounts shall be transferred from a reserve account of the Reserve Fund pursuant to this Section 4.03(E) until after the calculation, pursuant to Section 6.02, of any amounts due to the federal government following payment of the respective series of Bonds and withdrawal of any such amount under Section 4.03(D) for purposes of making such payment to the federal government, and payment of any fees and expenses due to the Fiscal Agent.

(F) Investment. Moneys in each reserve account of the Reserve Fund shall be invested and deposited in accordance with Section 6.01. Interest earnings and profits resulting from such investment and deposit shall be retained in the applicable reserve account of the Reserve Fund to be used and disbursed as provided in this Section 4.03.

ARTICLE V

OTHER COVENANTS OF THE CITY

Section 5.01. Punctual Payment. The City will punctually pay or cause to be paid the principal of, and interest and any premium on, the Bonds when and as due in strict conformity with the terms of this Agreement, and it will faithfully observe and perform all of the conditions covenants and requirements of this Agreement and all Supplemental Agreements and of the Bonds.

Section 5.02. Limited Obligation. The Bonds are limited obligations of the City on behalf of the District and are payable solely from and secured solely by the Special Tax Revenues and the amounts in certain funds created hereunder as, and to the extent, set forth in Section 4.01.

Section 5.03. Extension of Time for Payment. In order to prevent any accumulation of claims for interest after maturity, the City shall not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and shall not, directly or indirectly, be a party to the approval of any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the City, such claim for interest so extended or funded shall not be entitled, in case of default hereunder, to the benefits of this Agreement, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

Section 5.04. Against Encumbrances. The City will not encumber, pledge or place any charge or lien upon any of the Special Tax Revenues or other amounts pledged to the Bonds superior to or on a parity with the pledge and lien herein created for the benefit of the Bonds, except as permitted by this Agreement.

Section 5.05. Books and Accounts. The City will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City, in which complete and correct entries shall be made of all transactions relating to the expenditure of amounts disbursed from the Special Tax Fund and to the Special Tax Revenues. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Fiscal Agent and the Owners of not less than 10% of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

The Fiscal Agent will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Fiscal Agent, in which complete and correct entries shall be made of all transactions relating to the expenditure of amounts disbursed from the Bond Fund, the Reserve Fund and the Costs of Issuance Fund. Such books of record and accounts shall at all times during business hours and upon reasonable prior notice, be subject to the inspection of the City and the Owners of not less than 10% of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

The Fiscal Agent may establish and maintain for so long as is necessary one or more temporary funds and accounts under this Agreement.

Section 5.06. Protection of Security and Rights of Owners. The City will preserve and protect the security of the Bonds and the rights of the Owners, and will warrant and defend their

rights against all claims and demands of all persons. From and after the delivery of any of the Bonds by the City, the Bonds shall be incontestable by the City.

Section 5.07. Private Activity Bond Limitation. The City shall assure that the proceeds of the Bonds are not so used as to cause the Bonds to satisfy the private business tests of Section 141(b) of the Code or the private loan financing test of Section 141(c) of the Code.

Section 5.08. Federal Guarantee Prohibition. The City shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

Section 5.9. Collection of Special Tax Revenues. The City shall comply with all requirements of the Act so as to assure the timely collection of Special Tax Revenues, including without limitation, the enforcement of delinquent Special Taxes.

On or within five (5) Business Days of each June 1, the Fiscal Agent shall provide the Finance Director with a notice stating the amount then on deposit in the and the reserve accounts of the Reserve Fund. The receipt of such notice by the Finance Director shall in no way affect the obligations of the Finance Director under the following two paragraphs. Upon receipt of such notice, the Finance Director shall ascertain the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits during the preceding and then current year.

The City shall effect the levy of the Special Taxes each Fiscal Year in accordance with the Ordinance such that the computation of the levy is complete before the final date on which the County Auditor will accept the transmission of the Special Tax amounts for the parcels within the District for inclusion on the next secured real property tax roll. Upon the completion of the computation of the amounts of the levy, the City shall prepare or cause to be prepared, and shall transmit to the Finance Director, such data as the County Auditor requires to include the levy of the Special Taxes on the next secured real property tax roll.

The City shall fix and levy the amount of Special Taxes within the District required for the payment of principal of and interest on any outstanding Bonds of the District becoming due and payable during the ensuing Bond Year, including any necessary replenishment or expenditure of the Reserve Fund for the Bonds and an amount estimated to be sufficient to pay the Administrative Expenses during such year, all in accordance with the Rate and Method and the Ordinance. In any event, the Special Taxes so levied shall not exceed the authorized amounts as provided in the proceedings pursuant to the Resolution of Formation.

The Special Taxes shall be payable and be collected in the same manner and at the same time and in the same installment as the general taxes on real property are payable, and have the same priority, become delinquent at the same times and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general taxes on real property. Notwithstanding the foregoing, the Special Taxes may be collected in such other manner as the City shall prescribe, if necessary to pay the debt service on the Bonds.

Section 5.10. Further Assurances. The City will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Agreement, and for the

better assuring and confirming unto the Owners of the rights and benefits provided in this Agreement.

Section 5.11. No Arbitrage. The City shall not take, or permit or suffer to be taken by the Fiscal Agent or otherwise, any action with respect to the gross proceeds of the Bonds which if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code and Regulations.

Section 5.12. Maintenance of Tax-Exemption. The City shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Bonds.

Section 5.13. Annual State Reports. The following requirements shall apply to the Bonds:

(A) Annual Reporting. Not later than October 30 of each calendar year, beginning with the October 30 first succeeding the date of the Bonds, and in each calendar year thereafter until the October 30 following the final maturity of the Bonds, the City shall prepare and supply the California Debt and Investment Advisory Commission (“CDIAC”), by mail, postage prepaid, with the information required under Section 53359.5(b) of the Act. Not later than January 1 of the year following issuance of the Bonds, and at least once a year thereafter, the Finance Director shall file a report with the City Council in accordance with the requirements of Government Code Section 53411, which report shall contain: (a) the amount of Special Taxes collected and expended; and (b) if applicable, the status of the Project financed by the District. In addition, no later than seven months after the end of the City’s fiscal year, the City shall prepare and supply to CDIAC the information required by Section 8855(k) of the Government Code. The annual reporting shall be made using such form or forms as may be prescribed by CDIAC.

(B) Other Reporting. If at any time the Fiscal Agent fails to pay principal and interest due on any scheduled payment date for the Bonds, or if funds are withdrawn from any reserve account within the Reserve Fund to pay principal and interest on the Bonds, the Fiscal Agent shall notify the Finance Director of such failure or withdrawal in writing. An official of the City shall notify CDIAC pursuant to Government Code Section 53359.5(c) within 10 days of the occurrence of any of the following events: (i) the scheduled principal or interest on the Bonds is not paid; or (ii) a draw on the Reserve Fund to pay principal and interest on the Bonds which draw causes the amounts in the Reserve Fund to be reduced to an amount less than the Reserve Requirement for the applicable Series of Bonds.

(C) Amendment. The reporting requirements of this Section shall be amended from time to time, without action by the City or the Fiscal Agent, to reflect any amendments to the applicable provisions of the Government Code, including the Act.

(D) Reports to Bondowners. The Finance Director shall provide copies of any reports required by this Section to any Bondowner upon the written request of a Bondowner and payment by the person requesting the information of the cost of the City to photocopy and pay any postage or other delivery cost to provide the same, as determined by the Finance Director. The term “Bondowner” for purposes of this Section shall include any beneficial owner of the Bonds as described in Section 2.12.

(E) No Liability. None of the City and its officers, agents and employees, the Finance Director or the Fiscal Agent shall be liable for any inadvertent error in reporting the information required by this Section.

Section 5.14. Covenant to Foreclose. The City hereby covenants with and for the benefit of the Owners of the Bonds that it will annually on or before September 1 of each year review the public records of the County of Riverside relating to the collection of the Special Tax in order to determine the amount of the Special Tax collected in the prior Fiscal Year, and if the City determines on the basis of such review that the amount so collected is deficient by more than five percent (5%) of the total amount of the Special Tax levied in such Fiscal Year, it will within thirty (30) days thereafter institute foreclosure proceedings as authorized by the Act in order to enforce the lien of the delinquent installment of the Special Tax against each separate lot or parcel of land in Improvement Area 1 for which such installment of the Special Tax is delinquent, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale; *provided*, that if the City determines on the basis of such review that (a) the amount so collected is deficient by less than 5% of the total amount of the Special Tax levied in the Improvement Area 1 in such Fiscal Year, but that property owned by any single property owner in the Improvement Area 1 is delinquent by more than \$5,000 with respect to the Special Tax due and payable by such property owner in such Fiscal Year, or (b) that property owned by any single property owner in the Improvement Area 1 (i) is delinquent cumulatively by more than \$3,000 with respect to the current and past Special Tax due (irrespective of the total delinquencies in the Improvement Area 1) or (ii) delinquent for 3 years or more, then the City will institute, prosecute and pursue such foreclosure proceedings in the time and manner provided herein against each such property owner. The Finance Director shall notify the City Attorney of any such delinquency of which it is aware, and the City Attorney shall commence, or cause to be commenced, such proceedings.

Section 5.15. Additional Bonds. (A) Issuance of Additional Bonds. In addition to the 2020 Bonds, the City may, by a Supplemental Agreement, authorize the issuance of one or more additional Series of special tax bonds (the "Additional Bonds"), payable from Special Taxes and secured by the Special Tax Revenues and other amounts pledged to the Bonds, as and to the extent set forth in Section 4.01, equally and ratably with 2020 Bonds, and the City may issue, and the Fiscal Agent may authenticate and deliver to the purchaser thereof, such Additional Bonds in the principal amount as shall be determined by the City, subject to the following specific conditions, which are hereby made conditions precedent to the issuance of any such Additional Bonds:

- (i) No default in any Bonds shall have occurred and then be continuing,
- (ii) The issuance of the Additional Bonds shall have been duly authorized by the City, and not exceed the maximum bonded indebtedness authorized for the Improvement Area 1.
- (iii) The Additional Bonds shall be payable as to principal on September 1 in each year in which principal becomes due, and shall be payable as to interest semiannually on March 1 and September 1.
- (iv) There shall be deposited into a reserve account of the Reserve Fund, an amount at least equal to the Reserve Requirement with respect to such Additional Bonds.

(v) The increase in the Special Tax Requirement (as defined in the Rate and Method) for scheduled debt service payments in the fiscal year during which the Additional Bonds are issued and each following fiscal year shall not result in the Special Tax levy on any Developed Property (as defined in the Rate and Method) exceeding ____% of the Assigned Special Tax rate for any land Use Category (as defined in the Rate and Method).

(vi) After giving effect to the issuance of the Additional Bonds:

(a) For each Bond Year the Additional Bonds are Outstanding, projected Special Taxes Revenues, if levied at the maximum annual Special Tax rates per the Rate and Method, in each Fiscal Year are at least equal to 110% of Debt Service due in the Bond Year that begins in the corresponding Fiscal Year, as calculated by the special tax consultant to the City; and

(b) All of the following conditions are met:

(i) *Regarding All Parcels in Improvement Area 1*: The aggregate value of all parcels in Improvement Area 1 subject to the Special Tax, including then existing improvements and any facilities to be constructed or acquired with the proceeds of the Additional Bonds, as determined by an MAI appraisal, assessed valuations shown on the then current County tax roll, or by a combination of both methods, is at least ____ times the sum of (1) the aggregate principal amount of all Bonds then Outstanding, plus (2) the aggregate principal amount of the Additional Bonds proposed to be issued, plus (3) the proportionate principal amount of any bonds then outstanding and payable from assessments which are a lien against property in the Improvement Area 1, plus (4) a portion of the aggregate principal amount of all bonds issued under the Act, other than Bonds then Outstanding and the Additional Bonds, payable at least partially from special taxes to be levied on parcels of land subject to the Special Tax within Improvement Area 1 (the “**Other Mello-Roos Bonds**”) equal to the aggregate principal amount of the Other Mello-Roos Bonds multiplied by a fraction, the numerator of which is the amount of special taxes levied for the Other Mello-Roos Bonds on parcels of land within the Improvement Area 1 subject to the Special Tax, and the denominator of which is the total amount of special taxes levied for the Other Mello-Roos Bonds on all parcels of land subject to the Special Tax against which the special taxes are levied to pay the Other Mello-Roos Bonds (such fraction to be determined based upon the special taxes which could be levied the year in which the Additional Bonds are issued, as determined by the City), based upon information from the most recent available Fiscal Year.

(ii) *Regarding Phase 2 Parcels (defined below)*: The aggregate value of the Phase 2 Parcels, including then existing improvements and any facilities to be constructed or acquired with the proceeds of the Additional Bonds, as determined by an MAI appraisal, assessed valuations shown on the then current County tax roll, or by a combination of both methods, is at least ____ times the sum of (1) the Attributable Principal Amount (defined in the following paragraph) of all Bonds then Outstanding, plus (2) the Attributable Principal Amount of the Additional Bonds proposed to be issued, plus (3) the proportionate amount of

any bonds then outstanding and payable from assessments which are a lien against the Phase 2 Parcels, plus (4) the allocation of Other Mello-Roos Bonds determined to be applicable to the Phase 2 Parcels pursuant to subsection (i) directly above.

As used herein, "*Phase 2 Parcels*" means all parcels in Improvement Area 1 subject to the Special Tax which were undeveloped following the closing date for the then-most recently issued series of Bonds, and "*Attributable Principal Amount*" means for the Bonds or any Additional Bonds, calculated separately, an amount equal to the aggregate outstanding principal amount of such Bonds and Additional Bonds multiplied by a fraction, the numerator of which is the amount of special taxes that will be levied for such Bonds and Additional Bonds on Phase 2 Parcels in the first fiscal year in which the levy includes debt service for the applicable series of Additional Bonds, and the denominator of which is the total amount of special taxes that will be levied for the Bonds and Additional Bonds on all parcels of land in Improvement Area 1 against which the special taxes are levied to pay the Bonds and Additional Bonds in such fiscal year.

Nothing in this Section or in this Agreement shall prevent or be construed to prevent the Supplemental Agreement providing for the issuance of Additional Bonds from pledging or otherwise providing, in addition to the security given or intended to be given by this Agreement, additional security for the benefit of such Additional Bonds or any portion thereof.

Additional Bonds may be issued for the purpose of refunding any outstanding Bonds without meeting the foregoing conditions so long as debt service on the refunding Bonds in each Bond Year is less than debt service on the Bonds refunded.

Nothing in this Agreement shall be interpreted to prohibit issuance of bonds or Additional Bonds secured on a subordinate basis to the Bonds.

(B) Proceedings for Issuance of Additional Bonds. Whenever the City shall determine to issue Additional Bonds:

(i) The City shall authorize the execution of a Supplemental Agreement specifying the principal amount and prescribing the forms of the Additional Bonds and providing the terms, conditions, distinctive designation, denominations, methods of numbering, date, maturity date or dates, interest rate or rates (or the manner of determining same), interest payment dates, redemption provisions (including the amount and dates of mandatory sinking fund payments, if any), place or places of payment of principal or redemption price, if any, application of the proceeds thereof and any other provisions respecting the Additional Bonds not inconsistent with the terms of this Agreement, and

(ii) The Fiscal Agent shall receive an Officer's Certificate stating that the requirements of Section 5.15(A) have been met.

Section 5.16. Yield of the Bonds. In determining the yield of the Bonds to comply with Section 5.12 and 6.02 hereof, the City will take into account redemption (including premium, if any) in advance of maturity based on the reasonable expectations of the City, as of the closing date of the Bonds, without regard to whether or not redemption moneys are received or Bonds are redeemed.

ARTICLE VI

INVESTMENTS; DISPOSITION OF INVESTMENT PROCEEDS; LIABILITY OF THE CITY

Section 6.01. Deposit and Investment of Moneys in Funds. Subject in all respects to the provisions of Section 6.02, moneys in any fund or account created or established by this Agreement and held by the Fiscal Agent, shall be invested by the Fiscal Agent in Permitted Investments, as directed pursuant to an Officer's Certificate filed with the Fiscal Agent at least two (2) Business Days in advance of the making of such investments. In the absence of any such Officer's Certificate, the Fiscal Agent shall hold such moneys uninvested and notify the Finance Director that it is doing so until further direction is received from the Finance Director. Subject in all respects to the provisions of Section 6.02, moneys in any fund or account created or established by this Agreement and held by the Finance Director shall be invested by the Finance Director in any lawful investments that the City may make, which by their terms mature prior to the date on which such moneys are required to be paid out hereunder. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account, subject, however, to the requirements of this Agreement for transfer of interest earnings and profits resulting from investment of amounts in funds and accounts.

The Fiscal Agent or Finance Director may act as principal or agent in the acquisition or disposition of any investment. Neither the Fiscal Agent nor the Finance Director shall incur any liability for losses arising from any investments made pursuant to this Section. Any losses arising from any investments made pursuant to this Section shall be offset against interest earnings and profits retained in the same fund.

Except as otherwise provided in the next sentence, all investments of amounts deposited in any fund or account created by or pursuant to this Agreement, or otherwise containing gross proceeds of the Bonds (within the meaning of Section 148 of the Code), shall be acquired, disposed of, and valued (as of the date that valuation is required by this Agreement or the Code) at Fair Market Value. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code and (unless valuation is undertaken at least annually) investments in the Reserve Fund shall be valued by the City at their present value (within the meaning of Section 148 of the Code). For purposes of any Fair Market Value determination hereunder, the Fiscal Agent shall be entitled to conclusively rely on an Officer's Certificate of the City and shall be fully protected in relying thereon.

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

The Fiscal Agent or the Finance Director, as applicable, shall sell or present for redemption, any investment security whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such investment security is credited and neither the Fiscal Agent nor the Finance Director shall

be liable or responsible for any loss resulting from the acquisition or disposition of such investment security in accordance herewith.

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

Section 6.02. Rebate of Excess Investment Earnings to the United States. The City covenants to calculate and rebate to the federal government, in accordance with the Regulations, excess investment earnings to the extent required by Section 148(f) of the Code.

The City shall notify the Fiscal Agent of any amounts determined to be due to the federal government, and the Fiscal Agent shall, upon receipt of an Officer's Certificate of the City, withdraw such amounts from the Reserve Fund pursuant to Section 4.03(D), and pay such amounts to the federal government as directed by the Officer's Certificate which shall comply with the requirements of the Code and the Regulations. In the event of any shortfall in amounts available to make such payments under Section 4.03(D), the Fiscal Agent shall notify the Finance Director in writing of the amount of the shortfall and the Finance Director shall make such payment from any amounts available in the Special Tax Fund. Any fees or expenses incurred by the Fiscal Agent or the City under or pursuant to this Section 6.02 shall be Administrative Expenses. The Fiscal Agent may rely conclusively upon the City's determinations, calculations and certifications required by this Section. The Fiscal Agent shall have no responsibility to independently make any calculation or determination or to review the City's calculations hereunder.

In order to provide for the administration of this Section 6.02, the City may provide for the employment of independent attorneys, accountants and consultants compensated on such reasonable basis as the City may deem appropriate.

Section 6.03. Limited Obligation. The City's obligations hereunder are limited obligations of the City on behalf of the District and are payable solely from and secured solely by the Special Tax Revenues and the amounts in the Special Tax Fund, the Bond Fund and the Reserve Fund created hereunder.

ARTICLE VII

THE FISCAL AGENT

Section 7.01. Appointment of Fiscal Agent. Wilmington Trust, N.A., at its Principal Office, is hereby appointed Fiscal Agent for the Bonds. The Fiscal Agent undertakes to perform such duties, and only such duties, as are specifically set forth in this Agreement, and no implied covenants or obligations shall be read into this Agreement against the Fiscal Agent.

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

The City may remove the Fiscal Agent initially appointed, and any successor thereto, with 30 days' prior notice, and may appoint a successor or successors thereto, but any such successor shall be a bank, national banking association or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least Fifty Million Dollars (\$50,000,000) including, for such purpose, the combined capital and surplus of any parent holding company, and subject to supervision or examination by federal or state authority. If such bank, national banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section 7.01, combined capital and surplus of such bank, national banking association 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 City and by giving to the Owners notice by mail of such resignation. Upon receiving notice of such resignation, the City shall promptly appoint a successor Fiscal Agent by an instrument in writing. Any resignation or removal of the Fiscal Agent shall become effective upon acceptance of appointment by the successor Fiscal Agent.

If no appointment of a successor Fiscal Agent shall be made pursuant to the foregoing provisions of this Section within thirty (30) days after the Fiscal Agent shall have given to the City written notice or after a vacancy in the office of the Fiscal Agent shall have occurred by reason of its inability to act, the Fiscal Agent or any Bondowner may apply to any court of competent jurisdiction to appoint a successor Fiscal Agent. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Fiscal Agent.

Section 7.02. Liability of Fiscal Agent. The recitals of facts, covenants and agreements herein and in the Bonds contained shall be taken as statements, covenants and agreements of the City, and the Fiscal Agent assumes no responsibility for the correctness of the same, or makes any representations as to the validity or sufficiency of this Agreement or of the Bonds, or shall incur any responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Bonds assigned to or imposed upon it. The Fiscal Agent shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful default. The Fiscal Agent assumes no responsibility or liability for any information, statement or recital in any offering memorandum or other disclosure material prepared or

distributed with respect to the issuance of the Bonds. The Fiscal Agent has no liability regarding the use of the proceeds from the purchase of the Bonds deposited in funds held by the City.

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

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

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

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

The Fiscal Agent shall not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of unavoidable delay in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the project, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Fiscal Agent.

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

The Fiscal Agent shall not be concerned with or accountable to anyone for the subsequent use or application of any moneys which shall be released or withdrawn in accordance with the provisions hereof.

The permissive right of the Fiscal Agent to do things enumerated in this Agreement shall not be construed as a duty and it shall not be answerable for other than its negligence or willful misconduct.

Section 7.03. Information. The Fiscal Agent shall provide to the City such information relating to the Bonds and the funds and accounts maintained by the Fiscal Agent hereunder as the City shall reasonably request, including but not limited to quarterly statements reporting funds held and transactions by the Fiscal Agent.

Section 7.04. Notice to Fiscal Agent. The Fiscal Agent may rely and shall be protected in acting or refraining from acting upon any Officer's Certificate, notice, resolution, request, consent, order, certificate, report, facsimile transmission, electronic mail, warrant, Bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties and given in accordance with the requirements hereof. The Fiscal Agent may execute any of the powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Fiscal Agent shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder. The Fiscal Agent may consult with counsel, who may be counsel to the City, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

The Fiscal Agent shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Agreement and delivered using Electronic Means by an Authorized Officer (or his or her designee) ("Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Fiscal Agent, or another method or system specified by the Fiscal Agent as available for use in connection with its services hereunder); provided, however, that the City shall provide to the Fiscal Agent an incumbency certificate for each person with the authority to provide such Instructions and containing specimen signatures of such persons, which incumbency certificate shall be amended by the City whenever a person is to be added or deleted from the listing. If the City elects to give the Fiscal Agent Instructions using Electronic Means and the Fiscal Agent in its discretion elects to act upon such Instructions, the Fiscal Agent's understanding of such Instructions shall be deemed controlling. The City understands and agrees that the Fiscal Agent cannot determine the identity of the actual sender of such Instructions and that the Fiscal Agent shall conclusively presume that directions that purport to have been sent by an Authorized Officer (or designee) listed on the incumbency certificate provided to the Fiscal Agent have been sent by such Authorized Officer (or designee). The City shall be responsible for ensuring that only Authorized Officers (or their designees) transmit such Instructions to the Fiscal Agent and that the City is solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the City. The Fiscal Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Fiscal Agent's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The City agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Fiscal Agent, including without limitation the risk of the

Fiscal Agent acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Fiscal Agent and that there may be more secure methods of transmitting Instructions than the method(s) selected by the City; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Fiscal Agent immediately upon learning of any compromise or unauthorized use of the security procedures.

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

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

Section 7.05. Compensation, Indemnification. The City shall pay to the Fiscal Agent from time to time reasonable compensation for all services rendered as Fiscal Agent under this Agreement, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Agreement, but the Fiscal Agent shall not have a lien therefor on any funds at any time held by it under this Agreement. The City further agrees, to the extent permitted by applicable law, to indemnify and save the Fiscal Agent, its officers, employees, directors and agents harmless against any costs, claims, expenses or liabilities, including, without limitation, fees and expenses of its attorneys which it may incur in the exercise and performance of its powers and duties hereunder which are not due to its negligence or willful misconduct. The obligation of the City under this Section shall survive resignation or removal of the Fiscal Agent under this Agreement and payment of the Bonds and discharge of this Agreement.

ARTICLE VIII

MODIFICATION OR AMENDMENT OF THIS AGREEMENT

Section 8.01. Amendments Permitted. This Agreement and the rights and obligations of the City and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Agreement pursuant to the affirmative vote at a meeting of Owners, or with the written consent without a meeting, of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 8.04. No such modification or amendment shall (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the City to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation by the City of any pledge or lien upon the Special Taxes superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise permitted by the Act, the laws of the State of California or this Agreement), or reduce the percentage of Bonds required for the amendment hereof. No such amendment may modify any of the rights or obligations of the Fiscal Agent without its written consent.

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

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

(B) to make modifications not adversely affecting any outstanding series of Bonds of the City in any material respect;

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

(D) to make such additions, deletions or modifications as may be necessary or desirable to assure compliance with Section 148 of the Code relating to required rebate of excess investment earnings to the United States or otherwise as may be necessary to assure exclusion from gross income for federal income tax purposes of interest on the Bonds or to conform with the Regulations.

No such amendment may modify any of the rights or obligations of the Fiscal Agent without its written consent.

Section 8.02. Owners' Meetings. The City may at any time call a meeting of the Owners. In such event the City is authorized to fix the time and place of said meeting and to provide for the giving of notice thereof and to fix and adopt rules and regulations for the conduct of said meeting.

Section 8.03. Procedure for Amendment with Written Consent of Owners. The City and the Fiscal Agent may at any time enter into a Supplemental Agreement amending the provisions of the Bonds or of this Agreement or any Supplemental Agreement, to the extent that such amendment is permitted by Section 8.01, to take effect when and as provided in this Section. A copy of such Supplemental Agreement, together with a request to Owners for their consent thereto, if such consent is required under Section 8.01, shall be mailed by first class mail, by the Fiscal Agent to each Owner of Bonds Outstanding, but failure to mail copies of such Supplemental Agreement and request shall not affect the validity of the Supplemental Agreement when assented to as in this Section provided.

If consent of the Owners is required under Section 8.01, such Supplemental Agreement shall not become effective unless there shall be filed with the Fiscal Agent the written consents of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in Section 8.04) and a notice shall have been mailed as hereinafter in this Section provided. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given, which proof shall be such as is permitted by Section 9.04. Any such consent shall be binding upon the Owner of the Bonds giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Fiscal Agent prior to the date when the notice hereinafter in this Section provided for has been mailed.

After the Owners of the required percentage of Bonds shall have filed their consents to the Supplemental Agreement, the City shall mail a notice to the Owners in the manner hereinbefore provided in this Section for the mailing of the Supplemental Agreement, stating in substance that the Supplemental Agreement has been consented to by the Owners of the required percentage of Bonds and will be effective as provided in this Section (but failure to mail copies of said notice shall not affect the validity of the Supplemental Agreement or consents thereto). Proof of the mailing of such notice shall be filed with the Fiscal Agent. A record, consisting of the papers required by this Section 8.03 to be filed with the Fiscal Agent, shall be proof of the matters therein stated until the contrary is proved. The Supplemental Agreement shall become effective upon the filing with the Fiscal Agent of the proof of mailing of such notice, and the Supplemental Agreement shall be deemed conclusively binding (except as otherwise herein above specifically provided in this Article) upon the City and the Owners of all Bonds at the expiration of sixty (60) days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such sixty-day period.

Section 8.04. Disqualified Bonds. Bonds owned or held for the account of the City, excepting any pension or retirement fund, shall not be deemed Outstanding for the purpose of any vote, consent or other action or any calculation of Outstanding Bonds provided for in this Article VIII, and shall not be entitled to vote upon, consent to, or take any other action provided for in this Article VIII. Upon request, the City shall provide an Officer's Certificate to the Fiscal Agent listing those Bonds which are disqualified pursuant to this Section 8.04.

Section 8.05. Effect of Supplemental Agreement. From and after the time any Supplemental Agreement becomes effective pursuant to this Article VIII, this Agreement shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations under this Agreement of the City and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such

modifications and amendments, and all the terms and conditions of any such Supplemental Agreement shall be deemed to be part of the terms and conditions of this Agreement for any and all purposes.

Section 8.06. Endorsement or Replacement of Bonds Issued After Amendments. The City may determine that Bonds issued and delivered after the effective date of any action taken as provided in this Article VIII shall bear a notation, by endorsement or otherwise, in form approved by the City, as to such action. In that case, upon demand of the Owner of any Bond Outstanding at such effective date and presentation of his Bond for that purpose at the Principal Office of the Fiscal Agent or at such other office as the City may select and designate for that purpose, a suitable notation shall be made on such Bond. The City may determine that new Bonds, so modified as in the opinion of the City is necessary to conform to such Owners' action, shall be prepared, executed and delivered. In that case, upon demand of the Owner of any Bonds then Outstanding, such new Bonds shall be exchanged at the Principal Office of the Fiscal Agent without cost to any Owner, for Bonds then Outstanding, upon surrender of such Bonds.

Section 8.07. Amendatory Endorsement of Bonds. The provisions of this Article VIII shall not prevent any Owner from accepting any amendment as to the particular Bonds held by him, provided that due notation thereof is made on such Bonds.

Section 8.08. Opinion of Counsel Regarding Supplemental Agreement. The Fiscal Agent shall be furnished, upon request, an opinion of counsel that any Supplemental Agreement entered into by the City and the Fiscal Agent complies with the provisions of this Article VIII, and the Fiscal Agent may conclusively rely upon such opinion.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Benefits of Agreement Limited to Parties. Nothing in this Agreement expressed or implied, is intended to give to any person other than the City, the Fiscal Agent and the Owners, any right, remedy, claim under or by reason of this Agreement. Any covenants, stipulations, promises or agreements in this Agreement contained by and on behalf of the City shall be for the sole and exclusive benefit of the Owners and the Fiscal Agent.

Section 9.02. Successor is Deemed Included in All References to Predecessor. Whenever in this Agreement or any Supplemental Agreement either the City or the Fiscal Agent is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Agreement contained by or on behalf of the City or the Fiscal Agent shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 9.03. Discharge of Agreement. If the City shall pay and discharge the entire indebtedness on all or any portion of the Bonds Outstanding in any one or more of the following ways:

(A) by well and truly paying or causing to be paid the principal of, and interest and any premium on, such Bonds Outstanding, as and when the same become due and payable;

(B) by depositing with the Fiscal Agent or other fiduciary, at or before maturity, money which, together with (in the event that all of the Bonds are to be defeased) the amounts then on deposit in the funds and accounts provided for in Sections 4.02 and 4.03, is fully sufficient to pay such Bonds Outstanding, including all principal, interest and redemption premiums; or

(C) by irrevocably depositing with the Fiscal Agent or other fiduciary, cash and Federal Securities in such amount as the City shall determine as confirmed by an independent certified public accountant will, together with the interest to accrue thereon and (in the event that all of the Bonds are to be defeased) moneys then on deposit in the fund and accounts provided for in Sections 4.02 and 4.03, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums, if any) at or before their respective maturity dates;

and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been given as in this Agreement provided or provision satisfactory to the Fiscal Agent shall have been made for the giving of such notice, then, at the election of the City, and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Special Taxes and other funds provided for in this Agreement and all other obligations of the City under this Agreement with respect to such Bonds Outstanding shall cease and terminate, except only the obligations of the City (i) under Section 5.13 (Maintenance of Tax-Exemption) and (ii) to pay or cause to be paid to the Owners of the Bonds not so surrendered and paid all sums due thereon and all amounts owing to the Fiscal Agent pursuant to Section 7.05; and thereafter Special Taxes shall not be payable to the Fiscal Agent. Notice of such election shall be filed with the Fiscal Agent.

Any funds thereafter held by the Fiscal Agent upon payments of all fees and expenses of the Fiscal Agent, which are not required for said purpose, shall be paid over to the City.

Section 9.04. Execution of Documents and Proof of Ownership by Owners. Any request, declaration or other instrument which this Agreement may require or permit to be executed by 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 request, consent, declaration or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

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

Any request, 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 City or the Fiscal Agent in good faith and in accordance therewith.

Section 9.05. Waiver of Personal Liability. No member, officer, agent or employee of the City shall be individually or personally liable for the payment of the principal of, or interest or any premium on, the Bonds; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

Section 9.06. Notices to and Demands on City and Fiscal Agent. Any notice or demand which by any provision of this Agreement is required or permitted to be given or served by the Fiscal Agent to or on the City may be given or served by being deposited postage prepaid in a post office letter box, by overnight courier or by electronic means (with receipt confirmed by telephone) addressed (until another address is filed by the City with the Fiscal Agent) as follows:

City of Desert Hot Springs
311 Vernon Street
Desert Hot Springs, California 95678
Attention: Finance Director
Fax: (916) 746-1220

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

Wilmington Trust, N.A.

Attention: Corporate Trust Administration
Fax:

Section 9.07. Partial Invalidity. If any Section, paragraph, sentence, clause or phrase of this Agreement shall for any reason be held illegal or unenforceable, such holding shall not affect the validity of the remaining portions of this Agreement. The City hereby declares that it would have adopted this Agreement and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issue of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this Agreement may be held illegal, invalid or unenforceable.

Section 9.08. Unclaimed Moneys. Anything contained herein to the contrary notwithstanding, any moneys held by the Fiscal Agent in trust for the payment and discharge of the principal of, and the interest and any premium on, the Bonds which remains unclaimed for two (2) years after the date when the payments of such principal, interest and premium have become payable, if such moneys was held by the Fiscal Agent at such date, shall be repaid by the Fiscal Agent to the City as its absolute property free from any trust, and the Fiscal Agent shall thereupon be released and discharged with respect thereto and the Bond Owners shall look only to the City for the payment of the principal of, and interest and any premium on, such Bonds.

Section 9.09. Applicable Law. This Agreement shall be governed by and enforced in accordance with the laws of the State of California applicable to contracts made and performed in the State of California.

Section 9.10. Conflict with Act. In the event of a conflict between any provision of this Agreement with any provision of the Act as in effect on the Closing Date, the provision of the Act shall prevail over the conflicting provision of this Agreement.

Section 9.11. Conclusive Evidence of Regularity. Bonds issued pursuant to this Agreement shall constitute conclusive evidence of the regularity of all proceedings under the Act relative to their issuance and the levy of the Special Taxes.

Section 9.12. Payment on Business Day. In any case where the date of the maturity of interest or of principal (and premium, if any) of the Bonds or the date fixed for redemption of any Bonds or the date any action is to be taken pursuant to this Agreement is other than a Business Day, the payment of interest or principal (and premium, if any) or the action need not be made on such date but may be made on the next succeeding day which is a Business Day with the same force and effect as if made on the date required and no interest shall accrue for the period from and after such date.

Section 9.13. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original.

IN WITNESS WHEREOF, the City of Desert Hot Springs, a municipal corporation, has authorized the execution of this Agreement by its City Manager and attested to by its City Clerk under the authority of Resolution No. _____, adopted by the Council of the City of Desert Hot Springs on the _____ day of _____, 2020, and the Fiscal Agent has caused this Agreement to be executed.

WILMINGTON TRUST, N.A., as *Fiscal Agent*

By: ____
Vice President

CITY OF DESERT HOT SPRINGS, a municipal corporation, for and on behalf of the City of Desert Hot Springs Community Facilities District No. 2006-1 Improvement Area 1

By: _____
City Manager

EXHIBIT A

FORM OF BOND

UNITED STATES OF AMERICA
STATE OF CALIFORNIA

No. _____

\$ _____

CITY OF DESERT HOT SPRINGS
COMMUNITY FACILITIES DISTRICT NO. 2006-1
Improvement Area 1
SPECIAL TAX REFUNDING BONDS SERIES 2020

INTEREST RATE:

MATURITY DATE:

BOND DATE:

CUSIP:

_____, 2020

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: *** _____ DOLLARS***

The City of Desert Hot Springs (the "City") for and on behalf of the City of Desert Hot Springs Community Facilities District No. 2006-1 Improvement Area 1 (the "District"), for value received, hereby promises to pay solely from the Special Tax Revenues (as hereinafter defined) to be collected in the District or amounts in certain funds and accounts held under the Agreement (as hereinafter defined), to the Registered Owner named above, or registered assigns (the "Owner"), on the Maturity Date set forth above, unless redeemed prior thereto as hereinafter provided, the Principal Amount set forth above, and to pay interest on such principal amount from the Bond Date shown above, or from the most recent Interest Payment Date (as hereinafter defined) to which interest has been paid or duly provided for, semiannually on March 1 and September 1, commencing September 1, 2020 (the "Interest Payment Dates"), at the Interest Rate set forth above, until the principal amount hereof is paid or made available for payment. The principal of this Bond is payable to the Owner hereof in lawful money of the United States of America upon presentation and surrender of this Bond at the principal corporate trust office of Wilmington Trust, N.A. in Los Angeles, California, as fiscal agent (the "Fiscal Agent"). Interest on this Bond shall be paid by check of the Fiscal Agent mailed by first class mail on each Interest Payment Date to the Owner hereof as of the close of business on the 15th day of the month preceding the month in which the Interest Payment Date occurs whether or not such day is a Business Day (the "Record Date") at such Owner's address as it appears on the registration books maintained by the Fiscal Agent, or by wire transfer made on such Interest Payment Date upon written instructions delivered to the Fiscal Agent by the applicable Record Date of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds.

This Bond is one of a duly authorized issue of bonds approved by resolution of the City Council of the City on _____, 2020 pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, Sections 53311, *et seq.*, of the California Government Code (the "Mello-

Roos Act”) for the purpose of refunding special tax bonds previously issued by the City for and on behalf of the City and to fund authorized facilities, and is one of the bonds designated “City of Desert Hot Springs Community Facilities District No. 2006-1 Improvement Area 1 Special Tax Refunding Bonds, Series 2020” (the “Bonds”). The issuance of the Bonds and the terms and conditions thereof are provided for by a Fiscal Agent Agreement, dated as of February 1, 2020, by and between the City and the Fiscal Agent (the “Agreement”) and this reference incorporates the Agreement herein, and by acceptance hereof the Owner of this Bond assents to said terms and conditions. The Agreement 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 Mello-Roos Act, the Agreement and the Resolution, the principal of and interest on this Bond are payable solely from Special Tax Revenues and the amounts in certain funds held under the Agreement. “Special Tax Revenues” means the proceeds of the special taxes (“Special Taxes”) levied under the Mello-Roos Act in the District that are received by the City, including all scheduled payments and delinquent payments thereof, interest and penalties thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the special taxes, net of a 1% administration charge of the County (as such charge may be changed in the future).

Interest on this Bond shall be payable from the Interest Payment Date next preceding the date of authentication hereof, unless (i) it is authenticated on an Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (ii) such date of authentication is after a Record Date but on or prior to an Interest Payment Date, in which event interest will be payable from such Interest Payment Date, or (iii) such date of authentication is prior to the first Record Date, in which event interest will be payable from the Bond Date shown above; provided however, that if at the time of authentication of this Bond, interest is in default hereon, this Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment hereon.

Any tax for the payment hereof shall be limited to the Special Tax, except to the extent that provision for payment has been made by the City as may be permitted by law. The Bonds do not constitute obligations of the City for which the City is obligated to levy or pledge, or has levied or pledged, general or special taxation other than described herein above.

The Bonds maturing on or before September 1, ____ are not subject to optional redemption. The Bonds maturing on or after September 1, ____ are subject to optional redemption from any source of available funds other than Prepayments of the Special Tax prior to maturity, in whole, or in part among maturities as specified by the City and by lot within a maturity, on any date on and after September 1, ____ at the following dates and respective redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
September 1, ____ through August 31, ____	103%
September 1, ____ through August 31, ____	102
September 1, ____ through August 31, ____	101
September 1, ____ and any date thereafter	100

The Bonds are subject to mandatory redemption from Prepayments of the Special Tax by property owners, in whole or in part among maturities as specified by the City and by lot

within a maturity, on any Interest Payment Date at the following respective redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
March 1, ____ through March 1, ____	103%
September 1, ____ and March 1, ____	102
September 1, ____ and March 1, ____	101
September 1, ____ and Interest Payment Dates thereafter	100

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

This Bond shall be registered in the name of the Owner hereof, as to both principal and interest. Each registration and transfer of registration of this Bond shall be entered by the Fiscal Agent in books kept by it for this purpose and authenticated by its manual signature upon the certificate of authentication endorsed hereon.

No transfer or exchange hereof shall be valid for any purpose unless made by the registered owner, by execution of the form of assignment endorsed 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. The Fiscal Agent shall require the Owner requesting transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange. No transfer or exchange hereof shall be required to be made (i) within 15 days prior to the date established by the Fiscal Agent for selection of Bonds for redemption or (ii) with respect to a Bond after such Bond has been selected for redemption.

The Agreement and the rights and obligations of the City thereunder may be modified or amended as set forth therein. The principal of the Bonds is not subject to acceleration upon a default under the Agreement or any other document.

This Bond shall not become valid or obligatory for any purpose until the certificate of authentication hereon endorsed 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 City, does not exceed any debt limit prescribed by the laws or Constitution of the State of California.

Unless this Bond is presented by an authorized representative of The Depository Trust Company to the Fiscal Agent for registration of transfer, exchange or payment, and any Bond issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

IN WITNESS WHEREOF, the City of Desert Hot Springs has caused this Bond to be executed by the facsimile signatures of the Mayor and the City Clerk of the City, all as of the Bond Date stated above.

CITY OF DESERT HOT SPRINGS, for and on behalf of the CITY OF DESERT HOT SPRINGS COMMUNITY FACILITIES DISTRICT NO. 2006-1 IMPROVEMENT AREA 1

By: _____
Mayor

By: _____
City Clerk

FISCAL AGENT’S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the Resolution and the Agreement.

Dated: _____, 2020

WILMINGTON TRUST, N.A., as *Fiscal Agent*

By: _____
Authorized Signatory

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned do(es) hereby sell, assign and transfer unto

(Name, address and Tax Identification Number of Assignee)

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

Dated: _____

Signature Guaranteed:

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

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

EXHIBIT B

**City of Desert Hot Springs
Community Facilities District No. 2006-1 Improvement Area 1
Special Tax Refunding Bonds
Series 2020**

**OFFICER'S CERTIFICATE REQUESTING DISBURSEMENT
FROM IMPROVEMENT FUND**

REQUISITION NO. _____

The undersigned hereby states and certifies that:

(i) I am the duly appointed, qualified and acting Finance Director of the City of Desert Hot Springs (the "City") and as such, am familiar with the facts herein certified and am authorized to certify the same;

(ii) I am an "Authorized Officer," as such term is defined in that certain Fiscal Agent Agreement, dated as of _____ 1, 2020 (the "Fiscal Agent Agreement"), by and between the City and Wilmington Trust, N.A., as fiscal agent (the "Fiscal Agent");

(iii) under Section 3.04(B) of the Fiscal Agent Agreement, the undersigned hereby requests and authorizes the Fiscal Agent to disburse from the Improvement Fund established under the Fiscal Agent Agreement to each payee designated on Schedule A attached hereto and by this reference incorporated herein, the amount set forth opposite such payee, for payment or reimbursement of previous payment of a Project cost (as that term is defined in the Fiscal Agent Agreement) as described on attached Schedule A; and

(iv) no portion of the amount herein requested to be disbursed was set forth in any Officer's Certificate previously filed requesting disbursement.

Dated: _____

CITY OF DESERT HOT SPRINGS

By: Finance Director

SCHEDULE A

Payee Name and Address	Purpose of Obligation	Amount
------------------------	-----------------------	--------
