

PRELIMINARY OFFICIAL STATEMENT DATED MAY __, 2017

NEW ISSUE-FULL BOOK ENTRY

NO RATING

In the opinion of Aleshire & Wynder, LLP, Irvine, California ("Bond Counsel"), under existing law, and assuming compliance with the tax covenants described herein, interest on the Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 from the gross income of the owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. It is also the opinion of Bond Counsel that under existing law interest on the Bonds is exempt from personal income taxes of the State of California. See "LEGAL MATTERS — Tax Matters" herein.

\$4,500,000*

**PERRIS JOINT POWERS AUTHORITY
LOCAL AGENCY REVENUE BONDS
(IA 1-CFD NO. 2014-1 (AVELINA)), 2017 SERIES A**

Due: September 1 as shown on inside cover

Dated: Date of Delivery

The Perris Joint Powers Authority Local Agency Revenue Bonds (IA 1-CFD No. 2014-1(Avelina)), 2017 Series A (the "Bonds") are being issued by the Perris Joint Powers Authority (the "Authority") primarily to acquire certain special tax bonds (the "District Bonds") issued by Community Facilities District No. 2014-1 (Avelina) of the City of Perris (the "District") for Improvement Area No. 1 ("Improvement Area No. 1") therein. The District was formed by the City. The District Bonds are being issued to (i) to finance the acquisition and construction of certain public improvements and fees eligible to be financed by the District; (ii) fund a reserve account; and (iii) pay costs of issuance of the Bonds. See "FINANCING PLAN."

The Bonds are payable solely from Revenues and Redemption Revenues (defined herein) pledged by the Authority pursuant to that certain Indenture of Trust, dated as of June 1, 2017 (the "Indenture"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee") and from certain other funds pledged under the Indenture, all as further described herein. Revenues consist primarily of special taxes levied in Improvement Area No. 1 and paid to the Authority as debt service on the District Bonds.

The Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. Interest on the Bonds is payable on each March 1 and September 1, commencing September 1, 2017. The Bonds will be initially issued only in book-entry form and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository of the Bonds. Principal and interest (and premium, if any) on the Bonds is payable by the Trustee to DTC, which is to remit such payments to its Participants for subsequent distribution to the beneficial owners of the Bonds. See "THE BONDS — General Provisions" and — Book-Entry Only System" herein.

The Bonds are subject to optional, mandatory and extraordinary redemption prior to maturity as described herein. See "THE BONDS — Redemption."

CERTAIN EVENTS COULD AFFECT THE ABILITY OF THE AUTHORITY TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS WHEN DUE. THE PURCHASE OF THE BONDS INVOLVES SIGNIFICANT INVESTMENT RISKS, AND THE BONDS MAY NOT BE SUITABLE INVESTMENTS FOR MANY INVESTORS. SEE THE SECTION OF THIS OFFICIAL STATEMENT ENTITLED "SPECIAL RISK FACTORS" FOR A DISCUSSION OF CERTAIN RISK FACTORS THAT SHOULD BE CONSIDERED, IN ADDITION TO THE OTHER MATTERS SET FORTH HEREIN, IN EVALUATING THE INVESTMENT QUALITY OF THE BONDS.

*Maturity Schedule
(see inside cover)*

The Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval as to their legality by Aleshire & Wynder, LLP, Los Angeles, California, as Bond Counsel. Certain legal matters will be passed upon for the City and the Authority by the City Attorney and by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Disclosure Counsel, and for the Trustee by its counsel. It is anticipated that the Bonds in definitive form will be available for delivery to DTC or its agent on or about June __, 2017.

Brandis Tallman

Dated: May __, 2017

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

MATURITY SCHEDULE

**PERRIS JOINT POWERS AUTHORITY
LOCAL AGENCY REVENUE BONDS
(IA 1-CFD NO. 2014-1 (AVELINA)), 2017 SERIES A**

<i>Maturity (September 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP[†] No.</i>
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\$ _____ % Term Bonds due September 1, 20__ ; Yield _____ %; Price _____ CUSIP[†] _____

[†] CUSIP[®] is a registered trademark of the American Bankers Association. CUSIP Global Services ("CGS") is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright © 2017 CUSIP Global Services. All rights reserved. This data is not intended to create a database and does not serve in any way as a substitute for CGS. CUSIP[®] numbers are provided for convenience of reference only. None of the Authority, the City, the District or the Underwriter assumes any responsibility for the accuracy of such numbers.

**PERRIS JOINT POWERS AUTHORITY
CITY OF PERRIS, CALIFORNIA**

AUTHORITY BOARD AND CITY COUNCIL

Michael M. Vargas, Mayor
David Starr Rabb, Mayor Pro Tem
Tonya Burke, Council Member
Malcolm Corona, Council Member
Rita Rogers, Council Member

CITY STAFF

Richard Belmudez, City Manager
Ron Carr, Assistant City Manager
Nancy Salazar, City Clerk
Eric Dunn, Esq., City Attorney/Authority Counsel

BOND COUNSEL

Aleshire & Wynder, LLP
Irvine, California

DISCLOSURE COUNSEL

Stradling Yocca Carlson & Rauth, a Professional Corporation
Newport Beach, California

FINANCIAL ADVISOR

Fieldman, Rolapp & Associates
Irvine, California

SPECIAL TAX CONSULTANT

Willdan Financial Services
Temecula, California

TRUSTEE

U.S. Bank National Association
Los Angeles, California

Investment in the Bonds involves risks which are not appropriate for certain investors. Therefore, only persons with substantial financial resources (in net worth or income) who understand those risks should consider such an investment.

Except where otherwise indicated, all information contained in this Official Statement has been provided by the Authority, the City and the District. No dealer, broker, salesperson or other person has been authorized by the Authority, the City, the District, the Trustee or the Underwriter to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained herein; and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority, the City, the District, the Trustee or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

The information set forth herein which has been obtained from third party sources is believed to be reliable but is not guaranteed as to accuracy or completeness by the District, the City or the Authority. This Official Statement is not to be construed as a contract with the purchasers or Owners of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such are not to be construed as representations of fact.

The Underwriter has provided the following sentence for inclusion in this Official Statement:

The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the City, the District or any other parties described herein since the date hereof. All summaries of the Indenture or other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the City for further information in connection therewith.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words.

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Authority does not plan to issue any updates or revisions to the forward-looking statements set forth in this Official Statement. The District is obligated to provide continuing disclosure for certain historical information only. See the caption "MISCELLANEOUS — Continuing Disclosure" herein.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION.....	1
Financing Purpose.....	1
The Bonds; The District Bonds.....	2
Legal Authority.....	2
Sources of Payment for the Bonds and the District Bonds.....	2
Description of the Bonds.....	2
The Authority.....	3
The District and Improvement Area No. 1.....	3
Professionals Involved in the Offering.....	4
Continuing Disclosure.....	4
FINANCING PLAN.....	5
Purpose of Issue.....	5
Estimated Sources and Uses of Funds.....	5
THE BONDS.....	5
General Provisions.....	5
Redemption.....	6
Book-Entry Only System.....	8
Estimated Debt Service Schedules: Bonds and District Bonds.....	9
SECURITY FOR THE BONDS.....	11
General.....	11
Revenues; Flow of Funds.....	11
Reserve Account.....	13
Cash Flow Management Fund.....	13
Redemption Fund.....	14
No Parity Debt Except for Refunding Purposes.....	14
SECURITY FOR THE DISTRICT BONDS.....	14
General.....	14
Special Tax Revenues and District Redemption Revenues.....	15
No Teeter Plan.....	17
District Parity Bonds.....	17
Priority of Lien of Special Taxes.....	17
Covenants of the District.....	17
THE DISTRICT AND IMPROVEMENT AREA NO. 1.....	19
General Information.....	19
Improvement Area No. 1.....	19
Rate and Method of Apportionment.....	20
Estimated Assessed Value-To-Lien Ratios.....	22
Top Taxpayers.....	25
Direct and Overlapping Debt.....	27
Delinquency History.....	28
PROPERTY OWNERSHIP AND THE DEVELOPMENT.....	28
The Developer.....	29
Development Plan.....	30
Financing Plan.....	31
History of Property Tax Payments; Loan Defaults; Litigation; Bankruptcy.....	31
SPECIAL RISK FACTORS.....	32
Risks of Real Estate Secured Investments Generally.....	32
Concentration of Ownership.....	32
Failure to Develop Remaining Homes.....	33
The Bonds are Limited Obligations of the Authority.....	34
No Obligation of City.....	34
Property Values.....	34

TABLE OF CONTENTS
(continued)

	<u>Page</u>
Natural Disasters	35
Hazardous Substances	35
Parity Taxes and Special Assessments	35
Payment of the Special Tax is not a Personal Obligation of the Owners	36
Disclosures to Future Purchasers	36
Special Tax Delinquencies	36
Insufficiency of Special Taxes	37
Priority Administrative Expenses	37
FDIC/Federal Government Interests in Properties	38
Bankruptcy and Foreclosure	39
No Acceleration Provision	39
Limitations on Remedies	39
Loss of Tax Exemption	40
Limited Secondary Market	40
Proposition 218	40
Ballot Initiatives and Legislative Matters	42
LEGAL MATTERS	42
Tax Matters	42
Absence of Litigation	45
Legal Opinion	45
MISCELLANEOUS	45
No Rating	45
Underwriting	45
Continuing Disclosure	45
Pending Legislation	46
Additional Information	46
APPENDIX A SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS	A-1
APPENDIX B RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES	B-1
APPENDIX C FORM OF BOND COUNSEL OPINION	C-1
APPENDIX D FORM OF DISTRICT CONTINUING DISCLOSURE AGREEMENT	D-1
APPENDIX E DTC AND THE BOOK-ENTRY-ONLY SYSTEM	E-1

REGIONAL MAP/PHOTO

OFFICIAL STATEMENT

\$4,500,000*

PERRIS JOINT POWERS AUTHORITY LOCAL AGENCY REVENUE BONDS (IA 1-CFD NO. 2014-1 (AVELINA)), 2017 SERIES A

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and Appendices hereto (the "Official Statement"), is to provide certain information concerning the sale and issuance of the Perris Joint Powers Authority Local Agency Revenue Bonds (IA 1-CFD No. 2014-1(Avelina)), 2017 Series A (the "Bonds") issued under the Indenture (defined below).

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

Capitalized terms not defined herein shall have the meaning set forth in Appendix A hereto. See APPENDIX A — "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS."

Financing Purpose

Purpose of the Bonds. The Bonds are being issued by the Perris Joint Powers Authority (the "Authority") pursuant to an Indenture of Trust dated as of June 1, 2017 (the "Indenture"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"). The proceeds of the Bonds will be used to acquire the Improvement Area No. 1 Community Facilities District No. 2014-1 (Avelina) of the City of Perris Special Tax Bonds, Series 2017 (the "District Bonds"), to fund a reserve account for the Bonds (the "Reserve Account") and to pay the costs of issuing the Bonds. The principal and interest payments on the District Bonds to be received by the Authority are the primary source of repayment for the Bonds. See "FINANCING PLAN" herein.

Purpose of the District Bonds. The District Bonds are being issued by Community Facilities District No. 2014-1 (Avelina) of the City of Perris (the "District") for Improvement Area No. 1 ("Improvement Area No. 1") therein. The District Bonds are secured by special taxes (the "Special Taxes") paid by taxpayers within Improvement Area No. 1 in accordance with the Rate and Method of Apportionment of Special Taxes for Improvement Area No. 1 (the "Rate and Method"). The District was formed by the City of Perris (the "City") to finance certain public facilities. See "THE DISTRICT AND IMPROVEMENT AREA NO. 1 — Improvement Area No. 1" and APPENDIX B — "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES" herein.

The net proceeds of the District Bonds, along with other available funds, will be used as follows (see "FINANCING PLAN" herein): (i) to finance a portion of certain public facilities eligible to be financed by the District; (ii) to pay the costs of issuing the Bonds; and (iii) to fund the Reserve Account established under the Indenture.

* Preliminary, subject to change.

The Bonds; The District Bonds

The Bonds will be issued and will be secured under the Indenture by a pledge and lien on the Revenues and Redemption Revenues (as defined below) and from certain other funds pledged under the Indenture, all as further described herein. Revenues consist primarily of revenues received by the Authority from the payment of debt service on the District Bonds and amounts held in the funds and accounts established and held for the benefit of the Bonds under the Indenture. Debt service on the District Bonds is paid from the proceeds of Special Taxes levied on the taxable property within Improvement Area No. 1 which remain after the payment of administrative expenses. Redemption Revenues consist of (a) amounts received from the redemption of the District Bonds from amounts constituting prepayments of Special Taxes, (b) amounts received from the optional redemption of the District Bonds, and (c) amounts received from the special mandatory redemption of the District Bonds. See "SECURITY FOR THE DISTRICT BONDS" and APPENDIX B — "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES."

Legal Authority

The Bonds. The Bonds are being issued under Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act") and the Indenture.

The District Bonds. The District Bonds are being issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California (the "Mello-Roos Act"). The District Bonds are issued and secured under a fiscal agent agreement dated as of June 1, 2017 (the "Fiscal Agent Agreement"), by and between the District and U.S. Bank National Association (the "Fiscal Agent"). The Fiscal Agent Agreement was approved by the City Council of the City of Perris (the "City Council"), acting as the legislative body of the District.

Sources of Payment for the Bonds and the District Bonds

The Bonds. The Bonds are secured by a first lien on and pledge of all of the Revenues and Redemption Revenues and a first lien and pledge of all moneys in the Bond Fund, the Revenue Fund, the Redemption Fund and the Cash Flow Management Fund (subject to the transfers from such Cash Flow Management Fund as authorized by the Indenture). See "SECURITY FOR THE BONDS."

Certain Account Not Pledged. Amounts held in the Rebate Account are not pledged to the repayment of the Bonds. See "SECURITY FOR THE BONDS — Revenues; Flow of Funds" herein.

District Bonds. The District Bonds will be payable from Special Tax Revenues and any District Redemption Revenues (as defined below). Notwithstanding the foregoing, "Special Tax Revenues" does not include any penalties or interest in excess of the interest payable on the Bonds collected in connection with delinquent Special Taxes. See "SECURITY FOR THE DISTRICT BONDS — Special Tax Revenues and District Redemption Revenues."

Description of the Bonds

Payments. Interest on the Bonds is payable on each March 1 and September 1, commencing September 1, 2017. Principal of and premium, if any, on the Bonds shall be payable by the Trustee. See "THE BONDS — General Provisions" and "— Book-Entry Only System" herein.

Denominations. The Bonds will be issued in denominations of \$5,000 each or integral multiples thereof.

Redemption. The Bonds are subject to optional, mandatory and extraordinary redemption prior to maturity. See "THE BONDS — Redemption" herein.

Registration, transfers and exchanges. The Bonds will be issued as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York (“DTC”), and will be available to actual purchasers of the Bonds (the “Beneficial Owners”) under the book-entry system maintained by DTC. See “THE BONDS— Book-Entry Only System.”

Neither the Bonds nor the District Bonds are a debt of the City, and no revenues of the City are pledged to repayment of the Bonds or the District Bonds.

The Authority

The Perris Joint Powers Authority (the “Authority”) is a joint exercise of powers authority organized and existing under and by virtue of the Joint Exercise of Powers Act, constituting Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State. The City and the Housing Authority of the City of Perris formed the Authority by the execution of a joint exercise of powers agreement dated as of March 26, 2013 (the “Joint Powers Agreement”). The City Council of the City serves as the Board of Directors of the Authority. The City Manager serves as the Executive Director and the City Clerk serves as the Secretary of the Authority. The City’s Assistant Director of Finance serves as the Treasurer of the Authority.

The District and Improvement Area No. 1

General. The District comprises a portion of a residential development being marketed by the Developer (as defined herein) as “Avelina,” a planned residential community located in the City. The District is located to the west of Evans Road and is bordered to the north by Orange Avenue and to the south by Sunset Avenue. Centex Homes, a Nevada general partnership is the developer (the “Developer”) within the District. The Developer is an indirect wholly-owned subsidiary of PulteGroup, Inc., a Michigan corporation. At buildout, the Avelina project encompassing the entire District is expected to include 488 residential units. Improvement Area No. 1 is the first phase of the Avelina project and is expected to include 156 single family homes at buildout.

Improvement Area No. 1. Improvement Area No. 1 is located on the northwest corner of Evans Road and Citrus Avenue and is bordered by Lemon Avenue to the north and Citrus Avenue to the south. Improvement Area No. 1 contains approximately 29.9 gross acres. The proposed development within Improvement Area No. 1 by the Developer consists of 156 single family homes. As of February 22, 2017, within Improvement Area No. 1, the Developer had completed and conveyed 138 homes to individual homeowners. All the in-tract infrastructure necessary to complete the planned development within Improvement Area No. 1 has been constructed. As of February 22, 2017, within Improvement Area No. 1, the Developer owned 4 model homes and 14 finished lots. The Developer expects to use the four completed model homes and the 14 finished lots within Improvement Area No. 1 for the model home complex for its projects in Improvement Area Nos. 2 and 3 of the District. Therefore, the Developer does not expect to convey the homes built and to be built on such lots to individual homeowners until the entire Avelina project within the District is substantially built out. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT.”

Formation Process. Pursuant to the Act, the City Council adopted resolutions on October 14, 2014, stating its intention to establish the District and Improvement Area Nos. 1 through 3 therein, and its intention to authorize bonded indebtedness for the District for Improvement Area Nos. 1 through 3 therein. On January 13, 2015, the District was formed and an election within each of Improvement Area No. 1 through 3 therein was held pursuant to the Act. At that time, the qualified electors within Improvement Area No. 1, which consisted solely of the then owner of land in Improvement Area No. 1, (i) authorized the District to incur bonded indebtedness of up to \$5,000,000 for Improvement Area No. 1 in order to finance certain public facilities and various costs related thereto, (ii) approved a rate and method of apportionment of special tax (the “Rate and Method of Apportionment”) for Improvement Area No. 1, and (iii) approved the levy of a special tax on the taxable property within Improvement Area No. 1 (the “Special Tax”) to pay the principal and

interest on District Bonds and annual administrative expenses of the District, and to make any replenishments to the reserve account.

Pursuant to the Act, the City Council now acts as the legislative body for the District. The District administrative services are provided by the City's staff.

The Special Taxes are included on the regular property tax bills sent to the record owners of property within Improvement Area No. 1. See "SECURITY FOR THE DISTRICT BONDS —Special Tax Revenues and District Redemption Revenues." The District has covenanted for the benefit of the owners of the District Bonds that, under certain circumstances described herein, it will commence judicial foreclosure proceedings with respect to delinquent Special Taxes. See "SECURITY FOR THE DISTRICT BONDS — Covenant of the District."

Neither the faith and credit nor the taxing power of the City, the County of Riverside (the "County"), the State or any political subdivision thereof (other than the taxing power of the District) is pledged to the payment of the District Bonds. Except for the Special Taxes, no other taxes are pledged to the payment of the District Bonds. The District Bonds are not general or special obligations of the City or the District, but are limited obligations of the District payable solely from Special Taxes collected in Improvement Area No. 1 and certain amounts held under the Fiscal Agent Agreement as more fully described herein.

Professionals Involved in the Offering

All proceedings in connection with the issuance of the Bonds are subject to the approval of Aleshire & Wynder, LLP, Bond Counsel. The City Attorney will render a legal opinion on certain matters for the Authority and the District. Certain legal matters will be passed upon for the Authority and the District by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Disclosure Counsel. Fieldman, Rolapp & Associates is acting as Financial Advisor to the Authority. Willdan Financial Services is acting as Special Tax Consultant to the City. U.S. Bank National Association, Los Angeles, California, will act as the Trustee for the Bonds. Brandis Tallman LLC (the "Underwriter") is acting as underwriter in connection with the issuance and delivery of the Bonds.

Bond Counsel, Disclosure Counsel and the Underwriter will receive compensation contingent upon issuance of the Bonds.

Continuing Disclosure

The District will execute a Continuing Disclosure Agreement and will covenant therein for the benefit of holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District in an annual report (the "Annual Report") to be filed no later than December 31 of each year commencing with the Annual Report for the year ending December 31, 2017 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events. The Annual Report shall contain or include by reference the information set forth in the Continuing Disclosure Agreement. The Annual Report and notices of enumerated events will be filed by the Authority with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system at <http://emma.msrb.org/>. These covenants will be made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule").

During the last five years, the Authority and the City has failed to comply in certain respects with their continuing disclosure obligations related to outstanding bonded indebtedness. See "MISCELLANEOUS — Continuing Disclosure."

See "MISCELLANEOUS — Continuing Disclosure," Appendix D for a description of the specific nature of the Annual Reports and notices of listed events to be provided by the District.

FINANCING PLAN

Purpose of Issue

The Authority is issuing the Bonds to purchase the District Bonds, to fund the Reserve Account and to pay the costs of issuing the Bonds. See “— Estimated Sources and Uses of Funds” below.

Estimated Sources and Uses of Funds

The Bonds. The anticipated sources and uses of funds relating to the Bonds are as follows:

Sources:	
Principal Amount of the Bonds	\$ _____
Less Net Original Issue Discount	_____
Total Sources	\$ _____
Uses⁽¹⁾:	
Bond Purchase Fund	\$ _____
Reserve Account	
Underwriter’s Discount	
Cost of Issuance ⁽²⁾	_____
Total Uses	\$ _____

⁽¹⁾ The Authority will acquire the District Bonds for a total purchase price of \$_____ and in consideration of the purchase, the District and the Authority will agree to the application of the purchase price of the District Bonds as set forth below under the caption “— District Bonds.”

⁽²⁾ Includes Trustee fees, Bond Counsel, Disclosure Counsel, Financial Advisor, Special Tax Consultant and other legal fees, printing costs and other related costs.

District Bonds. The anticipated sources and uses of funds relating to the District Bonds are as follows:

Sources:	
Principal Amount	\$ _____
Bond Purchase Discount ⁽¹⁾	_____
Total Sources	\$ _____
Uses:	
Improvement Fund	\$ _____
Total Uses	\$ _____

⁽¹⁾ Reflects amounts for net original issue discount and Underwriter’s discount and amounts deposited in the Reserve Account and Costs of Issuance Fund under the Indenture.

THE BONDS

General Provisions

The Bonds will be dated their date of delivery, and the Bonds will mature in the amounts and on the dates set forth on the inside front cover hereof. The Bonds will bear interest from their dated date at the rates per annum set forth on the inside front cover hereof, payable each March 1 and September 1, commencing September 1, 2017 (each, an “Interest Payment Date”). The Bonds will be issued in fully registered form in denominations of \$5,000 each or any integral multiple thereof, so long as no Bond shall have more than one maturity date.

Interest on the Bonds shall be payable on each Interest Payment Date to the person whose name appears on the Registration Books as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check of the Trustee mailed by first-class mail, postage prepaid, on each Interest Payment Date to the Owner at the address of such Owner as it appears on the Registration Books as of the close of business on the fifteenth day of the calendar month preceding the Interest Payment Date (the "Record Date"); provided, however, that at the written request of the Owner of at least \$1,000,000 in aggregate principal amount of Outstanding Bonds filed with the Trustee prior to any Record Date, interest on such Bonds shall be paid to such Owner on each succeeding Interest Payment Date by wire transfer of immediately available funds to an account in the continental United States designated in such written request. Any such written request shall remain in effect until rescinded in writing by the Owner. Principal of and premium (if any) on any Bond shall be paid upon presentation and surrender thereof, at maturity or the prior redemption thereof, at the Corporate Trust Office. The principal of and interest and premium (if any) on the Bonds shall be payable in lawful money of the United States of America.

Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated on or before the Interest Payment Date and after the close of business on the preceding record date, in which event it shall bear interest from such Interest Payment Date; or (b) it is authenticated on or before August 15, 2017, in which event it shall bear interest from the Closing Date; or (c) interest with respect to any outstanding Bond is in default, such Bond shall bear interest from the Interest Payment Date to which interest has previously paid in full or made available for payment thereon payable on each Interest Payment Date.

The Bonds will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only in denominations of \$5,000 and any integral multiple thereof. See the subsection hereof entitled "—Book-Entry Only System."

Redemption

Optional Redemption.* The Bonds maturing prior to September 1, 20__, are not subject to optional redemption prior to maturity. The Bonds maturing on and after September 1, 20__ are subject to redemption prior to maturity at the option of the Authority on any date on or after September 1, 20__, as a whole or in part, from such maturities as selected by the Authority and by lot within a maturity, from any available source of funds at 100% of the principal amount of the Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption.

Mandatory Sinking Fund Redemption.* The Bonds maturing September 1, 20__, are subject to mandatory redemption in part by lot, on September 1 in each year, commencing September 1, ____ from mandatory sinking payments made by the Authority as provided in the Indenture, at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest thereon to the date of redemption in the aggregate principal amounts and on September 1 in the respective years as set forth in the following schedule; provided, however, that (i) in lieu of redemption thereof, such Bonds may be purchased by the Authority and tendered to the Trustee and the Trustee shall cancel such tendered Bonds, and (ii) if some but not all of such Bonds have been redeemed pursuant to the optional or special mandatory redemption provisions described in the Indenture, the total amount of all future mandatory sinking payments will be reduced by the aggregate principal amount of such Bonds so redeemed, to be allocated among such mandatory sinking payments on a pro rata basis (as nearly as practicable) in integral multiples of \$5,000, as determined by the Authority.

* Preliminary, subject to change.

Bonds Maturing September 1, 20__

***Sinking Fund
Redemption Date
(September 1)***

***Principal Amount
to Be
Redeemed***

(maturity)

Special Mandatory Redemption From Prepayment of Special Taxes and Surplus Funds.* The Bonds are subject to mandatory redemption prior to maturity on any date on or after September 1, 20__, in whole or in part from such maturities as selected by the Authority and by lot within a maturity, from the redemption of District Bonds from amounts constituting prepayments of special taxes, from amounts transferred from the Delinquency Management Fund under the Fiscal Agent Agreement and from amounts transferred by the Authority from the Cash Flow Management Fund under the Indenture at the following redemption prices (expressed as a percentage of the principal amount of Bonds to be redeemed) together with accrued interest thereon to the redemption date

<i>Redemption Dates</i>	<i>Redemption Prices</i>
September 1, 2017 through August 31, 2027	102.0%
September 1, 2027 and thereafter	100.0

Notice of Redemption. The Trustee on behalf and at the expense of the Authority will mail (by first-class mail) notice of any redemption to the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, to the Securities Depositories and to one or more Information Services, at least thirty (30) but not more than sixty (60) days prior to the date fixed for redemption. Neither failure to receive any such notice so mailed nor any defect therein will affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice will state the date of the notice, the redemption date, and the redemption price and will designate the CUSIP numbers, the Bond numbers (but only if less than all of the Outstanding Bonds are to be redeemed) and the maturity of the Bonds to be redeemed, and will require that such Bonds be then surrendered at the Corporate Trust Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

If at the time of mailing of any notice of optional redemption has not been deposited with the Trustee moneys sufficient to redeem all the Bonds called for redemption, such notice will state that it is subject to the deposit of the redemption moneys with the Trustee not later than the opening of business on the redemption date and will be of no effect unless such moneys are so deposited.

The Authority will have the right to rescind any notice of optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of such redemption will be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation will not constitute an event of default under the Indenture. The Authority and the Trustee will have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee will mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

* Preliminary, subject to change.

In addition to the foregoing notice, further notice will be given by the Trustee in said form by first-class mail to any Bond Owner whose Bond has been called for redemption but who has failed to tender his Bond for payment by the date which is sixty days after the redemption date, but no defect in said further notice nor any failure to give all or any portion of such further notice will in any manner defeat the effectiveness of a call for redemption.

Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall, to the extent practicable, bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

Partial Redemption of Bonds. In the event only a portion of any Bond is called for redemption, then, upon surrender of such Bond, the Authority will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of the same series and maturity date, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond to be redeemed.

Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption have been duly provided, such Bonds so called will cease to be entitled to any benefit under the Indenture other than the right to receive payment of the redemption price, and no interest will accrue thereon from and after the redemption date specified in such notice. All Bonds redeemed pursuant to the Indenture shall be canceled and destroyed.

Authority Notice. Notwithstanding any provisions in the Indenture to the contrary, upon any optional redemption or special mandatory redemption (other than sinking fund redemption) in part, the Authority will deliver a Written Certificate to the Trustee at least sixty (60) days prior to the proposed redemption date or such later date as shall be acceptable to the Trustee in the sole determination of the Trustee, so stating that the remaining payments of principal and interest on the District Bonds, together with other Revenues will be sufficient on a timely basis to pay debt service on the Bonds. The Authority will certify in such Written Certificate that sufficient moneys for purposes of such redemption are or will be on deposit in the Redemption Fund, and is required to deliver such moneys to the Trustee together with other Redemption Revenues, if any, then to be delivered to the Trustee, which moneys are required to be identified to the Trustee in the Written Certificate delivered with the Redemption Revenues.

Open Market Purchase of Bonds. In lieu of redemption of any Bond, the Trustee may, at any time and upon Written Request of the Authority, use and withdraw amounts on deposit in the Revenue Fund for the purchase of such Bonds at public or private sale as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Authority may in its discretion determine in accordance with all applicable laws and in accordance with the priority afforded the relative Bond under the Indenture.

Book-Entry Only System

The Bonds will be issued as fully registered bonds, registered in the name of Cede & Co. as nominee of DTC, and will be available to the Beneficial Owners purchasing interests in the Bonds in the Authorized Denominations, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. While the Bonds are subject to the book-entry system, the principal, interest and any redemption premium will be paid by the Trustee to DTC, which in turn is obligated to remit such payment to its DTC Participants for subsequent disbursement to Beneficial Owners of the Bonds. **The Authority gives no assurance that DTC or the DTC Participants will distribute payments or notices to Beneficial Owners.** See APPENDIX E — “DTC AND THE BOOK-ENTRY ONLY SYSTEM.” In the event that the

book-entry-only system is no longer used with respect to the Bonds, the Bonds will be registered and transferred in accordance with the Indenture.

Estimated Debt Service Schedules: Bonds and District Bonds

The table below presents the debt service schedule for the Bonds (including mandatory sinking fund redemption) assuming there is no optional or special mandatory redemption of the Bonds prior to maturity.

DEBT SERVICE SCHEDULE FOR THE BONDS

<i>Year Ending September 1</i>	<i>Principal</i>	<i>Interest</i>	<i>Total Debt Service</i>
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Total

Source: The Underwriter.

The table below summarizes the anticipated debt service payments to be received by the Authority (including mandatory sinking fund redemption) as the result of its ownership of the District Bonds, assuming there is no default in payment and no optional or special mandatory redemption of District Bonds prior to maturity.

DEBT SERVICE SCHEDULE FOR THE DISTRICT BONDS

<i>Year Ending September 1</i>	<i>Principal</i>	<i>Interest</i>	<i>Total Debt Service</i>
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Total

Source: The Underwriter.

Annual debt service for the District Bonds has been structured so that, assuming no delinquencies, Special Taxes levied at the Maximum Special Tax rates on 142 parcels of Developed Property for the projected Fiscal Year 2017-18 Special Tax levy, will generate in each Fiscal Year not less than 110% of debt service payable, plus Administrative Expenses, with respect to the District Bonds in the calendar year that begins in that Fiscal Year.

Limitation on Special Tax Levy and Potential Impact on Coverage. Pursuant to Section 53321(d) of the Mello-Roos Act and the Rate and Method for Improvement Area No. 1, under no circumstances may Special Taxes levied against any parcel of property used for private residential purposes be increased by more than ten percent (10%) as a consequence of delinquency or default by the owner of any other parcel within Improvement Area No. 1. Therefore, it is possible that Special Taxes may not be levied up to 100% of the

Maximum Special Tax rates in any particular fiscal year as a consequence of Special Tax delinquencies in Improvement Area No. 1.

SECURITY FOR THE BONDS

General

As described below, the Bonds are payable from Revenues and Redemption Revenues consisting primarily of amounts received by the Authority from the debt service payments on the District Bonds and amounts on deposit in the Reserve Account, the Cash Flow Management Fund (subject to the transfers from such fund as authorized by the Indenture) and the Redemption Fund. See "SECURITY FOR THE BONDS — Reserve Account," "— Cash Flow Management Fund" and "— Redemption Fund." Debt service payments of the District Bonds are paid from the Special Tax Revenues and District Redemption Revenues. See "SECURITY FOR THE DISTRICT BONDS — Special Tax Revenues and District Redemption Revenues."

The Bonds are special obligations of the Authority payable solely from and secured solely by the Revenues and Redemption Revenues and other funds and accounts pledged therefor in the Indenture. The Bonds are not a debt or liability of the City, the State of California or any political subdivisions thereof other than the Authority to the limited extent described herein. The faith and credit of the Authority are not pledged to secure the payment of Bonds, nor is any other political subdivision liable therefor, nor in any event shall the Bonds or any interest or redemption premium thereon be payable out of any funds or properties other than those of the Authority as set forth in the Indenture. The Authority has no taxing power.

Revenues; Flow of Funds

Pledge of Revenues. The Bonds are secured by a first lien on and pledge (which is effected in the manner and to the extent provided in the Indenture) of all of the Revenues and Redemption Revenues and a first pledge of all of the moneys in the Bond Fund, the Revenue Fund, the Redemption Fund and the Cash Flow Management Fund of the Indenture, including all amounts derived from the investment of such moneys. The Bonds are equally secured by a pledge, charge and first lien upon the Revenues and Redemption Revenues and such moneys without priority for number, date of Bonds, date of execution or date of delivery; and the payment of the interest on and principal of the Bonds and any premiums upon the redemption of any thereof are secured by an exclusive pledge, charge and first lien upon the Revenues and Redemption Revenues and such moneys.

The term "Revenues" is defined in the Indenture as: (a) all amounts received by the Authority from the District as principal of or interest on the District Bonds (including amounts constituting mandatory sinking fund payments on the District Bonds); (b) all moneys deposited and held from time to time by the Trustee in the funds and accounts established under the Indenture for the Bonds, other than the Rebate Account, the Redemption Fund and the Cash Flow Management Fund; and (c) income and gains with respect to the investment of amounts on deposit in the funds and accounts established under the Indenture for the Bonds, other than the Rebate Account, the Redemption Fund and the Cash Flow Management Fund.

The term "Redemption Revenues" is defined in the Indenture as: (a) amounts received from the redemption of the District Bonds from amounts constituting prepayments of Special Taxes, (b) amounts received from the optional redemption of the District Bonds, and (c) amounts received from the special mandatory redemption of the District Bonds.

So long as any of the Bonds are Outstanding, the Revenues and Redemption Revenues and such other money will not be used for any other purpose except as described in the Indenture for the payment of the Bonds; except that out of the Revenues and Redemption Revenues there may be apportioned such sums, for such purposes, as are expressly permitted by the Indenture.

The Authority transfers under the Indenture in trust and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Revenues and all of the right, title and interest of the Authority in the District Bonds (other than certain limitations of liability as described in the Indenture). The Trustee is entitled to and will receive all of the Revenues, and any Revenues collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and will forthwith be paid by the Authority to the Trustee.

Deposit and Transfer of Revenues. All Revenues (excluding Redemption Revenues) derived from the District Bonds will be promptly deposited by the Trustee upon receipt thereof in the Revenue Fund. On or before each Interest Payment Date, the Trustee shall transfer from the Revenue Fund for deposit in the Bond Fund for application in the order described under the caption “— Application of Revenues” below; provided, however, that all Redemption Revenues will be deposited in the Redemption Fund in the amounts and on the dates required to effect the required redemption of the Bonds as set forth in the Indenture. See “THE BONDS — Redemption” and “SECURITY FOR THE BONDS — Redemption Fund” herein.

Application of Revenues. On or before each Interest Payment Date, the Trustee will transfer from the Revenue Fund, and deposit into the Bond Fund and the following respective accounts therein for the Bonds, the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

Interest Account. On or before each Interest Payment Date, the Trustee will deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest becoming due and payable on such Interest Payment Date on all Outstanding Bonds. No deposit need be made into the Interest Account if the amount contained therein is at least equal to the interest becoming due and payable upon all Outstanding Bonds on such Interest Payment Date. All moneys in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it becomes due and payable (including accrued interest on any Bonds redeemed prior to maturity).

Principal Account. On or before each date on which the principal of the Bonds are payable, the Trustee will deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the aggregate amount of principal (including sinking fund payments) coming due and payable on such date on the Bonds pursuant to the Indenture. All moneys in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds (including sinking fund payments).

Reserve Account. All amounts on deposit in the Revenue Fund on or before each Interest Payment Date, to the extent not required to pay any interest on or principal of any Outstanding Bonds then having come due and payable, will be credited to the replenishment of the Reserve Account in an amount sufficient to maintain the Reserve Requirement therein.

All remaining amounts on or as soon as practicable after September 2 (or the next Business Day to the extent September 2 is not a Business Day) of each year, commencing September 2, 2017, on deposit in the Revenue Fund will be transferred to the Cash Flow Management Fund. See “— Cash Flow Management Fund” below.

Deposit into Rebate Account. The Trustee will deposit in the Rebate Account (which account shall be established as a separate account to be held by the Trustee upon receipt of a Written Request from the Authority) from time to time, as set forth in the Indenture, an amount determined by the Authority to be subject to rebate to the United States of America in accordance with the Indenture. Amounts in the Rebate Account are not pledged to the payment of the Bonds.

Reserve Account

A Reserve Account of the Bond Fund will be established under the Indenture which account will be held by the Trustee and will be funded in an amount equal to the Reserve Requirement. An amount of \$ _____, equal to the initial Reserve Requirement will be deposited into the Reserve Account from the proceeds of the Bonds and the District Bonds. The Reserve Requirement on any calculation date will not be greater than the initial Reserve Requirement.

The Authority shall deposit from the repayment of the District Bonds, and, to the extent necessary and to the extent permitted by law, from available surplus revenues with respect to other series of bonds issued by the Authority relating to community facilities districts, and maintain an amount of money equal to the Reserve Requirement in the Reserve Account at all times while the Bonds are Outstanding. Amounts in the Reserve Account will be used to pay debt service on the Bonds to the extent other moneys (including amounts in the Cash Flow Management Fund) are not available therefor. Earnings on amounts in the Reserve Account in excess of the Reserve Requirement will be deposited into the Revenue Fund, if and to the extent such earnings are not required to be retained in the Reserve Account to meet the Reserve Requirement. Upon redemption of the Bonds, amounts on deposit in the Reserve Account will be reduced (to an amount not less than the Reserve Requirement) and the excess moneys will be transferred to the Redemption Account and used for the redemption of the Bonds. Amounts in the Reserve Account may be used to pay the final year's debt service on the Bonds.

Cash Flow Management Fund

A Cash Flow Management Fund will be established under the Indenture which fund will be held by the Trustee. On September 2 of each year, commencing September 2, 2017 (or the next business day to the extent September 2 is not a business day), the Trustee will transfer any amounts on deposit in the Revenue Fund to the Cash Flow Management Fund. The Cash Flow Management Fund may also be funded at the election of the Authority from any available surplus revenues with respect to other series of local agency revenue bonds issued by the Authority to the extent such surplus revenues are loaned to replenish the Cash Flow Management Fund to the Cash Flow Management Fund Requirement. The Cash Flow Management Fund Requirement is, as of any calculation date, an amount equal to 15% of the Maximum Annual Debt Service on the Bonds. On the Closing Date, there will not be any amounts deposited in or on deposit in the Cash Flow Management Fund.

Amounts, if any, deposited into the Cash Flow Management Fund will be applied for the following purposes in the following order of priority:

(i) The Trustee will, prior to any draw on the Reserve Account, pay debt service on the Bonds from amounts in the Cash Flow Management Fund to the extent Revenues are insufficient for such purpose.

(ii) Upon the written direction of the Authority, the Trustee will transfer any amounts in the Cash Flow Management Fund to the trustee of any other series of local agency revenue bonds issued by the Authority to the extent any surplus revenues from such other series of local agency revenue bonds were loaned to replenish the Cash Flow Management Fund.

(iii) Upon the written direction of the Authority, the Trustee will transfer any amounts in the Cash Flow Management Fund to the trustee of any other series of local agency revenue bonds issued by the Authority in an amount estimated by the Authority to be necessary to prevent a shortfall in the amount required to pay debt service on such other series of local agency revenue bonds or to the fiscal agent of any local agency bonds issued by the City an amount estimated by the Authority necessary to prevent a shortfall in the amount required to pay debt service on such local agency bonds, which all such transfers shall be treated as loaned amounts.

(iv) Upon the written direction of the Authority, the Trustee will transfer such amount as may be directed by the Authority for deposit in the Redemption Fund.

(v) On or as soon as practicable after September 2 of each year, commencing September 2, 2017, upon the written direction of the Authority, the Trustee shall transfer all remaining amounts in the Cash Flow Management Fund in excess of the Cash Flow Management Fund Requirement to the Fiscal Agent for the District Bonds for deposit in the Delinquency Management Fund held under the Fiscal Agent Agreement as directed by the Authority.

Subject to the foregoing transfers and applications in (ii) through (v) above, amounts in the Cash Flow Management Fund are pledged to the repayment of the Bonds.

Redemption Fund

There is established under the Indenture the Redemption Fund to be held by the Trustee, to the credit of which the Authority will deposit, immediately upon receipt, all Redemption Revenues. Under the Indenture, "Redemption Revenues" includes (a) amounts received from the redemption of the District Bonds from amounts constituting prepayments of Special Taxes, (b) amounts received from the optional redemption of the District Bonds, and (c) amounts received from the special mandatory redemption of the District Bonds.

Moneys in the Redemption Fund will be held in trust by the Trustee for the benefit of the Authority and the Owners of the Bonds, and will be used and withdrawn by the Trustee pursuant to any optional redemption or special mandatory redemption from prepayment of special taxes or surplus funds.

No Parity Debt Except for Refunding Purposes

Except for the Bonds, or bonds issued for the purpose of refunding the Bonds, the Authority covenants that no additional bonds, notes or other indebtedness will be issued or incurred which are payable out of the Revenues or the Redemption Revenues in whole or in part.

SECURITY FOR THE DISTRICT BONDS

General

The District Bonds issued by the District are limited obligations of the District payable solely from Special Tax Revenues (after payment of Administrative Expenses) collected in Improvement Area No. 1 and from District Redemption Revenues, amounts on deposit in the Special Tax Receipt Fund, Special Tax Fund (after payment Administrative Expenses), the Bond Fund, the Redemption Fund and the Delinquency Management Fund established under the Fiscal Agent Agreement. The District's limited obligation to pay the principal of, premium, if any, and interest on the District Bonds from Special Tax Revenues and District Redemption Revenues collected in Improvement Area No. 1 and from certain funds pledged therefor under the Fiscal Agent Agreement is absolute and unconditional.

No District Bond issued by the District (and no additional bonds issued for refunding purposes under the Fiscal Agent Agreement relating to a District Bond, each a "District Parity Bond") is a legal or equitable pledge, charge, lien or encumbrance upon any of such District's property, or upon any of its income, receipts or revenues, except the Special Tax Revenues and Redemption Revenues collected in Improvement Area No. 1 and certain funds pledged therefor under the Fiscal Agent Agreement (excluding amounts for Administrative Expenses).

Except for the Special Tax Revenues, neither the credit nor the taxing power of the District or the City is pledged for the payment of the District Bonds or related interest, and no Owner of the Bonds may compel the exercise of taxing power by the City or the District or the forfeiture of any of its

property. The principal of and interest on the District Bonds and premiums upon the redemption thereof, if any, are not a debt of the District or the City, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory limitation or restriction.

Special Tax Revenues and District Redemption Revenues

Special Tax Revenues. The “Special Tax Revenues” are the Special Taxes authorized to be levied and collected by the District in Improvement Area No. 1 according to the Rate and Method. The Special Taxes are collected in the manner and at the same time as *ad valorem* property taxes are collected and is subject to the same penalties and the same procedure, sale, and lien priority in case of delinquency as is provided for *ad valorem* property taxes. See “THE DISTRICT AND IMPROVEMENT AREA NO. 1” and APPENDIX B — “RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES.”

The “Special Tax Revenues” pledged by the District for the District Bonds (and any related District Parity Bonds) is defined in the Fiscal Agent Agreement as (a) the proceeds of the Special Taxes received pursuant to the Rate and Method by the District with respect to Improvement Area No. 1, including any interest thereon, (b) income and gains with respect to the investment of amounts on deposit in the funds and accounts established under the Fiscal Agent Agreement for the District Bonds and any District Parity Bonds, and (c) proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes. Notwithstanding the foregoing, “Special Tax Revenues” do not include any penalties or interest in excess of the interest payable on the District Bonds collected in connection with delinquent Special Taxes.

“Special Taxes” means the special taxes levied within Improvement Area No. 1 pursuant to the Mello-Roos Act, the Ordinance, the Fiscal Agent Agreement and the Rate and Method.

The District will covenant in the Fiscal Agent Agreement that it will receive all Special Taxes and amounts paid to it by the Authority under the Indenture in trust for the Owners of its District Bonds, and will immediately deposit such amounts with the Fiscal Agent, and the District shall have no beneficial right or interest in the amounts so deposited except as provided by the Fiscal Agent Agreement.

The Fiscal Agent, under the Fiscal Agent Agreement will, on each date on which the Special Tax Revenues are received from the District, deposit the Special Taxes in the Special Tax Fund and will deposit in the Delinquency Management Fund all amounts paid to it by the Authority to be held in trust for the Authority as the owner of the District Bonds. The Fiscal Agent will (after payment of Administrative Expenses) transfer the Special Tax Revenues on deposit in the Special Tax Fund on the dates and in the amounts set forth in the Fiscal Agent Agreement, in the following order of priority, to the following funds and accounts held under the Fiscal Agent Agreement:

- (1) The Interest Account of the Bond Fund;
- (2) The Principal Account of the Bond Fund; and
- (3) The Delinquency Management Fund.

Delinquency Management Fund. The Fiscal Agent Agreement establishes a Delinquency Management Fund held by the Fiscal Agent. On the Closing Date, there will not be any amounts deposited in or on deposit in the Delinquency Management Fund. On September 2 of each year, commencing September 2, 2017, the Fiscal Agent will transfer any amounts remaining in the Special Tax Fund following disbursement to the Interest Account and the Principal Account as described above, to the Delinquency Management Fund. Moneys in the Delinquency Management Fund shall be held by the Fiscal Agent for the benefit of the Owners of the District Bonds, and shall be disbursed as follows:

(1) The Fiscal Agent will transfer to the appropriate accounts within the Bond Fund to pay debt service on the District Bonds to the extent Special Tax Revenues are insufficient for such purpose.

(2) The Fiscal Agent will transfer from any amounts in the Delinquency Management Fund in excess of the Delinquency Management Fund Requirement (defined in the Fiscal Agent Agreement as the amount equal to 15% of Maximum Annual Debt Service for District Bonds, as of any calculation date) to the Administrative Expense Fund in an amount determined by the District to pay Administrative Expenses to the extent amounts in the Administrative Expense Fund are insufficient therefore.

(3) The Fiscal Agent will transfer all remaining amounts in the Delinquency Management Fund in excess of the Delinquency Management Fund Requirement upon the written direction of the District, on the next redemption date for which notice of redemption can timely be given, to the Special Mandatory Redemption Account of the Redemption Fund held under the Fiscal Agent Agreement for redemption of the District Bonds unless the Fiscal Agent has received written direction from the District to expend such remaining funds held in the Delinquency Management Fund for any lawful purposes of the District including, but not limited to, paying costs of public capital improvements or reducing the Special Taxes which are to be levied in the current or the succeeding Fiscal Year upon the properties which are subject to the Special Tax.

Subject to the foregoing transfers and applications in (1) through (3) above, amounts in each Delinquency Management Fund are pledged to the repayment of the District Bond.

Administrative Expense Fund. The Fiscal Agent Agreement establishes an Administrative Expense Fund held by the Fiscal Agent. The Fiscal Agent will deposit in the Administrative Expense Fund the amount budgeted and levied for Administrative Expenses. The District estimates Administrative Expenses of \$12,000 in Fiscal Year 2017-18 for Improvement Area No. 1, projected to increase at a rate of 2% annually thereafter. Amounts in the Administrative Expense Fund will be withdrawn by the Fiscal Agent and paid to the District or the City or upon its order to pay Administrative Expenses. Annually, at least five (5) days prior to the last day of each Bond Year, the Fiscal Agent will withdraw any amounts then remaining in the Administrative Expense Fund that have not been allocated to pay Administrative Expenses incurred but not yet paid, and which are not otherwise encumbered or expected to be needed for the purposes of such fund, and transfer such amounts to the Special Tax Fund.

Redemption Fund; District Redemption Revenues. The Fiscal Agent Agreement establishes a Redemption Fund (which fund will consist solely of an "Optional Redemption Account" and a "Special Mandatory Redemption Account"), to the credit of which the District shall deposit, immediately upon receipt, all District Redemption Revenues received by the District to the credit of which the District or the City, on behalf of the District, will deposit, immediately upon receipt, all District Redemption Revenues received by the District. District Redemption Revenues are defined in the Fiscal Agent Agreement to include (a) prepayments of the Special Taxes, (b) any amounts transferred pursuant to the Indenture for the redemption of the District Bonds, (c) amounts transferred from the Delinquency Management Fund for the redemption of the District Bonds, and (d) any amounts deposited for the optional redemption and special mandatory redemption of the District Bonds pursuant to the Fiscal Agent Agreement.

Moneys in the Redemption Fund will be held by the Fiscal Agent for the benefit of the District and the Owners of the District Bonds, will be disbursed as provided below and, pending any disbursement, will be subject to a lien in favor of the Owners of the District Bonds. Moneys in the Redemption Fund will be applied as follows:

(1) All prepayments of Special Taxes and amounts transferred from the Delinquency Management Fund for the redemption of Bonds or transferred from the Authority under the Indenture for the redemption of the District Bonds will be deposited in the Special Mandatory Redemption Account to be used to redeem the District Bonds on the next date for which notice of redemption can timely be given.

(2) Any amounts deposited for the optional redemption of the District Bonds will be deposited into the Optional Redemption Account to be used to redeem the District Bonds on the next date for which notice of redemption can timely be given.

No Teeter Plan

Although the County Board of Supervisors has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan") which allows each entity levying secured property taxes in the County to draw on the amount of property taxes levied rather than the amount actually collected, as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code, the District is not included in the County Teeter Plan. Consequently, the District may not draw on the County Tax Loss Reserve Fund in the event of delinquencies in Special Tax payments within Improvement Area No. 1.

District Parity Bonds

The Fiscal Agent Agreement authorizes the District to issue on behalf of Improvement Area No. 1 additional bonds secured by Special Taxes on a parity with the District Bonds (the "District Parity Bonds") but only for the purpose of refunding all or a portion of the District Bonds or District Parity Bonds. For a description of the conditions established in the Fiscal Agent Agreement for the issuance of District Parity Bonds, see APPENDIX A — "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS."

Priority of Lien of Special Taxes

Each installment of the Special Taxes and any interest and penalties thereon, constitutes a lien on the parcel of land on which it was imposed until the same is paid. Such lien is co-equal to and independent of the lien for general taxes and any other community facilities district special taxes. See "THE DISTRICT AND IMPROVEMENT AREA NO. 1 — Direct and Overlapping Debt" herein.

Covenants of the District

In the Fiscal Agent Agreement, the District will covenant as follows, among other things:

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

Against Encumbrance. The District will not encumber, pledge or place any charge or lien upon any of the Special Tax Revenues, or other amounts pledged to each District Bond superior to or on a parity with the pledge and lien herein created for the benefit of the District Bonds, except as permitted by the Fiscal Agent Agreement.

Collection of Special Tax Revenues. The District will comply with all requirements of the Mello-Roos Act so as to assure the timely collection of Special Tax Revenues, including without limitation, the enforcement of delinquent Special Taxes.

The Treasurer (who is the person acting in the capacity as treasurer or finance director of the City) will affect the levy of the Special Taxes each Fiscal Year on the parcels within Improvement Area No. 1 in accordance with the Rate and Method, such that the computation of the levy is complete before the final date on which the auditor/tax collector of the County (the "Auditor") will accept the transmission of the Special Tax amounts for the parcels within Improvement Area No. 1 for inclusion on the next secured tax roll. Upon the

completion of the computation of the amounts of the levy, the Treasurer will prepare or cause to be prepared, and will transmit to the Auditor, such data as the Auditor requires to include the levy of the Special Taxes on the next secured tax roll. The Special Taxes so levied will be payable and be collected in the same manner and at the same time and in the same installments as the general taxes on real property are payable, and have the same priority, become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general taxes on real property, unless otherwise provided by the District.

In the event that the Treasurer determines to levy all or a portion of the Special Taxes by means of direct billing of the property owners of the parcels within Improvement Area No. 1, the Treasurer will, not less than forty-five (45) days prior to each Interest Payment Date, send bills to the owners of such real property located within Improvement Area No. 1 subject to the levy of the Special Taxes for Special Taxes in an aggregate amount necessary to meet the financial obligations of the District due on the next Interest Payment Date, said bills to specify that the amounts so levied will be due and payable not less than thirty (30) days prior to such Interest Payment Date and will be delinquent if not paid when due.

In any event, the Treasurer will fix and levy the amount of Special Taxes within Improvement Area No. 1 required (i) for the payment of principal of and interest on any outstanding District Bonds becoming due and payable during the ensuing year (taking into consideration anticipated delinquencies), and (ii) to pay the Administrative Expenses during such year, all in accordance with the Rate and Method and the Ordinance. The Special Taxes so levied will not exceed the authorized amounts as provided in the proceedings pursuant to the Resolution of Formation.

The District has covenanted in the Fiscal Agent Agreement, that to the extent there is a draw upon the Reserve Account pursuant to the Indenture as a result of a delinquency in the collection of Special Taxes, the District will cause the Treasurer to effect the next annual levy of Special Taxes in an amount sufficient to replenish such delinquency in addition to those required by the Fiscal Agent Agreement and in addition to amounts that would be levied if there were no such delinquency; provided, however, the amount of Special Taxes levied will not exceed the maximum permitted by the Mello-Roos Act, the Ordinance and the Rate and Method.

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

Commence Foreclosure Proceedings. The District will review the public records of the County in connection with the collection of the Special Tax not later than October 30 of each year to determine the amount of Special Tax collected in the prior Fiscal Year; and with respect to individual delinquencies, the District will send or cause to be sent a notice of delinquency and a demand for immediate payment thereof to the property owner within 45 days of such determination, and if the District determines that any single property owner subject to the Special Tax is delinquent in the payment of Special Taxes in the aggregate of \$5,000 or more or delinquent in the payment of three consecutive installments of Special Tax or that the delinquent Special Taxes represent more than 5% of the aggregate Special Taxes levied within Improvement Area No. 1 of the District or if there has been a draw on the funds on deposit in the Reserve Account established under the Indenture, and if the delinquency remains uncured, the District will cause judicial foreclosure proceedings to be filed in the superior court within ninety (90) days of the notice to the property owner against all properties for which the Special Taxes remain delinquent. Prior to commencement of any judicial foreclosure proceedings, the District shall continue with its efforts to collect the delinquent Special Taxes by sending subsequent notice of delinquency and a demand for immediate payment thereof. The District may treat any delinquent Special Tax sold to an independent third-party or to any funds of the City for

at least 100% of the delinquent amount as having been paid. Proceeds of any such sale up to 100% of the delinquent amount shall be deposited in the Special Tax Fund.

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

See APPENDIX A — “SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS” for a more complete description of the District’s covenants under the Fiscal Agent Agreement.

THE DISTRICT AND IMPROVEMENT AREA NO. 1

General Information

The District was formed in 2015 by the City pursuant to the Mello-Roos Act for the purpose of financing of public improvements to meet the needs of new development within the District. At the time the District was formed, three improvement areas were designated within the District (Improvement Area Nos. 1 through 3). At a special election held on January 13, 2015 within Improvement Area No. 1, the qualified electors within Improvement Area No. 1, which consisted solely of the then owner of land in Improvement Area No. 1, (i) authorized the District to incur bonded indebtedness for Improvement Area No. 1 of up to \$5,000,000 in order to finance certain public facilities and various costs related thereto, (ii) approved the Rate and Method, and (iii) approved the levy of a Special Tax on the taxable property within Improvement Area No. 1 to pay the principal and interest on the District Bonds and annual Administrative Expenses of the District, and to make any replenishments to the reserve account established in connection with the District Bonds.

Improvement Area No. 1

Improvement Area No. 1 is located on the northwest corner of Evans Road and Citrus Avenue and is bordered by Lemon Avenue to the north and Citrus Avenue to the south. Improvement Area No. 1 contains approximately 29.9 gross acres. The Developer’s development within Improvement Area No. 1 is planned for 156 single family detached homes and is the first phase of the District-wide development being marketed as “Avelina.” As of February 22, 2017, within Improvement Area No. 1, the Developer had completed and conveyed 138 homes to individual homeowners. As of such date, within Improvement Area No. 1, the Developer owned four model homes and 14 finished lots. The Developer expects to use the four completed model homes and the 14 finished lots within Improvement Area No. 1 for the model home complex for its projects in Improvement Area Nos. 2 and 3 of the District. Therefore, the Developer does not expect to convey homes built and to be built on such lots to individual homeowners until the project within the District as a whole is substantially built out. See “PROPERTY OWNERSHIP AND THE DEVELOPMENT.”

Based on development status as of February 22, 2017, the estimated Special Tax levy for Fiscal Year 2017-18 will be on 142 parcels of Developed Property. The District does not expect to levy the Special Tax on Undeveloped Property in Fiscal Year 2017-18; however, under the Rate and Method, the District has the ability to do so if necessary to satisfy the Special Tax Requirement (as defined in the Rate and Method).

All in-tract infrastructure necessary to complete the planned development within Improvement Area No. 1 has been constructed. Water and sewer service to the property within Improvement Area No. 1 is currently supplied by the City and Eastern Municipal Water District, respectively. Electricity is currently supplied by Southern California Edison, gas by The Gas Company and telephone and internet services are offered by a variety of vendors.

Although, like all of Southern California, the land within the District is subject to seismic activity, it is not located within an Alquist-Priolo Earthquake Fault Zone.

A map showing the location of the District and an aerial photograph thereof appear following the Table of Contents, respectively, and information about the ownership and planned development of such property is set forth under the caption "DEVELOPMENT OF PROPERTY WITHIN IMPROVEMENT AREA 1."

Rate and Method of Apportionment

The Rate and Method is contained in APPENDIX B — "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES." In general, the Rate and Method imposes a different Maximum Special Tax on Taxable Property within Improvement Area No. 1 depending upon whether such Taxable Property is classified as "Developed Property" (in general, Taxable Property for which a building permit for new construction was issued prior to the April 1 preceding each Fiscal Year), "Undeveloped Property" (in general, Taxable Property that is not "Developed Property" or "Provisional Property"). "Provisional Property" is Public Property, Property Owner Association Property or property that would otherwise be classified as Exempt Property pursuant to the provisions of the Rate and Method, but cannot be classified as Exempt Property because to do so would reduce the Acreage of all Taxable Property within Improvement Area No. 1 below 27.37 acres.

Pursuant to the Rate and Method the Board is required to determine the "Special Tax Requirement" (as defined therein) for each Fiscal Year. The Special Tax Requirement is the amount required in any Fiscal Year to pay: (i) regularly scheduled debt service on all District Bonds; (ii) pay periodic costs on the District Bonds, including but not limited to, credit enhancement and rebate payments on the District Bonds; (iii) pay Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all District Bonds; (v) accumulate funds to pay directly for acquisition or construction of facilities provided that the inclusion of such amount does not cause an increase in the Special Tax to be levied on Undeveloped Property; and (vi) pay for reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year; less (vii) a credit for funds available to reduce the Annual Special Tax levy, as determined by pursuant to the Fiscal Agent Agreement.

The Special Tax Requirement is to be satisfied first by levying the Special Tax Proportionately on each Assessor's Parcel of Developed Property within Improvement Area No. 1 at up to 100% of the applicable Maximum Special Tax. If additional moneys are needed to satisfy the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property within Improvement Area No. 1 at up to 100% of the Maximum Special Tax for Undeveloped Property. If additional moneys are still needed to satisfy the Special Tax Requirement, the Special Tax that is to be levied on each Parcel of Provisional Property within Improvement Area No. 1 at up to 100% of the Maximum Special Tax for Provisional Property. Notwithstanding the above, under no circumstances will the Special Tax levied against any Assessor's Parcel of Residential Property within Improvement Area No. 1 be increased by more than 10% per Fiscal Year as a consequence of a delinquency or default by the owner of any other Assessor's Parcel within Improvement Area No. 1.

For Fiscal Year 2017-18, the Maximum Special Tax rates for Developed Property within Improvement Area No. 1 range from \$834 to \$1,780, depending upon the size of the residence. Such Maximum Special Tax rates increase by 2% on July 1 of each Fiscal Year.

The District intends to size the District Bonds so that, assuming no delinquencies in Improvement Area No. 1, Net Special Taxes (being Special Taxes less budgeted Administrative Expenses), levied in accordance with the Rate and Method, will generate in each Fiscal Year beginning in Fiscal Year 2017-18 not less than 110% of debt service payable with respect to the District Bonds in the calendar year that begins in that Fiscal Year. See Table 1 below.

TABLE 1
COMMUNITY FACILITIES DISTRICT NO. 2014-1 (AVELINA)
IMPROVEMENT AREA 1
ESTIMATED FISCAL YEAR 2017-18 SPECIAL TAX LEVY

<i>Land Use Type</i>	<i>Residential Floor Area (sq. ft.)</i>	<i>Maximum Special Tax Per Unit/(Acre)⁽¹⁾</i>	<i>Estimated Fiscal Year 2017-18 Special Tax Levied Per Unit/(Acre)⁽²⁾</i>	<i>Number of Units</i>	<i>Aggregate Estimated Fiscal Year 2017-18 Special Tax Levy</i>	<i>Percent of Total</i>
1-Residential	Greater than 3,150 sq. ft.	\$1,780	\$1,780	31	\$ 55,184	26.39%
3-Residential	2,751 sq. ft. to 2,950 sq. ft.	1,546	1,546	26	40,197	19.22
4-Residential	2,551 sq. ft. to 2,750 sq. ft.	1,424	1,424	37	52,699	25.20
5-Residential	2,351 sq. ft. to 2,550 sq. ft.	1,359	1,359	28	38,045	18.19
7-Residential	1,951 sq. ft. to 2,150 sq. ft.	1,151	1,151	<u>20</u>	<u>23,014</u>	<u>11.00</u>
Totals				<u>142</u>	\$209,139	100.00%

⁽¹⁾ Based on the Maximum Special Tax rate for Developed Property for Fiscal Year 2017-18.

⁽²⁾ Fiscal Year 2017-18 estimated Special Tax Revenues is equal to the Maximum Special Tax rates levied on 142 parcels of Developed Property based on development status as of February 22, 2017.
Source: Willdan Financial Services.

Estimated Assessed Value-To-Lien Ratios

The District has not engaged an independent appraiser to provide an opinion concerning the values of the parcels within Improvement Area No. 1 that comprises the Taxable Property. However, the District has determined the assessed values of those parcels, as shown on the Fiscal Year 2016-17 County Assessor's secured equalized roll (as of January 1, 2016). The aggregate assessed value of the Taxable Property within Improvement Area No. 1 as shown on the Fiscal Year 2016-17 County Assessor's secured equalized roll is \$36,591,349. Since the date of such secured equalized roll, the Developer has completed additional improvements and homes and has conveyed additional homes within Improvement Area No. 1 to individual owners. Therefore, the total assessed value for Fiscal Year 2017-18 within Improvement Area No. 1 as a whole can be expected to increase from the Fiscal Year 2016-17 amount. However, none of the Authority, the City or the District can give any assurance as to any actual increase in the amount of the Fiscal Year 2017-18 assessed values within Improvement Area No. 1.

The value of the property within Improvement Area No. 1 is significant to an evaluation of the Bonds because, in the event of a delinquency in the payment of Special Taxes, the District may foreclose only against delinquent parcels. Likewise, the ratio of the value of a parcel to its "share" of the applicable District Bonds is important because it provides an indication of the extent of the relative burden imposed on each parcel by the Special Tax. As indicated above, the aggregate assessed value of the Taxable Property within Improvement Area No. 1 as shown on the Fiscal Year 2016-17 County Assessor's secured equalized roll as of January 1, 2016 is \$36,591,349. The ratio of that value to the \$4,500,000 total principal amount of the Bonds is approximately 8.13-to-1*. This ratio does not include other overlapping debt within Improvement Area No. 1. See "— Direct and Overlapping Debt" below. Taking that direct and overlapping debt into account, the ratio of the aggregate assessed value of the Taxable Property within Improvement Area No. 1 to the total principal amount of all direct and overlapping special tax and assessment bonds for Improvement Area No. 1 (\$5,227,238, inclusive of the Bonds) is approximately 7.00-to-1*.

As of February 22, 2017, there were 142 completed homes within Improvement Area No. 1, 138 of which had been conveyed to individual homeowners. As of such date, the Developer owned four completed model homes and 14 finished lots within Improvement Area No. 1. The Developer expects to use the four completed model homes and the 14 finished lots within Improvement Area No. 1 for the model home complex for its projects in Improvement Area Nos. 2 and 3 of the District. Therefore, the Developer does not expect to convey homes built and to be built on such lots to individual homeowners until the project within the District as a whole is substantially built out. See "PROPERTY OWNERSHIP AND THE DEVELOPMENT."

Table 3 below sets forth the stratification of value-to-liens of the parcels of Developed Property within Improvement Area No. 1 for the projected Fiscal Year 2017-18 Special Tax levy, based on Fiscal Year 2016-17 assessed values (based on the County Assessor's secured equalized roll as of January 1, 2016), and such parcels' respective shares of the principal amount of the District Bonds and other direct and overlapping debt within Improvement Area No. 1 (allocated to each parcel based upon its respective share of the total projected Special Tax levy for Fiscal Year 2017-18).

Each of the aforesaid value to lien ratios is for all of the property within Improvement Area No. 1, however, the ratios of the value of individual lots within Improvement Area No. 1 to their respective shares of the principal amount of the District Bonds can be expected to vary substantially depending upon the status of development and selling price thereof. See Tables 3 and 4 below. The apportionment of existing land-secured debt other than the District Bonds is a function of the rate and method of apportionment attributable to each of those community facilities districts.

Assessed values do not necessarily represent market values. Article XIII A of the California Constitution (Proposition 13) defines "full cash value" to mean "the County assessor's valuation of real

* Preliminary, subject to change.

property as shown on the 1975/76 roll under 'full cash value', or, thereafter, the appraised value of real property when purchased or newly constructed or when a change in ownership has occurred after the 1975 assessment," subject to exemptions in certain circumstances of property transfer or reconstruction. The "full cash value" is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors. Because of the general limitation to 2% per year in increases in full cash value of properties which remain in the same ownership, the County tax roll does not reflect values uniformly proportional to actual market values. The market value of properties in Improvement Area No. 1 has experienced decline in prior years. There can be no assurance that the assessed valuations of the properties within Improvement Area No. 1 accurately reflect their respective market values, and the future fair market values of those properties may be lower than their current assessed valuations.

No assurance can be given that, should a delinquent parcel be foreclosed and sold for the amount of the delinquency, any bid will be received for such parcel, or if a bid is received that such bid will be sufficient to pay such delinquent Special Taxes. The table below sets forth historic assessed values within Improvement Area No. 1 for Fiscal Years 2015-16 and 2016-17.

**TABLE 2
COMMUNITY FACILITIES DISTRICT NO. 2014-1 (AVELINA)
IMPROVEMENT AREA NO. 1
HISTORIC ASSESSED VALUES**

<i>Fiscal Year</i>	<i>Total Parcels</i>	<i>Parcels With Structure Value</i>	<i>Land Assessed Value⁽¹⁾</i>	<i>Improvement Assessed Value⁽¹⁾</i>	<i>Total Property Assessed Value⁽¹⁾</i>	<i>Increase/(Decrease) in Property Assessed Value</i>
2015-16	156	10	\$4,036,815	\$ 2,266,595	\$ 6,303,410	-
2016-17	156	108	8,031,761	28,559,588	36,591,349	481%

⁽¹⁾ As of January 1 of each year as shown on the County Assessor's Rolls. Total Assessed Value is calculated as the sum of Land Assessed Value and Improvement Assessed Value.

Sources: Willdan Financial Services; County Assessor.

TABLE 3
COMMUNITY FACILITIES DISTRICT NO. 2014-1 (AVELINA)
IMPROVEMENT AREA NO. 1
VALUE-TO-LIEN STRATIFICATION FOR DEVELOPED PROPERTY*

Value-to-Lien	No. of Parcels⁽¹⁾⁽²⁾	Projected Fiscal Year 2017-18 Special Tax Levy	Percentage of Estimated Fiscal Year 2017-18 Special Tax	Proposed Improvement Area No. 1 Bonds	Overlapping Land Secured Bonded Debt	Total Direct and Overlapping Land Secured Debt⁽³⁾	Assessed Value⁽²⁾
Less than 3.00:1 ⁽¹⁾	34	\$ 48,938	23.87%	\$1,074,038	\$173,574	\$1,247,612	\$ 1,395,011
3.00:1 to 5.99:1	9	13,048	6.36%	286,362	46,279	332,641	1,456,787
6.00:1 to 9.99:1	82	122,254	59.62%	2,683,125	433,616	3,116,741	27,546,431
10.00:1 or Greater	17	20,799	10.14%	456,474	73,770	530,244	5,633,120
	142	\$205,039	100.00%	\$4,500,000	\$727,238	\$5,227,238	\$36,031,349

* Preliminary, subject to change.

(1) Based on assessed values for Fiscal Year 2016-17 as shown on the County Assessor's roll. Since the date of such secured equalized roll, the Developer has completed additional improvements and homes and has conveyed additional homes within Improvement Area No. 1 to individual owners. The total assessed value for Fiscal Year 2017-18 within Improvement Area No. 1 as a whole can be expected to increase from the Fiscal Year 2016-17 amount. Based on such projected increase in assessed valuation, the number of parcels with value-to-lien ratios below 3:00 to 1 can be expected to decrease. However, none of the Authority, the City or the District can make any assurance as to any actual increase in the amount of the Fiscal Year 2017-18 assessed values within Improvement Area No. 1.

(2) Includes Developed Property only. The District does not expect to levy Special Taxes on Undeveloped Property in Fiscal Year 2017-18.

(3) Excludes general obligation bonded debt.

Source: Willdan Financial Services.

Top Taxpayers

Special Taxes for Fiscal Year 2017-18 are projected to be levied on 142 parcels classified as Developed Property, based on development status as of February 22, 2017 and assuming no further development within Improvement Area No. 1. Individual homeowners and the Developer are projected to be responsible for approximately 97.00% and 3.00% of the projected Fiscal Year 2017-18 Special Tax levy, respectively, based on ownership and development status within Improvement Area No. 1 as of February 22, 2017. The District is not aware of any property owner other than the Developer within Improvement Area No. 1 which owns more than one home.

The District does not expect to levy the Special Tax on Undeveloped Property in Fiscal Year 2017-18; however, under the Rate and Method, the District has the ability to do so if necessary to satisfy the Special Tax Requirement (as defined in the Rate and Method).

TABLE 4
COMMUNITY FACILITIES DISTRICT NO. 2014-1 (AVELINA)
IMPROVEMENT AREA NO. 1
ESTIMATED VALUE-TO-LIEN RATIOS
ALLOCATED BY PROPERTY TYPE

<i>Property Owner</i>	<i>Number of Parcels⁽¹⁾</i>	<i>Projected Fiscal Year 2017-18 Special Tax⁽²⁾</i>	<i>Percentage of Estimated Fiscal Year 2017-18 Special Tax</i>	<i>Proposed Improvement Area No. 1 Bonds[*]</i>	<i>Overlapping Land Secured Bonded Debt</i>	<i>Total Direct and Overlapping Land Secured Bonded Debt⁽³⁾</i>	<i>Assessed Value⁽⁴⁾</i>	<i>Estimated Assessed Value to Lien Ratio[*]</i>
<i>Undeveloped Property</i>								
Developer-Owned	14	\$ 0	0.00%	\$ 0	\$ 0	\$ 0	\$560,000	N/A
Subtotal Undeveloped Property	14	0	0.00	0	0	0	560,000	
<i>Developed Property</i>								
Individually-Owned	138	\$203,030	97.00%	\$4,368,549	\$705,994	\$5,074,544	\$34,616,916	6.82:1
Developer-Owned	4	6,109	3.00	131,451	21,244	152,694	1,414,433	9.26:1
Subtotal Developed Property	142	\$209,139	100.00%	\$4,500,000	\$727,238	\$5,227,238	\$36,591,349	7.00:1
TOTAL	156	\$209,139	100.00%	\$4,500,000	\$727,238	\$5,227,238	\$36,591,349	7.00:1

* Preliminary, subject to change.

- (1) Based on development and ownership status as of February 22, 2017. Pursuant to the Rate and Method, Developed Property, in general, is property for which a building permit for new construction has been issued prior to April 1 preceding the Fiscal Year in which the Special Tax is being levied. The Developer expects to use the four completed model homes and the 14 remaining parcels of Undeveloped Property as the model home complex for its projects in Improvement Area Nos. 2 and 3 of the District. Homes constructed and to be constructed on such parcels are not expected to be conveyed to individual owners until substantial buildout of the entire District.
- (2) The District expects to levy Special Taxes on 142 parcels of Developed Property at the Maximum Special Tax rates under the Rate and Method. The District does not expect to levy Special Taxes on Undeveloped Property in Fiscal Year 2017-18, however, pursuant to the Rate and Method, the District has the ability to levy Special Taxes on Undeveloped Property to satisfy the Special Tax Requirement (as defined in the Rate and Method). Includes estimated Administrative Expenses of \$12,000.
- (3) Excludes general obligation bonded debt.
- (4) Based on assessed values for Fiscal Year 2016-17 as shown on the County Assessor's roll as of January 1, 2016. Since the date of such secured equalized roll, the Developer has completed additional improvements and homes and has conveyed additional homes within Improvement Area No. 1 to individual owners. The total assessed value for Fiscal Year 2017-18 within Improvement Area No. 1 as a whole can be expected to increase from the Fiscal Year 2016-17 amount. However, none of the Authority, the City or the District can give any assurance as to any actual increase in the amount of the Fiscal Year 2017-18 assessed values within Improvement Area No. 1.

Source: Willdan Financial Services.

Direct and Overlapping Debt

Improvement Area No. 1 is included within the boundaries of numerous overlapping local agencies providing governmental services. Some of these local agencies have outstanding bonds, and/or the authority to issue bonds, payable from taxes or assessments. The existing and authorized indebtedness payable from taxes and assessments that may be levied upon the property within Improvement Area No. 1 is shown in Table 5 below. In addition to current debt, new community facilities districts and/or special assessment districts could be formed in the future encompassing all or a portion of the property within Improvement Area No. 1; and such districts or the agencies that formed them could issue more bonds and levy additional special taxes or assessments.

**TABLE 5
COMMUNITY FACILITIES DISTRICT NO. 2014-1 (AVELINA)
IMPROVEMENT AREA NO. 1
SECURED PROPERTY TAX ROLL AND DIRECT AND OVERLAPPING DEBT**

2016-17 Assessed Valuation: \$36,591,349

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 2/1/17</u>
Metropolitan Water District General Obligation Bonds	0.00141%	\$ 1,311
Mt. San Jacinto Community College District General Obligation Bonds	0.00005	32
Riverside Community College District General Obligation Bonds	0.03903	102,331
Val Verde Unified School District General Obligation Bonds	0.49928	622,879
Perris Union High School District General Obligation Bonds	0.00028	305
Perris School District General Obligation Bonds	0.00165	380
City of Perris Community Facilities District No. 2014-1, I.A. No. 1	100.00000	-(1)
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$727,238
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Riverside County General Fund Obligations	0.01456%	\$125,881
Riverside County Pension Obligation Bonds	0.01456	44,324
Val Verde Unified School District Certificates of Participation	0.49928	345,449
Perris Union High School District Certificates of Participation	0.00028	22
Perris School District Certificates of Participation	0.00165	119
Riverside County Flood Control District, Zone No. 4	0.08110	15,190
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$530,985
Less: Riverside County supported obligations		809
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$530,176
 GROSS COMBINED TOTAL DEBT		 \$1,258,223⁽²⁾
NET COMBINED TOTAL DEBT		\$1,257,414

Ratios to 2016-17 Assessed Valuation:

Direct Debt (\$0)	0.00%
Total Overlapping Tax and Assessment Debt	1.99%
Gross Combined Total Debt	3.44%
Net Combined Total Debt	3.44%

(1) Excludes District Bonds described herein.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

Annual debt service for the District Bonds has been structured so that, assuming no delinquencies, Special Taxes levied at the Maximum Special Tax rates on 142 parcels of Developed Property for Fiscal Year 2017-18, will generate in each Fiscal Year not less than 110% of debt service payable, plus Administrative Expenses, with respect to the District Bonds in the calendar year that begins in that Fiscal Year. The District does not expect to levy the Special Tax on Undeveloped Property in Fiscal Year 2017-18; however, under the

Rate and Method, the District has the ability to do so if necessary to satisfy the Special Tax Requirement (as defined in the Rate and Method).

Based on the District Bond sizing and assuming that Fiscal Year 2017-18 tax rates for all other taxing jurisdictions within Improvement Area No. 1 equal the Fiscal Year 2016-17 tax rates, the projected average total Fiscal Year 2017-18 effective tax rate for Developed Property in Improvement Area No. 1 is approximately 1.64% of the median assessed value for Fiscal Year 2016-17.

The following table sets forth the estimated total tax obligation for Fiscal Year 2017-18 of a residential property in Improvement Area No. 1, using median assessed value for Fiscal Year 2016-17 and the actual Fiscal Year 2016-17 levy for overlapping districts.

**TABLE 6
COMMUNITY FACILITIES DISTRICT NO. 2014-1 (AVELINA)
IMPROVEMENT AREA 1
PROJECTED FISCAL YEAR 2017-18 TAX OBLIGATION
FOR INDIVIDUALLY OWNED SAMPLE DEVELOPED PROPERTY**

Assessed Value⁽¹⁾	\$314,691.00
Ad Valorem Property Taxes (1.0921%)	\$3,436.70
Assessment, Special Taxes & Parcel Charges⁽²⁾	
Flood Control Stormwater/Cleanwater	\$3.74
Lighting & Landscape Maintenance Dist. 84-1	11.56
MWD Standby Charge	6.94
EMWD Standby Charge	26.00
City of Perris CFD 2001-3 (Public Safety)	329.86
City of Perris CFD 2014-1 (IA1) ⁽³⁾	1,332.12
Total Assessments & Parcel Charges	\$1,710.22
Projected Total Property Tax	\$5,146.92
Projected Effective Tax Rate	1.64%

⁽¹⁾ Based on median Fiscal Year 2016-17 assessed value. Sample building floor size shown is 2,392 square feet.

⁽²⁾ Reflects average Fiscal Year 2016-17 overlapping special assessment and tax levy.

⁽³⁾ Reflects actual Fiscal Year 2016-17 Special Tax levy. Includes projected debt service on the District Bonds and estimated Administrative Expenses of \$12,000.

Sources: Willdan Financial Services.

Delinquency History

Fiscal Year 2015-16 was the first year in which the Special Taxes were levied within Improvement Area No. 1. There were no delinquent special taxes for Fiscal Year 2015-16. As of January 17, 2017, there was \$3,189 in delinquent Special Taxes for the first installment for Fiscal Year 2016-17, representing 3.1% of the levy for the first installment for Fiscal Year 2016-17.

PROPERTY OWNERSHIP AND THE DEVELOPMENT

Representatives of the Developer have provided the information in this section regarding the Developer and its development in Improvement Area No. 1 of the District. None of the Underwriter, the Authority, the City or the District has independently confirmed or verified the information in this section of the Official Statement nor does any such party make any representation as to accuracy or adequacy of this information. Further, there may be material adverse changes in this information after the date of this Official Statement.

The information in this section of the Official Statement regarding ownership of certain taxable property in Improvement Area No. 1 has been included because it is considered relevant to an informed evaluation of the Bonds. The inclusion in this Official Statement of information related to the Developer should not be construed to suggest that the Bonds, or the Special Taxes that will be used to pay the District Bonds, the payment of which secure the Bonds, are recourse obligations of the Developer or any other property owner in Improvement Area No. 1. A property owner may sell or otherwise dispose of land within Improvement Area No. 1 or a development or any interest therein at any time.

The Bonds, the District Bonds and the Special Taxes are not personal obligations of the Developer or any other current or subsequent property owners and, in the event that the Developer or any other current or subsequent property owner defaults in the payment of the Special Taxes, the District may proceed with judicial foreclosure but has no direct recourse to the assets of the Developer or any other current or subsequent property owner. As a result, other than as provided in the Official Statement, no financial statements or information is, or will be, provided about the Developer or any other current or subsequent property owner. The District Bonds are secured solely by the Special Taxes and other amounts pledged under the Fiscal Agent Agreement and the Bonds are secured solely by Revenues, Redemption Revenues and other amounts pledged under the Indenture. See "SECURITY FOR THE BONDS," "SECURITY FOR THE DISTRICT BONDS" and "SPECIAL RISK FACTORS."

The Developer

The Developer is developing the approximately 29.9 gross acres within Improvement Area No. 1 of the District. The Developer is an indirect wholly-owned subsidiary of PulteGroup, Inc., a Michigan corporation ("PulteGroup"), a publicly-held holding company based in Atlanta, Georgia whose subsidiaries engage primarily in the homebuilding business. The company also has mortgage banking operations, conducted principally through Pulte Mortgage LLC and title operations. PulteGroup is a Michigan corporation organized in 1956 whose common stock trades on the New York Stock Exchange under the symbol "PHM."

Through its brand portfolio which includes the Developer, Pulte Homes, Del Webb, DiVosta Homes, and John Weiland Homes and Neighborhoods, PulteGroup and its subsidiaries offer a wide variety of home designs, including single-family detached, townhouses, condominiums, and duplexes at different prices and with varying levels of options and amenities to the company's major customer groups: first-time, move-up, and active adult. Over its history, PulteGroup and its subsidiaries have delivered over 680,000 homes. As of December 31, 2016, PulteGroup, through its subsidiaries, conducted operations in approximately 49 markets located throughout 25 states.

PulteGroup is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information, including financial statements, with the SEC. Such filings, particularly PulteGroup's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, as filed by PulteGroup with the U.S. Securities and Exchange Commission (SEC) on February 1, 2017, set forth certain data relative to the consolidated results of operations and financial position of PulteGroup and its subsidiaries, including the Developer, as of such dates.

The SEC maintains an Internet web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC, including PulteGroup. The address of such Internet web site is www.sec.gov. In addition, the aforementioned material may also be inspected at the offices of the NYSE at 20 Broad Street, New York, NY 10005. All documents subsequently filed by PulteGroup pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in such manner as the SEC prescribes.

Copies of PulteGroup's Annual Report and each of its other quarterly and current reports, including any amendments, are available from PulteGroup's website at www.pultegroup.com.

The foregoing Internet addresses and references to filings with the SEC are included for reference only, and the information on these websites and on file with the SEC are not a part of this Official Statement and are not incorporated by reference into this Official Statement. Investors should not rely on the information and financial statements contained on these websites in evaluating whether to buy, hold or sell the Bonds.

Development Plan

Development within Improvement Area No. 1. Improvement Area No. 1 is located in the City and is bordered by Lemon Avenue to the north and Citrus Avenue to the south. Improvement Area No. 1 contains approximately 29.9 gross acres. The proposed development by the Developer consists of 156 single family homes. All of the property within Improvement Area No. 1 is within final Tract Map Nos. 30850-2, 30850-3 and 30850-4 and is a portion of a development being marketed by the Developer as “Avelina.” As of February 22, 2017, within Improvement Area No. 1, the Developer had completed and conveyed 138 homes to individual homeowners. All the in-tract infrastructure necessary to complete the planned development within Improvement Area No. 1 has been constructed.

As of February 22, 2017, within Improvement Area No. 1, the Developer owned four model homes and 14 finished lots. The Developer expects to use the 14 finished lots within Improvement Area No. 1 for the model home complex for its projects in Improvement Area Nos. 2 and 3 of the District. Therefore, the Developer does not expect to convey homes built and to be built on such lots to individual homeowners until the project within the District as a whole is substantially built out, which the Developer expects to occur in approximately 2020.

The Avelina project within Improvement Area No. 1 includes five floor plans. The following table provides the number of units within each floor plan, the base sale prices and the status of development and sales within Improvement Area No. 1 as of February 22, 2017.

**Avelina Project – Improvement Area No. 1
(As of February 22, 2017)**

<i>Plan</i>	<i>Square Feet</i>	<i>Base Sales Price</i>	<i>Closed Homes as of February 22, 2017</i>	<i>Model Homes</i>	<i>Completed Unclosed Homes</i>	<i>Finished Lots</i>	<i>Totals</i>
1	1,959	\$311,990	20	0	0	2	22
2	2,392	324,990	27	1	0	3	31
3	2,688	340,990	36	1	0	4	41
4	2,810	348,990	25	1	0	2	28
5	3,286	373,990	<u>30</u>	<u>1</u>	<u>0</u>	<u>3</u>	<u>34</u>
Total			138	4	0	14	156

Source: The Developer.

Except as described in this Official Statement, including within the section entitled “SPECIAL RISK FACTORS,” and except for those consents, permits, authorizations, certifications and approvals of governmental entities required in the ordinary course of development, the Developer has no actual knowledge of any impediment which could have a material adverse effect on its ability to complete the planned development of its property within Improvement Area No. 1 according to the budget and timeframe described herein.

Financing Plan

As of March 6, 2017, the Developer had expended approximately \$4,100,000 in acquiring its land in Improvement Area No. 1 and approximately \$34,900,000 in land improvements, home construction costs and other development, marketing and sales costs (exclusive of internal financing repayment). The remaining lots to be developed in Improvement Area No. 1 are in finished lot condition. The Developer expects the remaining land improvements, home construction costs and other development, marketing and sales costs within Improvement Area No. 1 to be approximately \$2,300,000.

To date, the Developer has financed its land acquisition and various site development and home construction costs related to its property in Improvement Area No. 1 with cash generated from its home building operations and, where necessary, internal corporate financing from its parent entity, PulteGroup. The Developer expects to finance its remaining site development and home construction costs in Improvement Area No. 1 with a combination of cash generated from its home building operations (including revenues generated from home sales in Improvement Area No. 1) and, where necessary, internal corporate financing from its parent entity, PulteGroup.

Notwithstanding the internal corporate financing from its parent entity, PulteGroup, and revenues generated from home sales in Improvement Area No. 1, there can be no assurance that the Developer will have timely access to the sources of funds which will be necessary to complete the remaining proposed development in Improvement Area No. 1. Neither the Developer nor its parent has a legal obligation to Bond Owners to make any such funds available to fund the remaining development costs or to pay *ad valorem* property taxes or Special Taxes related to the Developer's property in Improvement Area No. 1. Many factors beyond the Developer's control, or a decision by the Developer to alter its current plans, may cause the actual sources and uses to differ from the projections. See "SPECIAL RISK FACTORS – Failure to Develop Remaining Homes" herein.

If and to the extent that internal funding, including but not limited to home sales revenues and corporate financing from the Developer's parent entity, PulteGroup, is inadequate to pay the costs to complete the planned development by the Developer within Improvement Area No. 1 and other financing by the Developer is not put into place, there could be a shortfall in the funds required to complete the proposed development by the Developer in Improvement Area No. 1 and the remaining portions of the Developer's project in Improvement Area No. 1 may not be developed. Neither the Developer nor its parent has a legal obligation to Bond Owners to make any such funds available to fund the remaining development costs or to pay ad valorem property taxes or Special Taxes related to the Developer's property in Improvement Area No. 1. Many factors beyond the Developer's control, or a decision by the Developer to alter its current plans, may cause the actual sources and uses to differ.

Based on the ownership information and development status as of February 22, 2017 within Improvement Area No. 1, the Special Tax Consultant estimates that the Developer will be responsible for approximately 3.00% of the projected Fiscal Year 2017-18 Special Tax levy (consisting of the levy on four completed model homes).

History of Property Tax Payments; Loan Defaults; Litigation; Bankruptcy

It is the policy of the Developer to pay all taxes applicable to property owned by it when due in the absence of a bona fide dispute as to the amount due. However, as a large, nation-wide developer of residential projects, the Developer cannot represent with assurance that it has consistently complied with this policy. Nevertheless, based on an inquiry deemed by the Developer to be reasonable for the purpose of eliciting such information, the Developer represents that, to the Developer's Actual Knowledge (defined in the Certificate of the Developer as the knowledge that the officer signing the certificate currently has and/or has obtained from (i) an interview with such officers and responsible employees of the Developer that are likely in the ordinary course of their respective duties, to have knowledge of the matters set forth therein, or (ii) a review of such

documents as the officer signing the certificate determined necessary to obtain knowledge of the matters set forth therein), the Developer has not, within the last five years with respect to property owned by the Developer in California during its period of ownership (i) intentionally failed to pay when due special taxes or assessments that secure the payment of bonds and that were applicable to such property (the “Special Taxes or Assessments”), (ii) had any such property go to foreclosure for failure to pay such Special Taxes or Assessments, or (iii) in the case of any delinquencies in the payment of any such Special Taxes or Assessments, ever failure to cure such delinquencies with forty-five days of becoming aware thereof.

The Developer further represents that neither it nor, to the Developer’s Actual Knowledge, its indirect parent (PulteGroup) is in payment default on any loans, lines of credit or other obligation to repay borrowed money related to the Developer’s development in the District or its other projects, which payment default would in any way materially and adversely affect its ability to complete the development of its property in the District.

The Developer also represents that no proceedings are pending (based upon service of process being accomplished) or, to the Developer’s Actual Knowledge, threatened in which the Developer or its indirect parent (PulteGroup) may be adjudicated as bankrupt or discharged from any and all of its debts or obligations or granted an extension of time to pay its debts or a reorganization or readjustment of its debts, and there are no current plans for the Developer or its indirect parent (PulteGroup) to file for bankruptcy. The Developer also represents that it has never filed for bankruptcy or been declared bankrupt within the past ten years.

Neither Developer nor its indirect parent is under any legal obligation of any kind to expend funds for the development of the property within the Community Facilities District. See “SPECIAL RISK FACTORS — Failure to Develop Remaining Homes” herein.

SPECIAL RISK FACTORS

The purchase of the Bonds involves certain investment risks which are discussed throughout this Official Statement. Each prospective investor should make an independent evaluation of all information presented in this Official Statement in order to make an informed investment decision. Particular attention should be given to the factors described below which, among others, could affect the payment of debt service on the Bonds.

Risks of Real Estate Secured Investments Generally

Because the timely payment of debt service on the Bonds will be dependent upon the timely payment of the District Bonds and the timely payment of the District Bonds will be dependent upon the timely payment of Special Taxes, which are secured ultimately by the Taxable Property within Improvement Area No. 1, the Bond Owners will be subject to the risks generally incident to an investment secured by real estate, including, without limitation, (i) adverse changes in local market conditions, such as changes in the market value of real property in and around the vicinity of Improvement Area No. 1, the supply of or demand for competitive properties in such area, and the market value of residential property or buildings and/or sites in the event of sale or foreclosure; (ii) changes in real estate tax rates and other operating expenses, governmental rules (including, without limitation, zoning laws and laws relating to endangered species and hazardous materials) and fiscal policies; (iii) natural disasters (including, without limitation, earthquakes and floods), which may result in uninsured losses; (iv) adverse changes in local market conditions; and (v) increased delinquencies due to rising mortgage costs and other factors.

Concentration of Ownership

Based on the ownership and development status of the taxable property within Improvement Area No. 1 as of February 22, 2017 (and assuming no further development or sales to individual homeowners), the estimated Special Tax levy required for Fiscal Year 2017-18 would result in approximately 97.00% of the

Special Taxes securing the District Bonds being paid by individual homeowners and approximately 3.00% being paid by the Developer. Until the construction and sale of all homes to individual homeowners, the receipt of the Special Taxes is dependent, in part, on the willingness and the ability of the Developer or its successors to pay the Special Taxes when due. The Developer expects to use the four completed model homes and the 14 remaining finished lots within Improvement Area No. 1 as the model home complex for its projects within Improvement Area Nos. 2 and 3 of the District. Therefore, the Developer can be expected to be responsible for the Special Tax levy on such completed model homes and the 14 lots (if any) until substantial buildout of the projects within the District. Failure of the Developer or its successors to pay the annual Special Taxes prior to delinquency could be a material factor in a default in payments of the principal of, and interest on, the District Bonds and the Bonds, when due. See the caption “— Failure to Develop Remaining Homes.”

No assurance can be given that the Developer, or their successors will complete the remaining construction and development in Improvement Area No. 1 in the timeframe or for estimated costs predicted herein or that they will complete it at all. See the caption “— Failure to Develop Remaining Homes.” No assurance can be given that the individual homeowners, the Developer or their successors will pay Special Taxes in the future or that they will be able to pay such Special Taxes on a timely basis. See the caption “— Bankruptcy and Foreclosure” for a discussion of certain limitations on the District’s ability to pursue judicial proceedings with respect to delinquent parcels.

Failure to Develop Remaining Homes

Development of property within Improvement Area No. 1 may be subject to unexpected delays, disruptions and changes which may affect the willingness and ability of the Developer to pay the Special Taxes when due. Land development is subject to comprehensive federal, State and local regulations. Approval is required from various agencies in connection with the layout and design of developments, the nature and extent of improvements, construction activity, land use, zoning, school and health requirements, as well as numerous other matters. See the caption “PROPERTY OWNERSHIP AND THE DEVELOPMENT” for a discussion of the remaining homes to be completed and sold within Improvement Area No. 1.

No assurance can be given that the remaining proposed residential development will be partially or fully completed, and for purposes of evaluating the investment quality of the Bonds, prospective purchasers should consider the possibility that such parcels will remain vacant and only partially improved. See the caption “PROPERTY OWNERSHIP AND THE DEVELOPMENT.”

Undeveloped or partially developed property is inherently less valuable than developed property and provides less security to the Bond Owners should it be necessary for the District to foreclose on the property due to the nonpayment of Special Taxes. Substantial delays in the completion of the development due to litigation or other causes may reduce the value of the property within Improvement Area No. 1 and increase the length of time during which Special Taxes will be payable from partially developed property, and may affect the willingness and ability of the owners of property within Improvement Area No. 1 to pay the Special Taxes prior to delinquency.

There can be no assurance that property development within Improvement Area No. 1 will not be adversely affected by a future deterioration of the real estate market and economic conditions or future local, State and federal governmental policies relating to real estate development, an increase in mortgage interest rates, the income tax treatment of real property ownership, or the national economy. In that event, there could be a default in the payment of principal of, and interest on, the District Bonds and the Bonds, when due.

As of February 22, 2017, 14 finished lots owned by the Developer were still classified as Undeveloped Property. Undeveloped Property is less valuable per unit of area than Developed Property, especially if there are no plans to develop such property or if there are severe restrictions on the development of such property. The Undeveloped Property also provides less security for the District Bonds and ultimately,

the Bond Owners should it be necessary for the District to foreclose on Undeveloped Property due to the nonpayment of the Special Taxes.

The Bonds are Limited Obligations of the Authority

The Bonds are limited obligations of the Authority payable only from amounts pledged under the Indenture, which consist primarily of payments made to the Trustee on the District Bonds and amounts in the Reserve Account, the Cash Flow Management Fund and the Redemption Fund. Funds for the payment of the principal of and the interest on the District Bonds are derived only from payments of Special Taxes. The amount of Special Taxes that are collected could be insufficient to pay principal of and interest on the District Bonds due to non-payment of the Special Taxes levied or due to insufficient proceeds received from a judicial foreclosure sale of land within Improvement Area No. 1 following delinquency. The District's legal obligation with respect to any delinquent Special Taxes is limited to the institution of judicial foreclosure proceedings under certain circumstances with respect to any parcels for which Special Taxes is delinquent. The Bonds cannot be accelerated in the event of any default.

Failure by owners of the parcels within Improvement Area No. 1 to pay Special Tax installments when due, delay in foreclosure proceedings, or the inability of the District to sell parcels which have been subject to foreclosure proceedings for amounts sufficient to cover the delinquent installments of Special Taxes levied against such parcels may result in the inability of the District to make full or timely payments of debt service on the District Bonds, which may, in turn, result in the depletion of the Reserve Account and the Cash Flow Management Fund, and the inability of the Authority to make full or timely payment on the Bonds.

No Obligation of City

The District Bonds and the interest thereon, and in turn, the Bonds, are not payable from the general funds of the City. Except with respect to the Special Taxes, neither the credit nor the taxing power of the District or the City is pledged for the payment of the District Bonds or the interest thereon, and except to compel a levy of the Special Taxes securing the District Bonds, no Owner of the Bonds may compel the exercise of any taxing power by the District or the City or force the forfeiture of any property of the City or the District. The Bonds are not a debt of the City or the District or a legal or equitable pledge, charge, lien or encumbrance upon any of the City's or the District's property or upon any of the City's or the District's income, receipts or revenues, except the Revenues and other amounts pledged under the Indenture.

Property Values

The value of the property within Improvement Area No. 1 is a critical factor in determining the investment quality of the Bonds. If a property owner is delinquent in the payment of Special Taxes, the District's only remedy is to commence foreclosure proceedings against the delinquent parcel in an attempt to obtain funds to pay the Special Taxes. Reductions in property values due to a downturn in the economy, physical events such as earthquakes, fires or floods, stricter land use regulations or other events will adversely impact the security underlying the Special Taxes. See "THE DISTRICT AND IMPROVEMENT AREA NO. 1 — Estimated Assessed Value-to-Lien Ratio."

No assurance can be given that any bid will be received for a parcel with delinquent Special Taxes offered for sale at foreclosure or, if a bid is received, that such bid will be sufficient to pay all delinquent Special Taxes. See "SECURITY FOR THE DISTRICT BONDS — Special Tax Revenues and District Redemption Revenues" and "— Covenants of the District." As shown on Table 3, approximately 24% of the Fiscal Year 2017-18 Special Taxes is projected to be levied on property with an assessed value-to-lien ratio of less than 3 to 1. See "THE DISTRICT AND IMPROVEMENT AREA NO. 1 — Estimated Assessed Value-to-Lien Ratios."

Natural Disasters

The land within Improvement Area No. 1, like all California communities, may be subject to unpredictable seismic activity, fires, floods or other natural disasters. The occurrence of one of the foregoing natural disasters in Improvement Area No. 1 could result in substantial damage to properties in such Improvement Areas which, in turn, could substantially reduce the value of such properties and could affect the ability or willingness of the property owners to pay their Special Taxes. Any major damage to structures as a result of natural disasters could result in a greater reliance on undeveloped property in the payment of Special Taxes.

Hazardous Substances

The value of a parcel may be reduced as a result of the presence of a hazardous substance. In general, the owners and operators of a parcel may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner or operator is obligated to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the taxed parcels be affected by a hazardous substance, is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

Further, it is possible that liabilities may arise in the future with respect to any of the parcels resulting from the existence, currently, on the parcel of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the value of a parcel that is realizable upon a Special Tax delinquency.

The value of the taxable property within Improvement Area No. 1, as set forth in the various tables in the Official Statement, does not reflect the presence of any hazardous substance or the possible liability of the owner (or operator) for the remedy of a hazardous substance condition of the property. The District has not independently verified, but is not aware, that any owner (or operator) of any of the parcels within Improvement Area No. 1 has such a current liability with respect to any such parcel. The Developer represents that it is not aware of any hazardous substances located on its property within Improvement Area No. 1. However, it is possible that such liabilities do currently exist and that the District is not aware of them.

Parity Taxes and Special Assessments

Property within Improvement Area No. 1 is subject to taxes and other charges levied by several other public agencies. See the discussion of direct and overlapping indebtedness under the heading "THE DISTRICT AND IMPROVEMENT AREA NO. 1."

The Special Taxes and any penalties thereon will constitute a lien against the lots and parcels of land on which they will be annually imposed until they are paid. Such lien is on a parity with the lien of all special taxes and special assessments levied by other agencies and is co-equal to and independent of the lien for general *ad valorem* property taxes regardless of when they are imposed upon the same property. The Special Taxes have priority over all existing and future private liens imposed on the property. See "— Bankruptcy and Foreclosure" below.

None of the Authority, the District or the City has control over the ability of other entities and districts to issue indebtedness secured by special taxes, *ad valorem* taxes or assessments payable from all or a portion of the property within Improvement Area No. 1. In addition, the landowners within Improvement Area No. 1 may, without the consent or knowledge of the Authority, the District or the City, petition other public agencies to issue public indebtedness secured by special taxes, *ad valorem* taxes or assessments. Any such special taxes, *ad valorem* taxes or assessments may have a lien on such property on a parity with the Special Taxes and could reduce the estimated value-to-lien ratios for property within Improvement Area No. 1 described herein.

Payment of the Special Tax is not a Personal Obligation of the Owners

An owner of a taxable parcel is not personally obligated to pay the Special Tax. Rather, the Special Tax is an obligation which is secured only by a lien against the taxable parcel. If the proceeds received from the sale of a taxable parcel following a Special Tax delinquency are not sufficient, taking into account other liens imposed by public agencies, to pay the full amount of the Special Tax delinquency, the District has no recourse against the owner of the parcel.

Disclosures to Future Purchasers

The willingness or ability of an owner of a parcel to pay the Special Tax may be affected by whether or not the owner was given due notice of the Special Tax authorization at the time the owner purchased the parcel, was informed of the amount of the Special Tax on the parcel should the Special Tax be levied at the maximum tax rate and the risk of such a levy and, at the time of such a levy, has the ability to pay it as well as pay other expenses and obligations. The City has caused a notice of the Special Tax that may be levied against the taxable parcels in Improvement Area No. 1 to be recorded in the Office of the Recorder for the County. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such Special Tax obligation in the purchase of a property within Improvement Area No. 1 or lending of money thereon.

The Mello-Roos Act requires the subdivider (or its agent or representative) of a subdivision to notify a prospective purchaser or long-term lessor of any lot, parcel, or unit subject to a Mello-Roos special tax of the existence and maximum amount of such special tax using a statutorily prescribed form. California Civil Code Section 1102.6b requires that in the case of transfers other than those covered by the above requirement, the seller must at least make a good faith effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with the above requirements, or failure by a purchaser or lessor to consider or understand the nature and existence of the Special Tax, could adversely affect the willingness and ability of the purchaser or lessor to pay the Special Tax when due.

Special Tax Delinquencies

Special Taxes are the primary source for the repayment of the District Bonds, which are the only source of Revenues to repay the Bonds. Delinquencies could result in a draw on the Delinquency Management Fund, the Cash Flow Management Fund and the Reserve Account and, if such funds and accounts were depleted, in a default in payment on the Bonds.

Under provisions of the Mello-Roos Act, the Special Taxes, from which funds necessary for the payment of principal of and interest on the District Bonds and, thus, the Bonds are derived, are customarily billed to the properties within Improvement Area No. 1 on the *ad valorem* property tax bills sent by the County to owners of such properties. The Mello-Roos Act currently provides that such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do *ad valorem* property tax installments.

As described under the heading “THE DISTRICT AND IMPROVEMENT AREA NO. 1 — Delinquency History,” as of January 17, 2017, there were \$3,189 in delinquent Special Taxes due for the first installment of Fiscal Year 2016-17, representing 3.1% of the first installment of the Fiscal Year 2016-17 Special Tax levy.

See “SECURITY FOR THE DISTRICT BONDS — Covenants of the District — *Commence Foreclosure Proceedings*,” for a discussion of the provisions which apply, and procedures which the District is obligated to follow under the Fiscal Agent Agreement, in the event of delinquencies in the payment of Special Taxes. See “— Bankruptcy and Foreclosure” below for a discussion of the policy of the Federal Deposit Insurance Corporation (the “FDIC”) regarding the payment of special taxes and assessment and limitations on the District’s ability to foreclose on the lien of the Special Taxes in certain circumstances.

Insufficiency of Special Taxes

Notwithstanding that the maximum Special Taxes that may be levied in Improvement Area No. 1 exceeds debt service due on the District Bonds, the Special Taxes collected could be inadequate to make timely payment of debt service either because of nonpayment or because property becomes exempt from taxation.

The Rate and Method governing the levy of the Special Taxes within Improvement Area No. 1 expressly exempts up to a specified number of acres of property owned by public entities, homeowner associations, churches and other specified owners. If for any reason property within Improvement Area No. 1 becomes exempt from taxation by reason of ownership by a non-taxable entity such as the federal government, another public agency or other organization determined to be exempt, subject to the limitations of the maximum authorized rates, the Special Tax will be reallocated to the remaining taxable properties within Improvement Area No. 1. This could result in certain owners of property paying a greater amount of the Special Tax and could have an adverse impact upon the ability and willingness of the owners of such property to pay the Special Tax when due.

The Mello-Roos Act provides that, if any property within Improvement Area No. 1 not otherwise exempt from the Special Tax is acquired by a public entity through a negotiated transaction, or by gift or devise, the Special Tax will continue to be levied on and enforceable against the public entity that acquired the property. In addition, the Mello-Roos Act provides that, if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment and be paid from the eminent domain award. The constitutionality and operation of these provisions of the Mello-Roos Act have not been tested in the courts. Due to problems of collecting taxes from public agencies, if a substantial portion of land within Improvement Area No. 1 became exempt from the Special Tax because of public ownership, or otherwise, the maximum Special Taxes which could be levied upon the remaining taxable property therein might not be sufficient to pay principal of and interest on the related District Bonds when due and a default could occur with respect to the payment of such principal and interest, and, in turn, a default could occur in the payment of the principal and interest on the Bonds.

Priority Administrative Expenses

Administrative Expenses are paid prior to the payment of debt service on the District Bonds. For Fiscal Year 2017-18, the District estimates Administrative Expenses of \$12,000 for Improvement Area No. 1. Administrative Expenses for Improvement Area No. 1 are projected to increase a rate of 2% per fiscal year. Administrative Expenses in each fiscal year may be greater than budgeted, which could result in a draw on the Delinquency Management Fund, the Cash Flow Management Fund and the Reserve Account and, if such funds and accounts were depleted, in a default in payment on the Bonds.

FDIC/Federal Government Interests in Properties

General. The ability of the District to foreclose the lien of delinquent unpaid Special Tax installments may be limited with regard to properties in which the Federal Deposit Insurance Corporation (the "FDIC"), the Drug Enforcement Agency, the Internal Revenue Service, or other federal agency has or obtains an interest.

The supremacy clause of the United States Constitution reads as follows: "This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the contrary notwithstanding."

This means that, unless Congress has otherwise provided, if a federal governmental entity owns a parcel that is subject to Special Taxes within Improvement Area No. 1 but does not pay taxes and assessments levied on the parcel (including Special Taxes), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the District wishes to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government's mortgage interest. In *Rust v. Johnson* (9th Circuit; 1979) 597 F.2d 174, the United States Court of Appeal, Ninth Circuit held that the Federal National Mortgage Association ("FNMA") is a federal instrumentality for purposes of this doctrine, and not a private entity, and that, as a result, an exercise of state power over a mortgage interest held by FNMA constitutes an exercise of state power over property of the United States.

The District has not undertaken to determine whether any federal governmental entity currently has, or is likely to acquire, any interest (including a mortgage interest) in any of the parcels subject to the Special Taxes within Improvement Area No. 1, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the Bonds are outstanding.

FDIC. In the event that any financial institution making any loan which is secured by real property within Improvement Area No. 1 is taken over by the FDIC, and prior thereto or thereafter the loan or loans go into default, resulting in ownership of the property by the FDIC, then the ability of the District to collect interest and penalties specified by State law and to foreclose the lien of delinquent unpaid Special Taxes may be limited. The FDIC's policy statement regarding the payment of state and local real property taxes (the "Policy Statement") provides that property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property's value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC-owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC's consent.

The Policy Statement states that the FDIC generally will not pay non-*ad valorem* taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that

the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Special taxes imposed under the Mello-Roos Act and a special tax formula which determines the special tax due each year are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity. The Ninth Circuit issued a ruling on August 28, 2001 in which it determined that the FDIC, as a federal agency, is exempt from Mello-Roos special taxes.

The District is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of Special Taxes on a parcel within Improvement Area No. 1 in which the FDIC has or obtains an interest, although prohibiting the lien of the Special Taxes to be foreclosed out at a judicial foreclosure sale could reduce or eliminate the number of persons willing to purchase a parcel at a foreclosure sale. Such an outcome could cause a draw on the Delinquency Management Fund, the Reserve Account or the Cash Flow Management Fund, and perhaps, ultimately, if enough property were to become owned by the FDIC, a default in payment on the District Bonds and the Bonds.

Bankruptcy and Foreclosure

In the event of a delinquency in the payment of the Special Taxes, the District, under certain circumstances, is required to commence enforcement proceedings as described under the heading "SECURITY FOR THE DISTRICT BONDS — Covenants of the District." However, prosecution of such proceedings could be delayed due to crowded local court calendars, dilatory legal tactics, or bankruptcy. It is also possible that the District will be unable to realize proceeds in an amount sufficient to pay the applicable delinquency. Moreover, the ability of the District to commence and prosecute enforcement proceedings may be limited by bankruptcy, insolvency and other laws generally affecting creditors' rights (such as the Soldiers' and Sailors' Relief Act of 1940) and by the laws of the State relating to judicial and non-judicial foreclosure. Although bankruptcy proceedings would not cause the liens of the Special Taxes to become extinguished, bankruptcy of a property owner could result in a delay in the enforcement proceedings because federal bankruptcy laws provide for an automatic stay of foreclosure and tax sale proceedings. Any such delay could increase the likelihood of delay or default in payment of the principal of and interest on the District Bonds. The various legal opinions delivered in connection with the issuance of the Bonds, including Bond Counsel's approving legal opinion, are qualified as to the enforceability of the Bonds, the Indenture, the District Bonds and the Fiscal Agent Agreement by reference to bankruptcy, reorganization, moratorium, insolvency and other laws affecting the rights of creditors generally or against public corporations such as the District.

No Acceleration Provision

The Bonds do not contain a provision allowing for the acceleration of the Bonds in the event of a payment default or other default under the terms of the Bonds or the Indenture. Pursuant to the Indenture, an Owner of the Bonds is given the right for the equal benefit and protection of all owners similarly situated to pursue certain remedies described in APPENDIX A — "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS — SUMMARY OF AUTHORITY INDENTURE — EVENTS OF DEFAULT AND REMEDIES OF BOND OWNERS" following the occurrence of an Event of Default.

Limitations on Remedies

Remedies available to the Owners of the Bonds may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the Bonds or to preserve the exclusion from gross income for federal income tax purposes of interest on the Bonds.

Bond Counsel has limited its opinion as to the enforceability of the Bonds and of the Indenture to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of creditors' rights, by equitable principles, by the exercise of judicial discretion and by limitations on remedies against public

agencies in the State. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the owners of the Bonds.

Loss of Tax Exemption

As discussed under the caption “LEGAL MATTERS — Tax Matters” herein, interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued, as a result of future acts or omissions of the Authority, the City or the District in violation of covenants in the Indenture or the Fiscal Agent Agreement, respectively. Legislative changes have been proposed in Congress, which, if enacted, would result in additional federal income tax being imposed on certain owners of tax-exempt state or local obligations, such as the Bonds. The introduction or enactment of any of such changes could adversely affect the market value or liquidity of the Bonds. Should such an event of taxability occur, the Bonds are not subject to a special redemption and will remain outstanding until maturity or until redeemed under one of the other redemption provisions contained in the Indenture.

Current or future legislative proposals, if enacted into law, clarification of the Internal Revenue Code of 1986 (the “Code”) or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. Legislative changes have been proposed in Congress, which, if enacted, would result in additional federal income tax being imposed on certain owners of tax-exempt state or local obligations, such as the Bonds. The introduction or enactment of any of the pending or future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

It is possible that subsequent to the issuance of the Bonds there might be federal, State, or local statutory changes (or judicial or regulatory interpretations of federal, State, or local law) that affect the federal, State, or local tax treatment of the Bonds or the market value of the Bonds. No assurance can be given that subsequent to the issuance of the Bonds such changes or interpretations will not occur. See “LEGAL MATTERS — Tax Matters” below.

Limited Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds, or, if a secondary market exists, that the Bonds can be sold for any particular price. Although the District has committed to provide certain financial information and operating data on an annual basis, there can be no assurance that such information will be available to Beneficial Owners of the Bonds on a timely basis. The failure to provide the required annual information does not give rise to monetary damages but merely an action for specific performance. Occasionally, because of general market conditions, lack of current information, the absence of a credit rating, or adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

Proposition 218

An initiative measure commonly referred to as the “Right to Vote on Taxes Act” (the “Initiative”) was approved by the voters of the State of California at the November 5, 1996 general election. The Initiative added Article XIII C and Article XIII D to the California Constitution. According to the “Title and Summary” of the Initiative prepared by the California Attorney General, the Initiative limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.” The provisions of the

Initiative continue to be interpreted by the courts. The Initiative could potentially impact the Special Taxes available to the District to pay the principal of and interest on the District Bonds as described below.

Among other things, Section 3 of Article XIII states that “. . . the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge.” The Mello-Roos Act provides for a procedure which includes notice, hearing, protest and voting requirements to alter the rate and method of apportionment of an existing special tax. However, the Mello-Roos Act prohibits a legislative body from adopting any resolution to reduce the rate of any special tax or terminate the levy of any special tax pledged to repay any debt incurred pursuant to the Mello-Roos Act unless such legislative body determines that the reduction or termination of the special tax would not interfere with the timely retirement of that debt. On August 1, 1997, a bill was signed into law by the Governor of the State enacting Government Code Section 5854, which states that:

Section 3 of Article XIIC of the California Constitution, as adopted at the November 5, 1996, general election, shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after that date, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights protected by Section 10 of Article I of the United States Constitution.

Accordingly, although the matter is not free from doubt, it is likely that the Initiative has not conferred on the voters the power to repeal or reduce the Special Taxes if such reduction would interfere with the timely retirement of the District Bonds.

It may be possible, however, for voters or the City Council, acting as the legislative body of the District, to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the District Bonds, but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. Therefore, no assurance can be given with respect to the levy of Special Taxes for Administrative Expenses. Furthermore, no assurance can be given with respect to the future levy of the Special Taxes in amounts greater than the amount necessary for the timely retirement of the District Bonds. Nevertheless, to the maximum extent that the law permits it to do so, the District will covenant in the Fiscal Agent Agreement that it will not approve any reduction to the Maximum Special Tax rates in Improvement Area No. 1 which would prohibit the District from levying the Special Taxes at a level which would generate Net Taxes (defined in the Fiscal Agent Agreement as Special Taxes less Administrative Expenses) at least equal to 110% of annual debt service for the District Bonds in each Fiscal Year. However, no assurance can be given as to the enforceability of the foregoing covenant.

With respect to the approval of the Special Taxes, on August 1, 2015, the California Court of Appeal, Fourth Appellate District, Division One, issued its opinion in *City of San Diego v. Melvin Shapiro, et al.* (D063997) (the “San Diego Decision”). The case involved a Convention Center Facilities District (the “CCFD”) established by the City of San Diego (the “San Diego”). The CCFD is a financing district much like a community facilities district established under the provisions of the Act. The CCFD is comprised of all of the real property within the boundaries of San Diego. However, the special tax to be levied within the CCFD was to be levied only on hotel properties located within the CCFD.

The election authorizing the special tax was limited to owners of hotel properties and lessees of real property owned by a governmental entity on which a hotel is located. Thus, the election was not a registered voter election. Such approach to determining who would constitute the qualified electors of the CCFD was modeled after Section 53326(c) of the Act, which generally provides that, if a special tax will not be apportioned in any tax year on residential property, the legislative body may provide that the vote shall be by the landowners of the proposed district whose property would be subject to the special tax. The Court held that the CCFD special tax election was invalid under the California Constitution because Article XIII A, Section 4 thereof and Article XIIC, Section 2 thereof require that the electors in such an election be the registered voters within the district.

The facts of the San Diego Decision show that there were thousands of registered voters within the CCFD (viz., all of the registered voters in San Diego). Improvement Area No. 1 had no registered voters residing within its boundaries at the time of the election to authorize the Special Tax. In the San Diego Decision, the Court expressly stated that it was not addressing the validity of landowner voting to impose special taxes pursuant to the Act in situations where there are fewer than 12 registered voters. Thus, by its terms, the Court's holding does not apply to the Special Tax election in Improvement Area No. 1. Moreover, Section 53341 of the Act provides that any "action or proceeding to attack, review, set aside, void or annul the levy of a special tax...shall be commenced within 30 days after the special tax is approved by the voters." Similarly, Section 53359 of the Act provides that any action to determine the validity of bonds issued pursuant to the Act be brought within 30 days of the voters approving the issuance of such bonds. Voters within Improvement Area No. 1 approved the Special Tax and the issuance of bonds on January 13, 2015. Based on Sections 53341 and 53359 of the Act and analysis of existing laws, regulations, rulings and court decisions, Bond Counsel is of the opinion that no successful challenge to the Special Tax being levied in accordance with the Rate and Method may now be brought.

The interpretation and application of the Initiative will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination or the timeliness of any remedy afforded by the courts. See "— Limitations on Remedies" above.

Ballot Initiatives and Legislative Matters

Articles XIII A, XIII B, XIII C and XIII D, all of which placed certain limitations on the power of local agencies to tax, collect and expend revenues, were adopted pursuant to measures qualified for the ballot pursuant to California's constitutional initiative process and the State Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provisions for particular activities. From time to time, other initiative measures could be adopted by California voters or legislation enacted by the legislature. The adoption of any such initiative or legislation might place limitations on the ability of the State, the City, or the District to increase revenues or to increase appropriations or on the ability of the landowners within Improvement Area No. 1 to complete proposed future development.

LEGAL MATTERS

Tax Matters

Tax Exemption. The Internal Revenue Code of 1986 (the "Code") imposes certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in the gross income of the owners thereof for federal income tax purposes retroactive to the date of issuance of the Bonds. Each of the Authority, the District and the City has covenanted to maintain the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes.

In the opinion of Aleshire & Wynder, LLP, Los Angeles, California, Bond Counsel, under existing law, interest on the Bonds is exempt from personal income taxes of the State of California and, assuming compliance with the covenants mentioned herein, interest on the Bonds is excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. It is the further opinion of Bond Counsel that, under existing law, the Bonds are not "specified private activity bonds" within the meaning of section 57(a)(5) of the Code and for that reason interest on the Bonds is not treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code. Receipt or accrual of interest on Bonds owned by a corporation may affect the computation of the alternative

minimum taxable income of that corporation. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed.

Pursuant to the Indenture and the Fiscal Agent Agreement and in the Tax Certificate Pertaining to Arbitrage and Other Matters under Sections 103 and 141-150 of the Internal Revenue Code of 1986, to be delivered by the City, the District and the Authority in connection with the issuance of the Bonds, each of the Authority, the District and the City will make representations relevant to the determination of, and will make certain covenants regarding or affecting, the exclusion of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes. In reaching its opinions described in the immediately preceding paragraph, Bond Counsel will assume the accuracy of such representations and the present and future compliance by the Authority and the City with such covenants.

Except as stated in this section above, Bond Counsel will express no opinion as to any federal or state tax consequence of the receipt of interest on, or the ownership or disposition of, the Bonds. Furthermore, Bond Counsel will express no opinion as to any federal, state or local tax law consequence with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof predicated or permitted upon the advice or approval of other counsel. Bond Counsel has not undertaken to advise in the future whether any event after the date of issuance of the Bonds may affect the tax status of interest on the Bonds or the tax consequences of the ownership of the Bonds.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the Authority described above. No ruling has been sought from the Internal Revenue Service (the "Service") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the Service is likely to treat the Authority as the "taxpayer" and the owners would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the Authority may have different or conflicting interest from the owners. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Existing law may change to reduce or eliminate the benefit to bondholders of the exemption of interest on the Bonds from personal income taxation by the State of California or of the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future change in tax law.

A copy of the form of opinion of Bond Counsel relating to the Bonds is included in Appendix C.

Tax Accounting Treatment of Bond Premium and Original Issue Discount on Bonds. To the extent that a purchaser of a Bond acquires that Bond at a price in excess of its "stated redemption price at maturity" (within the meaning of section 1273(a)(2) of the Code), such excess will constitute "bond premium" under the Code. Section 171 of the Code, and the Treasury Regulations promulgated thereunder, provide generally that bond premium on a tax-exempt obligation must be amortized over the remaining term of the obligation (or a shorter period in the case of certain callable obligations); the amount of premium so amortized will reduce the owner's basis in such obligation for federal income tax purposes, but such amortized premium will not be deductible for federal income tax purposes. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of the obligation. The amount of premium that is amortizable each year by a purchaser is determined by using such purchaser's yield to maturity. The rate and timing of the amortization of the bond premium and the corresponding basis reduction may result in an owner realizing a taxable gain when its Bond

is sold or disposed of for an amount equal to or in some circumstances even less than the original cost of the Bond to the owner.

The excess, if any, of the stated redemption price at maturity of Bonds of a maturity over the initial offering price to the public of the Bonds of that maturity is "original issue discount." Original issue discount accruing on a Bond is treated as interest excluded from the gross income of the owner thereof for federal income tax purposes and is exempt from California personal income tax to the same extent as would be stated interest on that Bond. Original issue discount on any Bond purchased at such initial offering price and pursuant to such initial offering will accrue on a semiannual basis over the term of the Bond on the basis of a constant yield method and, within each semiannual period, will accrue on a ratable daily basis. The amount of original issue discount on such a Bond accruing during each period is added to the adjusted basis of such Bond to determine taxable gain upon disposition (including sale, redemption or payment on maturity) of such Bond. The Code includes certain provisions relating to the accrual of original issue discount in the case of purchasers of Bonds who purchase such Bonds other than at the initial offering price and pursuant to the initial offering.

Persons considering the purchase of Bonds with original issue discount or initial bond premium should consult with their own tax advisors with respect to the determination of original issue discount or amortizable bond premium on such Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of such Bonds. Bond Counsel will express no opinion regarding such determination or such tax consequences.

Other Federal Income Tax Consequences. Although interest on the Bonds may be exempt from California personal income tax and excluded from the gross income of the owners thereof for federal income tax purposes, an owner's federal, state or local tax liability may be otherwise affected by the ownership or disposition of the Bonds. The nature and extent of these other tax consequences will depend, *inter alia*, upon the owner's other items of income or deduction. Without limiting the generality of the foregoing, prospective purchasers of the Bonds should be aware that (i) section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds and the Code contains additional limitations on interest deductions applicable to financial institutions that own tax-exempt obligations (such as the Bonds), (ii) with respect to insurance companies subject to the tax imposed by section 831 of the Code, section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15% of the sum of certain items, including interest on the Bonds, (iii) interest on the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by section 884 of the Code, (iv) passive investment income, including interest on the Bonds, may be subject to federal income taxation under section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income, (v) section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the Bonds and (vi) under section 32(i) of the Code, receipt of investment income, including interest on the Bonds, may disqualify the recipient thereof from obtaining the earned income credit. Bond Counsel will express no opinion regarding any such other tax consequence.

Absence of Litigation

The Authority will certify at the time the Bonds are issued that no litigation is pending or threatened concerning the validity of the Bonds and that no action, suit or proceeding is known by the Authority to be pending that would restrain or enjoin the delivery of the Bonds, or contest or affect the validity of the Bonds or any proceedings of the Authority taken with respect to the Bonds. The District will also certify at the time the Bonds are issued that no litigation is pending or threatened concerning the validity the District Bonds and that no action, suit or proceeding is known by the District to be pending that would restrain or enjoin the delivery of the District Bonds, or contest or affect the validity of the District Bonds or any proceedings of such District taken with respect to the District Bonds.

Legal Opinion

Certain proceedings in connection with the issuance of the Bonds are subject to the approval as to their legality of Aleshire & Wynder, LLP, Irvine, California, Bond Counsel for the Authority in connection with the issuance of the Bonds. The opinion of Bond Counsel approving the validity of the Bonds substantially in the form attached as Appendix C hereto will be attached to each Bond. Bond Counsel’s employment is limited to a review of legal procedures required for the approval of the Bonds and to rendering an opinion as to the validity of the Bonds and the exemption of interest on the Bonds from income taxation. Bond Counsel expresses no opinion to the Owners of the Bonds as to the accuracy, completeness or fairness of this Official Statement or other offering materials relating to the Bonds and expressly disclaims any duty to do so.

Payment of the fees of Bond Counsel, Disclosure Counsel and the Underwriter is contingent upon issuance of the Bonds.

MISCELLANEOUS

No Rating

The Authority has not made and does not contemplate making application to any rating agency for the assignment of a rating of the Bonds.

Underwriting

The Bonds are being purchased by Brandis Tallman, LLC (the “Underwriter”) at a purchase price of \$_____ (representing the par amount of the Bonds, less Underwriter’s discount of \$_____ and less net original issue discount of \$_____).

The purchase contract relating to the Bonds between the Authority and the Underwriter provides that all Bonds will be purchased if any are purchased, and that the obligation to make such purchase is subject to certain terms and conditions set forth in said purchase contract, including, but not limited to, the approval of certain legal matters by counsel.

Continuing Disclosure

Pursuant to a Continuing Disclosure Agreement, the District will agree to provide, or cause to be provided, through the Electronic Municipal Market Access system (“EMMA”) maintained by the Municipal Securities Rulemaking Board (or with such other entity as is designated or authorized under Rule 15c2-12 adopted by the Securities and Exchange Commission) certain annual financial information and operating data. The Annual Report to be filed by the District will include audited financial statements of the District, if any are prepared, and additional financial and operating data concerning Improvement Area No. 1 as set forth in Section 4 of the Continuing Disclosure Agreement attached hereto as Appendix D.

The Continuing Disclosure Agreement will inure solely to the benefit of any Dissemination Agent, the Underwriter and Owners or Beneficial Owners from time to time of the Bonds. A default under the Continuing Disclosure Agreement is not a default under the Indenture and the sole remedy following a default is an action to compel specific performance by the District with the terms of the Continuing Disclosure Agreement.

During the last five years the Authority, the City, certain community facilities districts formed by the City, and the Redevelopment Successor Agency of the City of Perris (and together with its successor, the "Agency") failed to comply in certain respects with continuing disclosure obligations related to outstanding bonded indebtedness. The failures to comply include late filings with respect to several annual reports and incomplete filings with respect to other annual reports. The failures to comply include late filings with respect to several annual reports and incomplete filings with respect to other annual reports.

The Authority, the City and its community facilities districts and the Agency and have made additional filings to provide certain previously omitted information. In order to promote compliance by the Authority, the Agency, the City, the Agency and the District with continuing disclosure undertakings in the future, the City has retained Willdan Financial Services to serve as the new dissemination agent for its outstanding bonded indebtedness which are subject to Rule 15c2-12.

Pending Legislation

The Authority is not aware of any significant pending legislation which would have material adverse consequences on the Bonds or the ability of the Authority to pay the principal of and interest on the Bonds when due.

Additional Information

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or Owners of any of the Bonds.

The execution and delivery of this Official Statement has been duly authorized by the Authority.

PERRIS JOINT POWERS AUTHORITY

By: _____
Executive Director

APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS

The following is a brief summary of certain provisions of the Indenture governing the terms of the Bonds and the Fiscal Agent Agreement which is being separately executed by the District governing the terms of the District Bonds. This summary includes only the provisions of the documents not already summarized in the Official Statement and does not purport to be complete and is qualified in its entirety by reference to said documents.

[TO COME FROM BOND COUNSEL]

SUMMARY OF THE FISCAL AGENT AGREEMENT

The District Bonds issued by the District will be issued pursuant to the Fiscal Agent Agreement substantially in the form summarized below.

APPENDIX B

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX COMMUNITY FACILITIES DISTRICT NO. 2014-1 (AVELINA) IMPROVEMENT AREA NO. 1

A Special Tax shall be levied on all Taxable Property within the boundaries of Improvement Area No. 1 of Community Facilities District No. 2014-1 (Avelina) of the City of Perris ("CFD No. 2014-1 IA1") and collected each Fiscal Year commencing in Fiscal Year 2015-16, in an amount determined by the CFD Administrator through the application of the procedures described below. All of the real property within CFD No. 2014-1 IA1, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

1. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acre" or "Acreage" means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable Final Subdivision Map. An Acre means 43,560 square feet of land.

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

"Administrative Expenses" means the following actual or reasonably estimated costs related to the administration of CFD No. 2014-1 IA1 including, but not limited to: the costs of preparing and computing the Annual Special Tax (whether by the City or designee thereof or both); the costs of collecting the Special Taxes (whether by the City, the County or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the City, CFD No. 2014-1 IA1, or any designee thereof complying with arbitrage rebate requirements, including without limitation rebate liability costs and periodic rebate calculations; the costs to the City, CFD No. 2014-1 IA1, or any designee thereof complying with disclosure or reporting requirements of the City or CFD No. 2014-1 IA1, associated with applicable federal and State laws; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs to the City, CFD No. 2014-1 IA1, or any designee thereof related to an appeal of the Special Tax; and the City's annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated or advanced by the City or CFD No. 2014-1 IA1 for any other administrative purposes of CFD No. 2014-1 IA1, including attorney's fees and other costs related to commencing and pursuing any foreclosure of delinquent Special Taxes.

"Annual Special Tax" means the Special Tax actually levied in any Fiscal Year on any Assessor's Parcel.

"Assessor" means the Assessor of the County of Riverside.

"Assessor's Parcel" means a lot or parcel shown on an Assessor's Parcel Map with an assigned Assessor's Parcel Number.

"Assessor's Parcel Map" means an official map of the Assessor designating parcels by Assessor's Parcel Number.

“Assessor’s Parcel Number” means the number assigned to an Assessor’s Parcel by the County for purposes of identification.

“Bonds” means any bonds or other Debt, as defined by the Act, of CFD No. 2014-1 IA1, whether in one or more series, secured by the levy of Special Taxes.

“Building Permit” means a building permit for the construction of one or more Residential Units within CFD No. 2014-1 IA1 issued by the City.

“Building Square Footage” means all of the square footage of usable area within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, or similar area. The determination of Building Square Footage shall be made by reference to the Building Permit(s) issued for such Assessor’s Parcel and/or by reference to appropriate records kept by the City.

“Calendar Year” means the period commencing January 1 of any year and ending the following December 31.

“CFD Administrator” means an authorized representative of the City, or designee thereof, responsible for determining the Special Tax Requirement, for preparing the Annual Special Tax roll and/or calculating the Backup Special Tax.

“CFD Formation” means the date on which the Council approved the formation of CFD No. 2014-1 IA1 in accordance with the provisions of the Act.

“CFD No. 2014-1 IA1” means the Community Facilities District No. 2014-1 (Avelina) Improvement Area No. 1 of the City of Perris.

“City” means the City of Perris, California.

“Council” means the City Council of the City acting as the legislative body of CFD No. 2014-1 IA1 under the Act.

“County” means the County of Riverside, California.

“Debt” means any binding obligation to pay or repay a sum of money, including obligations in the form of bonds, certificates of participation, long-term leases, loans from government agencies, or loans from banks, other financial institutions, private businesses, or individuals, or long-term contracts.

“Debt Service” means for each Fiscal Year, the total amount of principal and interest payable on any Outstanding Bonds during the Calendar Year commencing on January 1 of such Fiscal Year.

“Developed Property” means for each Fiscal Year, all Taxable Property, exclusive of Provisional Property, for which a Building Permit was issued prior to April 1 of the previous Fiscal Year. An Assessor’s Parcel classified as Developed Property but for which the Building Permit that caused such Assessor’s Parcel to be classified as Developed Property has been cancelled and/or voided prior to the Fiscal Year for which Special Taxes are being levied shall be reclassified as Undeveloped Property, provided that the levy of the Maximum Special Tax after such reclassification shall not be less than 1.1 times the annual Debt Service less Administrative Expenses on all Outstanding Bonds. If Bonds have not been issued, an Assessor’s Parcel classified as Developed Property for which such a Building Permit has been cancelled and/or voided shall be reclassified as Undeveloped Property.

“Final Subdivision Map” means a subdivision of property created by recordation of a final map or parcel map, pursuant to the Subdivision Map Act (California Government Code Section 66410 *et seq.*) or recordation

of a condominium plan pursuant to California Civil Code 1352 or lot line adjustment that creates individual Lots for which building permits may be issued without further subdivision.

“Fiscal Year” means the period starting on July 1 and ending the following June 30.

“Indenture” means the indenture, fiscal agent agreement, resolution or other instrument pursuant to which Bonds are issued, as modified, amended and/or supplemented from time to time, and any instrument replacing or supplementing the same.

“Land Use Class” means any of the classes listed in Table 1 under Section 3 below.

“Lot” means a parcel created by a Final Subdivision on which a Residential Unit can be constructed.

“Maximum Special Tax” means for each Assessor’s Parcel, the maximum Special Tax, determined in accordance with Section 3 below, which may be levied in a given Fiscal Year on such Assessor’s Parcel of Taxable Property.

“Outstanding Bonds” means all Bonds, which are deemed to be outstanding under the Indenture.

“Property Owner Association Property” means any Assessor’s Parcel within the boundaries of CFD No. 2014-1 IA1 owned in fee by a property owner association, including any master or sub-association.

“Property Tax Burden” means the ratio of (i) the total estimated amount of property taxes an owner of a Residential Unit would expect to pay in a Fiscal Year including *ad valorem* property taxes, special assessments, fees and charges placed on the County property tax bill (but excluding homeowner association dues, property owner association dues, or other non-governmental charges) divided by (ii) the sales price of such Residential Unit.

“Proportionately” or **“Proportionate”** means for Developed Property, that the ratio of the actual Special Tax levy to the Maximum Special Tax is equal for all Assessor’s Parcels of Developed Property. For Undeveloped Property, **“Proportionately”** means that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax per Acre is equal for all Assessor’s Parcels of Undeveloped Property. **“Proportionately”** may similarly be applied to other categories of Taxable Property as listed in Section 4 below.

“Provisional Property” means all Assessor’s Parcels of Public Property, Property Owner Association Property or property that would otherwise be classified as Exempt Property pursuant to the provisions of Section 8, but cannot be classified as Exempt Property because to do so would reduce the Acreage of all Taxable Property below the required minimum Acreage as set forth in Section 8.

“Public Property” means any property within the boundaries of CFD No. 2014-1 IA1, which is owned by, or irrevocably offered for dedication to the federal government, the State of California, the County, the City or any other public agency; provided however that any property owned by a public agency and leased to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified in accordance with its use.

“Residential Unit” means each separate residential dwelling unit that comprises an independent facility capable of conveyance or rental, separate from adjacent residential dwelling units.

“Special Tax” means any special tax levied within CFD No. 2014-1 IA1 pursuant to the Act and this Rate and Method of Apportionment of Special Tax.

“Special Tax Obligation” means the total obligation of an Assessor’s Parcel of Taxable Property to pay the Special Tax for the remaining life of CFD No. 2014-1 IA1.

“Special Tax Requirement” means that amount required in any Fiscal Year to: (i) pay regularly scheduled Debt Service on all Outstanding Bonds; (ii) pay periodic costs on the Outstanding Bonds, including but not limited to, credit enhancement and rebate payments on the Outstanding Bonds; (iii) pay Administrative Fees and Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds; (v) accumulate funds to pay directly for acquisition or construction of facilities provided that the inclusion of such amount does not cause an increase in the Special Tax to be levied on Undeveloped Property; and (vi) pay for reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year; less (vii) a credit for funds available to reduce the Annual Special Tax levy, as determined by the CFD Administrator pursuant to the Indenture.

“State” means the State of California.

“Taxable Property” means all of the Assessor’s Parcels within the boundaries of CFD No. 2014-1 IA1, which are not exempt from the levy of the Special Tax pursuant to law or Section 8 below.

“Trustee” means the trustee or fiscal agent under the Indenture.

“Undeveloped Property” means, for each Fiscal Year, all Taxable Property not classified as Developed Property or Provisional Property.

2. LAND USE CLASSIFICATION

Each Fiscal Year, beginning with Fiscal Year 2015-16, each Assessor’s Parcel within CFD No. 2014-1 IA1 shall be classified as Taxable Property or Exempt Property. In addition, all Taxable Property shall further be classified as Developed Property, Undeveloped Property or Provisional Property, and all such Taxable Property shall be subject to the levy of Special Taxes in accordance with this Rate and Method of Apportionment of Special Tax determined pursuant to Sections 3 and 4 below. Furthermore, each Assessor’s Parcel of Developed Property shall be further classified to its applicable Land Use Class based on its Building Square Footage.

3. MAXIMUM SPECIAL TAX RATES

A. Developed Property

The Maximum Special Tax applicable to an Assessor’s Parcel classified as Developed Property for Fiscal Year 2015-16 shall be determined pursuant to Table 1 below.

**Table 1
Maximum Special Tax Rates
Fiscal Year 2015-16**

Land Use Class	Land Use Type	Building Square Footage	Maximum Special Tax
1	Residential Property	> 3,150	\$1,711 per Residential Unit
2	Residential Property	2,951 – 3,150	\$1,523 per Residential Unit
3	Residential Property	2,751 – 2,950	\$1,486 per Residential Unit
4	Residential Property	2,551 – 2,750	\$1,369 per Residential Unit
5	Residential Property	2,351 – 2,550	\$1,306 per Residential Unit
6	Residential Property	2,151 – 2,350	\$1,206 per Residential Unit
7	Residential Property	1,951 – 2,150	\$1,106 per Residential Unit
8	Residential Property	1,751 – 1,950	\$969 per Residential Unit
9	Residential Property	< 1,750	\$802 per Residential Unit

Each July 1, commencing July 1, 2016, the Maximum Special Tax for Developed Property shall be increased by two percent (2%) of the amount in effect in the prior Fiscal Year.

B. Provisional Property and Undeveloped Property

The Maximum Special Tax for Provisional Property and Undeveloped Property shall be \$7,960 per Acre for Fiscal Year 2015-16. On July 1st of each Fiscal Year, commencing July 1, 2016, the Maximum Special Tax for Provisional Property and Undeveloped Property shall increase by two percent (2%) of the amount in effect in the prior Fiscal Year.

4. METHOD OF APPORTIONMENT

For each Fiscal Year, commencing Fiscal Year 2015-16, the CFD Administrator shall levy the Special Tax on all Taxable Property in accordance with the following steps:

Step 1: The Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property at 100% of the applicable Maximum Special Tax;

Step 2: If additional monies are needed to satisfy the Special Tax Requirement after Step 1 has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to 100% of the Maximum Special Tax for Undeveloped Property;

Step 3: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel of Provisional Property up to 100% of the Maximum Special Tax for Provisional Property.

Notwithstanding the above, under no circumstances will the Special Tax levied against any Assessor's Parcel as a consequence of delinquency or default by the owner of any other Assessor's Parcel within CFD No. 2014-1 IA1 by more than ten percent (10%) above what would have been levied in the absence of delinquencies, except for those Assessor Parcel's of whose owners are also delinquent or in default on their Special Tax payments for one or more properties within CFD No. 2014-1 IA1.

5. COLLECTION OF SPECIAL TAXES

Collection of the Annual Special Tax shall be made by the County in the same manner as ordinary *ad valorem* property taxes are collected and the Annual Special Tax shall be subject to the same penalties and the same lien priority in the case of delinquency as *ad valorem* taxes; provided, however, that the Council may provide for (i) other means of collecting the Special Tax, including direct billings thereof to the property owners; and (ii) judicial foreclosure of delinquent Annual Special Taxes.

6. PREPAYMENT OF SPECIAL TAX OBLIGATION

A. Prepayment in Full

Property owners may prepay and permanently satisfy the Special Tax Obligation by a cash settlement with the City as permitted under Government Code Section 53344. The following definitions apply to this Section 6:

“CFD Public Facilities Costs” means \$2,735,638 in Fiscal Year 2015-16 dollars, which shall increase by 2% on July 1, 2016, and on each July 1 thereafter, or such lower number as (i) shall be determined by the CFD Administrator as sufficient to acquire or construct the facilities to be financed under the Act and financing program for CFD No. 2014-1 IA1, or (ii) shall be determined by the Council concurrently with a covenant that it will not issue any more Bonds (except refunding bonds).

“Construction Fund” means the fund (regardless of its name) established pursuant to the Indenture to hold funds, which are currently available for expenditure to acquire or construct the facilities or pay fees.

“Future Facilities Costs” means the CFD Public Facilities Costs minus (i) costs previously paid from the Construction Fund to acquire or construct the facilities, (ii) monies currently on deposit in the Construction Fund, and (iii) monies currently on deposit in an escrow or other designated fund that are expected to be available to finance CFD Public Facilities Costs.

“Outstanding Bonds” means all Previously Issued Bonds, which remain outstanding as of the first interest and/or principal payment date following the current Fiscal Year excluding Bonds to be redeemed at a later date with proceeds of prior Special Tax prepayments.

“Previously Issued Bonds” means all Bonds that have been issued prior to the date of prepayment.

The Special Tax Obligation applicable to an Assessor’s Parcel of Developed Property, or Undeveloped Property for which a Building Permit has been issued may be prepaid and the obligation to pay the Special Tax for such Assessor’s Parcel permanently satisfied as described herein, provided that a prepayment may be made with respect to a particular Assessor’s Parcel only if there are no delinquent Special Taxes with respect to such Assessor’s Parcel at the time of prepayment. An owner of an Assessor’s Parcel eligible to prepay the Special Tax Obligation shall provide the CFD Administrator with written notice of intent to prepay, and designate or identify the company or agency that will be acting as the escrow agent, if any. The CFD Administrator shall provide the owner with a statement of the Prepayment Amount for such Assessor’s Parcel within thirty (30) days of the request, and may charge a reasonable fee for providing this service. Prepayment must be made at least 60 days prior to any redemption date for the CFD No. 2014-1 IA1 Bonds to be redeemed with the proceeds of such prepaid Special Taxes, unless a shorter period is acceptable to the Trustee and the City.

The Prepayment Amount (defined below) shall be calculated for each applicable Assessor’s Parcel or group of Assessor’s Parcels as summarized below (capitalized terms as defined below):

Bond Redemption Amount
plus Redemption Premium
plus Future Facilities Prepayment Amount
plus Defeasance Amount
plus Prepayment Administrative Fees and Expenses
less Reserve Fund Credit
less Capitalized Interest Credit
Total: equals Prepayment Amount

As of the proposed date of prepayment, the Prepayment Amount (defined below) shall be calculated as follows:

Step No.:

1. Confirm that no Special Tax delinquencies apply to such Assessor's Parcel.
2. For Assessor's Parcels of Developed Property, determine the Maximum Special Tax. For Assessor's Parcels of Undeveloped Property for which a Building Permit has been issued, compute the Maximum Special Tax for that Assessor's Parcel as though it was already designated as Developed Property, based upon the building permit which has already been issued for that Assessor's Parcel.
3. Divide the Maximum Special Tax computed pursuant to paragraph 2 by the total expected Maximum Special Tax revenue for CFD No. 2014-1 IA1 assuming all Building Permits have been issued (build-out) within CFD No. 2014-1 IA1, excluding any Assessor's Parcels for which the Special Tax Obligation has been previously prepaid.
4. Multiply the quotient computed pursuant to paragraph 3 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid for all applicable parcels and round that amount up to the nearest \$5,000 increment (the "Bond Redemption Amount").
5. Multiply the Bond Redemption Amount computed pursuant to paragraph 4 by the applicable redemption premium (expressed as a percentage), if any, on the Outstanding Bonds to be redeemed at the first available call date (the "Redemption Premium").
6. Compute the Future Facilities Costs.
7. Multiply the quotient computed pursuant to paragraph 3 by the amount determined pursuant to paragraph 6 to compute the amount of Future Facilities Costs to be prepaid (the "Future Facilities Prepayment Amount").
8. Compute the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the expected redemption date for the Outstanding Bonds which, depending on the Indenture, may be as early as the next interest payment date.
9. Compute the amount the CFD Administrator reasonably expects to derive from the reinvestment of the Prepayment Amount less the Future Facilities Prepayment Amount and the Prepayment Administrative Fees from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the prepayment.
10. Subtract the amount computed in paragraph 9 from the amount computed in paragraph 8 (the "Defeasance Amount").

11. Calculate the administrative fees and expenses of CFD No. 2014-1 IA1, including the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming CFD No. 2014-1 IA1, and the costs of recording any notices to evidence the prepayment and the redemption (the "Prepayment Administrative Fees").
12. If reserve funds for the Outstanding Bonds, if any, are at or above 100% of the reserve requirement (as defined in the Indenture) on the prepayment calculation date, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the "Reserve Fund Credit"). No Reserve Fund Credit shall be granted if, after the Prepayment Amount is calculated, reserve funds are below 100% of the reserve requirement.
13. If any capitalized interest for the Outstanding Bonds will not have been expended at the time of the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall be calculated by multiplying the quotient computed pursuant to paragraph 3 by the expected balance in the capitalized interest fund after such first interest and/or principal payment (the "Capitalized Interest Credit").
14. The amount to prepay the Special Tax Obligation is equal to the sum of the amounts computed pursuant to paragraphs 4, 5, 7, 10, and 11, less the amounts computed pursuant to paragraphs 12 and 13 (the "Prepayment Amount").
15. From the Prepayment Amount, the sum of the amounts computed pursuant to paragraphs 4, 5, and 10, less the amounts computed pursuant to paragraphs 12 and 13 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make Debt Service payments. The amount computed pursuant to paragraph 7 shall be deposited into the Construction Fund. The amount computed pursuant to paragraph 11 shall be retained by CFD No. 2014-1 IA1.

The Prepayment Amount may be sufficient to redeem an amount other than a \$5,000 increment of CFD No. 2014-1 IA1 Bonds. In such cases, the increment above \$5,000 or integral multiple thereof will be retained in the appropriate fund established under the Indenture to redeem CFD No. 2014-1 IA1 Bonds to be used with the next prepayment of CFD No. 2014-1 IA1 Bonds.

The CFD Administrator will confirm that all previously levied Special Taxes have been paid in full. With respect to any Assessor's Parcel for which the Special Tax Obligation is prepaid in full, once the CFD Administrator has confirmed that all previously levied Special Taxes have been paid, the Council shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of the Special Tax and the release of the Special Tax lien on such Assessor's Parcel, and the obligation of the owner of such Assessor's Parcel to pay the Special Tax shall cease.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the aggregate amount of Maximum Special Taxes less Administrative Expenses that may be levied on Taxable Property, respectively, after the proposed prepayment is at least 1.1 times the Debt Service on all Outstanding Bonds in each Fiscal Year.

B. Partial Prepayment

The Special Tax on an Assessor's Parcel of Developed Property or Undeveloped Property for which a building permit has been issued may be partially prepaid. The amount of the prepayment shall be calculated as in Section 6.A.; except that a partial prepayment shall be calculated according to the following formula:

$$PP = (P_E - A) \times F + A$$

These terms have the following meaning:

- PP = the partial prepayment
- P_E = the Prepayment Amount calculated according to Section 6.A
- F = the percentage by which the owner of the Assessor's Parcel(s) is partially prepaying the Special Tax Obligation
- A = the Prepayment Administrative Fees and Expenses from Section 6.A

The owner of any Assessor's Parcel who desires such partial prepayment shall notify the CFD Administrator of (i) such owner's intent to partially prepay the Special Tax Obligation, (ii) the percentage by which the Special Tax Obligation shall be prepaid, and (iii) the company or agency that will be acting as the escrow agent, if any. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Special Tax Obligation for an Assessor's Parcel within sixty (60) days of the request and may charge a reasonable fee for providing this service.

With respect to any Assessor's Parcel that is partially prepaid, the City shall (i) distribute the funds remitted to it according to Section 6.A., and (ii) indicate in the records of CFD No. 2014-1 IA1 that there has been a partial prepayment of the Special Tax Obligation and that a portion of the Special Tax with respect to such Assessor's Parcel, equal to the outstanding percentage (1.00 - F) of the Maximum Special Tax, shall continue to be levied on such Assessor's Parcel.

Notwithstanding the foregoing, no partial prepayment shall be allowed unless the aggregate amount of Maximum Special Taxes less Administrative Expenses that may be levied on Taxable Property, respectively, after the proposed partial prepayment is at least 1.1 times the Debt Service on all Outstanding Bonds in each Fiscal Year.

7. TERM OF SPECIAL TAX

The Special Tax shall be levied as long as necessary to meet the Special Tax Requirement for a period not to exceed fifty Fiscal Years commencing with Fiscal Year 2015-16, provided however that the Special Tax will cease to be levied in an earlier Fiscal Year if the CFD Administrator has determined that all required interest and principal payments on CFD No. 2014-1 IA1 bonds have been paid.

8. EXEMPTIONS

The CFD Administrator shall classify as Exempt Property (i) Assessor's Parcels of Public Property, (ii) Assessor's Parcels of Property Owner Association Property, or (iii) Assessor's Parcels which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization and (iv) Assessor's Parcels with public utility easement by the restriction, as determined reasonably by the CFD Administrator, provided that no such classification would reduce the sum of all Taxable Property in CFD No. 2014-1 IA1 to less than 27.37 Acres. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the sum of all Taxable Property in CFD No. 2014-1 IA1 to less than 27.37 Acres shall be classified as Provisional Property and will continue to

be subject to the CFD No. 2014-1 IA1 Special Taxes accordingly. Tax exempt status for the purpose of this paragraph will be assigned by the CFD Administrator in the chronological order in which property becomes eligible for classification as Exempt Property.

If the use of an Assessor's Parcel of Exempt Property changes so that such Assessor's Parcel is no longer classified as one of the uses set forth in the first paragraph of Section 8 above that would make such Assessor's Parcel eligible to be classified as Exempt Property, such Assessor's Parcel shall cease to be classified as Exempt Property and shall be deemed to be Taxable Property.

9. APPEALS

Any landowner who pays the Special Tax and claims the amount of the Special Tax levied on his or her Assessor's Parcel is in error shall first consult with the CFD Administrator regarding such error not later than twelve (12) months after first having paid the first installment of the Special Tax that is disputed. If following such consultation, the CFD Administrator determines that an error has occurred, the CFD Administrator may amend the amount of the Special Tax levied on such Assessor's Parcel. If following such consultation and action, if any, by the CFD Administrator, the landowner believes such error still exists, such person may file a written notice with the City Manager or designee of the City appealing the amount of the Special Tax levied on such Assessor's Parcel. Upon the receipt of such notice, the City Manager or designee may establish such procedures as deemed necessary to undertake the review of any such appeal. The City Manager or designee thereof shall interpret this Rate and Method of Apportionment of Special Tax and make determinations relative to the administration of the Special Tax and any landowner appeals as herein specified. The decision of the City Manager or designee shall be final and binding as to all persons.

APPENDIX C
FORM OF BOND COUNSEL OPINION

[TO COME FROM BOND COUNSEL]

APPENDIX D
FORM OF DISTRICT CONTINUING DISCLOSURE AGREEMENT

APPENDIX E

DTC AND THE BOOK-ENTRY-ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, accreted value and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities in the aggregate principal amount of such maturity, and will be deposited with DTC.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the

Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Principal, redemption price and interest payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. If applicable, a Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to tender/remarketing agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to tender/remarketing agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”), dated as of June 1, 2017, is executed and delivered by Community Facilities District No. 2014-1 (Avelina) of the City of Perris (the “District”) and Willdan Financial Services, as dissemination agent, in connection with the issuance and delivery of the Perris Joint Powers Authority Local Agency Revenue Bonds (IA 1-CFD NO. 2014-1 (Avelina)), 2017 Series A (the “Bonds”). The Bonds are being issued pursuant to a resolution adopted by the Board of Directors of the Perris Joint Powers Authority (the “Authority”) on March 28, 2017 and an Indenture of Trust by and between the Authority and U.S. Bank National Association, as Trustee, dated as of June 1, 2017 (the “Indenture”). The District covenants as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the District, for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule (as defined below).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“*Annual Report*” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“*Beneficial Owner*” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income purposes.

“*Disclosure Representative*” shall mean the City Manager, Assistant City Manager or Finance Director of the City of Perris (the “City”), or his or her designee, or such other officer or employee as the District shall designate in writing to the Dissemination Agent from time to time.

“*Dissemination Agent*” shall mean, initially, Willdan Financial Services, or any successor Dissemination Agent designated in writing by the District which has filed with the then current Dissemination Agent a written acceptance of such designation.

“*Improvement Area*” shall mean Improvement Area No. 1 of the District, created pursuant to the Resolution of Formation.

“*Listed Events*” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“*Participating Underwriter*” shall mean Brandis Tallman LLC.

“*Rate and Method of Apportionment*” shall mean the rate and method of apportionment of special taxes for the Improvement Area as set forth in the Resolution of Formation.

“Repository” shall mean the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board, which can be found at <http://emma.msrb.org/>, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“Resolution of Formation” shall mean Resolution No. 4800 adopted by the City Council of the City, acting as the legislative body of the District, on January 13, 2015, as now in effect or as it may hereafter be amended from time to time.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“Tax-exempt” shall mean that interest on the Bonds is excluded from gross income for federal income tax purposes, whether or not such interest is includable as an item of tax preferences or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

SECTION 3. Provision of Annual Reports.

(a) Not later than December 31 immediately following the end of the District’s fiscal year, commencing December 31, 2017, the District shall, provide or shall cause the Dissemination Agent to provide, to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the City, if any, may be submitted separately from and later than the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report.

An Annual Report shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months. The District’s fiscal year (“Fiscal Year”) is currently effective from July 1 to the immediately succeeding June 30 of the following year. The District will promptly notify the Repository or the Municipal Securities Rulemaking Board and the Dissemination Agent of a change in the fiscal year dates.

(b) In the event that the Dissemination Agent is an entity other than the District, then the provisions of this Section 3(b) shall apply. Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repository, the District shall provide the Annual Report to the Dissemination Agent. If by fifteen (15) Business Days prior to such date the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District will be filing the Annual Report in compliance with subsection (a). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the District and shall have no duty or obligation to review such Annual Report.

(c) If the District is the Dissemination Agent and the District is unable to provide to the Repository an Annual Report by the date required in subsection (a), the District shall, in a timely manner, send a notice to the Municipal Securities Rulemaking Board and the Repository, if any, in

substantially the form attached to this Disclosure Agreement as Exhibit A. If the Dissemination Agent is other than the District and if the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repository by the date required in subsection (a), the Dissemination Agent shall, in a timely manner, send a notice to the Repository, in substantially the form attached as Exhibit A.

(d) The Disclosure Dissemination Agent shall upon receipt, promptly file each Annual Report received under Section 3(b) with the Repository.

SECTION 4. Content of Annual Reports. The District's Annual Report shall contain or include by reference:

(a) **Financial Statements.** The audited financial statements of the City for the most recent fiscal year of the City then ended, if such audited financial statements are prepared. If the audited financial statements (if prepared) are not available by the time the Annual Report is required to be filed, the Annual Report shall contain any unaudited financial statements of the City, if any, in a format similar to the audited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. Audited financial statements of the City, if prepared, shall be audited by such auditor as shall then be required or permitted by State law or the Indenture. Audited financial statements (if prepared) shall be prepared in accordance with generally accepted accounting principles as prescribed for governmental units by the Governmental Accounting Standards Board; provided, however, that the City may from time to time, if required by federal or state legal requirements, modify the basis upon which its financial statements are prepared. In the event that the City shall modify the basis upon which its financial statements, if any, are prepared, the District shall provide a notice of such modification to the Repository, including a reference to the specific federal or state law or regulation specifically describing the legal requirements for the change in accounting basis. If no financial statements of the City are prepared, then none shall be included on the Annual Report.

(b) **Financial and Operating Data.** The Annual Report shall contain or incorporate by reference the following information:

(i) the current Fiscal Year's total assessed valuation (per the County of Riverside Assessor's records) of all parcels within the Improvement Area subject to the Special Tax, showing the assessed valuation for land value and improvement value, and total assessed value.

(ii) for the current Fiscal Year, the actual amount of the Special Tax levy and the maximum Special Tax levy pursuant to the Rate and Method of Apportionment within the Improvement Area;

(iii) with respect to delinquencies within the Improvement Area;

(a) delinquency information with respect to the most recent April 10 tax payment date (including, without limitation, the parcel number of each delinquent parcel, the identity of the property owner and the amount then delinquent) for each parcel delinquent in the payment of \$2,500 or more in Special Tax or any parcels under common ownership that are responsible for \$5,000 or more of Special Tax; and

(b) the total dollar amount of delinquencies with respect to the most recent December 10 tax payment date and, in the event that such total delinquencies with respect to the April 10 tax payment date exceed 5% of the Special Tax for the previous year, a list of all delinquent parcels, amounts of delinquencies, length of delinquency and status of any foreclosure proceedings of such parcels;

(iv) the principal amount of any prepayments of the Special Tax as of the date the District transmitted the Special Tax amounts to the County of Riverside for inclusion on the secured tax roll for the then current Fiscal Year (which is currently no later than August 10);

(v) a current debt service schedule for the outstanding Bonds; and

(vi) the principal amount of the Bonds outstanding and the balance in the Reserve Account held under the Indenture (and a statement of the Reserve Requirement) as of the September 30 of the current Fiscal Year.

In addition to any of the information expressly required to be provide under paragraphs (a) or (b) of this Section, the District shall provide such further information, if any, as may be necessary to make the specifically required statements set forth in clauses (i) to (vi) under paragraph (b) of this Section, in the light of the circumstances under which they were made, not misleading.

(c) Any or all of the items listed in (a) or (b) above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Repository. The District shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) The District shall notify the Dissemination Agent not more than eight (8) Business Days after the following events, and the Dissemination Agent shall file a notice with the Repository not more than ten (10) Business Days after the following events:

1. principal and interest payment delinquencies;
2. unscheduled draws on debt service reserves reflecting financial difficulties;
3. unscheduled draws on credit enhancements reflecting financial difficulties;
4. substitution of credit or liquidity providers, or their failure to perform;
5. adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds;
6. defeasances;
7. tender offers;
8. bankruptcy, insolvency, receivership or similar proceedings; and

9. ratings changes.

(b) Additionally, the District shall provide the Dissemination Agent, and the Dissemination Agent shall promptly file with the Repository, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. The consummation of a merger, consolidation or acquisition involving an obligated person or sale of all or substantially all of the assets of the obligated persons or their person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination; of a definitive agreement relating to any such actions, other than pursuant to its term;

2. appointment of a successor or additional fiscal agent or the change of the name of a fiscal agent;

3. non-payment related defaults;

4. modifications to the rights of Bondholders;

5. Bond calls; and

6. release, substitution or sale of property securing repayment of the Bonds.

(c) The District hereby agrees that the undertaking set forth in this Disclosure Agreement is the responsibility of the District and the Dissemination Agent shall not be responsible for determining whether the District's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

SECTION 6. Termination of Reporting Obligation. The obligations of the District and the Dissemination Agent under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(a).

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Willdan Financial Services. The Dissemination Agent may resign by providing (i) thirty days written notice to the District, and (ii) upon appointment of a new Dissemination Agent hereunder.

SECTION 8. Amendment.

(a) This Disclosure Agreement may be amended, by written agreement of the parties, without the consent of the Owners, if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law, or a change in the identity, nature or status of the District or the type of business conducted thereby, (2) this Disclosure Agreement as so amended would have complied with the requirements of the Rule as of the date of this Disclosure Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in

circumstances, (3) the District shall have delivered to the Dissemination Agent an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the District and the Participating Underwriter, to the same effect as set forth in clause (2) above, (4) the District shall have delivered to the Dissemination Agent an opinion of nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the District, to the effect that the amendment does not materially impair the interests of the Owners or Beneficial Owners, or such amendment shall have been approved by the Owners in the same manner as an amendment to the Indenture, and (5) the District shall have delivered copies of such opinion and amendment to the Repository and the Participating Underwriter.

(b) This Disclosure Agreement also may be amended by written agreement of the parties upon obtaining consent of Owners in the same manner as provided in the Indenture for amendments to the Indenture with the consent of the Owners of the Bonds; provided that the conditions set forth in Section 8(a)(1), (2) and (3) have been satisfied.

(c) To the extent any amendment to this Disclosure Agreement results in a change in the type of financial information or operating data provided pursuant to this Disclosure Agreement, the first Annual Report provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(d) If an amendment is made to the basis on which financial statements are prepared, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a quantitative and, to the extent reasonably feasible, qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the District shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

The District acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, as amended may apply to the District, and that under some circumstances compliance with this Disclosure Agreement, without additional disclosures or other action, may not fully discharge all duties and obligations of the District under such laws.

SECTION 10. Default. In the event of a failure of the District or the Dissemination Agent to comply with any provision of this Disclosure Agreement, any Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District and/or the Dissemination Agent to comply

with their respective obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the District or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the District agrees to indemnify and save the Dissemination Agent and its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. Any Dissemination Agent other than the District shall be paid (i) compensation by the District for its services provided hereunder in accordance with a schedule of fees to be mutually agreed to; and (ii) all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the District pursuant to this Disclosure Agreement. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Agreement. The Dissemination Agent shall not be liable under any circumstances for monetary damages to any person for any breach under this Disclosure Agreement.

The Dissemination Agent may file reports, notices and other information as required by this agreement electronically to the Repository. If the District is equipped to receive such information electronically, the Dissemination Agent will include the District in any simultaneous electronic dissemination of materials.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 14. Governing Law. This Disclosure Agreement shall be construed and governed in accordance with the laws of the State of California.

SECTION 15. Notices. Notices shall be provided, as required hereunder, to the applicable addressees below:

District:	City of Perris 101 North D Street Perris, California 92570 Telephone: (951) 943-6100 Attention: Assistant City Manager
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Dissemination Agent: Willdan Financial Services
27368 Via Industria, Suite 200
Temecula, CA 92590
Telephone: (951) 587-3500
Attention: District Administration

SECTION 16. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

SECTION 17. Merger. Any person succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the filing of any paper or any further act.

COMMUNITY FACILITIES DISTRICT NO. 2014-1
OF THE CITY OF PERRIS (AVELINA)

By: _____
City Manager of the City of Perris

WILLDAN FINANCIAL SERVICES,
as Dissemination Agent

By: _____
Its: Authorized Agent

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Person: Community Facilities District No. 2014-1 (Avelina) of the City of Perris

Name of Bond Issue: Perris Joint Powers Authority Local Agency Revenue Bonds (IA 1-CFD No. 2014-1(Avelina)), 2017 Series A

Date of Issuance: _____, 2017

NOTICE IS HEREBY GIVEN that Community Facilities District No. 2014-1 (Avelina) of the City of Perris (the "District") has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Agreement, dated as of June 1, 2017. [The District anticipates that the Annual Report will be filed by _____.]

Dated: _____

as Dissemination Agent

cc: City of Perris

\$ _____
**PERRIS JOINT POWERS AUTHORITY
LOCAL AGENCY REVENUE BONDS
(IA 1-CFD NO. 2014-1 (AVELINA)), 2017 SERIES A**

BOND PURCHASE AGREEMENT

_____, 2017

Perris Joint Powers Authority
101 North D Street,
Perris, California 92570

Ladies and Gentlemen:

Brandis Tallman LLC, as underwriter (the "Underwriter"), acting not as a fiduciary or agent for you, but on behalf of itself, offers to enter into this Bond Purchase Agreement (this "Purchase Agreement") with the Perris Joint Powers Authority (the "Authority"), which upon acceptance will be binding upon the Underwriter and the Authority. The agreement of the Underwriter to purchase the Bonds (as hereinafter defined) is contingent upon the Authority purchasing from the Community Facilities District No. 2014-1 (Avelina) of the City of Perris (the "District") of its Special Tax Bonds, Series 2017 (the "Local Obligations") in the aggregate principal amount of \$_____, and upon the Authority satisfying all of the obligations imposed upon them under this Purchase Agreement. This offer is made subject to the Authority's acceptance by the execution of this Purchase Agreement and its delivery to the Underwriter at or before 8:00 P.M., local time, on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to the Authority at any time prior to the acceptance hereof by the Authority. All capitalized terms used herein, which are not otherwise defined, shall have the meaning provided for such terms in the Indenture of Trust, dated as of June 1, 2017 (the "Indenture"), by and between the Authority and U.S. Bank National Association ("U.S. Bank"), as trustee (the "Trustee"). The Local Obligations are being issued pursuant to a Fiscal Agent Agreement dated as of June 1, 2017 (the "Fiscal Agent Agreement") by and between the District and U.S. Bank National Association, as fiscal agent (the "Fiscal Agent").

1. Purchase, Sale and Delivery of the Bonds.

Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase from the Authority and the Authority hereby agrees to sell to the Underwriter all (but not less than all) of the \$_____ aggregate principal amount of the Perris Joint Powers Authority Local Agency Revenue Bonds (IA 1-CFD No. 2014-1(Avelina)), 2017 Series A (the "Bonds"), dated the Closing Date (as hereinafter defined), bearing interest at the rates and maturing on the dates and in the principal amounts set forth in Exhibit A hereto. The purchase price for the Bonds shall be \$_____ (being 100% of the aggregate principal amount thereof plus a net original issue premium of \$_____ and less an Underwriter's discount of \$_____). From the proceeds of the Bonds, the Authority agrees to purchase the Local Obligations from the District pursuant to the terms of the Local Obligations

Bonds Purchase Agreement (the “Local Obligations Purchase Agreement”), by and between the District and the Authority.

The Underwriter agrees to make a bona fide public offering of all of the Bonds initially at the public offering prices (or yields) set forth in Exhibit A attached hereto and incorporated herein by reference. Subsequent to the initial public offering, the Underwriter reserves the right to change the public offering prices (or yields) as it deems necessary in connection with the marketing of the Bonds, provided that the Underwriter shall not change the interest rates set forth in Exhibit A. The Bonds may be offered and sold to certain dealers at prices lower than such initial offering prices.

The Bonds shall be substantially in the form described in, shall be issued and secured under the provisions of, and shall be payable from the Revenues and Redemption Revenues as provided in the Indenture, the Preliminary Official Statement (as hereinafter defined), and the Marks-Roos Local Bond Pooling Act of 1985, as amended, being Article 4, Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the “Bond Law”). The issuance of the Bonds has been duly authorized by the Authority pursuant to a resolution (the “Authority Resolution”) adopted by the Board of Directors of the Authority on March __, 2017. The net proceeds of the Bonds will be used to (1) purchase the Local Obligations; (2) paying costs of issuance of the Bonds; and (3) funding a reserve account for the Bonds.

The Local Obligations shall be substantially in the form described in, shall be issued and secured under the provisions of, and shall be payable from special taxes pledged thereto as provided in the Fiscal Agent Agreement.

The Local Obligations are issued under the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California (the “Community Facilities District Act”). The issuance of the Local Obligations have been duly authorized by the District, pursuant to a resolution (the “District Resolution”) adopted by the City Council of the City of Perris (the “City Council”). Pursuant to the District Resolution, the District is duly authorized to execute and deliver the Fiscal Agent Agreement, the Continuing Disclosure Agreement in the form attached to the Preliminary Official Statement as Appendix D (the “Continuing Disclosure Agreement”) and the Local Obligations Purchase Agreement and has approved the form of the Preliminary Official Statement.

The net proceeds of the Local Obligations will be used, as indicated in the Fiscal Agent Agreement to provide funds for the acquisition and/or construction of certain public facilities.

Prior to the acceptance of this Purchase Agreement by the Authority, the Authority shall have caused to be delivered to the Underwriter the Letter of Representations (the “Letter of Representations”) of Centex Homes, a Nevada general partnership (the “Developer”) in substantially the form set forth in Exhibit B hereto.

A. The Authority acknowledges that the Underwriter is entering into this Purchase Agreement in reliance on the representations and agreements made by the Authority herein and by the District and the Developer, and the Authority shall take all action necessary to enforce its rights hereunder for the benefit of the Underwriter and shall immediately notify the Underwriter if it becomes aware that any representation or agreement made by the Authority herein is incorrect in any material respect.

The Authority acknowledges and agrees that: (i) the purchase and sale of the Bonds pursuant to this Purchase Agreement is an arm's-length commercial transaction between the Authority and the Underwriter; (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as principal and is not acting as a Municipal Advisor (as defined in Section 15B of the Securities Exchange Act of 1934, as amended); (iii) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the Authority, the District or the City of Perris (the "City") with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the Authority, the District or the City on other matters); and (iv) the Authority, the District and the City have consulted their own legal, financial and other advisors to the extent that they have deemed appropriate.

B. Pursuant to the authorization of the Authority, the Underwriter has distributed copies of the Preliminary Official Statement dated May __, 2017, relating to the Bonds, which, together with the cover page, inside cover page and appendices thereto is herein called the "Preliminary Official Statement." The Authority agrees to execute a final official statement relating to the Bonds (the "Official Statement") which will consist of the Preliminary Official Statement with such changes as may be made thereto, with the approval of Aleshire & Wynder, LLP, as Bond Counsel ("Bond Counsel") and Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel ("Disclosure Counsel"), and the Underwriter, and to provide copies thereof to the Underwriter as set forth in Section 2(O) hereof. The Authority hereby authorizes and requires the Underwriter to use and promptly distribute, in connection with the offer and sale of the Bonds, the Preliminary Official Statement, the Official Statement and any supplement or amendment thereto. The Authority further authorizes the Underwriter to use and distribute, in connection with the offer and sale of the Bonds, the Indenture, the Fiscal Agent Agreement, this Purchase Agreement, the Local Obligations Purchase Agreement, and all information contained herein, and all other documents, certificates and statements furnished by or on behalf of the Authority or the District to the Underwriter in connection with the transactions contemplated by this Purchase Agreement.

C. To assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"), the District will undertake for and on behalf of the Authority pursuant to the Continuing Disclosure Agreement, in the form attached to the Official Statement as Appendix D, to provide annual reports and notices of certain enumerated events. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement.

D. Except as the Underwriter and the Authority may otherwise agree, the Authority will deliver to the Underwriter, at the offices of Bond Counsel in Irvine, California, or at such other location as may be mutually agreed upon by the Underwriter, the District and the Authority, the documents hereinafter mentioned; and the Authority will deliver to the Underwriter through the facilities of The Depository Trust Company ("DTC") in New York, New York, the Bonds, in definitive form (all Bonds bearing CUSIP numbers), duly executed by the Authority and authenticated by the Trustee in the manner provided for in the Indenture and the Bond Law at 8:00 a.m. California time, on _____, 2017 (the "Closing Date"), and the Underwriter will accept such delivery and pay the purchase price of the Bonds as set forth in paragraph (A) of this Section by wire transfer, payable in federal or other immediately available funds (such delivery and payment being herein referred to as the "Closing"). The Bonds shall be in fully registered book-entry form (which may be typewritten) and shall be registered in the name of Cede & Co., as nominee of DTC.

2. Representations and Covenants of the Authority. The Authority represents and covenants to the Underwriter that:

A. The Authority is a joint exercise of powers authority, duly organized and existing under the Constitution and laws of the State of California (the "State"), and formed pursuant to Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code (the "JPA Act"), with full right, power and authority to: (i) execute and deliver this Purchase Agreement and the Indenture; (iii) adopt the Authority Resolution; (iv) issue, sell and deliver the Bonds to the Underwriter as provided herein; (v) purchase the Local Obligations; and (vi) carry out and consummate the transactions on its part contemplated by this Purchase Agreement, the Indenture and the Official Statement.

The Indenture, the Bonds, the Local Obligations Purchase Agreement and this Purchase Agreement are collectively referred to herein as the "Authority Documents."

B. By all necessary official action of the Authority, the Authority has duly authorized and approved the execution and delivery by the Authority of, and the performance by the Authority of the obligations on its part contained in, the Authority Documents, and has approved the use by the Underwriter of the Preliminary Official Statement and the Official Statement and, as of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered by the parties thereto, the Authority Documents will constitute the legally valid and binding obligations of the Authority enforceable upon the Authority in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors rights generally. The Authority has complied, and will at the Closing Date be in compliance in all respects, with the terms of the Authority Documents that are applicable to the Authority.

C. The information in the Preliminary Official Statement and in the Official Statement relating to the Authority and the Bonds (other than statements pertaining to the book-entry system, as to which no view is expressed), does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and, upon delivery and up to and including 25 days after the End of the Underwriting Period (as defined in paragraph (D) below), the Official Statement will be amended and supplemented so as to contain no misstatement of any material fact or omission of any statement necessary to make the statements contained therein, in the light of the circumstances in which such statements were made, not misleading.

D. Up to and including 25 days after the End of the Underwriting Period (as defined below), the Authority will advise the Underwriter promptly of any proposal to amend or supplement the Official Statement and will not effect or consent to any such amendment or supplement without the consent of the Underwriter, which consent will not be unreasonably withheld. The Authority will advise the Underwriter promptly of the institution of any proceedings known to it by any governmental agency prohibiting or otherwise materially affecting the use of the Official Statement in connection with the offering, sale or distribution of the Bonds. As used herein, the term "End of the Underwriting Period" means the later of such time as: (i) the Bonds are delivered to the Underwriter; or (ii) the Underwriter does not retain, directly or as a member of an underwriting syndicate, an unsold balance of the Bonds for sale to the public. Unless the Underwriter gives notice to the contrary, the End of the Underwriting Period shall be deemed to be

the Closing Date. Any notice delivered pursuant to this provision shall be a written notice delivered to the Authority and the District at or prior to the Closing Date, and shall specify a date (other than the Closing Date) to be deemed the “End of the Underwriting Period.”

E. As of the time of acceptance hereof and as of the Closing Date, except as otherwise disclosed in the Official Statement, the Authority is not, and as of the Closing Date, will not be, in breach of or in default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States, or any applicable judgment or decree or any trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the Authority is a party or is otherwise subject; and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or event of default under any such instrument; which breach, default or event could have an adverse effect on the Authority’s ability to perform its obligations under the Authority Documents; and, as of such times, except as disclosed in the Official Statement, the authorization, execution and delivery of the Authority Documents and compliance by the Authority with the provisions of each of such agreements or instruments does not and will not conflict with or constitute a breach of or default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States, or any applicable judgment, decree, license, permit, trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the Authority (or any of its officers in their respective capacities as such) is subject, or by which it or any of its properties is bound; nor will any such authorization, execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of its assets or properties or under the terms of any such law, regulation or instrument, except as may be provided by the Authority Documents.

F. At the time of acceptance hereof there is not, and as of the Closing Date, there will not be any action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body (collectively and individually, an “Action”) pending (notice of which has been served on the Authority) or to the knowledge of the Authority threatened, in which any such Action: (i) in any way questions the corporate existence of the Authority or the titles of the officers of the Authority to their respective offices; (ii) affects, contests or seeks to prohibit, restrain or enjoin the issuance or delivery of any of the Bonds, or the payment or collection of Revenues (as defined in the Indenture) or any amounts pledged or to be pledged to pay the principal of and interest on the Bonds, or in any way contests or affects the validity of the Authority Documents or the consummation of the transactions on the part of the Authority contemplated thereby; (iii) contests the exclusion of the interest on the Bonds from federal or state income taxation or contests the powers of the Authority which may result in any material adverse change relating to the financial condition of the Authority; or (iv) contests the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserts that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and, as of the time of acceptance hereof, there is not, and as of the Closing Date, there will not be any known basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (iv) of this sentence.

G. The Authority will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter and at the expense of the Underwriter as the Underwriter may reasonably request in order: (i) to qualify the Bonds for offer and sale under the

Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate; and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the Bonds, provided; however, that the Authority will not be required to execute a special or general consent to service of process or qualify as a foreign corporation in connection with any such qualification in any jurisdiction.

H. The Authority Documents conform as to form and tenor to the descriptions thereof contained in the Official Statement. The Authority represents that the Bonds, when issued, executed and delivered in accordance with the Indenture and sold to the Underwriter as provided herein, will be validly issued and outstanding obligations of the Authority, entitled to the benefits of the Indenture. The Indenture creates a valid pledge of the moneys in certain funds and accounts established pursuant to the Indenture, subject in all cases to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein.

I. The Authority has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the Authority is a bond issuer whose arbitrage certifications may not be relied upon.

J. Any certificate signed by any authorized officer of the Authority and delivered to the Underwriter in connection with the issuance and sale of the Bonds shall be deemed to be a representation and covenant by the Authority to the Underwriter as to the statements made therein.

K. The Authority will apply the proceeds of the Bonds in accordance with the Indenture.

L. Between the date of this Purchase Agreement and the Closing Date, the Authority will not offer or issue any bonds, notes or other obligations for borrowed money not previously disclosed to the Underwriter.

M. Until such time as moneys have been set aside in an amount sufficient to pay all then outstanding Bonds at maturity or to the date of redemption if redeemed prior to maturity, plus unpaid interest thereon and premium, if any, to maturity or to the date of redemption if redeemed prior to maturity, the Authority will faithfully perform and abide by all of the covenants, undertakings and provisions contained in the Indenture.

N. The Official Statement does not omit reference to any instance, during the last five years, in which the Authority, the City, the District or their affiliated entities failed to comply in all material respects with its previous undertakings pursuant to the Rule.

O. The Preliminary Official Statement was deemed final by a duly authorized officer of the Authority prior to its delivery to the Underwriter, except for the omission of such information as is permitted to be omitted in accordance with paragraph (b)(1) of the Rule. The Authority hereby covenants and agrees that, within seven (7) business days from the date hereof, or upon reasonable written notice from the Underwriter within sufficient time to accompany any confirmation requesting payment from any customers of the Underwriter, the Authority shall cause a final printed form of the Official Statement to be delivered to the Underwriter in sufficient quantity

to comply with paragraph (b)(4) of the Rule and Rules G-12, G-15, G-32 and G-36 of the Municipal Securities Rulemaking Board.

The Authority hereby approves the preparation and distribution of the Official Statement, consisting of the Preliminary Official Statement with such changes as are noted thereon and as may be made thereto, with the approval of Bond Counsel, Disclosure Counsel and the Underwriter, from time to time prior to the Closing Date.

The Authority hereby ratifies any prior use of and authorizes the future use by the Underwriter, in connection with the offering and sale of the Bonds, of the Preliminary Official Statement, the Official Statement, this Purchase Agreement and all information contained herein, and all other documents, certificates and written statements furnished by the Authority to the Underwriter in connection with the transactions contemplated by this Purchase Agreement.

The execution and delivery of this Purchase Agreement by the Authority shall constitute a representation to the Underwriter that the representations contained in this Section 2 are true as of the date hereof.

3. Conditions to the Obligations of the Underwriter. The obligation of the Underwriter to accept delivery of and pay for the Bonds on the Closing Date shall be subject, at the option of the Underwriter, to the accuracy in all material respects of the representations on the part of the Authority contained herein, of the District contained in the Local Obligations Purchase Agreement and of Developer in the Letter of Representations, to the accuracy in all material respects of the statements of the officers and other officials of the Authority made in any certificates or other documents furnished pursuant to the provisions hereof, to the performance by the Authority of its obligations to be performed hereunder at or prior to the Closing Date and, to the following additional conditions:

A. At the Closing Date, the Authority Resolution, the District Resolution, the Indenture, this Purchase Agreement, the Fiscal Agent Agreement, the Local Obligations Purchase Agreement, the Local Obligations Bonds and the Continuing Disclosure Agreement shall be in full force and effect, and shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Underwriter, and there shall have been taken in connection therewith, with the issuance of the Bonds and with the Local Obligations, and with the transactions contemplated thereby, and by this Purchase Agreement, all such actions as, in the opinion of Bond Counsel, shall be necessary and appropriate.

B. At the Closing Date, except as described in the Preliminary Official Statement, the Authority shall not be, in any respect material to the transactions referred to herein or contemplated hereby, in breach of or in default under, any law or administrative rule or regulation of the State of California, the United States of America, or of any department, division, agency or instrumentality of either thereof, or under any applicable court or administrative decree or order, or under any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the Authority is a party or is otherwise subject or bound, and the performance by the Authority of its obligations under the Authority Documents, the Authority Resolution and any other instruments contemplated by any of such documents, and compliance with the provisions of each thereof, will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State of California, the United States of America, or of any department, division, agency or instrumentality of either thereof, or under any applicable court or

administrative decree or order, or under any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the Authority is a party or is otherwise subject or bound, in any manner that would materially and adversely affect the performance by the Authority of its obligations under the Authority Documents or the Authority Resolution.

C. The information contained in the Official Statement will be, as of the Closing Date and as of the date of any supplement or amendment thereto pursuant hereto, true and correct in all material respects and will not, as of the Closing Date or as of the date of any supplement or amendment thereto, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

D. Between the date hereof and the Closing Date, the market price or marketability, at the initial offering prices set forth on the cover page of the Official Statement, of the Bonds shall not have been materially adversely affected, in the judgment of the Underwriter (evidenced by a written notice to the Authority terminating the obligation of the Underwriter to accept delivery of and pay for the Bonds), by reason of any of the following:

1. Legislation introduced in or enacted (or resolution passed) by the Congress of the United States of America or recommended to the Congress by the President of the United States, the Department of the Treasury, the Internal Revenue Service, or any member of Congress, or favorably reported for passage to either House of Congress by any committee of such House to which such legislation had been referred for consideration, or a decision rendered by a court established under Article III of the Constitution of the United States of America or by the Tax Court of the United States of America, or an order, ruling, regulation (final, temporary or proposed), press release or other form of notice issued or made by or on behalf of the Treasury Department of the United States of America or the Internal Revenue Service, with the purpose or effect, directly or indirectly, of imposing federal income taxation upon such interest as would be received by any owners of the Bonds beyond the extent to which such interest is subject to taxation as of the date hereof;

2. Legislation introduced in or enacted (or resolution passed) by the Congress or an order, decree or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary or proposed), press release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Bonds or the Local Obligations, including any or all underlying arrangements, are not exempt from registration under or other requirements of the Securities Act of 1933, as amended, or that the Indenture or the Fiscal Agent Agreement is not exempt from qualification under or other requirements of the Indenture Act of 1939, as amended, or that the issuance, offering or sale of obligations of the general character of the Bonds or the Local Obligations, including any or all underlying arrangements, as contemplated hereby or by the Official Statement or otherwise is or would be in violation of the federal securities laws as amended and then in effect;

3. A general suspension of trading in securities on the New York Stock Exchange, or a general banking moratorium declared by Federal, State of New York or State of California officials authorized to do so;

4. The introduction, proposal or enactment of any amendment to the Federal or California Constitution or any action by any Federal or California court, legislative body, regulatory body or other authority materially adversely affecting the tax status of the Authority, the District or the City, their property, income, securities (or interest thereon), the validity or enforceability of Special Taxes, or the ability of the Authority to purchase the Local Obligations;

5. Any event occurring, or information becoming known which, in the judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Preliminary Official Statement or in the Official Statement, or has the effect that the Preliminary Official Statement or the Official Statement contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

6. Any national securities exchange, the Comptroller of the Currency, or any other governmental authority, shall impose as to the Bonds, the Local Obligations or obligations of the general character of the Bonds or the Local Obligations, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriter;

7. There shall have occurred any material outbreak or escalation of hostilities or other calamity or crisis the effect of which on the financial markets of the United States is such as to make it impracticable, in the judgment of the Underwriter, following consultation with the Authority, to sell the Bonds; or

8. Any proceeding shall have been commenced or be threatened in writing by the Securities and Exchange Commission against the City, the District or the Authority.

E. At or prior to the Closing Date, the Underwriter shall have received a counterpart original or certified copy of the following documents, in each case satisfactory in form and substance to the Underwriter:

1. The Official Statement, executed on behalf of the Authority by its Treasurer or other authorized officer;

2. The Authority Documents, duly executed and delivered by all parties thereto;

3. The Authority Resolution, together with a certificate of the Secretary of the Authority, dated as of the Closing Date, to the effect that such resolution is a true, correct and complete copy of the resolution duly adopted by the Board of Directors of the Authority;

4. The District Resolution, together with a certificate dated as of the Closing Date of the City Clerk to the effect that the District Resolution is a true, correct and complete copy of the one duly adopted by the City Council, acting as the legislative body of the District;

5. The Fiscal Agent Agreement, the Continuing Disclosure Agreement and the Local Obligations Purchase Agreement, duly executed and delivered by all parties thereto;

6. An unqualified approving opinion for the Bonds, dated the Closing Date and addressed to the Authority, of Bond Counsel, in substantially the form included as Appendix D to the Official Statement;

7. A supplemental opinion or opinions, dated the Closing Date and addressed to the Underwriter, of Bond Counsel, in substantially the form attached hereto as Exhibit C;

8. A certificate, dated the Closing Date and signed by the Treasurer of the Authority or other authorized officer, to the effect that: (i) the representations of the Authority contained herein are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date; (ii) to the best knowledge of such officer, no event has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect; and (iii) the Authority has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied under the Authority Documents and the Authority Resolution at or prior to the Closing Date;

9. An opinion of the City Attorney of the City, as counsel to the Authority, dated the date of Closing and addressed to the Underwriter, the Authority and the Community Facilities District, to the effect that:

(i) The Authority is a public body, corporate and politic, duly organized and validly existing as a joint powers authority under the laws of the State of California;

(ii) The Authority has full legal power and lawful authority to enter into the Authority Documents and to carry out the transactions contemplated under the Authority Documents;

(iii) The Authority Resolution was duly adopted at a regular meeting of the governing body of the Authority, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and the Authority Resolution is in full force and effect and has not been modified, amended, rescinded or repealed since the date of its adoption;

(iv) The Authority Documents have been duly authorized, executed and delivered by the Authority and constitute the legal, valid and binding obligations of the Authority enforceable against the Authority in accordance with their terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights, to the application of equitable principles where equitable remedies are sought and to the exercise of judicial discretion in appropriate cases;

(v) To the best knowledge of such counsel, the execution and delivery of the Authority Documents and the Official Statement and compliance with the provisions of the Authority Documents under the circumstances contemplated thereby: (a) do not in any material respect conflict with or constitute on the part of the Authority a breach of or default under any agreement or other instrument to which the Authority is a party or by which it is bound; and (b) do not and will not in any material respect or constitute on the part of the Authority a violation, breach of or default under any court order or consent decree to which the Authority is subject;

(vi) The Authority Documents and the Official Statement have been duly authorized by the Board of Directors of the Authority and executed on its behalf by an authorized officer of the Authority;

(vii) Except as may be stated in the Official Statement, there is no action, suit, proceeding or investigation before or by any court, public board or body pending (notice of which has been served on the Authority) or, to the City Attorney's knowledge, threatened wherein an unfavorable decision, ruling or finding would: (a) affect the creation, organization, existence or powers of the Authority, or the titles of its members and officers to their respective offices; (b) enjoin or restrain the issuance, sale and delivery of the Bonds, the collection of the Revenues and the Redemption Revenues or the pledge thereof; (c) in any way question or affect any of the rights, powers, duties or obligations of the Authority with respect to the Revenues or the moneys and assets pledged or to be pledged to pay the principal of, premium, if any, or interest on the Bonds; (d) in any way question or affect any authority for the issuance of the Bonds, or the validity or enforceability of the Bonds; or (e) in any way question or affect the Authority Documents, the Official Statement or the transactions contemplated by the Authority Documents, the Official Statement, or any activity regarding the Bonds;

10. A letter from Stradling Yocca Carlson & Rauth, a Professional Corporation, dated the Closing Date and addressed to the Authority and to the Underwriter, to the effect that, without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, but on the basis of their participation in conferences with representatives of the City, the Authority, the District, the Special Tax Consultant (as defined below), the Developer and its counsel and consultants, the Trustee and others, and their examination of certain documents, nothing has come to their attention which has led them to believe that the Official Statement contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (except that no opinion or belief need be expressed as to any financial statements or other financial, statistical or engineering data or forecasts, numbers, charts, estimates, projections, assumptions, or expressions of opinion, any information about valuation, absorption, archeological or environmental matters, the compliance by the Authority, the City, the District and their related entities with their respective obligations to provide notice of the events described in part (b)(5)(i)(C) of the Rule or to file annual reports described in part (b)(5)(i)(A) of the Rule, or any information about The Depository Trust Company or the book-entry-only system);

11. A Letter of Representations of the Developer in connection with the printing of the Preliminary Official Statement dated the date of the Preliminary Official Statement, substantially in the form attached as part of Exhibit B hereto or as such Letter of Representation may be modified with the approval of the Underwriter and Underwriter's Counsel, and a Closing Certificate of the Developer dated the Closing Date, substantially in the form attached as part of Exhibit B hereto;

12. Such documents as set forth in Section 9(e) of the Local Obligations Purchase Agreement except as may be waived by the Authority in accordance with its terms;

13. A transcript of all proceedings relating to the authorization, issuance, sale and delivery of the Bonds and the Local Obligations, including certified copies of the Indenture, the Fiscal Agent Agreement and all resolutions of the City and the Authority relating thereto;

14. A certificate dated the Closing Date from Willdan Financial Services (the "Special Tax Consultant") addressed to the Authority, the District and the Underwriter to the effect that: (i) the Special Tax if collected in the maximum amounts permitted pursuant to the Rate and Method of Apportionment of Special Taxes for Improvement Area No. 1 of the District (the "RMA") as of the Closing Date would generate at least 110% of the annual debt service payable with respect to the Local Obligations, based on such assumptions and qualifications as shall be acceptable to the Underwriter; and (ii) the statements in the Official Statement provided by Special Tax Consultant concerning the Special Taxes and the RMA and all information supplied by it for use in the Official Statement as of the date of the Official Statement and as of the Closing Date did not and do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading;

15. Certified copies of the general resolution of U.S. Bank authorizing the execution and delivery of certain documents by certain officers of U.S. Bank, which resolution authorizes the execution of the Indenture, the Fiscal Agent Agreement and the authentication of the Bonds and the Local Obligations;

16. A certificate of U.S. Bank, addressed to the Underwriter, the Authority and the District dated the Closing Date, to the effect that: (i) U.S. Bank is authorized to carry out corporate trust powers, and have full power and authority to perform its duties under the Indenture and the Fiscal Agent Agreement; (ii) U.S. Bank is duly authorized to execute and deliver the Indenture and the Fiscal Agent Agreement, to accept the obligations created by the Indenture and the Fiscal Agent Agreement and to authenticate the Bonds and the Local Obligations pursuant to the terms of the Indenture and the Fiscal Agent Agreement, respectively; (iii) no consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over U.S. Bank that has not been obtained is or will be required for the authentication of the Bonds or the Local Obligations or the consummation by U.S. Bank of the other transactions contemplated to be performed by U.S. Bank in connection with the authentication of the Bonds and the Local Obligations and the acceptance and performance of the obligations created by the Indenture and the Fiscal Agent Agreement; and (iv) to the best of its knowledge, compliance with the terms of the Indenture and the Fiscal Agent Agreement will not conflict with, or result in a violation or breach of, or constitute a default under, any loan agreement, trust agreement, bond, note, resolution or any other agreement or instrument to which U.S. Bank is a party or by which it is bound, or any law or any rule, regulation, order or decree of any court or governmental agency or body having jurisdiction over U.S. Bank or any of its activities or properties;

17. An opinion of counsel to U.S. Bank, dated the Closing Date, addressed to the Underwriter, the Authority and the District to the effect that U.S. Bank is a national banking association duly organized and validly existing under the laws of the United States having full power and being qualified to enter into, accept and agree to the provisions of the Indenture and the Fiscal Agent Agreement, and that each of such documents has been duly authorized, executed and delivered by U.S. Bank and, assuming due execution and delivery by the other parties thereto, constitutes the legal, valid and binding obligation of U.S. Bank enforceable in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium and other laws affecting the enforcement of creditors' rights in general and except as such enforceability may be limited by the application of equitable principles if equitable remedies are sought;

18. A certificate of the Authority dated the Closing Date, in a form acceptable to Bond Counsel and the Underwriter, that the Bonds are not arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended;

19. A copy of the Report of Proposed Debt Issuance and Report of Final Sale required to be delivered to the California Debt and Investment Advisory Commission pursuant to Section 8855 of the California Government Code; and

20. Such additional legal opinions, certificates, instruments and other documents as the Underwriter may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the Closing Date, of the material representations of the Authority contained herein, and of the statements and information contained in the Official Statement and the due performance or satisfaction by the Authority and the District at or prior to the Closing of all agreements then to be performed and all conditions then to be satisfied by the District and the Authority in connection with the transactions contemplated hereby and by the Fiscal Agent Agreement, the Indenture and the Official Statement.

If the Authority shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, accept delivery of and pay for the Bonds contained in this Purchase Agreement, or if the obligations of the Underwriter to purchase, accept delivery of and pay for the Bonds shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate and neither the Authority nor the Underwriter shall be under any further obligation hereunder, except that the respective obligations of the Underwriter and the Authority set forth in Section 6 hereof shall continue in full force and effect.

4. Conditions to the Obligations of the Authority.

A. The obligations of the Authority shall be subject to the satisfaction of the conditions contained in Section 5 of this Purchase Agreement.

B. If the Authority shall be unable to satisfy the conditions to the obligations of the Authority to purchase, accept delivery of and pay for the Local Obligations contained in the Local Obligations Purchase Agreement, or if the obligations of the Authority to purchase, accept delivery of and pay for the Local Obligations shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate and the Authority shall not be under any further obligation hereunder, except that the obligations set forth in Section 7 hereof shall continue in full force and effect.

5. Expenses. Whether or not the transactions contemplated by this Purchase Agreement are consummated, the Underwriter shall be under no obligation to pay, and the Authority shall pay only from the proceeds of the Bonds, or cause the District to pay out of the proceeds of the Local Obligations or any other legally available funds of the District or the Authority, but only as the Authority and such other party providing such services may agree, all expenses and costs of the Authority incident to the performance of its obligations in connection with the authorization, execution, sale and delivery of the Bonds to the Underwriter, including, without limitation, printing costs, initial fees of the U.S. Bank, including fees and disbursements of their counsel, if any, fees and disbursements of Bond Counsel, Disclosure Counsel and other professional advisors employed by the Authority, costs of preparation, printing, signing, transportation, delivery and safekeeping of the Bonds and for expenses (included in the expense component of the spread) incurred by the

Underwriter on behalf of the Authority's employees which are incidental to implementing this Purchase Agreement, including, but not limited to, meals, transportation, lodging, and entertainment of those employees. The Underwriter shall pay all out-of-pocket expenses of the Underwriter, including, without limitation, advertising expenses, the California Debt and Investment Advisory Commission fee, CUSIP Services Bureau charges, regulatory fees imposed on new securities issuers and any and all other expenses incurred by the Underwriter in connection with the public offering and distribution of the Bonds, including fees of its counsel.

6. Notices. Any notice of other communication to be given to the the Authority under this Purchase Agreement may be given by delivering the same in writing to the City of Perris, 101 North D Street, Perris, CA 95758 Attention: City Manager; any notice or other communication to be given to the Underwriter under this Purchase Agreement may be given by delivering the same in writing to Brandis Tallman, LLC, 22 Battery Street, Suite 500, San Francisco, CA 94111, Attention: President.

7. Parties In Interest. This Purchase Agreement is made solely for the benefit of the Authority and Underwriter (including any successors or assignees of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof.

8. Survival of Representations. The representations of the Authority under this Purchase Agreement shall not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing and regardless of any investigations made by or on behalf of the Underwriter (or statements as to the results of such investigations) concerning such representations and statements of the Authority and regardless of delivery of and payment for the Bonds.

9. Execution in Counterparts. This Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

10. Effective. This Purchase Agreement shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by the Authority and shall be valid and enforceable as of the time of such acceptance.

11. No Prior Agreements. This Purchase Agreement supersedes and replaces all prior negotiations, agreements and understanding among the parties hereto in relation to the sale of the Bonds by the Authority.

12. Governing Law. This Purchase Agreement shall be governed by the laws of the State of California.

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13. Effective Date. This Purchase Agreement shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by the Authority and shall be valid and enforceable as of the time of such acceptance.

Very truly yours,

BRANDIS TALLMAN, LLC

By: _____
Its: Authorized Officer

PERRIS JOINT POWERS AUTHORITY

By: _____
Its: Treasurer

EXHIBIT A

**PERRIS JOINT POWERS AUTHORITY
LOCAL AGENCY REVENUE BONDS
(IA 1-CFD NO. 2014-1 (AVELINA)), 2017 SERIES A**

Schedule of Bond Maturities, Principal Amounts, Interest Rates and Yield

<i>Maturity Date (September 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>
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EXHIBIT B

LETTER OF REPRESENTATIONS OF THE DEVELOPER

**PERRIS JOINT POWERS AUTHORITY
LOCAL AGENCY REVENUE BONDS
(IA 1-CFD NO. 2014-1 (AVELINA)), 2017 SERIES A**

Perris Joint Powers Authority
101 North D Street
Perris, CA 92570

Community Facilities District No. 2014-1
(Avelina) of the City of Perris
101 North D Street
Perris, CA 92570

Brandis Tallman, LLC.
22 Battery Street, Suite 500
San Francisco, CA 94111

Re: *Perris Joint Powers Authority Local Agency Revenue Bonds (IA 1-CFD No. 2014-1(Avelina)), 2017 Series A*

Ladies and Gentlemen:

Reference is made to the Perris Joint Powers Authority Local Agency Revenue Bonds (IA 1-CFD No. 2014-1(Avelina)), 2017 Series A (the "Bonds") and to the Bond Purchase Agreement dated the date hereof by and between the Perris Joint Powers Authority (the "Authority") and Brandis Tallman, LLC, as underwriter of the Bonds (the "Underwriter") (the "Purchase Agreement"). This Letter of Representations (the "Letter of Representations") is delivered pursuant to and in satisfaction of Section 3(E)(11) of the Purchase Agreement. Capitalized terms used herein and not otherwise defined have the meanings ascribed to them in the Purchase Agreement.

The undersigned certifies that he or she is familiar with the facts herein certified and is authorized and qualified to certify the same as an authorized officer or representative of Centex Homes, a Nevada general partnership (the "Developer"), and the undersigned, on behalf of the Developer, further certifies as follows:

1. The Developer is duly organized and validly existing under the laws of the State of California, qualified to transact business in the State of California and has all requisite right, power and authority to undertake all of the transactions on its part described in the Preliminary Official Statement.

2. As set forth in the Preliminary Official Statement, certain property within Improvement Area No. 1 (the "Improvement Area") of Community Facilities District No. 2014-1 (Avelina) of the City of Perris (the "Community Facilities District") is held in the

name of the Developer (herein the "Property"). The undersigned, on behalf of the Developer, makes the representations herein with respect to all such Property. Except as otherwise described in the Preliminary Official Statement, the Developer is and the Developer's expectation as of the date of this Letter of Representations is that the Developer shall remain the party responsible for the development of the Property.

3. Except as disclosed in the Preliminary Official Statement, to the Actual Knowledge of the Undersigned,¹ the Developer and its Affiliates² have not violated any applicable law or administrative regulation of the State of California or the United States of America, or any agency or instrumentality of either, which violation could reasonably be expected to materially and adversely affect the Developer's ability to pay Special Taxes due with respect to the Property.

4. Except as disclosed in the Preliminary Official Statement, to the Actual Knowledge of the Undersigned, (a) the Developer and its Affiliates are not in breach of or in default under any applicable judgment or decree or any loan agreement, option agreement, development agreement, indenture, fiscal agent agreement, bond or note (collectively, the "Material Agreements") to which the Developer or its Affiliates are a party or otherwise subject, which breach or default could reasonably be expected to materially and adversely affect the Developer's ability to complete the development of the Property as proposed in the Preliminary Official Statement or to pay the Special Taxes due with respect to the Property and (b) no event has occurred and is continuing that with the passage of time or giving of notice, or both, would constitute such a breach or default.

5. Except as described in the Preliminary Official Statement, there is no material indebtedness of the Developer or its Affiliates that is secured by an interest in the Property. Neither the Developer nor, to the Actual Knowledge of the Undersigned, any of its Affiliates is in default on any obligation to repay borrowed money, which default is reasonably likely to materially and adversely affect the Developer's ability to complete the development of the Property as proposed in the Preliminary Official Statement or to pay the Special Taxes due with respect to the Property.

¹ As used in this Letter of Representations, the phrase "Actual Knowledge of the Undersigned" shall mean the knowledge of the undersigned as of the date hereof obtained from interviews with such current officers and responsible employees of the Developer and its Affiliates as the undersigned has determined are likely, in the ordinary course of their respective duties, to have knowledge of the matters set forth herein. The undersigned has not conducted any extraordinary inspection or inquiry other than such inspections or inquiries as are prudent and customary in connection with the ordinary course of the Developer's current business and operations. The Developer notes that its parent PulteGroup, Inc., a Michigan corporation, including its subsidiaries such as the Developer and its Affiliates, have undergone several restructurings, including office closures and division consolidations. Individuals who are no longer with the various entities have not been contacted.

² "Affiliate" means, with respect to a Person (i) any other Person directly, or indirectly through one or more intermediaries, controlling, controlled by or under common control with such Person, and (ii) for whom information, including financial information or operating data, concerning such Person referenced in clause (i) is material to an evaluation of the Improvement Area, the Local Obligations and the Bonds (i.e., information relevant to the Developer's development plans with respect to its Property and the payment of its Special Taxes, or such Person's assets or funds that would materially affect the Developer's ability to develop its Property as described in the Preliminary Official Statement or to pay its Special Taxes). "Person" means an individual, a corporation, a partnership, a limited liability company, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof. For purposes hereof, the term "control" (including the terms "controlling," "controlled by" or "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

6. Except as set forth in the Preliminary Official Statement, no action, suit, proceeding, inquiry or investigation at law or in equity, before or by any court, regulatory agency, public board or body is pending against the Developer (with proper service of process or proper notice to the Developer having been accomplished) or, to the Actual Knowledge of the Undersigned, is pending against any current Affiliate (with proper service of process to such Affiliate having been accomplished) or to the Actual Knowledge of the Undersigned is threatened in writing against the Developer or any such Affiliate which if successful, is reasonably likely to materially and adversely affect the Developer's ability to complete the development of the Property as described in the Preliminary Official Statement or to pay the Special Tax or *ad valorem* tax obligations on its Property when due.

7. As of the date hereof, the Preliminary Official Statement, solely with respect to information contained therein with respect to the Developer, its Affiliates, ownership of the Property, the Developer's development plan, the Developer's financing plan, the Developer's lenders, if any, and contractual arrangements of the Developer or any Affiliates (including, if material to the Developer's development plan or the Developer's financing plan, other loans of such Affiliates) as set forth under the captions "INTRODUCTION – The District and Improvement Area No. 1 – *Improvement Area No. 1*," "PROPERTY OWNERSHIP AND THE DEVELOPMENT" and "SPECIAL RISK FACTORS – Hazardous Substances" (second to last sentence only), is true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

8. The Developer covenants that, while the Bonds or any refunding obligations related thereto are outstanding, the Developer and its Affiliates which it controls will not bring any action, suit, proceeding, inquiry or investigation at law or in equity, before any court, regulatory agency, public board or body, that in any way seeks to challenge or overturn the formation of the Community Facilities District or the Improvement Area, to challenge the adoption of Ordinance No. 1310 of the Community Facilities District levying Special Taxes within the Improvement Area, to invalidate the Community Facilities District, the Improvement Area or any of the Bonds or any refunding bonds related thereto, or to invalidate the special tax liens imposed under Section 3115.5 of the Streets and Highways Code based on recordation of the notices of special tax lien relating thereto. The foregoing covenant shall not prevent the Developer in any way from bringing any other action, suit or proceeding including, without limitation, (a) an action or suit contending that the Special Tax has not been levied in accordance with the methodologies contained in the RMA pursuant to which the Special Taxes are levied, (b) an action or suit with respect to the application or use of the Special Taxes levied and collected or (c) an action or suit to enforce the obligations of the Community Facilities District under the District Resolution, the Fiscal Agent Agreement, or any other agreements among the Developer, the City, and/or the Community Facilities District or to which the Developer is a beneficiary.

9. Except as disclosed in the Preliminary Official Statement, to the Actual Knowledge of the Undersigned, the Developer is not aware that any other public debt secured by a tax or assessment on the Property exists or is in the process of being authorized or any assessment districts or community facilities districts have been or are in the process of being formed that include any portion of the Property.

10. The Developer has been developing or has been involved in the development of numerous projects over an extended period of time. It is likely that the Developer and some of its Affiliates have been delinquent at one time or another in the payment of *ad valorem* property taxes, special assessments or special taxes. To the actual knowledge of the employees of the Developer involved in the issuance of the Local Obligations and the Bonds, neither it nor any Affiliate has been delinquent to any material extent in the payment of any *ad valorem* property tax, special assessment or special tax on property owned by the Developer or any current Affiliate during the period of its ownership included within the boundaries of a community facilities district or an assessment district within California that (a) would have caused a draw on a reserve fund relating to such assessment district or community facilities district financing or (b) resulted in a foreclosure action being commenced against the Developer or any such Affiliate.

11. The Developer consents to the issuance of the Bonds. The Developer acknowledges and agrees that the proceeds of the Bonds will be used as described in the Preliminary Official Statement.

12. The Developer intends to comply with the provision of the Mello-Roos Community Facilities District Act of 1982, as amended relating to the Notice of Special Tax described in Government Code Section 53341.5 in connection with the sale of the Property, or portions thereof.

13. To the Actual Knowledge of the Undersigned, the Developer is able to pay its bills as they become due and no legal proceedings are pending against the Developer (with proper service of process to the Developer having been accomplished) or, to the Actual Knowledge of the Undersigned, threatened in writing in which the Developer may be adjudicated as bankrupt or discharged from any and all of its debts or obligations, or granted an extension of time to pay its debts or obligations, or be allowed to reorganize or readjust its debts, or be subject to control or supervision of the Federal Deposit Insurance Corporation.

14. To the Actual Knowledge of the Undersigned, Affiliates of the Developer are able to pay their bills as they become due and no legal proceedings are pending against any Affiliates of the Developer (with proper service of process to such Affiliate having been accomplished) or to the Actual Knowledge of the Undersigned, threatened in writing in which the Affiliates of the Developer may be adjudicated as bankrupt or discharged from any or all of their debts or obligations, or granted an extension of time to pay their debts or obligations, or be allowed to reorganize or readjust their debts or obligations, or be subject to control or supervision of the Federal Deposit Insurance Corporation.

15. Based upon its current development plans, including, without limitation, its current budget and subject to economic conditions and risks generally inherent in the development of real property, and except as disclosed in the Preliminary Official Statement including in the sections entitled "SPECIAL RISK FACTORS" and "PROPERTY OWNERSHIP AND THE DEVELOPMENT – Financing Plan" the Developer anticipates that it will have sufficient funds to complete the development of the Property as described in the Preliminary Official Statement and to pay Special Taxes levied against the Property when due and does not anticipate that the Community Facilities District will be required to resort to a draw on the reserve account established under the Indenture for payment of principal or interest on the Bonds due to the Developer's nonpayment of Special Taxes. However,

neither the Developer nor its Affiliates are obligated to make any additional capital contribution or loan to the Developer at any time, and the Developer reserves the right to change its development plan and financing plan for the Property at any time without notice.

16. Solely as to the limited information described in Paragraph 8 above concerning the Developer, its Affiliates, ownership of the Property, the Developer's development plan, the Developer's financing plan, the Developer's lenders, if any, and contractual arrangements of the Developer or any Affiliates (including, if material to the Developer's development plan or the Developer's financing plan, other loans of such Affiliates) as set forth in the Preliminary Official Statement under the captions "INTRODUCTION – The District and Improvement Area No. 1 – Improvement Area No. 1," "PROPERTY OWNERSHIP AND THE DEVELOPMENT" and "SPECIAL RISK FACTORS – Hazardous Substances" (second to last sentence only) (excluding therefrom information which is identified as having been provided by a source other than the Developer), the Developer agrees to indemnify and hold harmless, to the extent permitted by law, the Authority, the City, the Community Facilities District, and their officials and employees, and each Person, if any, who controls any of the foregoing within the meaning of Section 15 of the Securities Act of 1933, as amended, or of Section 20 of the Securities Exchange Act of 1934, as amended, against any and all losses, claims, damages or liabilities, joint or several, to which such indemnified party may become subject under any statute or at law or in equity or otherwise and shall reimburse any such indemnified party for any reasonable legal or other expense reasonably incurred by it in connection with investigating any such claim against it and defending any such action, insofar as such losses, claims, damages, liabilities or actions arise from any untrue statement or alleged untrue statement by the Developer of a material fact contained in the above-referenced information in the Preliminary Official Statement, as of its date, or the omission or alleged omission by the Developer to state in the Preliminary Official Statement, as of its date, a material fact necessary to make the statements made by the Developer contained therein, in light of the circumstances under which they were made not misleading. This indemnity provision shall not be construed as a limitation on any other liability which the Developer may otherwise have to any indemnified party, *provided* that in no event shall the Developer be obligated for double indemnification, or for the negligence or willful misconduct of an indemnified party.

17. If between the date hereof and the Closing Date any event relating to or affecting the Developer, its Affiliates, ownership of the Property, the Developer's development plan, the Developer's financing plan, the Developer's lenders, if any, and contractual arrangements of the Developer or any Affiliates (including, if material to the Developer's development plan or the Developer's financing plan, other loans of such Affiliates) shall occur of which the undersigned has actual knowledge and which the undersigned believes would cause the information under the sections of the Preliminary Official Statement indicated in Paragraph 8 hereof, to contain an untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the undersigned shall notify the Authority and the Underwriter and if in the opinion of counsel to the Authority or the Underwriter such event requires the preparation and publication of a supplement or amendment to the Preliminary Official Statement, the Developer shall reasonably cooperate with the Authority in the preparation of an amendment or supplement to the Preliminary Official Statement in form and substance satisfactory to counsel to the Authority and to the Underwriter.

18. For the period through 25 days after the “End of the Underwriter Period” as defined in the Purchase Agreement, if any event relating to or affecting the Developer, its Affiliates, ownership of the Property, the Developer’s development plan, the Developer’s financing plan, the Developer’s lenders, if any, and contractual arrangements of the Developer or any Affiliates (including, if material to the Developer’s development plan or the Developer’s financing plan, other loans of such Affiliates) shall occur as a result of which it is necessary, in the opinion of the Underwriter or counsel to the Authority, to amend or supplement the Official Statement in order to make the Official Statement not misleading in the light of the circumstances existing at the time it is delivered to a purchaser, the Developer shall reasonably cooperate with the Authority and the Underwriter in the preparation of an amendment or supplement to the Official Statement in form and substance satisfactory to the Underwriter and counsel to the Authority which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading.

19. The Developer agrees to deliver a Closing Certificate dated the date of issuance of the Bonds at the time of issuance of the Bonds in substantially the form attached as Exhibit A.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK; EXECUTION PAGE FOLLOWS]

20. On behalf of the Developer, I have reviewed the contents of this Letter of Representations and have met with counsel to the Developer for the purpose of discussing the meaning of its contents.

The undersigned has executed this Certificate solely in his or her capacity as an officer of Developer and he or she will have no personal liability arising from or relating to this Certificate. Any liability arising from or relating to this Certificate may only be asserted against the Developer.

Centex Homes, a Nevada general partnership

By: _____

EXHIBIT A

**PERRIS JOINT POWERS AUTHORITY
LOCAL AGENCY REVENUE BONDS
(IA 1-CFD NO. 2014-1 (AVELINA)), 2017 SERIES A**

CLOSING CERTIFICATE OF DEVELOPER

_____, 2017

Perris Joint Powers Authority
101 North D Street
Perris, CA 92570

Community Facilities District No. 2014-1
(Avelina) of the City of Perris
101 North D Street
Perris, CA 92570

Brandis Tallman, LLC.
22 Battery Street, Suite 500
San Francisco, CA 94111

Ladies and Gentlemen:

Reference is made to the Perris Joint Powers Authority Local Agency Revenue Bonds (IA 1-CFD No. 2014-1(Avelina)), 2017 Series A (the "Bonds") and to the Bond Purchase Agreement dated the date hereof by and between the Perris Joint Powers Authority (the "Authority") and Brandis Tallman, LLC, as underwriter of the Bonds (the "Underwriter") (the "Purchase Agreement"). This certificate is delivered by Centex Homes, a Nevada general partnership (the "Developer") pursuant to the Purchase Agreement. Capitalized terms used herein or in the Letter of Representations (defined below) and not otherwise defined have the meanings ascribed to them in the Purchase Agreement. A copy of a Letter of Representations (the "Letter of Representations"), dated _____, 2017, delivered by the Developer, is attached hereto as Exhibit A.

The undersigned certifies that he or she is familiar with the facts herein certified and is authorized and qualified to certify the same as an authorized officer or representative of the Developer, and the undersigned, on behalf of the Developer, further certifies as follows:

1. The Developer has received the final Official Statement relating to the Bonds. Each statement, representation and warranty made in the Letter of Representations is true and correct in all material respects on and as of the date hereof with the same effect as if made on the date hereof, except that all references therein to the Preliminary Official Statement shall be deemed to be references to the final Official Statement.

2. To the Actual Knowledge of the Undersigned, no event has occurred since the date of the Preliminary Official Statement affecting the statements and information described in Paragraph 8 of the Letter of Representations relating to the Developer, its Affiliates, ownership of the Property, the

Developer's development plan, the Developer's financing plan, the Developer's lenders, if any, and contractual arrangements of the Developer or any Affiliates (including, if material to the Developer's development plan or the Developer's financing plan, other loans of such Affiliates) which should be disclosed in the Official Statement for the purposes for which it is to be used in order to make such statements and information contained in the Official Statement not misleading in any material respect.

3. The undersigned has executed this Certificate solely in his or her capacity as an officer of Developer and he or she will have no personal liability arising from or relating to this Certificate. Any liability arising from or relating to this Certificate may only be asserted against the Developer.

Centex Homes, a Nevada general partnership

By: _____

EXHIBIT C
SUPPLEMENTAL OPINION OF BOND COUNSEL

[TO COME FROM BOND COUNSEL]

FISCAL AGENT AGREEMENT

by and between

**COMMUNITY FACILITIES DISTRICT NO. 2014-1
(AVELINA) OF THE CITY OF PERRIS**

and

**U.S. BANK NATIONAL ASSOCIATION,
as Fiscal Agent**

Dated as of June 1, 2017

Relating to:

\$ _____

Improvement Area No. 1

**Community Facilities District No. 2014-1 (Avelina) of the City of Perris
Special Tax Bonds, 2017 Series**

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I STATUTORY AUTHORITY AND DEFINITIONS	2
1.1. Authority for this Agreement.....	2
1.2. Agreement for Benefit of Bond Owners.....	2
1.3. Definitions	2
ARTICLE II THE BONDS	11
2.1. Principal Amounts; Designations	11
2.2. Terms of Bonds.....	11
2.3. Redemption.....	12
2.4. Form of Bonds	14
2.5. Execution of Bonds.....	14
2.6. Transfer of Bonds	15
2.7. Exchange of Bonds	15
2.8. Bond Register	15
2.9. Temporary Bonds	16
2.10. Bonds Mutilated, Lost, Destroyed or Stolen	16
2.11. Limited Obligation.....	16
2.12. No Acceleration	17
2.13. Additional Bonds Prohibited	17
ARTICLE III ISSUANCE OF BONDS	17
3.1. Issuance and Delivery of the Bonds	17
3.2. Application of Proceeds of Sale of the Bonds and Other Funds	17
3.3. Validity of Bonds.....	17
3.4. Special Taxes Receipt Fund and Special Tax Fund.....	17
3.5. Reserved.	18
3.6. Administrative Expense Fund.....	18
3.7. Improvement Fund.....	19
3.8. Reserved	19
3.9. Delinquency Management Fund.....	19
3.10. Reserved	20
3.11. Redemption Fund.....	20

ARTICLE IV SPECIAL TAX REVENUES; BOND FUND.....21

 4.1. Pledge of Special Tax Revenues.....21

 4.2. Bond Fund21

ARTICLE V OTHER COVENANTS OF THE DISTRICT22

 5.1. Punctual Payment22

 5.2. Limited Obligation.....22

 5.3. Extension of Time for Payment22

 5.4. Against Encumbrances23

 5.5. Books and Records23

 5.6. Protection of Security and Rights of Owners23

 5.7. Compliance with Law, Completion of Facilities23

 5.8. Collection of Special Tax Revenues.....23

 5.9. Further Assurances24

 5.10. Tax Covenants.24

 5.11. Covenant to Foreclose28

 5.12. Annual Reports to CDIAC.....29

 5.13. Continuing Disclosure to Owners.....29

 5.14. Reserve Account Replenishment.....29

**ARTICLE VI INVESTMENTS; DISPOSITION OF INVESTMENT PROCEEDS;
LIABILITY OF THE DISTRICT29**

 6.1. Deposit and Investment of Moneys in Funds29

 6.2. Limited Obligation.....31

 6.3. Liability of District31

 6.4. Employment of Agents by District or the City32

ARTICLE VII EVENTS OF DEFAULT AND REMEDIES OF BOND OWNERS32

 7.1. Events of Default. The following events shall be Events of Default.....32

 7.2. Remedies of Bond Owners32

 7.3. Application of Special Taxes and Other Funds After Default.....33

 7.4. Absolute Obligation of the District.....33

 7.5. Termination of Proceedings.....34

 7.6. Remedies Not Exclusive.....34

 7.7. No Waiver of Default34

 7.8. Actions by Fiscal Agent as Attorney-in-Fact34

ARTICLE VIII THE FISCAL AGENT	34
8.1. Appointment of Fiscal Agent.....	34
8.2. Liability of Fiscal Agent.....	35
8.3. Information	36
8.4. Notice to Fiscal Agent	37
8.5. Compensation, Indemnification.....	37
ARTICLE IX MODIFICATION OR AMENDMENT OF THIS AGREEMENT	37
9.1. Amendments Permitted	37
9.2. Owners' Meetings	38
9.3. Procedure for Amendment with Written Consent of Owners	38
9.4. Disqualified Bonds and Additional Bonds	39
9.5. Effect of Supplemental Agreement	39
9.6. Endorsement or Replacement of Bonds and Additional Bonds Issued After Amendments	39
9.7. Amendatory Endorsement of Bonds and Additional Bonds.....	40
9.8. Opinion of Bond Counsel	40
ARTICLE X MISCELLANEOUS	40
10.1. Benefits of Agreement Limited to Parties	40
10.2. Successor is Deemed Included in All References to Predecessor	40
10.3. Discharge of Agreement	40
10.4. Execution of Documents and Proof of Ownership by Owners.....	41
10.5. Waiver of Personal Liability.....	42
10.6. Notices to and Demands on District and Fiscal Agent	42
10.7. Partial Invalidity	42
10.8. Unclaimed Moneys	43
10.9. Applicable Law	43
10.10. Conflict with Act	43
10.11. Conclusive Evidence of Regularity	43
10.12. Payment on Business Day	43
10.13. Counterparts.....	43
EXHIBIT A FORM OF BONDS	A-1
EXHIBIT B FORM OF OFFICER’S CERTIFICATE.....	B-1

FISCAL AGENT AGREEMENT

THIS FISCAL AGENT AGREEMENT (the "Agreement") is dated as of June 1, 2017, by and between the Community Facilities District No. 2014-1 (Avelina) of the City of Perris (the "District"), a community facilities district organized and existing under and by virtue of the laws of the State of California, and U.S. Bank National Association, a national banking association organized and existing under the laws of the United States of America, as fiscal agent (the "Fiscal Agent").

WITNESSETH:

WHEREAS, the City Council (the "City Council") of the City of Perris (the "City") has formed the District and created the District and various improvement areas within the District, including Improvement Area No. 1 ("Improvement Area No. 1" or "IA 1") under the provisions of the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 et seq. of the California Government Code) (the "Act") and Resolution No. 4798 of the City Council adopted on January 13, 2015; and

WHEREAS, the City Council is authorized under the Act and pursuant to Resolution Nos. 4799 and 4789, adopted on January 13, 2015, and Ordinance No. 1310, adopted on January 27, 2015, to levy special taxes to pay for the costs of facilities provided by the District, pursuant to the rate and method of apportionment approved by the qualified electors within the District; and

WHEREAS, on _____, 20__ pursuant to Resolution No. __, the District authorized the issuance of one or more series of bonds to be secured by the special taxes within Improvement Area No. 1 of the District, in an amount not to exceed \$5,000,000 ("Resolution to Incur Bond Indebtedness"); and

WHEREAS, on _____, the City Council adopted Resolution No. __ (the "Resolution") authorizing the issuance and sale of bonds for the District pursuant to this Agreement, designated "Improvement Area No. 1 of Community Facilities District No. 2014-1 (Avelina) of the City of Perris Special Tax Bonds, 2017 Series" (the "Bonds"), for the purpose of financing the acquisition, rehabilitation and construction of certain public improvements and fees within the District (the "Facilities"); and

WHEREAS, the Bonds shall be secured by special taxes levied within the District pursuant to its Rate and Method of Apportionment; and

WHEREAS, the Perris Joint Powers Authority (the "Authority") intends to issue its Local Agency Revenue Bonds (IA1-CFD No. 2014-1 (Avelina)), 2017 Series A (the "Authority Bonds"), for the purpose of purchasing the Bonds and to fund a reserve account in the amount equal to the Reserve Requirement as that term is set forth in that certain Indenture of Trust, dated as of June 1, 2017, by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"), and to pay the expenses of the Authority in connection with the issuance of the Authority 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 that the District enters into this Agreement to provide for the issuance of the Bonds, the disbursement of proceeds of

the Bonds, the disposition of the special taxes securing the Bonds, and the administration and payment of the Bonds; and

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

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

ARTICLE I STATUTORY AUTHORITY AND DEFINITIONS

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

1.2. Agreement for Benefit of Bond Owners. The provisions, covenants and agreements herein set forth to be performed by or on behalf of the City and the District shall be for the equal benefit, protection and security of the Owners from time to time. In consideration of the acceptance of the Bonds and Additional Bonds by the Owners thereof, this Agreement shall be deemed to be and shall constitute a contract between the District and the Owners; and the covenants and agreements herein set forth to be performed by the District shall be, for the equal and proportionate benefit, security and protection of all Owners of the Bonds and Additional Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds and Additional Bonds over any of the others by reason of the number, or date thereof or the time of sale, execution or delivery thereof, or otherwise for any cause whatsoever, except as expressly provided, therein or herein. All of the Bonds and Additional 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 and Additional 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 and Additional Bonds in its own or any other capacity with the same rights it would have if it were not Fiscal Agent.

1.3. Definitions. Unless the context otherwise requires, the terms defined in this Section 1.3 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.

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

“Additional Authority Bonds” means bonds issued by the Authority pursuant to an Additional Authority Indenture for the purchase of Additional Bonds.

“Additional Authority Indenture” means the indenture, trust agreement, fiscal agent agreement or other document governing the terms of Additional Authority Bonds.

“Additional Bond(s)” means additional bonds issued pursuant to Section 2.13 hereof, if permitted.

“Administrative Expense Fund” means the fund by that name established by Section 3.6(a) 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 or the District (including fees and expenses of counsel) in carrying out their duties hereunder (including, but not limited to, the levying and collection of the Special Taxes, including costs associated with foreclosure proceedings or work-outs with property owners), complying with the disclosure provisions of the Act, the Continuing Disclosure Agreement and this Agreement, including those related to public inquiries regarding the Special Tax and disclosures to Bond Owners and the Original Purchaser; the costs of the City and the District or their designees related to an appeal of the Special Tax; any costs of the City and the District (including fees and expenses of counsel) to defend the first lien on and pledge of the Special Taxes to the payment of the Bonds and Additional Bonds or otherwise in respect of litigation relating to the District or the Bonds and Additional Bonds or with respect to any other obligations of the District; any amounts required to be rebated to the federal government in order for the District to comply with Section 5.10(h), including the fees and expenses of its counsel; the costs of any dissemination agent under the continuing disclosure agreements entered into by the City and the District; an allocable share of the salaries of City staff directly related thereto and a proportionate amount of City general administrative overhead related thereto, and all other costs and expenses of the City, the District, or the Fiscal Agent incurred in connection with the discharge of their respective duties hereunder, and in the case of the City, in any way related to the administration of the District and all actual costs and expenses incurred in connection with the administration of the Bonds and Additional Bonds and the Authority Bonds.

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

“Annual Debt Service” means, for each Bond Year, the sum of (i) the interest due on the Outstanding Bonds and Additional Bonds in such Bond Year, assuming that the Outstanding

Bonds and Additional Bonds are retired as scheduled, and (ii) the principal amount of the Outstanding Bonds and Additional Bonds due in such Bond Year (including mandatory sinking payments, if any).

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

“Authority” means the Perris Joint Powers Authority, a joint powers authority existing under Government Code Section 6500 *et seq.*

“Authority Bonds” means the \$_____ initial principal amount of Perris Joint Powers Authority Local Agency Revenue Bonds (IA1-CFD No. 2014-1 (Avelina)), 2017 Series A, or such other series of local agency revenue bonds issued by the Authority, the proceeds of which are used to acquire one or more series of Additional Bonds.

“Authority Indenture” means the Indenture of Trust, dated as of June 1, 2017, between the Authority and U.S. Bank National Association, as trustee, relating to the Authority Bonds, or such other indenture of trust, fiscal agent agreement, trust agreement or other documents, as the case may be, relating to the Authority Bonds.

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

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

“Bond Fund” means the fund by that name established by Section 4.2(a) hereof.

“Bonds” means Improvement Area No. 1 of Community Facilities District No. 2014-1 (Avelina) of the City of Perris Special Tax Bonds, 2017 Series, authorized by, and at any time Outstanding pursuant hereto.

“Bond Year” means each one-year period beginning on September 2 of each year and ending on September 1 of the following year, except that the first Bond Year shall begin on the Closing Date and end on September 1, 2017; provided, however, that with respect to the Authority Bonds, for Federal tax purposes, the term “Bond Year” shall be defined as set forth in the Authority Indenture.

“Business Day” means any day other than (i) a Saturday or a Sunday, (ii) a day on which the offices of the City are not open for business, or (iii) a day on which banking institutions in the state in which the Fiscal Agent has its principal corporate trust office is 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 thereof.

“City” means the City of Perris, California.

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

“City Manager” means the City Manager of the City.

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

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

“Continuing Disclosure Agreement” shall mean any Continuing Disclosure Agreement, by and between the District and a Dissemination Agent, relating to the Authority Bonds, executed on the Closing Date, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Corporate Trust Office” means the corporate trust office of the Fiscal Agent located in Los Angeles, California or such other office designated from time to time by the Fiscal Agent in writing to the District.

“County” means the County of Riverside, California.

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

“Delinquency Management Fund” means the fund by that name established by Section 3.9(a) hereof.

“Delinquency Management Fund Requirement” means, as of any calculation date, an amount equal to 15% of the Maximum Annual Debt Service.

“Dissemination Agent” means Willdan Financial Services or such other Dissemination Agent as may be appointed by the City pursuant to the Continuing Disclosure Agreement.

“District” means the Community Facilities District No. 2014-1 (Avelina) of the City of Perris, formed pursuant to the Resolution of Formation.

“Facilities” means the facilities more particularly described in the original resolution of intention, or any portion of the Facilities financed by the Bonds.

“Fair Market Value” means the price at which a willing buyer would purchase the

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

"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, as shall be certified by the District to the Fiscal Agent:

(1) 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;

(2) 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 pass-through 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; or refunded municipal obligations, the timely payment of principal of and interest on are fully guaranteed by the United States of America.

"Fiscal Agent" means the Fiscal Agent appointed by the District and acting as an independent fiscal agent with the duties and powers herein provided, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in Section 8.1.

"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 No. 1" or "IA 1" means Improvement Area No. 1 of the District, created pursuant to the Resolution of Formation.

"Improvement Fund" means the fund by that names established by Section 3.7 hereof.

“Interest Account” means the account by that name established in the Bond Fund pursuant to Section 4.2 hereof.

“Interest Payment Date” means March 1 and September 1 of each year, commencing September 1, 2017, with respect to the Bonds.

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

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

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

“Net Taxes” means Special Taxes less Administrative Expenses.

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

“Ordinance” means any ordinance of the City levying the Special Taxes, including Ordinance No. 1310, adopted January 27, 2015.

“Original Purchaser” means, with respect to the Bonds, the Authority, and with respect to an issue of Additional Bonds, the initial purchaser of such Additional Bonds.

“Outstanding” when used as of any particular time with reference to Bonds and Additional Bonds, means (subject to the provisions of Section 9.4) all Bonds and Additional Bonds except: (i) Bonds and Additional Bonds theretofore canceled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation; (ii) Bonds and Additional Bonds paid or deemed to have been paid within the meaning of Section 10.3; and (iii) Bonds and Additional Bonds in lieu of or in substitution for which other Bonds and Additional Bonds shall have been authorized, executed, issued and delivered by the District pursuant to this Agreement or any Supplemental Agreement.

“Owner” or **“Bond Owner”** means any person who shall be the registered owner of any Outstanding Bond and/or Additional Bonds, as the case may be.

“Participating Underwriter” means any of the original underwriter(s) of the Authority Bonds required to comply with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time, in connection with the offering of the Authority Bonds.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State and the City’s or District’s investment policies for the moneys proposed to be invested therein (the Fiscal Agent is entitled to rely on written investment direction of the District as a determination that such investment is a legal investment), but only to the extent that the same are acquired at Fair Market Value:

- (a) Federal Securities;
- (b) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): (i) direct obligations or fully guaranteed certificates of beneficial ownership of the U.S. Export-Import Bank; (ii) certificates of beneficial ownership of the Farmers Home Administration; (iii) obligations of the Federal Financing Bank; (iv) debentures of the Federal Housing Administration; (v) participation certificates of the General Services Administration; (vi) guaranteed mortgage-backed bonds or guaranteed pass-through obligations of the Government National Mortgage Association; (vii) guaranteed Title XI financings of the U.S. Maritime Administration; and (viii) project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing and Urban Development;
- (c) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself): (i) senior debt obligations of the Federal Home Loan Bank System; (ii) participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation; (iii) mortgage-backed securities and senior debt obligations of the Federal National Mortgage Association (excluding stripped mortgage securities which are valued greater than par on the portion of unpaid principal); (iv) senior debt obligations of the Student Loan Marketing Association; (v) obligations (but only the interest component of stripped obligations) of the Resolution Funding Corporation; and (vi) consolidated system-wide bonds and notes of the Farm Credit System;
- (d) money-market funds (including funds of the Fiscal Agent or its affiliates) registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of "AAAm-G," "AAAm," or "AAm," or, if rated by Moody's, rated "Aaa-mf," "Aa-mf" or "A-mf;"
- (e) certificates of deposit secured at all times by collateral described in (a) or (b) above, which have a maturity of one year or less, which are issued by commercial banks, savings and loan associations or mutual savings banks, and such collateral must be held by a third party, and the Fiscal Agent must have a perfected first security interest in such collateral;
- (f) certificates of deposit, savings accounts, deposit accounts or money market deposits (including those of the Fiscal Agent and its affiliates) which are fully insured by the Federal Deposit Insurance Corporation;
- (g) investment agreements, including guaranteed investment contracts, forward purchase agreements and Reserve Account put agreements, which are general obligations of an entity whose long term debt obligations, or claims paying ability, respectively, is rated in one of the two highest rating categories by Moody's or S&P;
- (h) commercial paper rated, at the time of purchase, "Prime-1" by Moody's and "A 1" or better by S&P;

(i) bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies;

(j) federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P;

(k) repurchase agreements which provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Fiscal Agent and the transfer of cash from the Fiscal Agent to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Fiscal Agent in exchange for the securities at a specified date, which satisfy the following criteria:

(i) repurchase agreements must be between the Fiscal Agent and (A) a primary dealer on the Federal Reserve reporting dealer list which falls under the jurisdiction of the Securities Investors Protection Corporation which are rated "A" or better by Moody's and S&P, or (B) a bank rated "A" or better by Moody's and S&P;

(ii) the written repurchase agreement contract must include the following: (A) securities acceptable for transfer, which may be direct U.S. government obligations, or federal agency obligations backed by the full faith and credit of the U.S. government; (B) the term of the repurchase agreement may be up to 30 days; (C) the collateral must be delivered to the Fiscal Agent or a third party acting as agent for the Fiscal Agent simultaneous with payment (perfection by possession of certificated securities); (D) the Fiscal Agent must have a perfected first priority security interest in the collateral; (E) the collateral must be free and clear of third-party liens and, in the case of a broker which falls under the jurisdiction of the Securities Investors Protection Corporation, are not subject to a repurchase agreement or a reverse repurchase agreement; (F) failure to maintain the requisite collateral percentage, after a two-day restoration period, will require the Fiscal Agent to liquidate the collateral; (G) the securities must be valued weekly, marked-to-market at current market price plus accrued interest and the value of collateral must be equal to 104% of the amount of cash transferred by the Fiscal Agent to the dealer bank or securities firm under the repurchase agreement plus accrued interest (unless the securities used as collateral are obligations of the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, in which case the collateral must be equal to 105% of the amount of cash transferred by the Fiscal Agent to the dealer bank or securities firm under the repurchase agreement plus accrued interest). If the value of securities held as collateral falls below 104% of the value of the cash transferred by the Fiscal Agent, then additional cash and/or acceptable securities must be transferred; and

(iii) a legal opinion must be delivered to the Fiscal Agent to the effect that the repurchase agreement meets guidelines under state law for legal investment of public funds; and

(l) the Local Agency Investment Fund of the State of California, created pursuant to Section 16429.1 of the California Government Code, to the extent the Fiscal Agent is authorized to register such investment in its name.

"Person" means an individual, corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political

subdivision thereof.

“Principal Account” means the account by that name established in the Bond Fund pursuant to Section 4.2 hereof.

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

“Redemption Fund” means the fund by that name established by Section 3.11 hereof.

“Redemption Revenues” means (a) any amounts transferred pursuant to the Authority Indenture for the redemption of Bonds or pursuant to an Additional Authority Indenture for the redemption of Additional Bonds, (b) amounts transferred from the Delinquency Management Fund for the redemption of Bonds or Additional Bonds, and (d) any amounts deposited for the Special Mandatory Redemption from Prepayment of Special Taxes and Surplus Funds, or Optional Redemption of Bonds or Additional Bonds pursuant to Section 2.3(a).

“Registration Books” means the records maintained by the Fiscal Agent pursuant to Section 2.8 hereof for the registration and transfer of ownership of the Bonds and Additional Bonds.

“Reserve Account” means the account by that name established pursuant to the Authority Indenture.

“Resolution” means Resolution No. ___ adopted by the Legislative Body on March ___, 2017, as now in effect or as it may hereafter be amended from time to time, and any resolution adopted by the Legislative Body with respect to a series of Additional Bonds, as such resolution is in effect or may be amended from time to time.

“Resolution of Formation” means Resolution No. 4800 adopted by the Legislative Body on January 13, 2015, as now in effect or as it may hereafter be amended from time to time.

“RMA” means the Rate and Method of Apportionment of the Special Tax for the District.

“S&P” means S&P Global, Inc., and its successors.

“Special Tax Fund” means the fund by that name established by Section 3.4(a) hereof.

“Special Tax Revenues” means (a) the proceeds of the Special Taxes received pursuant to the RMA by the District with respect to Improvement Area No. 1, including any scheduled payments thereof and interest thereon, (b) income and gains with respect to the investment of amounts on deposit in the funds and accounts established hereunder for the Bonds and Additional Bonds and (c) proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes. Notwithstanding the foregoing, “Special Tax Revenues” does not include any penalties or interest in excess of the interest payable on the Bonds or Additional Bonds collected in connection with delinquent Special Taxes.

“Special Taxes” means the special taxes levied within Improvement Area No. 1 of the District pursuant to the Act, the Ordinance, this Agreement and the RMA.

“State” means the State of California.

“Supplemental Agreement” means an agreement the execution of which is authorized by a resolution which has been duly adopted by the Legislative Body of the District 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.

“Tax and Nonarbitrage Certificate” means, with respect to the Authority Bonds, the Tax and Nonarbitrage Certificate, dated the date of issuance of the Authority Bonds, as originally executed and as it may from time to time be amended or supplemented pursuant to its terms.

“Treasurer” means the person who is acting in the capacity as treasurer or finance director to the City.

ARTICLE II THE BONDS

2.1. Principal Amounts; Designations. Bonds in the aggregate principal amount of _____ (\$ _____) are hereby authorized to be issued under and subject to the terms of the Resolution and this Agreement, the Act and other applicable laws of the State of California. The Bonds shall be designated “Community Facilities District No. 2014-1 (Avelina) of the City of Perris Special Tax Bonds, 2017 Series.” This Agreement constitutes a continuing agreement of the District with the Owners from time to time of the Bonds to secure the full payment of the principal of, premium, if any, and interest on all such Bonds subject to the covenants, provisions and conditions herein contained.

2.2. Terms of Bonds.

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

(b) Date of the Bonds. The Bonds shall be dated the Closing Date.

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

<u>Maturity Date</u> <u>(September 1)</u>	<u>Amount</u>	<u>Coupon</u>
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(d) Interest. The 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 Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated after a Record Date and

on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it shall bear interest from such Interest Payment Date, or (ii) it is authenticated on or before August 15, 2017, in which event it shall bear interest from the Closing Date, or (iii) interest with respect to any Outstanding Bond is in default, in which event interest with respect thereto will be payable from the date to which interest has previously been paid or made available for payment thereon.

(e) Method of Payment. Interest on the Bonds (including the final interest payment upon maturity or earlier redemption) is payable by check 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 instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds.

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

All Bonds paid by the Fiscal Agent pursuant to this Section shall be canceled by the Fiscal Agent. The Fiscal Agent shall destroy the canceled Bonds.

2.3. Redemption.

(a) Redemption Dates.

(i) *Optional Redemption.* The Bonds are subject to redemption prior to maturity at the option of the District from any source of funds, as a whole or in part, on any date on or after September 1, ____ as selected by the District, upon direction of the Authority, at the redemption prices and schedules applicable to the Authority Bonds. Notwithstanding anything to the contrary, with respect to optional redemptions related to the Authority Bonds, the District shall abide by the priority of redemption relating to the Authority Bonds permitted by the Authority Indenture.

(ii) *Special Mandatory Redemption from Prepayment of Special Taxes and from Surplus Funds.* The Bonds shall also be subject to mandatory redemption on any date on or after September 1, 2017, in whole or in part as selected by the District, from amounts constituting prepayments of Special Taxes, from amounts transferred from the Delinquency Management Fund hereunder and from amounts transferred by the Authority to the District from the Cash Flow Management Fund under the Authority Indenture at the following redemption prices (expressed as a percentage of the principal amount of Bonds to be redeemed) together with accrued interest thereon to the redemption date:

<u>Redemption Periods</u>	<u>Redemption Price</u>
September 1, 2017 through August 31, 2027	102.0%
September 1, 2027 and thereafter	100.0%

(iii) **Mandatory Sinking Payment Redemption.** The Bonds are not subject to Mandatory Sinking Payment Redemption.

(b) **Notice to Fiscal Agent.** The District shall give the Fiscal Agent written notice of its intention to redeem Bonds pursuant to subsection (a)(i) not less than sixty (60) days prior to the applicable redemption date, unless such lesser number of days' notice shall be acceptable to the Fiscal Agent, such notice being for the convenience of the Fiscal Agent. Notwithstanding any provisions in this Agreement to the contrary, upon any optional redemption or special mandatory redemption in part, the District shall deliver an Officer's Certificate to the Fiscal Agent at least sixty (60) days prior to the proposed redemption date or such later date as shall be acceptable to the Fiscal Agent so stating that the remaining payments of principal and interest on the Bonds, together with Special Taxes to be available, will be sufficient on a timely basis to pay debt service on the Authority Bonds, as demonstrated in a cash flow certificate delivered to the Fiscal Agent with such Officer's Certificate.

The District shall in such Officer's Certificate certify to the Fiscal Agent that sufficient moneys for purposes of such redemption are or will be on deposit in the Redemption Fund and is required to deliver such moneys to the Fiscal Agent together with other Special Tax Revenues, if any, then to be delivered to the Fiscal Agent pursuant to this Agreement, which moneys are required to be identified to the Fiscal Agent in the Officer's Certificate delivered with the Special Tax Revenues.

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

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

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

of redemption. The Fiscal Agent shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall, to the extent practicable, bear the number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

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

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

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

All Bonds redeemed and purchased by the Fiscal Agent pursuant to this Section 2.3 shall be canceled by the Fiscal Agent. The Fiscal Agent shall destroy the canceled Bonds.

(e) Partial Redemption. If in the event only a portion of any Bond is called for redemption, then upon surrender of such Bond the City will execute, on behalf of the District, and the Fiscal Agent will authenticate and deliver to the Bond Owner thereof, at the expense of the District, a new Bond or Bonds of the same series and maturity date, of authorized denominations in an aggregate principal amount equal to the unredeemed portion of the Bond to be redeemed.

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

2.5. Execution of Bonds. The Bonds shall be executed on behalf of the District by the manual or facsimile signatures of the Mayor, and City Clerk, who are in office on the date of adoption of this Agreement or at any time thereafter. Unless otherwise provided in any Supplemental Agreement with respect to the Bonds, the Bonds shall then be delivered to the Fiscal

Agent for authentication. If any officer whose signature appears on any Bond ceases to be such officer before delivery of the Bonds to the owner, such signature shall nevertheless be as effective as if the officer had remained in office until the delivery of the Bonds to the owner. Any Bond may be signed and attested on behalf of the District by such persons as at the actual date of the execution of such Bond shall be the proper officers of the District although at the nominal date of such Bond any such person shall not have been such officer of the District.

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

2.6. 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 2.8 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 form approved by the Fiscal Agent. The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such transfer shall be paid by the District. The Fiscal Agent shall collect from the Owner requesting such transfer any tax or other governmental charge required to be paid with respect to such transfer.

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

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

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

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

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

2.9. Temporary Bonds. The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such authorized denominations as may be determined by the District, and may contain such reference to any of the provisions of this Agreement as may be appropriate. Every temporary Bond shall be executed by the District upon the same conditions and in substantially the same manner as the definitive Bonds. If the District issues temporary Bonds it will execute and furnish definitive Bonds without delay and thereupon the temporary Bonds shall be surrendered, for cancellation, in exchange for the definitive Bonds at the Corporate Trust 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.

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

2.11. Limited Obligation. All obligations of the District under this Agreement and the Bonds shall be special obligations of the District, payable solely from the Special Tax Revenues and the funds pledged therefor hereunder. Neither the faith and credit nor the taxing power of the District (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.

2.12. No Acceleration. The principal of the Bonds shall not be subject to acceleration hereunder. Nothing in this Section shall in any way prohibit the prepayment or redemption of Bonds under Section 2.3 hereof, or the defeasance of the Bonds and discharge of this Agreement under Section 10.3 hereof.

2.13. Additional Bonds Prohibited. Other than for refunding purposes, no Additional Bonds entitled to a lien on the Special Tax Revenues shall be issued hereunder.

**ARTICLE III
ISSUANCE OF BONDS**

3.1. Issuance and Delivery of the Bonds. At any time after the execution of this Agreement, the District may issue the Bonds in the aggregate principal amount set forth in Section 2.1 and deliver the Bonds to the Original Purchaser. The Authorized Officers of the District are hereby authorized and directed to deliver any and all documents and instruments necessary to cause the issuance of the Bonds in accordance with the provisions of the Act, the Resolution and this Agreement and to do and cause to be done any and all acts and things necessary or convenient for delivery of the Bonds to the Original Purchaser, upon payment of the purchase price for the Bonds.

3.2. Application of Proceeds of Sale of the Bonds and Other Funds. On the Closing Date, the total amount of \$_____, which shall constitute the proceeds of the sale of the Bonds (being the Principal Amount of \$_____, less a Bond Purchase Discount of \$_____), and other available funds as follows:

(a) The Fiscal Agent shall deposit \$_____ into the Improvement Fund.

(b) The Fiscal Agent shall deposit \$_____ into the Delinquency Management Fund. The moneys deposited in the Delinquency Management Fund shall be from funds that are not Bond proceeds.

(c) The Fiscal Agent shall deposit \$_____ into the Administrative Expense Fund for first year administrative expenses. The moneys deposited in the Administrative Expense Fund shall be from funds that are not Bond proceeds.

3.3. Validity of Bonds. The validity of the authorization and issuance of the Bonds shall not be dependent upon the completion of the acquisition of the Facilities or upon the performance by any person of his obligation with respect to the Facilities.

3.4. Special Taxes Receipt Fund and Special Tax Fund.

(a) Establishment of Special Taxes Receipt Fund and Special Tax Fund. The City has established a fund known as the "Special Taxes Receipt Fund" (in which it shall create an account for each Community Facilities District within the City, including the District). The City shall deposit Special Taxes when received in the account established for the District (and in subaccounts with respect to each Improvement Area) and immediately thereafter transfer such amounts with respect to Improvement Area No. 1 to the Fiscal Agent for deposit in the Special Tax Fund. There is hereby established as a separate fund to be held by the Fiscal Agent, the "Special Tax Fund," to the credit of which the Fiscal Agent, on behalf of the District, shall deposit, immediately

upon receipt, all Special Tax Revenues received by the District or the City on behalf of the District. Moneys in the Special Tax Fund shall be held in trust by the Fiscal Agent for the benefit of the District and the Owners of the Bonds and Additional 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 and Additional Bonds.

(b) Disbursements. After depositing an amount of Special Tax Revenues budgeted for Administrative Expenses to the Administrative Expense Fund pursuant to a written direction of the District, no later than ten (10) Business Days prior to each Interest Payment Date, the Fiscal Agent shall withdraw from the Special Tax Fund and transfer to the Bond Fund as follows:

(i) To the Interest Account of the Bond Fund, an amount such that the balance in the Interest Account shall be equal to the installment of interest due on the Bonds and Additional Bonds on said Interest Payment Date.

(ii) To the Principal Account of the Bond Fund, an amount such that the balance in the Principal Account shall at least equal the principal payment (including mandatory sinking payments) due on the Bonds on said Interest Payment Date.

Notwithstanding the foregoing, amounts shall be transferred to the Principal Account or the Interest Account from the Special Tax Fund and immediately be paid to the Owners of the Bonds and Additional Bonds in respect of past due payments on the Bonds and Additional Bonds.

(c) Investment. Moneys in the Special Tax Fund shall be invested and deposited in accordance with Section 6.1. 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.

(d) Disposition of Surplus. On September 2 of each year, commencing September 2, 2017, the Fiscal Agent shall transfer any amounts remaining in the Special Tax Fund following payment of each disbursement required pursuant to subsection (b) above, to the Delinquency Management Fund.

3.5. Reserved.

3.6. Administrative Expense Fund.

(a) Establishment of Administrative Expense Fund. There is hereby established as a separate fund to be held by the Fiscal Agent, the "Administrative Expense Fund," to the credit of which the amount budgeted and levied for Administrative Expenses shall be made. Moneys in the Administrative Expense Fund shall be held in trust by the Fiscal Agent for the benefit of the District, and shall be disbursed as provided below.

(b) Disbursement. Amounts in the Administrative Expense Fund shall be withdrawn by the Fiscal Agent and paid to the District or the City or its order upon receipt by the Fiscal Agent of an Officer's Certificate stating the amount to be withdrawn, that such amount is to be used to pay an Administrative Expense, and the nature of such Administrative Expense.

Annually, at least five (5) days prior to the last day of each Bond Year, the Fiscal Agent shall withdraw any amounts then remaining in the Administrative Expense Fund that have not been allocated to pay Administrative Expenses incurred but not yet paid, and which are not otherwise encumbered or expected to be needed for the purposes of such fund, and transfer such amounts to the Special Tax Fund.

(c) Investment. Moneys in the Administrative Expense Fund shall be invested and deposited in accordance with Section 6.1 hereof. Interest earnings and profits resulting from said investment shall be retained in the Administrative Expense Fund to be used for the purposes of such fund.

3.7. Improvement Fund

(a) Establishing of Improvement Fund. There is hereby established as a separate fund to be held by the Fiscal Agent, the Improvement Fund, to the credit of which a deposit shall be made as required by Section 3.2(a) hereof. Moneys in the Improvement Fund shall be held in trust by the Fiscal Agent for the benefit of the City and the District and shall be disbursed, except as otherwise provided in subsection (b) of this Section 3.7, for the payment or reimbursement of costs of Facilities.

(b) Disbursement. Disbursements from the Improvement Fund shall be made by the Fiscal Agent upon receipt of an Officer's Certificate substantially in the form of Exhibit B hereto stating that (1) the conditions to the release of such funds have been satisfied, (2) the name of the person to whom payment is due, (3) the amount to be paid, (4) the purpose for which the obligation to be paid was incurred, and (5) there has not been filed with or served upon the District notice of any lien, right to lien or attachment, stop notice or claim affecting the right to receive payment of any of the moneys payable to any of the persons named in such certificate or written requisition which has not been released or will not be released simultaneously with the payment of, such obligation, other than materialmen's or mechanic's liens accruing by mere operation of law.

(c) Investment. Moneys in the Improvement Fund shall be invested and deposited by the Fiscal Agent in accordance with Section 6.1 hereof. Interest earnings and profits from such investment and deposit shall be retained until all Facilities have been fully funded and shall upon closing the Improvement Fund shall be transferred for deposit in the Bond Fund to be used for the purposes of such fund.

(d) Closing of Fund. Upon the filing of an Officer's Certificate executed by the Treasurer stating that all costs of the Facilities have been paid or are not required to be paid from the Improvement Fund, the Fiscal Agent shall transfer the amount, if any, remaining in the Improvement Fund to the Bond Fund for application to the payment of Bonds, and the Improvement Fund shall be closed.

3.8. Reserved.

3.9. Delinquency Management Fund.

(a) Establishment of Delinquency Management Fund. There is hereby established as a separate fund to be held by the Fiscal Agent, the "Delinquency Management Fund,"

to the credit of which a deposit shall be made as required by Sections 3.2, 3.4 and this Section 3.9. Moneys in the Delinquency Management Fund shall be held in trust by the Fiscal Agent for the benefit of the Owners of the Bonds and Additional Bonds, and shall be disbursed as provided below. In no event shall any Bond proceeds be deposited in the Delinquency Management Fund.

(i) The Fiscal Agent shall transfer from any amount in the Delinquency Management Fund to the appropriate accounts within the Bond Fund to pay debt service on the Bonds to the extent Special Taxes are insufficient for such purpose.

(ii) The Fiscal Agent shall transfer from any amounts in the Delinquency Management Fund in excess of the Delinquency Management Fund Requirement to the Administrative Expense Fund in an amount determined by the District to pay Administrative Expenses to the extent amounts in the Administrative Expense Fund are insufficient therefore.

(iii) Upon the written direction of the District, the Fiscal Agent shall transfer all remaining amounts in the Delinquency Management Fund in excess of the Delinquency Management Fund Requirement to the Special Mandatory Redemption Account of the Redemption Fund for redemption of the Bonds on the next redemption date for which notice of redemption can be timely given, unless the Fiscal Agent has received written direction from the District to expend such remaining funds held in the Delinquency Management Fund for any lawful purposes of the District including, but not limited to, paying costs of public capital improvements or reducing the Special Taxes which are to be levied in the current or the succeeding Fiscal Year upon the properties which are subject to the Special Tax.

(b) Investment. Moneys in the Delinquency Management Fund shall be invested and deposited in accordance with Section 6.1. Interest earnings and profits resulting from said investment shall be retained in the Delinquency Management Fund to be used for the purposes of such fund.

3.10. Reserved.

3.11. Redemption Fund.

(a) Establishment of the Redemption Fund. There is hereby established as a separate fund to be held by the Fiscal Agent, the "Redemption Fund" (in which there shall be established and created an Optional Redemption Account and a Special Mandatory Redemption Account), to the credit of which the District or the City on behalf of the District, shall deposit, immediately upon receipt, all Redemption Revenues received by the District or the City on behalf of the District. Moneys in the Redemption Fund shall be held in trust by the Fiscal Agent for the benefit of the District and the Owners of the Bonds and Additional 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 and Additional Bonds.

(b) Disbursement.

(i) All prepayments of Special Taxes and amounts transferred from the Delinquency Management Fund for the redemption of Bonds and Additional Bonds or transferred from the Authority under the Authority Indenture or an Additional Authority Indenture for the

redemption of Bonds and Additional Bonds shall be deposited in the Special Mandatory Redemption Account to be used to redeem Bonds and Additional Bonds on the next date for which notice of redemption can timely be given.

(ii) Any amounts deposited for the optional redemption of Bonds and Additional Bonds shall be deposited into the Optional Redemption Account to be used to redeem Bonds and Additional Bonds (as applicable) on the next date for which notice of redemption can timely be given.

(c) Investment. Moneys in the Redemption Fund shall be invested and deposited in accordance with Section 6.1. Interest earnings and profits resulting from said investment shall be retained in the Redemption Fund to be used for the purposes of such fund.

ARTICLE IV SPECIAL TAX REVENUES; BOND FUND

4.1. Pledge of Special Tax Revenues. The Bonds and Additional Bonds shall be secured by a first pledge (which pledge shall be effected in the manner and to the extent herein provided) of all of the Special Tax Revenues and Redemption Revenues and all moneys deposited in the Bond Fund and, until disbursed, as provided herein, in the Special Tax Fund, the Redemption Fund and the Delinquency Management Fund. The Special Tax Revenues and all moneys deposited into said funds (except as otherwise provided herein) are hereby dedicated to the payment of the principal of, and interest and any premium on the Bonds and Additional Bonds as provided herein and in the Act until all of the Bonds and Additional Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose in accordance with Section 10.3.

Amounts in the Administrative Expense Fund and the Improvement Fund are not pledged to the repayment of the Bonds and/or Additional Bonds. The Facilities financed or refinanced with the proceeds of the Bonds and Additional Bonds are not in any way pledged to pay the Debt Service on the Bonds and Additional Bonds. Any proceeds of condemnation or destruction of any Facilities financed or refinanced with the proceeds of the Bonds and Additional Bonds are not pledged to pay the Debt Service on the Bonds and Additional Bonds and are free and clear of any lien or obligation imposed hereunder.

4.2. Bond Fund.

(a) Establishment of Bond Fund. There is hereby established as a separate fund to be held by the Fiscal Agent known as the “Bond Fund” (in which there shall be established and created an Interest Account and a Principal Account) to the credit of which deposits shall be made as required by Sections 3.4(b), and 3.9 hereof, and any other amounts required to be deposited therein by this Agreement, a Supplemental 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 and Additional Bonds, shall be disbursed for the payment of the principal of (including mandatory sinking payments, if any) and interest on the Bonds and Additional Bonds as provided below, and, pending such disbursement, shall be subject to a lien in favor of the Owners of the Bonds and Additional Bonds.

(b) **Disbursements.** On each Interest Payment Date, the Fiscal Agent shall withdraw from the Principal Account and the Interest Account and pay to the Owners of the Bonds and Additional Bonds the principal of (including mandatory sinking payments) and interest due on the Bonds and Additional Bonds, respectively; provided that available amounts in the Principal Account and the Interest Account shall first be used to pay any past due installments of principal of (including mandatory sinking payments, if any) and interest on the Bonds and Additional Bonds, respectively. Notwithstanding the foregoing, amounts transferred to the Principal Account or the Interest Account from the Special Tax Fund constituting delinquent payments of Special Taxes pursuant to Section 3.4(b) hereof shall immediately be paid to the Owners of the Bonds and Additional Bonds in respect of past due payments on the Bonds and Additional Bonds.

Any installment of principal (including mandatory sinking payments, if any) or interest on the Bonds and Additional Bonds which is not paid when due shall accrue interest at the rate of interest on the Bonds and Additional Bonds until paid, and shall be paid whenever funds in the Bond Fund are sufficient therefor.

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

(c) **Investment.** Moneys in the Bond Fund shall be invested and deposited in accordance with Section 6.1 hereof. Interest earnings and profits resulting from the investment and deposit of amounts in the Bond Fund shall be retained in the Bond Fund.

ARTICLE V OTHER COVENANTS OF THE DISTRICT

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

5.2. Limited Obligation. The Bonds and Additional Bonds are limited obligations of the District and are payable solely from and secured solely by the Special Tax Revenues and the amounts on deposit in the Bond Fund, the Special Tax Fund, the Redemption Fund, and the Delinquency Management Fund, created hereunder, and do not constitute a debt or liability of the City, the State, or of any political subdivision thereof.

5.3. Extension of Time for Payment. In order to prevent any accumulation of claims for interest after maturity, the District shall not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and Additional Bonds and shall not, directly or indirectly, be a party to the approval of any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the District, such claim for interest so extended or funded shall not be entitled, in case of default hereunder, to the benefits of

this Agreement, except subject to the prior payment in full of the principal of all of the Bonds and Additional Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded. Nothing in this section shall be deemed to limit the right of the District to issue bonds for the purpose of refunding any Outstanding Bonds and Additional Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds and Additional Bonds.

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

5.5. Books and Records. The District will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the District, in which complete and correct entries shall be made of all transactions relating to the expenditure of amounts disbursed from the Administrative Expense Fund and the Special Tax Fund and relating to the Special Tax Revenues. 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 Fiscal Agent (who shall have no duties to inspect) and the Owners of not less than ten percent (10%) of the principal amount of the Bonds and Additional 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 accurate entries shall be made of all transactions relating to the expenditure of amounts disbursed from the Bond 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, the District and the Owners of not less than ten percent (10%) of the principal amount of the Bonds and Additional Bonds then Outstanding, or their representatives duly authorized in writing.

5.6. Protection of Security and Rights of Owners. The District will preserve and protect the security of the Bonds and Additional 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 and Additional Bonds by the District, the Bonds and Additional Bonds shall be incontestable by the District. In furtherance of the foregoing, the District shall not approve any reduction of the Assigned Special Taxes, as provided in the RMA which would prohibit the District from levying the Special Taxes in any Fiscal Year at a level that would generate Net Taxes at least equal to 110% of the annual debt service in that Fiscal Year for the Bonds and any Additional Bonds expected to be issued.

5.7. Compliance with Law, Completion of Facilities. The District and the City have complied with all applicable provisions of the Act and law in completing the acquisition and construction of the Facilities.

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

The Treasurer shall effect the levy of the Special Taxes each Fiscal Year on the parcels within Improvement Area No. 1 of the District in accordance with the RMA, such that the computation of the levy is complete before the final date on which the Auditor will accept the transmission of the Special Tax amounts for the parcels within Improvement Area No. 1 of the District for inclusion on the next secured tax roll. Upon the completion of the computation of the amounts of the levy, the Treasurer shall prepare or cause to be prepared, and shall transmit to the Auditor, such data as the Auditor requires to include the levy of the Special Taxes on the next secured tax roll. The Special Taxes so levied shall be payable and be collected in the same manner and at the same time and in the same installments as the general taxes on real property are payable, and have the same priority, become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general taxes on real property, unless otherwise provided by the District.

In the event that the Treasurer determines to levy all or a portion of the Special Taxes by means of direct billing of the property owners of the parcels within Improvement Area No. 1 of the District, the Treasurer shall, not less than forty-five (45) days prior to each Interest Payment Date, send bills to the owners of such real property located within Improvement Area No. 1 of the District subject to the levy of the Special Taxes for Special Taxes in an aggregate amount necessary to meet the financial obligations of the District due on the next Interest Payment Date, said bills to specify that the amounts so levied shall be due and payable not less than thirty (30) days prior to such Interest Payment Date and shall be delinquent if not paid when due.

In any event, the Treasurer shall fix and levy the amount of Special Taxes within the District required (i) for the payment of principal of and interest on any Outstanding Bonds and Additional Bonds of the District becoming due and payable during the ensuing year (taking into consideration anticipated delinquencies), and (ii) to pay the Administrative Expenses during such year, all in accordance with the RMA and the Ordinance. The Special Taxes so levied shall not exceed the authorized amounts as provided in the proceedings pursuant to the Resolution of Formation.

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

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

5.10. Tax Covenants.

(a) Special Definitions. When used in this Section, the following terms have the following meanings:

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

“*Computation Date*” has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“*Gross Proceeds*” means any proceeds as defined in section 1.148-1(b) of the Tax Regulations (referring to sales, investment and transferred proceeds), and any replacement proceeds as defined in section 1.148-1(c) of the Tax Regulations, of the Authority Bonds.

“*Investment*” has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“*Nonpurpose Investment*” means any investment property, as defined in section 148(b) of the Code, in which Gross Proceeds of the Bonds are invested and that is not acquired to carry out the governmental purposes of that series of Bonds.

“*Rebate Amount*” has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“*Tax Regulations*” means the United States Treasury Regulations promulgated pursuant to sections 103 and 141 through 150 of the Code, or section 103 of the 1954 Code, as applicable.

“*Yield*” of any Investment has the meaning set forth in section 1.148-5 of the Tax Regulations; and of any issue of governmental obligations has the meaning set forth in section 1.148-4 of the Tax Regulations.

(b) Not to Cause Interest to Become Taxable. The District covenants that it shall not use, and shall not permit the use of, and shall not omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) in a manner that if made or omitted, respectively, could cause the interest on any Authority Bond to fail to be excluded pursuant to section 103(a) of the Code from the gross income of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the Fiscal Agent receives a written opinion of Bond Counsel to the effect that failure to comply with such covenant will not adversely affect such exclusion of the interest on any Authority Bond from the gross income of the owner thereof for federal income tax purposes, the City shall comply with each of the specific covenants in this Section.

(c) Private Use and Private Payments. Except as would not cause any Authority Bond to become a “private activity bond” within the meaning of section 141 of the Code and the Tax Regulations, the District shall take all actions necessary to assure that the District or another public agency at all times prior to the final cancellation of the last of the Bonds to be retired:

(i) exclusively owns, operates and possesses all property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with Gross Proceeds of the Bonds or Authority Bonds and not use or permit the use of such Gross Proceeds (including through any contractual arrangement with terms different than those applicable to the general public) or any property acquired, constructed or improved with such Gross Proceeds in any activity carried on by any person or entity (including the United States or any agency,

department and instrumentality thereof) other than a state or local government, unless such use is solely as a member of the general public; and

(ii) does not directly or indirectly impose or accept any charge or other payment by any person or entity (other than a state or local government) who is treated as using any Gross Proceeds of the Authority Bonds or any property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with such Gross Proceeds.

(d) No Private Loan. Except as would not cause any Authority Bond to become a “private activity bond” within the meaning of section 141 of the Code and the Tax Regulations and rulings thereunder, the District shall not use or permit the use of Gross Proceeds of the Authority Bonds to make or finance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, such Gross Proceeds are considered to be “loaned” to a person or entity if: (i) property acquired, constructed or improved with such Gross Proceeds is sold or leased to such person or entity in a transaction that creates a debt for federal income tax purposes; (ii) capacity in or service from such property is committed to such person or entity under a take-or-pay, output or similar contract or arrangement; or (iii) indirect benefits of such Gross Proceeds, or burdens and benefits of ownership of any property acquired, constructed or improved with such Gross Proceeds, are otherwise transferred in a transaction that is the economic equivalent of a loan.

(e) Not to Invest at Higher Yield. Except as would not cause the Authority Bonds to become “arbitrage bonds” within the meaning of section 148 of the Code and the Tax Regulations and rulings thereunder, the District shall not (and shall not permit any person to), at any time prior to the final cancellation of the last Authority Bond to be retired, directly or indirectly invest Gross Proceeds in any Investment, if as a result of such investment the Yield of any Investment acquired with Gross Proceeds, whether then held or previously disposed of, would materially exceed the Yield of the Bonds within the meaning of said section 148.

(f) Not Federally Guaranteed. Except to the extent permitted by section 149(b) of the Code and the Tax Regulations and rulings thereunder, the District shall not take or omit to take (and shall not permit any person to take or omit to take) any action that would cause any Authority Bond to be “federally guaranteed” within the meaning of section 149(b) of the Code and the Tax Regulations and rulings thereunder.

(g) Information Report. The District shall assist the Authority to timely file any information required by section 149(e) of the Code with respect to Authority Bonds with the Secretary of the Treasury on Form 8038-G or such other form and in such place as the Secretary may prescribe.

(h) Rebate of Arbitrage Profits. Except to the extent otherwise provided in section 148(f) of the Code and the Tax Regulations:

(i) The District shall account for all Gross Proceeds (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and shall retain all records of accounting for at least six years after the day on which the last Authority Bond is discharged. However, to the extent permitted by law, the District may commingle (and may allow the City to

commingle) Gross Proceeds of Bonds with its other moneys, provided that it separately accounts for each receipt and expenditure of Gross Proceeds and the obligations acquired therewith.

(ii) Not less frequently than each Computation Date, the District shall calculate the Rebate Amount in accordance with rules set forth in section 148(f) of the Code and the Tax Regulations and rulings thereunder. The District shall maintain a copy of the calculation with its official transcript of proceedings relating to the issuance of the Authority Bonds until six years after the final Computation Date.

(iii) In order to assure the excludability pursuant to section 103(a) of the Code of the interest on the Authority Bonds from the gross income of the owners thereof for federal income tax purposes, the District shall pay or cause the Authority to pay to the United States the amount that when added to the future value of previous rebate payments made for the Bonds equals (i) in the case of the Final Computation Date as defined in section 1.148-3(e)(2) of the Tax Regulations, one hundred percent (100%) of the Rebate Amount on such date; and (ii) in the case of any other Computation Date, ninety percent (90%) of the Rebate Amount on such date. In all cases, such rebate payments shall be made by the District at the times and in the amounts as are or may be required by section 148(f) of the Code and the Tax Regulations and rulings thereunder, and shall be accompanied by Form 8038-T or such other forms and information as is or may be required by section 148(f) of the Code and the Tax Regulations and rulings thereunder for execution and filing by the District and/or the Authority, as applicable.

(i) Not to Divert Arbitrage Profits. Except to the extent permitted by section 148 of the Code and the Tax Regulations and rulings thereunder, the District shall not and shall not permit any person to, at any time prior to the final cancellation of the last of the Authority Bonds to be retired, enter into any transaction that reduces the amount required to be paid to the United States pursuant to paragraph (h) of this Section because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the Yields on the Authority Bonds not been relevant to either party.

(j) Bonds Not Hedge Bonds.

(i) The District represents that none of the Authority Bonds is or will cause the Authority Bonds to become a "hedge bond" within the meaning of section 149(g) of the Code.

(ii) Without limitation of paragraph (i) above: the District believes (upon appropriate investigation) (A) that on the date of issuance of the Authority Bonds the District reasonably expected that at least 85% of the spendable proceeds of the Authority Bonds will be expended within the three-year period commencing on such date of issuance, and (B) no more than 50% of the proceeds of the Authority Bonds will be invested in Nonpurpose Investments having a substantially guaranteed yield for a period of four years or more.

(k) Elections. The District hereby directs and authorizes any Authorized Officer to make elections permitted or required pursuant to the provisions of the Code or the Tax Regulations, as such Representative (after consultation with Bond Counsel) deems necessary or

appropriate in connection with the Bonds and the Authority Bonds, in the Tax and Non-Arbitrage Certificate or similar or other appropriate certificate, form or document.

(l) Closing Certificate. The District agrees to assist the Authority to execute and deliver in connection with the issuance of the Authority Bonds, a Tax and Nonarbitrage Certificate, or similar document containing additional representations and covenants pertaining to the exclusion of interest on the Authority Bonds from the gross income of the owners thereof for federal income tax purposes, which representations and covenants are incorporated as though expressly set forth herein.

5.11. Covenant to Foreclose. The District will review the public records of the County of Riverside, California, in connection with the collection of the Special Tax not later than October 30 of each year to determine the amount of Special Tax collected in the prior Fiscal Year; and with respect to individual delinquencies, the District will send or cause to be sent a notice of delinquency and a demand for immediate payment thereof to the property owner within 45 days of such determination, and if the District determines that any single property owner subject to the Special Tax is delinquent in the payment of Special Taxes in the aggregate of \$5,000 or more or delinquent in the payment of three consecutive installments of Special Tax or that the delinquent Special Taxes represent more than 5% of the aggregate Special Taxes levied within the District or if there has been a draw on the funds on deposit in the Reserve Account established under the Authority Indenture, and if the delinquency remains uncured, the District will cause judicial foreclosure proceedings to be filed in the superior court within ninety (90) days of the notice to the property owner against all properties for which the Special Taxes remain delinquent. Prior to commencement of any judicial foreclosure proceedings, the District shall continue with its efforts to collect the delinquent Special Taxes by sending subsequent notice of delinquency and a demand for immediate payment thereof.

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

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

(a) The City, on behalf of the District, or the Fiscal Agent, is hereby expressly authorized to credit bid at any foreclosure sale, without any requirement that funds be placed in the Bond Fund or otherwise be set aside in the amount so credit bid, in the amount specified in Section 53356.5 of the Act, or such less amount as determined under clause (b) below or otherwise under Section 53356.6 of the Act.

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

(c) The District is hereby expressly authorized to use amounts in the Special Tax Fund to pay costs of foreclosure of delinquent Special Taxes.

(d) The District may forgive all or any portion of the Special Taxes levied or to be levied on any parcel in the District, so long as the District determines that such forgiveness is not expected to adversely affect its obligation to pay principal of and interest on the Bonds and Additional Bonds under Section 3.4(b) hereof.

5.12. Annual Reports to CDIAC. Not later than October 30 of each year, commencing October 30, 2018 and until the October 30 following the final maturity of the Bonds and Additional Bonds, the Treasurer shall supply the information required by Section 53359.5(b) or (c) of the Act to CDIAC (on such forms as CDIAC may specify) and the District. The District will on or prior to January 31, 2018, and each January 31 thereafter, submit an annual debt transparency report to CDIAC as required by Government Section 8555(k) in the form provided by CDIAC.

5.13. Continuing Disclosure to Owners. In addition to its obligations under Section 5.12, the District hereby covenants and agrees that it will carry out all of its obligations under the Continuing Disclosure Agreement relating to the Authority Bonds and any continuing disclosure agreement entered into with respect to any Additional Authority Bonds, if any. Notwithstanding any other provision of this Agreement, failure of the District to comply with the Continuing Disclosure Agreement(s) shall not be considered a default under the Indenture; however, any Participating Underwriter or any holder or beneficial owner of the Authority Bonds and Additional Authority Bonds may take such actions as may be necessary and appropriate to compel performance by the District of its obligations under this Section 5.13, including seeking mandate or specific performance by court order.

5.14. Reserve Account Replenishment. The District hereby covenants that to the extent there is a draw upon the Reserve Account pursuant to the Authority Indenture or the Additional Authority Indenture as a result of a delinquency in the collection of Special Taxes or that the Reserve Account is underfunded, the District shall cause the Treasurer to effect the next annual levy of Special Taxes in an amount sufficient to replenish such delinquency in addition to those required by Section 5.8 hereof, and in addition to amounts that would be levied if there were no such delinquency; provided, however, the amount of Special Taxes levied shall not exceed the maximum permitted by the Ordinance and RMA. At any time the Fiscal Agent may transfer funds from the Delinquency Management Fund to the trustee under the Authority Indenture to fund a delinquency in the Reserve Account thereunder.

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

6.1. Deposit and Investment of Moneys in Funds. Moneys in any fund or account created or established by this Agreement and held by the Fiscal Agent shall be invested by the Fiscal Agent in Permitted Investments, as directed pursuant to an Officer's Certificate filed with the Fiscal Agent at least two (2) Business Days in advance of the making of such investments. In the absence of any such Officer's Certificate, the Fiscal Agent shall invest any such moneys in Permitted Investments described in clause (d) of the definition thereof to the extent practicable which by their

terms mature prior to the date on which such moneys are required to be paid out hereunder, or are held uninvested. The Treasurer shall make note of any investment of funds hereunder in excess of the yield on the Bonds or Additional Bonds, as applicable, so that appropriate actions can be taken to assure compliance with Section 5.10 hereof.

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

The Fiscal Agent or an affiliate or the Treasurer may act as principal or agent in the acquisition or disposition of any investment and shall be entitled to its customary fee therefor. Neither the Fiscal Agent nor the Treasurer shall incur any liability for losses arising from any investments made pursuant to this Section. For purposes of determining the amount on deposit in any fund or account held hereunder, all Permitted Investments or investments credited to such fund or account shall be valued at the cost thereof (excluding accrued interest and brokerage commissions, if any).

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. Notwithstanding the previous sentence, investments in funds or accounts (or portions thereof) that are subject to a yield restriction under the applicable provisions of the Code shall be valued at their present value (within the meaning of section 148 of the Code). The Fiscal Agent shall not be liable for verification of the application of such sections of the Code.

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

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

The District acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District the right to receive brokerage

confirmations of security transactions as they occur, the District specifically waives receipt of such confirmations to the extent permitted by law. The Fiscal Agent will furnish to the District periodic cash transaction statements which shall include detail for all investment transactions made by the Fiscal Agent hereunder.

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

6.3. Liability of District. The District shall not incur any responsibility in respect of the Bonds and Additional Bonds or this Agreement other than in connection with the duties or obligations explicitly herein or in the Bonds and Additional Bonds assigned to or imposed upon it. The District shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful default. The District shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements of the Fiscal Agent herein or of any of the documents executed by the Fiscal Agent in connection with the Bonds and Additional Bonds, or as to the existence of a default or event of default thereunder.

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

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

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

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

Whenever in the administration of its duties under this Agreement the District shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of willful misconduct on the part of the District, be deemed to be conclusively proved and established by a certificate of the Fiscal Agent, and such certificate shall be

full warranty to the District for any action taken or suffered under the provisions of this Agreement or any Supplemental Agreement upon the faith thereof, but in its discretion the District may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable.

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

ARTICLE VII EVENTS OF DEFAULT AND REMEDIES OF BOND OWNERS

7.1. Events of Default. The following events shall be Events of Default:

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

(b) Failure to pay any installment of interest on any Bonds and Additional Bonds when and as the same shall become due and payable.

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

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

(e) Default under a Supplemental Agreement securing the issuance of Additional Bonds, if any.

7.2. Remedies of Bond Owners. Subject to the provisions of Section 7.8, any Bond Owner shall have the right, for the equal benefit and protection of all Bond Owners similarly situated:

(a) by mandamus, suit, action or proceeding, to compel the District and its officers, agents, or employees to perform each and every term, provision and covenant contained in this Agreement and in the Bonds and Additional Bonds, and to require the carrying out of any or all

such covenants and agreements of the District and the fulfillment of all duties imposed upon it by the Act;

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

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

7.3. Application of Special Taxes and Other Funds After Default. If an Event of Default shall occur and be continuing, all Special Taxes, including any penalties, costs, fees and other charges accruing under, the Act, and any other funds then held or thereafter received by the Fiscal Agent under any of the provisions of this Agreement shall be applied by the Fiscal Agent as follows and in the following order:

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

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

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

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

(c) Any remaining funds shall be transferred by the Fiscal Agent to the Bond Fund.

7.4. Absolute Obligation of the District. No provision of this Agreement or in the Bonds and Additional Bonds contained shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the principal of and interest on the Bonds and Additional Bonds to the respective Owners of the Bonds and Additional Bonds at their respective dates of maturity, or upon call for redemption, as herein provided, but only out of the Special Taxes and other moneys

herein pledged therefor and received by the District or the Fiscal Agent, or affect or impair, the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds and Additional Bonds.

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

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

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

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

ARTICLE VIII THE FISCAL AGENT

8.1. Appointment of Fiscal Agent. U.S. Bank National Association is hereby appointed Fiscal Agent and paying agent for the Bonds and Additional 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.

So long as there is no Event of Default hereunder, the District may remove the Fiscal Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto, but any such successor shall be a bank or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least Fifty Million Dollars (\$50,000,000), and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section 8.1, combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

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

If no appointment of a successor Fiscal Agent shall be made pursuant to the foregoing provisions of this Section 8.1 within forty-five (45) days after the Fiscal Agent shall have given to the District written notice or after a vacancy in the office of the Fiscal Agent shall have occurred by reason of its inability to act, the Fiscal Agent or any Bond Owner may apply to any court of competent jurisdiction to appoint a successor Fiscal Agent. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Fiscal Agent.

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

8.2. Liability of Fiscal Agent. The recitals of facts, covenants and agreements herein and in the Bonds and Additional Bonds contained shall be taken as statements, covenants and agreements of the District, and the Fiscal Agent assumes no responsibility for the correctness of the same, nor makes any representations as to the validity or sufficiency of this Agreement or of the Bonds and Additional Bonds, nor shall it incur any responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Bonds and Additional 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 and Additional Bonds.

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE IX MODIFICATION OR AMENDMENT OF THIS AGREEMENT

9.1. Amendments Permitted. This Agreement and the rights and obligations of the District and of the Owners of the Bonds and Additional 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 and Additional Bonds then Outstanding, exclusive of Bonds and Additional Bonds disqualified as provided in Section 9.4. No such modification or amendment shall (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the District to pay the principal of, and the interest and any premium on, any Bond,

without the express consent of the Owner of such Bond, or (ii) permit the creation by the District of any pledge or lien upon the Special Taxes superior to or on a parity with the pledge and lien created for the benefit of the Bonds and Additional Bonds (except as otherwise permitted by the Act, the laws of the State of California or this Agreement), or (iii) reduce the percentage of Bonds and Additional Bonds required for the amendment hereof. Any such amendment may not modify any of the rights or obligations of the Fiscal Agent without its written consent.

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

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

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

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

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

(e) to provide for the issuance of Additional Bonds in accordance with the provisions of this Agreement.

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

9.3. Procedure for Amendment with Written Consent of Owners. The District and the Fiscal Agent may at any time adopt a Supplemental Agreement amending the provisions of the Bonds and Additional Bonds or of this Agreement or any Supplemental Agreement, to the extent that such amendment is permitted by Section 9.1, to take effect when and as provided in this Section. A copy of such Supplemental Agreement, together with a request to Owners for their consent thereto, shall be mailed by first class mail by the Fiscal Agent to each Owner of Bonds and Additional Bonds Outstanding, but failure to mail copies of such Supplemental Agreement and request shall not affect the validity of the Supplemental Agreement when assented to as in this Section provided.

Such Supplemental Agreement shall not become effective unless there shall be filed with the Fiscal Agent the written consents of the Owners of at least sixty percent (60%) in aggregate

principal amount of the Bonds and Additional Bonds then Outstanding (exclusive of Bonds and Additional Bonds disqualified as provided in Section 9.4) 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 and Additional Bonds for which such consent is given, which proof shall be such as is permitted by Section 10.4. Any such consent shall be binding upon the Owner of the Bonds and Additional 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 and Additional Bonds shall have filed their consents to the Supplemental Agreement, the District shall mail a notice to the Owners in the manner hereinbefore provided in this Section for the mailing of the Supplemental Agreement, stating in substance that the Supplemental Agreement has been consented to by the Owners of the required percentage of Bonds and Additional Bonds and will be effective as provided in this Section (but failure to mail copies of said notice shall not affect the validity of the Supplemental Agreement or consents thereto). Proof of the mailing of such notice shall be filed with the Fiscal Agent. A record, consisting of the papers required by this Section 9.3 to be filed with the Fiscal Agent, shall be proof of the matters therein stated until the contrary is proved. The Supplemental Agreement shall become effective upon the filing with the Fiscal Agent of the proof of mailing of such notice, and the Supplemental Agreement shall be deemed conclusively binding (except as otherwise hereinabove specifically provided in this Article) upon the District and the Owners of all Bonds and Additional 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.

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

9.5. Effect of Supplemental Agreement. From and after the time any Supplemental Agreement becomes effective pursuant to this Article IX, this Agreement shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations under this Agreement of the District and all Owners of Bonds and Additional 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.

9.6. Endorsement or Replacement of Bonds and Additional Bonds Issued After Amendments. The District may determine that Bonds and Additional Bonds issued and delivered after the effective date of any action taken as provided in this Article IX shall bear a notation, by endorsement or otherwise, in form approved by the District, as to such action. In that case, upon demand of the Owner of any Bond or Additional Bond Outstanding at such effective date and presentation of his Bond or Additional Bond for that purpose at the Corporate Trust Office of the

Fiscal Agent or at such other office as the District may select and designate for that purpose, a suitable notation shall be made on such Bond or Additional Bond. The District may determine that new Bonds and Additional Bonds, so modified as in the opinion of the District is necessary to conform to such Owners' action, shall be prepared, executed and delivered. In that case, upon demand of the Owner of any Bonds and Additional Bonds then Outstanding, such new Bonds and Additional Bonds shall be exchanged at the Corporate Trust Office of the Fiscal Agent without cost to any Owner, for Bonds and Additional Bonds then Outstanding, upon surrender of such Bonds and Additional Bonds.

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

9.8. Opinion of Bond Counsel. In connection with any Supplemental Agreement, the Fiscal Agent shall be entitled to receive an opinion of Bond Counsel that any such Supplemental Agreement is authorized or permitted by this Agreement and the Fiscal Agent may conclusively rely upon such opinion.

ARTICLE X MISCELLANEOUS

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

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

10.3. Discharge of Agreement. The District shall have the option to pay and discharge the entire indebtedness on all or any portion of the Bonds and Additional 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 and Additional Bonds Outstanding, as and when the same become due and payable;

(b) by depositing with the Fiscal Agent, in trust, at or before maturity, money which, together with the amounts then on deposit in the funds and accounts provided for in this Agreement is fully sufficient to pay such Bonds and Additional Bonds Outstanding, including all principal, interest and redemption premiums;

(c) by irrevocably depositing with the Fiscal Agent, in trust, cash and Federal Securities and/or investments described in clause (i) of the definition of Permitted Investments in such amount as the District shall determine as confirmed by Bond Counsel or an independent certified public accountant will, together with the interest to accrue thereon and moneys then on deposit in the funds and accounts established with the Fiscal Agent pursuant to this Agreement, be fully sufficient to pay and discharge the indebtedness on such Bonds and Additional Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates; or,

(d) by delivering to the Fiscal Agent for cancellation the Bonds outstanding; provided, however, the Authority Bonds have been discharged or the cancellation will not adversely affect any security for the Authority Bonds.

If the District shall have taken any of the actions specified in (a), (b), (c), or (d) above, and if such Bonds and Additional 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 District, and notwithstanding that any Bonds and Additional 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 District under this Agreement with respect to such Bonds and Additional Bonds Outstanding shall cease and terminate. Notice of such election shall be filed with the Fiscal Agent. Notwithstanding the foregoing, the obligation of the District to pay or cause to be paid to the Owners of the Bonds and Additional Bonds not so surrendered and paid all sums due thereon and all amounts owing to the Fiscal Agent pursuant to Section 8.5, and otherwise to assure that no action is taken or failed to be taken if such action or failure adversely affects the exclusion of interest on the Bonds or Additional Bonds, as applicable, from gross income for federal income tax purposes, shall continue in any event.

Upon compliance by the District with the foregoing with respect to all Bonds and Additional Bonds Outstanding, any funds held by the Fiscal Agent after payment of all fees and expenses of the Fiscal Agent, which are not required for the purposes of the preceding paragraph, shall be paid over to the District and any Special Taxes thereafter received by the District shall not be remitted to the Fiscal Agent but shall be retained by the District to be used for any purpose permitted under the Act.

10.4. 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, 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 or Additional Bonds and the amount, maturity, number and date of holding the same shall be proved by the registry books.

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

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

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

Community Facilities District No. 2014-1 (Avelina)
of the City of Perris
c/o City of Perris
101 North "D" Street
Perris, California 92570
Attn: City Manager
Tel: (951) 943-6100
Fax: (951) 943-4246

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

U.S. Bank National Association
Global Corporate Trust Services
633 West Fifth Street, 24th Floor
Los Angeles, California 90071
Attn: Ilse Vlach
Tel: 213/615-6062
Fax: 213/615-6199

10.7. Partial Invalidity. If any Section, paragraph, sentence, clause or phrase of this Agreement shall for any reason be held illegal or unenforceable, such holding shall not affect the validity of the remaining portions of this Agreement. The District hereby declares that it would have adopted this Agreement and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issue of the Bonds and Additional 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.

10.8. 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 and Additional 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 money was held by the Fiscal Agent at such date, shall be repaid by the Fiscal Agent to the District as its absolute property free from any trust, and the Fiscal Agent shall thereupon be released and discharged with respect thereto and the Bond Owners shall look only to the District for the payment of the principal of, and interest and any premium on, such Bonds and Additional Bonds.

10.9. 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.

10.10. 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.

10.11. Conclusive Evidence of Regularity. Bonds and Additional 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.

10.12. 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 and Additional Bonds or the date fixed for redemption of any Bonds and Additional 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.

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

IN WITNESS WHEREOF, the District has caused this Agreement to be executed in its name and the Fiscal Agent has caused this Agreement to be executed in its name, all as of the date first above written.

COMMUNITY FACILITIES DISTRICT NO.
2014-1 (AVELINA) OF THE CITY OF PERRIS,

By: _____
Mayor

ATTEST:

By: _____
City Clerk

U.S. BANK NATIONAL ASSOCIATION, as
Fiscal Agent

By: _____
Authorized Officer

[SIGNATURE PAGE TO FISCAL AGENT AGREEMENT]

EXHIBIT A
FORM OF BOND

No. _____

\$ _____

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF RIVERSIDE
IMPROVEMENT AREA NO. 1 OF
COMMUNITY FACILITIES DISTRICT NO. 2014-1 (AVELINA)
OF THE CITY OF PERRIS
SPECIAL TAX BONDS, 2017 SERIES

INTEREST RATE MATURITY DATE DATED DATE

REGISTERED OWNER: U.S. BANK NATIONAL ASSOCIATION, AS TRUSTEE FOR
THE PERRIS JOINT POWERS AUTHORITY

PRINCIPAL AMOUNT:

The Community Facilities District No. 2014-1 (Avelina) of the City of Perris (the "District"), for value received, hereby promises to pay solely from the Special Tax (as hereinafter defined) to be collected within Improvement Area No. 1 of the District or amounts in the funds and accounts held under the Agreement (as hereinafter defined), to the registered owner named above, or registered assigns, on the maturity date set forth above, unless redeemed prior thereto as hereinafter provided, the principal amount set forth above, and to pay interest on such principal amount from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication thereof, unless (a) it is authenticated after a Record Date (as hereinafter defined) and on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event interest with respect thereto will be payable from such Interest Payment Date; (b) it is authenticated on or before August 15, 2017 in which event interest with respect thereto will be payable from its Dated Date; or (c) interest with respect to any Outstanding Bond is in default, in which event interest with respect thereto will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date, payable semiannually on March 1 and September 1 in each year, commencing September 1, 2017 (each an "Interest Payment Date"), at the interest rate set forth above, until the principal amount hereof is paid or made available for payment. The principal of this Bond is payable to the registered owner hereof in lawful money of the United States of America upon presentation and surrender of this Bond at the Corporate Trust Office of U.S. Bank National Association (the "Fiscal Agent"). Interest on this Bond shall be paid by check of the Fiscal Agent mailed on each Interest Payment Date to the registered owner hereof as of the close of business on the fifteenth day of the month preceding the month in which the interest payment date occurs (the "Record Date") at such registered owner's address as it appears on the registration books maintained by the Fiscal Agent.

This Bond is one of a duly authorized issue of bonds in the aggregate principal amount of \$_____ approved by the legislative body of the District on _____, 2017, 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 financing the acquisition of certain facilities (the “Project”), and is one of the Bonds designated “Improvement Area No. 1 of Community Facilities District No. 2014-1 (Avelina) of the City of Perris Special Tax Bonds, 2017 Series” (the “Bonds”). The creation of the Bonds and the terms and conditions thereof are provided for by the Fiscal Agent Agreement, dated as of June 1, 2017 (the “Agreement”), by and between the District and the Fiscal Agent and this reference incorporates the Agreement herein, and by acceptance hereof the owner of this Bond assents to said terms and conditions. The District may not issue additional bonds on a parity with the Bonds.

Pursuant to the Mello-Roos Act and the Agreement, the principal of and interest on this Bond are payable solely from the annual special tax authorized under the Mello-Roos Act to be collected within Improvement Area No. 1 of the District (the “Special Tax”) and certain funds held under the Agreement.

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 of Perris (the “City”), as may be permitted by law. The Bonds do not constitute obligations of the City, which the City is obligated to levy or pledge, or has levied or pledged, general or special taxation other than described hereinabove. The District has covenanted for the benefit of the owners of the Bonds that it will order, and cause to be commenced as provided in the Agreement, and thereafter diligently prosecute to judgment, an action in the superior court to foreclose, under the circumstances set forth in the Agreement, the lien of any Special Tax or installment thereof not paid when due.

The Bonds are subject to redemption prior to maturity at the option of the District from any source of funds, as a whole or in part, on any date on or after September 1, _____, as selected by the District, at the redemption prices and schedules applicable to the Perris Joint Powers Authority Local Agency Revenue Bonds (IA 1-CFD No. 2014-1 (Avelina)), 2017 Series A (“Authority Bonds”). Notwithstanding anything to the contrary, with respect to optional redemptions related to the Authority Bonds, the District shall abide by the priority of redemption relating to the Authority Bonds permitted by the Indenture, dated as of June 1, 2017, relating to the Authority Bonds.

The Bonds shall also be subject to mandatory redemption on any date on or after September 1, 2017, in whole or in part as selected by the District, from amounts constituting prepayments of Special Taxes, from amounts transferred from the Delinquency Management Fund hereunder and from amounts transferred by the Authority to the District from the Cash Flow Management Fund under the Authority Indenture at the following redemption prices (expressed as a percentage of the principal amount of Bonds to be redeemed) together with accrued interest thereon to the redemption date:

<u>Redemption Periods</u>	<u>Redemption Price</u>
September 1, 2017 through August 31, 2027	102.0%
September 1, 2027 and thereafter	100.0%

The Bonds are not subject to Mandatory Sinking Payment Redemption.

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

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

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

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

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

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

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

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

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

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

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

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the City of Perris on behalf of Community Facilities District No. 2014-1 (Avelina) of the City of Perris has caused this Bond to be dated as of the date first above written and to be signed by the manual signature of its Mayor and countersigned by the manual signature of the City Clerk.

CITY OF PERRIS

BY: _____
Mayor

BY: _____
City Clerk

FISCAL AGENT'S CERTIFICATE OF AUTHENTICATION

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

Dated: _____, 2017

U.S. BANK NATIONAL ASSOCIATION, as
Fiscal Agent

BY: _____
Authorized Officer

ASSIGNMENT

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

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

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

Dated: _____

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.

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.

EXHIBIT B

FORM OF OFFICER'S CERTIFICATE
Improvement Area No. 1
Community Facilities District No. 2014-1
(Avelina) of the City of Perris

Officer's Certificate
Directing Disbursements From the Improvement Fund

The undersigned hereby states and certifies:

(i) That he is the duly qualified City Manager of the City of Perris, a general law city and public body, corporate and politic, duly organized and existing under the laws of the State of California (the "City"), acting on behalf of Community Facilities District No. 2014-1 (Avelina) of the City of Perris (the "District"), and as such, is familiar with the facts herein certified and is authorized and qualified to execute and deliver this certificate;

(ii) That he is an "Authorized Officer" as defined in the Fiscal Agent Agreement, dated as of June 1, 2017 (the "Fiscal Agent Agreement"), by and between the District and U.S. Bank, National Association, as Fiscal Agent (the "Fiscal Agent") for the District's Improvement Area No. 1 Special Tax Bonds, 2017 Series;

(iii) That pursuant to Section 3.7 of the Fiscal Agent Agreement, the Fiscal Agent is hereby directed to disburse this date from the Improvement Fund established pursuant to the Fiscal Agent Agreement to the payee, designated on Exhibit A attached hereto and by this reference incorporated herein, at the address set forth below such payee name, the respective sums set forth opposite such payees, in payment for the obligation described on said Exhibit "A";

(iv) That each obligation shown on Exhibit A has been properly verified and approved by the City Engineer and is a proper charge against the specified Account of the Improvement Fund;

(v) That no item to be paid pursuant to this Officer's Certificate has been previously paid or reimbursed from such Account of the Improvement Fund; and

(vi) That capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Fiscal Agent Agreement.

DATED: _____, 2017

COMMUNITY FACILITIES DISTRICT
NO. 2014-1 (AVELINA) OF THE CITY OF
PERRIS

City Manager

**COMMITMENT AGREEMENT AND PURCHASE CONTRACT
FOR PURCHASE AND SALE OF LOCAL OBLIGATION BONDS**

by and between the

Perris Joint Powers Authority

and

**Community Facilities District No. 2014-1
(Avelina) of the City of Perris**

Relating to

**\$ _____
Improvement Area No. 1 of
Community Facilities District No. 2014-1
(Avelina) of the City of Perris
Special Tax Bonds, 2017 Series**

THIS COMMITMENT AGREEMENT AND PURCHASE CONTRACT (this "Purchase Contract"), dated _____, 2017, is by and between the PERRIS JOINT POWERS AUTHORITY, a joint exercise of powers authority organized and existing under and by virtue of the laws of the State of California (the "Authority"), and COMMUNITY FACILITIES DISTRICT NO. 2014-1 (AVELINA) OF THE CITY OF PERRIS a community facilities district duly organized and existing under the laws of the State of California.

WITNESSETH:

WHEREAS, pursuant to Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the "Act"), the Housing Authority of the City of Perris (the "Agency") and the City of Perris (the "City") have by Joint Exercise of Powers Agreement, dated March 26, 2013 (the "Agreement"), created the Authority for the purposes, among other things, of assisting the City, the Agency and any associate member in the financing and refinancing of public capital improvements pursuant to the Marks-Roos Local Bond Pooling Act of 1985, being Article 4 of the Act (commencing with Section 6584) (the "Bond Law"); and

WHEREAS, the City Council (the "City Council") of the City of Perris (the "City"), located in Riverside County, California (hereinafter sometimes referred to as the "legislative body of the District") has, pursuant to its Resolution No. 4798 (the "Resolution of Formation") adopted on January 13, 2015, heretofore undertaken proceedings and declared the necessity of Improvement Area No. 1 ("IA 1") of Community Facilities District No. 2014-1 (Avelina) of the City of Perris (the "District") to issue bonds pursuant to the terms and provisions of the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California (the "Act"); and

WHEREAS, pursuant to its Resolution of Formation, and Resolution Nos. 4799 and 4800, (collectively the "Resolutions"), adopted by the legislative body of the District on January 13, 2015, a certain bond proposition was submitted to the qualified electors within the District, and was approved by more than two-thirds of the votes cast at the election held on January 13, 2015, in addition to the levy of a special tax (the "Special Tax") within IA 1 in accordance with a rate and method of apportionment specific to IA 1 (the "RMA"); and

WHEREAS, based upon the Resolutions adopted by the legislative body of the District and the election, the District is authorized to issue bonds, pursuant to the Act, in an aggregate principal amount not to exceed \$5,000,000 on behalf of IA 1; and

WHEREAS, on _____, pursuant to Resolution No. _____, the District authorized the issuance of not to exceed \$5,000,000 Improvement Area No. 1 of Community Facilities District No. 2014-1 (Avelina) of the City of Perris Special Tax Bonds, 2017 Series (the "Local Obligation Bonds;") and

WHEREAS, the District has determined that it is in the best interest of the District to finance public infrastructure and related to the District, and has issued the Local Obligation Bonds, pursuant to the terms of a Fiscal Agent Agreement, dated as of June 1, 2017, by and between the District and U.S. Bank National Association as Fiscal Agent (the "Fiscal Agent"); and

WHEREAS, in accordance with Government Code Section 53360.4, the legislative body of the District may sell the Local Obligation Bonds to the Authority; and

WHEREAS, the Authority, for the purpose of acquiring the Local Obligation Bonds has determined to issue its \$_____Perris Joint Powers Authority Local Agency Revenue Bonds (IA 1-CFD No. 2014-1(Avelina)), 2017 Series A (the “Authority Bonds”), pursuant to an Indenture of Trust, dated as of June 1, 2017 by and between the Authority and U.S. Bank National Association, as Trustee (the “Trustee”);

WHEREAS, a portion of the proceeds of the Authority Bonds will be used to purchase the Local Obligation Bonds; and

WHEREAS, the Authority and the District desire to enter into this Purchase Contract providing for the purchase and sale of the Local Obligation Bonds and containing the other agreements herein set forth.

NOW, THEREFORE, in consideration of the mutual agreements herein contained, and for other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the Authority and the District agree as follows:

1. Upon the terms and conditions and upon the basis of the representations, warranties and agreements hereinafter set forth, the District hereby sells to the Authority, and the Authority hereby purchases from the District all of the aggregate principal amount of the Local Obligation Bonds, such Local Obligation Bonds to bear the annual interest rates and to be sold to the Authority at the purchase price set forth in Exhibit A attached hereto and hereby made a part hereof, plus accrued interest, if any, from the date of the Local Obligation Bonds to the date of delivery of the Local Obligation Bonds to the Authority (the “Closing Date”).

2. The District hereby specifies _____ (or as soon thereafter as shall be feasible), as the Closing Date and the District hereby confirms that it reasonably expects to deliver the Local Obligation Bonds to the Authority on such date.

3. The Authority agrees that U.S. Bank National Association will act as Fiscal Agent for the Local Obligation Bonds under and as further provided in the Fiscal Agent Agreement, dated as of June 1, 2017, by and between the District and such Fiscal Agent relating to the District, (the “Fiscal Agent Agreement”).

4. The Local Obligation Bonds shall be issued and secured under the provisions of Resolution No. _____ of the City of Perris, authorizing the issuance of the Local Obligation Bonds, adopted by the City Council of the City, acting as the legislative body of the District, on March ____, 2017 (the “Resolution”), and related proceedings authorizing the issuance of the Local Obligation Bonds, including, without limitation, the Fiscal Agent Agreement (collectively, the “Proceedings”). The Local Obligation Bonds of the District, and interest thereon, will be payable from special taxes to be levied within the District. Proceeds of the sale of the Local Obligation Bonds will be used by the District in accordance with the Proceedings.

5. Any action under this Purchase Contract taken by the Authority, including payment for and acceptance of the Local Obligation Bonds, and delivery and execution of any receipt for the Local Obligation Bonds and any other instruments in connection with the closing on the Closing Date, shall be valid and sufficient for all purposes and binding upon the Authority, provided that any such action shall not impose any obligation or liability upon the Authority other than as may arise as expressly set forth in this Purchase Contract.

6. It is a condition to the District's sale of the Local Obligation Bonds and the obligation of the District to deliver the Local Obligation Bonds to the Authority, and to the Authority's purchase of the Local Obligation Bonds and the obligations of the Authority to accept delivery of and to pay for the Local Obligation Bonds, that the entire aggregate principal amount of the Local Obligation Bonds of \$_____ shall be delivered by the District, and accepted and paid for by the Authority, on the Closing Date. The Authority will pay for the Local Obligation Bonds with the proceeds of the Authority Bonds.

7. The District represents and warrants to the Authority that:

(a) The District is an entity duly organized and validly existing under the laws of the State of California, and has, and on the Closing Date will have, full legal right, power and authority (i) to enter into this Purchase Contract, (ii) to adopt or enter into the Proceedings relating to the Local Obligation Bonds, (iii) to issue, sell and deliver the Local Obligation Bonds to the Authority as provided herein and in the Fiscal Agent Agreement, and (iv) to carry out and consummate the transactions on its part contemplated by this Purchase Contract, the Proceedings and the Fiscal Agent Agreement;

(b) The District has complied, and will on the Closing Date be in compliance in all respects, with the Proceedings;

(c) By official action of the District prior to or concurrently with the acceptance hereof, the District has duly adopted the Resolution, has duly authorized and approved the execution and delivery of, and the performance by the District of the District's obligations contained in, the Fiscal Agent Agreement, the Local Obligation Bonds, this Purchase Contract and the other Proceedings, and the consummation by the District of all other transactions on its part contemplated by the Proceedings, including, without limitation, the application of special taxes within the District to the payment of the Local Obligation Bonds;

(d) The execution and delivery of this Purchase Contract and the Local Obligation Bonds, the adoption of the Resolution and the adoption or entering into of the other Proceedings, including, without limitation, the Fiscal Agent Agreement, and compliance with the provisions of each thereof will not conflict with or constitute a breach of or a default under any applicable law or administrative regulation of the State of California or the United States of America, or any applicable judgment, decree, agreement or other instrument to which the District is a party or is otherwise subject;

(e) There is no action, suit, proceeding or investigation before or by any court, public board or body pending or, to the knowledge of the District, threatened, wherein an unfavorable decision, ruling or finding would: (i) affect the creation, organization, existence or

powers of the District or the titles of its members and officers to their respective offices, (ii) enjoin or restrain the issuance, sale and delivery of the Local Obligation Bonds, the levy and receipt of the special taxes, or the pledge thereof under the Fiscal Agent Agreement, (iii) in any way question or affect any of the rights, powers, duties or obligations of the District with respect to the moneys pledged or to be pledged to pay the principal of, premium, if any, or interest on the Local Obligation Bonds, (iv) in any way question or affect any authority for the issuance of the Local Obligation Bonds, or the validity or enforceability of the Local Obligation Bonds, the Fiscal Agent Agreement or the other Proceedings, or (v) in any way question or affect this Purchase Contract or the transactions contemplated by this Purchase Contract, the Fiscal Agent Agreement, or any other agreement or instrument to which the District is a party relating to the Local Obligation Bonds;

(f) The issuance and sale of the Local Obligation Bonds is not subject to any transfer or other documentary stamp taxes of the State of California or any political subdivision thereof;

(g) The District has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the District is a bond issuer whose arbitrage certifications may not be relied upon;

(h) Any certificate signed by any official of the District authorized to do so and delivered to the Authority shall be deemed a representation and warranty by the District to the Authority as to the statements made therein; and

(i) The District will apply the proceeds of the Local Obligation Bonds, including the investment thereof, in accordance with the Fiscal Agent Agreement and the other Proceedings.

8. At 8:00 a.m., Los Angeles Time, on the Closing Date, or at such other time or on such other date as is mutually agreed by the District and the Authority, the District will deliver the Local Obligation Bonds to the Authority in definitive form, duly executed, together with the other documents hereinafter mentioned, and, subject to the terms and conditions hereof, the Authority will accept such delivery and pay or cause to be paid the purchase price of the Local Obligation Bonds as referenced in paragraph 1 hereof by certified or bank cashier's check or wire transfer or other funds which are good funds on the Closing Date. Delivery and payment, as aforesaid, shall be made at such place as shall have been mutually agreed upon by the District and the Authority.

9. The Authority has entered into this Purchase Contract in reliance upon the representations, warranties and agreements of the District contained herein and to be contained in the documents and instruments to be delivered on the Closing Date, and upon the performance by the District of its obligations hereunder, both as of the date hereof and as of the Closing Date. Accordingly, the Authority's obligations under this Purchase Contract to purchase, to accept delivery of and to pay for the Local Obligation Bonds shall be subject to the performance by the District of its obligations to be performed hereunder and under such documents and instruments at or prior to the Closing Date, and shall also be subject to the following conditions:

(a) The representations and warranties of the District contained herein shall be true and correct on the date hereof and on and as of the Closing Date, as if made on the Closing Date;

(b) On the Closing Date, the Proceedings shall be in full force and effect, and shall not have been amended, modified or supplemented, except as may have been agreed to by both the Authority and the District;

(c) As of the Closing Date, all official action of the District relating to the Proceedings shall be in full force and effect, and there shall have been taken all such actions as, in the opinion of Aleshire & Wynder, LLP (“Bond Counsel”), shall be necessary or appropriate in connection therewith, with the issuance of the Local Obligation Bonds and with the transactions contemplated hereby;

(d) The Authority shall have the right to terminate the Authority's obligations under this Purchase Contract to purchase, to accept delivery of and to pay for the Local Obligation Bonds by notifying the District of their election to do so if, after the execution hereof and prior to the Closing: (i) the marketability of the Local Obligation Bonds or the market price thereof, in the opinion of the Authority, has been materially and adversely affected by any decision issued by a court of the United States (including the United States Tax Court) or of the State of California, by any ruling or regulation (final, temporary or proposed) issued by or on behalf of the Department of the Treasury of the United States, the Internal Revenue Service, or other governmental agency of the United States, or any governmental agency of the State of California, or by a tentative decision with respect to legislation reached by a committee of the House of Representatives or the Senate of the Congress of the United States, or by legislation enacted by, pending in, or favorably reported to either the House of Representatives or the Senate of the Congress of the United States or either house of the Legislature of the State of California, or formally proposed to the Congress of the United States by the President of the United States or to the Legislature of the State of California by the Governor of the State of California in an executive communication, affecting the tax status of the District, its property or income, its bonds (including the Local Obligation Bonds) or the interest thereon, or any tax exemption granted or authorized by the Bond Law; (ii) the United States shall have become engaged in hostilities which have resulted in a declaration of war or national emergency, or there shall have occurred any other outbreak of hostilities, or a local, national or international calamity or crisis, financial or otherwise, the effect of such outbreak, calamity or crisis being such as, in the reasonable opinion of the Authority, would affect materially and adversely the marketability of the Local Obligation Bonds (it being agreed by the Authority that there is no outbreak, calamity or crisis of such a character as of the date hereof); (iii) there shall have occurred a general suspension of trading on the New York Stock Exchange or the declaration of a general banking moratorium by the United States, New York State or California State authorities; (iv) there shall have occurred a withdrawal or downgrading of any rating assigned to any securities of the City by a national municipal bond rating agency; (v) any proposed development described in the Proceedings shall have been repudiated by the applicable developer, or any litigation or proceedings shall be pending or threatened questioning the proposed development or seeking to enjoin the development thereof, or the District shall have received notice from the applicable developer that it will be unable to proceed with the development as described in the Proceedings; (vi) any federal or State of California court, authority or regulatory body shall take action materially and adversely affecting the ability of a developer to proceed with the development as contemplated by the Proceedings; or (vii) if the Underwriter terminates its purchase contract with the Authority;

(e) On or prior to the Closing Date, the Authority shall have received each of the following documents:

(1) All documents and opinions required to be received by the trustee for the Authority Bonds prior to the application of proceeds of the Authority Bonds to the purchase of the Local Obligation Bonds;

(2) An opinion, in form and substance satisfactory to the District and the Authority, dated as of the Closing Date, of Bond Counsel approving the validity of the Local Obligation Bonds;

(3) An opinion that this Purchase Contract has been duly authorized, executed and delivered by, and, assuming due authorization, execution and delivery by the Authority, constitutes a legal, valid and binding agreement of the District;

(4) A certificate dated the Closing Date, addressed to the Authority, signed by the City Manager or Assistant Finance Director of the City, on behalf of the District, to the effect that:

(i) The representations and warranties of the District contained herein are true and correct in all material respects on and as of the Closing Date as if made on the Closing Date;

(ii) There is no action, suit, proceeding or investigation before or by any court, public board or body pending or threatened, wherein an unfavorable decision, ruling or finding would: (A) affect the creation, organization, existence or powers of the District, or the titles of its members and officers to their respective offices, (B) enjoin or restrain the issuance, sale and delivery of the Local Obligation Bonds, the levy or collection of the special taxes or any other moneys or property pledged or to be pledged under the Fiscal Agent Agreement, or the pledge thereof, (C) in any way question or affect any of the rights, powers, duties or obligations of the District with respect to the special taxes or moneys and assets pledged or to be pledged to pay the principal of, premium, if any, or interest on the Local Obligation Bonds, (D) in any way question or affect any authority for the issuance of the Local Obligation Bonds, or the validity or enforceability of the Local Obligation Bonds or the Proceedings, or (E) in any way question or affect this Purchase Contract or the transactions contemplated by this Purchase Contract, the Fiscal Agent Agreement or the other Proceedings; and

(iii) The District has complied with all agreements, covenants and arrangements, and satisfied all conditions, on its part to be complied with or satisfied on or prior to the Closing Date;

(5) An opinion, dated the date of Closing and addressed to the Authority, of the City Attorney of the City, as Special Counsel to the District, that there is no action, suit, proceeding or investigation before or by any court, public board or body pending or threatened and served on the City, wherein an unfavorable decision, ruling or finding would: (i) affect the creation, organization, existence or powers of the District, or the titles of its members and officers to their respective offices; (ii) enjoin or restrain the issuance, sale and delivery of the Local Obligation Bonds, the receipt of any other moneys or property pledged or to be pledged under the Fiscal Agent Agreement or the pledge thereof; (iii) in any way question or affect any of the rights, powers, duties or obligations of the District with respect to special taxes within the District or the moneys and assets

pledged or to be pledged to pay the principal of, premium, if any, or interest on the Local Obligation Bonds; (iv) in any way question or affect any authority for the issuance of the Local Obligation Bonds, or the validity or enforceability of the Local Obligation Bonds; or (v) in any way question or affect this Purchase Contract or the transactions contemplated by this Purchase Contract, the Fiscal Agent Agreement or the other Proceedings; and

(6) Such additional legal opinions, certificates, instruments and documents as the Authority may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the Closing Date, of the District's representations and warranties contained herein.

In addition to the foregoing, the District shall on the Closing Date provide the Proceedings, certified by authorized officers of the District, on behalf of the District, with only such amendments, modifications or supplements as may have been agreed to by the Authority.

All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Purchase Contract shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Authority, but the approval of the Authority shall not be unreasonably withheld. Receipt of, and payment for, the Local Obligation Bonds shall constitute evidence of the satisfactory nature of such as to the Authority. The performance of any and all obligations of the District hereunder and the performance of any and all conditions contained herein for the benefit of the Authority may be waived by the Authority in its sole discretion.

If the District shall be unable to satisfy the conditions to the obligations of the Authority to purchase, accept delivery of and pay for the Local Obligation Bonds contained in this Purchase Contract, or if the obligations of the Authority to purchase, accept delivery of and pay for the Local Obligation Bonds shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate, and neither the Authority nor the District shall be under further obligation hereunder.

The Authority shall be under no obligation to pay, and the District shall pay the following expenses incident to the performance of the District's obligations hereunder: (i) the cost of the preparation of the Local Obligation Bonds; (ii) the fees and disbursements of Bond Counsel and of Special Counsel to the District; and (iii) the fees and disbursements of accountants, advisers and of any other experts or consultants retained by the District.

This Purchase Contract is made solely for the benefit of the District and the Authority (including their successors and assigns), and no other person shall acquire or have any right hereunder or by virtue hereof. All of the District's representations, warranties and agreements contained in this Purchase Contract shall remain operative and in full force and effect regardless of: (i) any investigations made by or on behalf of the Authority or (ii) delivery of and payment for the Authority Bonds pursuant to this Purchase Contract. The agreements contained in this paragraph and in the paragraph above shall survive any termination of this Purchase Contract.

This Purchase Contract shall become effective upon the execution of the acceptance hereof by the signatures of the Mayor, City Manager or Finance Director of the City and the Chairman or

Executive Director of the Authority, and shall be valid and enforceable as of the time of such execution.

This Purchase Contract may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

The validity, interpretation and performance of this Purchase Contract shall be governed by the laws of the State of California applicable to contracts made and performed in such State.

IN WITNESS WHEREOF, the Authority and the District have each caused this Purchase Contract to be executed by their duly authorized officers all as of the date first above written.

PERRIS JOINT POWERS AUTHORITY

By: _____
Executive Director

COMMUNITY FACILITIES DISTRICT NO. 2014-1
(AVELINA) OF THE CITY OF PERRIS

By: _____
City Manager

[Signature Page to Commitment Agreement and Purchase Contract]

EXHIBIT A

**Improvement Area No. 1 of
Community Facilities District No. 2014-1
(Avelina) of the City of Perris
Special Tax Refunding Bonds, 2017 Series**

PRINCIPAL AMOUNT: \$ _____ .00
BOND PURCHASE DISCOUNT
PURCHASE PRICE

<u>Maturity Date</u> <u>(September 1)</u>	<u>Amount</u>	<u>Coupon</u>	<u>Yield</u>
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INDENTURE OF TRUST

by and between the

PERRIS JOINT POWERS AUTHORITY

and

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

Dated as of June 1, 2017

Relating to

\$ _____

Perris Joint Powers Authority
Local Agency Revenue Bonds
(IA 1-CFD No. 2014-1 (Avelina)), 2017 Series A

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I DEFINITIONS; AUTHORIZATION AND PURPOSE OF BONDS; EQUAL SECURITY	2
Section 1.01. Definitions	2
Section 1.02. Rules of Construction	10
Section 1.03. Authorization and Purpose of Bonds	10
Section 1.04. Equal Security.....	10
ARTICLE II ISSUANCE OF THE BONDS	11
Section 2.01. Terms of the Bonds.....	11
Section 2.02. Redemption of Bonds	12
Section 2.03. Form of the Bonds	14
Section 2.04. Execution of Bonds.....	15
Section 2.05. Transfer of Bonds	15
Section 2.06. Exchange of Bonds	15
Section 2.07. Registration Books.....	15
Section 2.08. Bonds Mutilated, Lost, Destroyed or Stolen	16
Section 2.09. CUSIP® Numbers	16
Section 2.10. Use of Securities Depository	16
Section 2.11. Temporary Bonds	18
ARTICLE III DEPOSIT AND APPLICATION OF PROCEEDS OF BONDS	18
Section 3.01. Issuance of Bonds	18
Section 3.02. Application of Proceeds of Sale of Bonds and Other Amounts	18
Section 3.03. Bond Purchase Fund	18
Section 3.04. Costs of Issuance Fund	19
Section 3.05. Validity of Bonds.....	19
ARTICLE IV REVENUES; FLOW OF FUNDS.....	19
Section 4.01. Pledge of Revenues; Assignment of Rights.....	19
Section 4.02. Receipt, Deposit and Applications of Revenues.....	20
Section 4.03. Cash Flow Management Fund	21
Section 4.04. Redemption Fund.....	22
Section 4.05. Investments	22

Section 4.06. Valuation and Disposition of Investments.....	23
ARTICLE V COVENANTS OF THE AUTHORITY	23
Section 5.01. Punctual Payment	23
Section 5.02. Extension of Payment of Bonds	23
Section 5.03. Against Encumbrances	24
Section 5.04. Power to Issue Bonds and Make Pledge and Assignment	24
Section 5.05. Accounting Records and Financial Statements	24
Section 5.06. No Additional Parity Debt	24
Section 5.07. Tax Covenants Relating to Bonds	25
Section 5.08. District Bonds	28
Section 5.09. Further Assurances	28
Section 5.10. Immunity.....	28
Section 5.11. No Acceleration	28
ARTICLE VI THE TRUSTEE.....	28
Section 6.01. Appointment of Trustee.....	28
Section 6.02. Acceptance of Trusts	29
Section 6.03. Fees, Charges and Expenses of Trustee.....	31
Section 6.04. Notice to Bond Owners of Default	31
Section 6.05. Intervention by Trustee.....	31
Section 6.06. Removal of Trustee.....	31
Section 6.07. Resignation by Trustee	32
Section 6.08. Appointment of Successor Trustee	32
Section 6.09. Merger or Consolidation.....	32
Section 6.10. Concerning any Successor Trustee	32
Section 6.11. Appointment to Co-Trustee	33
Section 6.12. Indemnification; Limited Liability of Trustee.....	33
ARTICLE VII MODIFICATION AND AMENDMENT OF THE INDENTURE.....	34
Section 7.01. Amendment Hereof	34
Section 7.02. Effect of Supplemental Indenture	35
Section 7.03. Endorsement or Replacement of Bonds After Amendment	35
Section 7.04. Amendment by Mutual Consent.....	35
ARTICLE VIII EVENTS OF DEFAULT AND REMEDIES	35

Section 8.01. Events of Default	35
Section 8.02. Remedies Upon Event of Default	36
Section 8.03. Application of Revenues and Other Funds After Default	36
Section 8.04. Power of Trustee to Control Proceedings	37
Section 8.05. Appointment of Receivers	37
Section 8.06. Non-Waiver	37
Section 8.07. Rights and Remedies of Bond Owners	38
Section 8.08. Termination of Proceedings.....	38
ARTICLE IX MISCELLANEOUS	38
Section 9.01. Limited Liability of Authority	38
Section 9.02. Benefits of Indenture Limited to Parties.....	39
Section 9.03. Discharge of Indenture	39
Section 9.04. Successor Is Deemed Included in All References to Predecessor	40
Section 9.05. Content of Certificates	40
Section 9.06. Execution of Documents by Bond Owners	40
Section 9.07. Disqualified Bonds	41
Section 9.08. Waiver of Personal Liability.....	41
Section 9.09. Partial Invalidity	41
Section 9.10. Destruction of Canceled Bonds	41
Section 9.11. Funds and Accounts.....	41
Section 9.12. Payment on Business Days	42
Section 9.13. Notices	42
Fax: 213/615-6199.....	42
Section 9.14. Unclaimed Moneys	43
Section 9.15. Governing Law	43
Section 9.16. Execution of Counterparts	43
FORM OF BOND.....	A-1

INDENTURE OF TRUST

THIS INDENTURE OF TRUST (this “Indenture”) is dated as of June 1, 2017, by and between the **PERRIS JOINT POWERS AUTHORITY**, a joint powers authority organized and existing under the laws of the State of California (the “Authority”), and **U.S. BANK NATIONAL ASSOCIATION**, a national banking association organized and existing under the laws of the United States of America having a corporate trust office in Los Angeles, California, and being qualified to accept and administer the trusts hereby created (the “Trustee”);

WITNESSETH:

WHEREAS, the Authority is a joint powers authority duly organized and existing under and pursuant to that certain Joint Exercise of Powers Agreement dated as of March 26, 2013, by and between the City of Perris (the “City”) and the Housing Authority of the City of Perris (the “Agency”), and under the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “Act”), and is authorized pursuant to Article 4 of the Act (the “Bond Law”) to borrow money for the purpose of financing the acquisition of bonds, notes and other obligations of, or for the purpose of making loans to, the City, the Agency and any associate member to provide financing for public capital improvements of the City, the Agency and any associate member; and

WHEREAS, the City Council (the “City Council”) of the City of Perris (the “City”), located in Riverside County, California (hereinafter sometimes referred to as the “legislative body of the District”) has, pursuant to its Resolution No. 4779 (“the Resolution of Intention”) adopted on October 14, 2014, as supplemented by Resolution 4781, adopted on October 28, 2014, and Resolution 4798 (the “Resolution of Formation”) adopted on January 13, 2015, heretofore undertaken proceedings and declared the necessity of Community Facilities District No. 2014-1 (Avelina) of the City of Perris (the “District”) to issue bonds on behalf of its Improvement Area No. 1 (“IA 1” or “Improvement Area No. 1”) pursuant to the terms and provisions of the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California (the “Act”); and

WHEREAS, on January 13, 2015, the qualified electors within the District approved the levy of special taxes within in IA 1 pursuant to the respective Rate and Method of Apportionment, pursuant to the Resolution of Formation, Resolution Nos. 4799 and 4800, adopted on January 13, 2015, and Ordinance 1310, adopted on January 27, 2015; and

WHEREAS, on January 13, 2015, pursuant to Resolution of Formation, Resolution Nos. 4799 and 4800, the qualified electors within the District authorized the District to issue bonds in an amount not to exceed \$5,000,000 within IA 1 of the District; and

WHEREAS, the City, on behalf of the District and the Authority, has determined it is prudent in the management of its fiscal affairs and a public purpose to finance the acquisition and construction of public facilities located within the District; and

WHEREAS, the Authority, pursuant to Resolution Number PJPA-0___ adopted on March __, 2017, approved the issuance of not-to-exceed \$___ Perris Joint Powers Authority Local Agency Revenue Bonds (IA 1-CFD No. 2014-1-(Avelina)), 2017 Series A (the “Bonds”) for the purpose of purchasing the District Bonds, funding a reserve fund and paying certain costs of issuance; and

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

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

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

ARTICLE I
DEFINITIONS; AUTHORIZATION AND PURPOSE OF BONDS; EQUAL SECURITY

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section 1.01 shall for all purposes of this Indenture or of any Supplemental Indenture and of the Bonds and of any certificate, opinion, request or other documents herein mentioned have the meanings herein specified.

“Act” means Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State, as in existence on the Closing Date or as thereafter amended from time to time.

“Additional Bonds” means bonds issued by the District, pursuant to the Fiscal Agent Agreement or a Supplemental Agreement (as defined by the Fiscal Agent Agreement), which are secured by special taxes levied within the District on a parity with the District Bonds, if any.

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

“Authority” means the Perris Joint Powers Authority, a joint powers authority duly organized

and existing under the Joint Exercise of Powers Agreement, dated as of March 26, 2013, by and between the City and the Agency, together with any amendments thereof and supplements thereto and under the laws of the State.

“Authority Representative” means the Chairperson, Vice Chairperson, Executive Director, Assistant Executive Director or Treasurer of the Authority, or any other authorized representative of the Authority as evidenced by a certificate of the Chairperson or Executive Director.

“Board” means the Board of Directors of the Authority.

“Bond Counsel” means Aleshire & Wynder, LLP, or any attorney or firm of attorneys appointed by or acceptable to the Authority of nationally-recognized expertise in the field of municipal finance whose opinions are generally accepted by purchasers of municipal bonds or notes.

“Bond Fund” means the fund by that name established and held by the Trustee pursuant to Section 4.02(b) hereof.

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

“Bond Purchase Fund” means the fund established pursuant to Section 3.03 hereof.

“Bond Year” means each twelve-month period beginning on September 2 of each year and ending September 1 of the following year, except that the first Bond Year shall begin on the Closing Date and end on September 1, 2017, provided, however, that for the purposes of calculating the rebate requirements under the Code, the Bond Year may, at the election of the Authority commence on the Closing Date and end one year later, or as otherwise set forth in the Tax Certificate .

“Bonds” means the \$_____ initial principal amount Perris Joint Powers Authority Local Agency Revenue Bonds (IA 1-CFD No. 2014-1 (Avelina)), 2017 Series A, authorized by and at any time Outstanding pursuant to the Bond Law and this Indenture.

“Business Day” means a day of the year, other than a Saturday or Sunday, on which banks in Los Angeles, California, and San Francisco, California and the principal corporate trust office of the Trustee, are not required or authorized to remain closed and on which the New York Stock Exchange is not closed.

“Cash Flow Management Fund” means the fund by that name established by Section 4.03(a) hereof.

“Cash Flow Management Fund Requirement” means, as of any calculation date, an amount equal to 15% of the Maximum Annual Debt Service.

“Certificate” or “Written Certificate” or “Written Request” of the Authority means, a written certificate or written request signed in the name of the Authority by an Authority Representative. Any such certificate or request may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed

as a single instrument.

“City” means the City of Perris, a political subdivision organized and existing under the laws of the State.

“Closing Date” means the date of delivery of the Bonds to the original purchasers thereof.

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

“Corporate Trust Office” means the corporate trust office of the Trustee at the address set forth in Section 9.13 or such other office designated by the Trustee from time to time in writing to the Authority.

“Costs of Issuance” means all expenses incurred in connection with the authorization, issuance, sale and delivery of the Bonds, the purchase of the District Bonds, including but not limited to all compensation, fees and expenses (including but not limited to fees and expenses for legal counsel) of the Authority and the Trustee, compensation to any financial consultants or underwriters, legal fees and expenses, filing and recording costs, costs of preparation and reproduction of documents and costs of printing.

“Costs of Issuance Fund” means the fund established and held by the Trustee pursuant to Section 3.04 hereof.

“District” means Community Facilities District 2014-1 (Avelina) of the City of Perris.

“District Bonds” means the Improvement Area No. 1 of Community Facilities District No. 2014-1 (Avelina) of the City of Perris Special Tax Bonds, 2017 Series.

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

“Event of Default” means any of the events described in Section 8.01 hereof.

“Excess Investment Earnings” means the amount of excess investment earnings determined to be subject to rebate to the United States of America with respect to the investment of the gross proceeds of the Bonds, determined pursuant to Section 148(f) of the Code.

“Fair Market Value” means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a

guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the City and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

“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 Trustee, as shall be certified by the Authority to the Trustee:

(1) 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;

(2) 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 pass-through 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; or refunded municipal obligations, the timely payment of principal of and interest on are fully guaranteed by the United States of America.

“Fiscal Agent” means U.S. Bank National Association, as fiscal agent under the Fiscal Agent Agreement.

“Fiscal Agent Agreement” means the Fiscal Agent Agreement, dated as of June 1, 2017, by and between the District and the Fiscal Agent relating to the District Bonds, as said agreement may be amended from time to time in accordance with its terms.

“Fiscal Year” means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the Authority as its official fiscal year period and certified to the Trustee in writing by an Authority Representative.

“Indenture” means this Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture pursuant to the provisions hereof.

“Independent Accountant” means any certified public accountant or firm of certified public accountants appointed and paid by the Authority, and who, or each of whom (a) is in fact independent and not under domination of the Authority or the City; (b) does not have any substantial interest, direct or indirect, in the Authority or the City; and (c) is not connected with the Authority or

the City as an officer or employee of the Authority or the City but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the City.

“Information Services” means Electronic Municipal Market Access System (referred to as “EMMA”), a facility of the Municipal Securities Rulemaking Board, at www.emma.msrb.org; provided, however, in accordance with then current guidelines of the Securities and Exchange Commission, Information Services shall mean such other services providing information with respect to the redemption of Bonds as the Authority may designate in a Written Request of the Authority delivered to the Trustee.

“Interest Account” means the account by that name established and held by the Trustee pursuant to Section 4.02(c)(i) hereof.

“Interest Payment Date” means March 1 and September 1 in each year, beginning September 1, 2017, and continuing thereafter so long as any Bonds remain Outstanding.

“Letter of Representations” means the letter of the Authority and the Trustee delivered to and accepted by DTC (or such other applicable Securities Depository) on or prior to the issuance of the Bonds in book entry form setting forth the basis on which DTC (or such other applicable Securities Depository) serves as depository for the Bonds issued in book entry form, as originally executed or as it may be supplemented or revised or replaced by a letter to a substitute Securities Depository.

“Maximum Annual Debt Service” means, as of the date of calculation, the maximum amount obtained by totaling, for the current or any future Bond Year, the sum of: (a) the principal amount of all such Outstanding Bonds maturing in such Bond Year and sinking payments for mandatory redemption due in such Bond Year; and (b) the interest which would be due during such Bond Year on the aggregate principal amount of such Bonds which would be Outstanding in such period if such Bonds are retired as scheduled, but deducting and excluding from such aggregate principal amount the aggregate principal amount of such Bonds no longer Outstanding.

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

“Outstanding”, when used as of any particular time with reference to Bonds, means all Bonds theretofore executed, issued and delivered by the Authority under this Indenture except:

- (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;
- (b) Bonds paid or deemed to have been paid within the meaning of Section 9.03; and
- (c) Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued and delivered pursuant to this Indenture or any Supplemental Indenture.

“Owner” or “Bond Owner”, when used with respect to any Bond, means the person in whose name the ownership of such Bond shall be registered on the Registration Books.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein and the investment policy of the City or District (the Trustee is entitled to rely on written investment direction of the Authority as a determination that such investment is a legal investment), but only to the extent that the same are acquired at Fair Market Value:

(a) any direct general obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America), the payment of principal of and interest on which are unconditionally fully guaranteed by the United States of America; and any obligations the principal of and interest on which are unconditionally guaranteed by the United States of America;

(b) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): (i) direct obligations or fully guaranteed certificates of beneficial ownership of the U.S. Export-Import Bank; (ii) certificates of beneficial ownership of the Farmers Home Administration; (iii) obligations of the Federal Financing Bank; (iv) debentures of the Federal Housing Administration; (v) participation certificates of the General Services Administration; (vi) guaranteed mortgage-backed bonds or guaranteed pass-through obligations of the Government National Mortgage Association; (vii) guaranteed Title XI financings of the U.S. Maritime Administration; (viii) project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing and Urban Development;

(c) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself): (i) senior debt obligations of the Federal Home Loan Bank System; (ii) participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation; (iii) mortgage-backed securities and senior debt obligations of the Federal National Mortgage Association (excluding stripped mortgage securities which are valued greater than par on the portion of unpaid principal); (iv) senior debt obligations of the Student Loan Marketing Association; (v) obligations (but only the interest component of stripped obligations) of the Resolution Funding Corporation; and (vi) consolidated system wide bonds and notes of the Farm Credit System;

(d) money market funds (including funds of the Trustee or its affiliates) registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of "AAAm-G", "AAAm", or "AAm", or, if rated by Moody's, rated "Aaa-mf", "Aa-mf" or "A-mf";

(e) certificates of deposit secured at all times by collateral described in (a) or (b) above, which have a maturity of one year or less, which are issued by commercial banks, savings and loan associations or mutual savings banks, and such collateral must be held by a third party, and the Trustee must have a perfected first security interest in such collateral;

(f) certificates of deposit, savings accounts, deposit accounts or money market deposits (including those of the Trustee and its affiliates) which are fully insured by the Federal Deposit Insurance Corporation;

(g) investment agreements, including guaranteed investment contracts, forward purchase agreements and Reserve Account put agreements, which are general obligations of an

entity whose long term debt obligations, or claims paying ability, respectively, is rated in one of the two highest rating categories by Moody's or S&P;

(h) commercial paper rated, at the time of purchase, "Prime-1" by Moody's and "A-1" or better by S&P;

(i) bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies;

(j) deposit accounts, money market deposits, federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P;

(k) repurchase agreements which provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Trustee and the transfer of cash from the Trustee to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Trustee in exchange for the securities at a specified date, which satisfy the following criteria:

(i) repurchase agreements must be between the Trustee and (A) a primary dealer on the Federal Reserve reporting dealer list which falls under the jurisdiction of the Securities Investors Protection Corporation which are rated "A" or better by Moody's and S&P, or (B) a bank rated "A" or better by Moody's and S&P;

(ii) the written repurchase agreement contract must include the following: (A) securities acceptable for transfer, which may be direct U.S. government obligations, or federal agency obligations backed by the full faith and credit of the U.S. government; (B) the term of the repurchase agreement may be up to 30 days; (C) the collateral must be delivered to the Trustee or a third party acting as agent for the Trustee simultaneous with payment (perfection by possession of certificated securities); (D) the Trustee must have a perfected first priority security interest in the collateral; (E) the collateral must be free and clear of third-party liens and, in the case of a broker which falls under the jurisdiction of the Securities Investors Protection Corporation, are not subject to a repurchase agreement or a reverse repurchase agreement; (F) failure to maintain the requisite collateral percentage, after a two-day restoration period, will require the Trustee to liquidate the collateral; (G) the securities must be valued weekly, marked-to-market at current market price plus accrued interest and the value of collateral must be equal to 104% of the amount of cash transferred by the Trustee to the dealer bank or securities firm under the repurchase agreement plus accrued interest (unless the securities used as collateral are obligations of the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, in which case the collateral must be equal to 105% of the amount of cash transferred by the Trustee to the dealer bank or securities firm under the repurchase agreement plus accrued interest). If the value of securities held as collateral falls below 104% of the value of the cash transferred by the Trustee, then additional cash and/or acceptable securities must be transferred; and

(iii) a legal opinion must be delivered to the Trustee to the effect that the repurchase agreement meets guidelines under state law for legal investment of public funds; and

(l) the Local Agency Investment Fund of the State of California, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

“Principal Account” means the account by that name established and held by the Trustee pursuant to Section 4.02(c)(ii) hereof.

“Rebate Account” means the account established and held by the Trustee pursuant to Section 4.02(d) hereof.

“Record Date” means, with respect to any Interest Payment Date, the fifteenth (15th) calendar day of the month preceding such Interest Payment Date.

“Redemption Fund” means the fund by such name established and held by the Trustee pursuant to Section 4.04 hereof.

“Redemption Revenues” means (a) amounts received from the special mandatory redemption of the District Bonds from amounts constituting prepayments of special taxes and from surplus funds, and (b) amounts received from the optional redemption of the District Bonds.

“Registration Books” means the records maintained by the Trustee pursuant to Section 2.07 for the registration and transfer of ownership of the Bonds.

“Reserve Account” means the account by that name established and held by the Trustee pursuant to Section 4.02(c)(iii) hereof.

“Reserve Requirement” means, as of any calculation date, an amount equal to the least of (i) ten percent (10%) of the proceeds (within the meaning of section 148 of the Code) of the Bonds as of the date of issuance; (ii) 125% of average Annual Debt Service as of the date of issuance; or (iii) Maximum Annual Debt Service; provided however, the Reserve Requirement on any calculation date shall not be greater than the Reserve Requirement amount on the Closing Date.

“Revenue Fund” means the fund by that name established and held by the Trustee pursuant to Section 4.02(a) hereof.

“Revenues” means: (a) all amounts received by the Authority from the District as principal of or interest on the District Bonds; (b) all moneys deposited and held from time to time by the Trustee in the funds and accounts established hereunder for the Bonds, other than the Rebate Account, the Redemption Fund and the Cash-Flow Management Fund; and (c) income and gains with respect to the investment of amounts on deposit in the funds and accounts established hereunder for the Bonds, other than the Rebate Account, the Redemption Fund and the Cash-Flow Management Fund.

“S&P” means S&P Global, Inc., and its successors and assigns.

“Securities Depositories” means DTC, 55 Water Street, New York 10041, Attention: Call Notification Department, Fax-(212) 855-7232 and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Authority may designate in a Certificate of the Authority delivered to the Trustee.

“State” means the State of California.

“Supplemental Indenture” means any indenture, agreement or other instrument hereafter duly executed by the Authority and the Trustee in accordance with the provisions of Section 7.01 hereof.

“Tax Certificate” means the Tax and Non Arbitrage Certificate, dated the Closing Date and executed by the Authority.

“Tax Regulations” means temporary and permanent regulations promulgated under or with respect to Section 103 and Sections 141 through 150, inclusive, of the Code.

“Trustee” means U.S. Bank National Association, and its successors and assigns, and any other corporation or association which may at any time be substituted in its place as provided in Article VI hereof.

Section 1.02. Rules of Construction. All references in this Indenture to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture, and the words “herein,” “hereof,” “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

Section 1.03. Authorization and Purpose of Bonds. The Authority has reviewed all proceedings heretofore taken relative to the authorization of the Bonds and has found, as a result of such review, and hereby finds and determines that all things, conditions, and acts required by law to exist, happen and be performed precedent to and in the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the Authority is now authorized under the Bond Law and each and every requirement of law, to issue the Bonds in the manner and form provided in this Indenture. Accordingly, the Authority hereby authorizes the issuance of the Bonds pursuant to the Bond Law and this Indenture for the purpose of providing funds to pay for the District Bonds.

Section 1.04. Equal Security. In consideration of the acceptance of the Bonds by the Owners thereof, this Indenture shall be deemed to be and shall constitute a contract among the Authority, the Trustee and the Owners from time to time of the Bonds; and the covenants and agreements herein set forth to be performed on behalf of the Authority shall be for the equal and proportionate benefit, security and protection of all Owners of Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the number or date thereof or the time of sale, execution or delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or herein.

**ARTICLE II
ISSUANCE OF THE BONDS**

Section 2.01. Terms of the Bonds. The Bonds authorized to be issued by the Authority under and subject to the Bond Law and the terms of this Indenture shall be designated the “Perris Joint Powers Authority Local Agency Revenue Bonds (IA 1-CFD No. 2014-1 (Avelina)), 2017 Series A” which shall be issued in the original aggregate principal amount of _____ Dollars (\$_____).

The principal of and interest and premium (if any) on the Bonds shall be payable in lawful money of the United States of America.

The Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof, so long as no Bond shall have more than one maturity date. The Bonds shall be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, and shall be evidenced by one Bond for each of the maturities in the principal amounts set forth below, and DTC, is hereby appointed depository for the Bonds, and registered ownership may not thereafter be transferred except as set forth in Section 2.05 hereof. The Bonds shall be dated as of the Closing Date, shall mature in the following amounts and shall bear interest (calculated on the basis of a 360-day year of twelve 30-day months) at the following rates:

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
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***Term bond maturity**

Interest on the Bonds shall be payable on each Interest Payment Date to the person whose name appears on the Registration Books as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owner at the address of such Owner as it appears on the Registration Books as of the preceding Record Date; provided, however, that at the written request of the Owner of at least \$1,000,000 in aggregate principal amount of Outstanding Bonds filed with the Trustee prior to any Record Date, interest on such Bonds shall be paid to such Owner on each succeeding Interest Payment Date by wire transfer of immediately available funds to an account in the continental United States designated in such written request. Any such written request shall remain in effect until rescinded in writing by the Owner. Principal of and premium (if any) on any Bond shall be paid upon presentation and surrender thereof, at maturity or the prior redemption thereof, at the Corporate Trust Office of the Trustee. The principal of and interest and premium (if any) on the Bonds shall be payable in lawful money of the United States of America.

Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated on or before the Interest Payment Date and after the close of business on the preceding Record Date, in which event it shall bear interest from such Interest Payment Date; or (b) it is authenticated on or before August 15, 2017, in which event it shall bear interest from the Closing Date; or (c) interest with respect to any outstanding Bond is in default,

in which event such Bond shall bear interest from the Interest Payment Date to which interest has been previously paid in full or made available for payment thereon on each Interest Payment Date.

Section 2.02. Redemption of Bonds.

(a) Optional Redemption. The Bonds maturing prior to September 1, ____, are not subject to Optional Redemption. The Bonds are subject to redemption prior to maturity at the option of the Authority on any date on or after September 1, ____, as a whole or in part, from such maturities as selected by the Authority and by lot within a maturity, from any available source of funds at 100% of the principal amount of the Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption.

(b) Mandatory Sinking Fund Redemption. The Bonds maturing September 1, _____, September 1, ____, and September 1, ____, are subject to mandatory redemption in part by lot, on September 1 in each year, commencing September 1, ____ with respect to the Bonds maturing September 1, ____, September 1, ____, with respect to the Bonds maturing on September 1, ____, and September 1, ____, with respect to the Bonds maturing September 1, ____, from mandatory sinking payments made by the Authority as provided in this Indenture, at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest thereon to the date of redemption in the aggregate principal amounts and on September 1 in the respective years as set forth in the following schedule; provided, however, that (i) in lieu of redemption thereof, such Bonds may be purchased by the Authority and tendered to the Trustee and the Trustee shall cancel such tendered Bonds, and (ii) if some but not all of such Bonds have been redeemed pursuant to the redemption provisions described in subsections (a) above or (c) below, the total amount of all future mandatory sinking payments will be reduced by the aggregate principal amount of such Bonds so redeemed, to be allocated among such mandatory sinking payments on a pro rata basis (as nearly as practicable) in integral multiples of \$5,000, as determined by the Authority.

BONDS MATURING SEPTEMBER 1, ____
September 1 Principal
(Year) Amount
***Maturity**

BONDS MATURING SEPTEMBER 1, ____
September 1 Principal
(Year) Amount
***Maturity**

BONDS MATURING SEPTEMBER 1, ____
September 1 Principal
(Year) Amount
***Maturity**

(c) Special Mandatory Redemption. The Bonds shall also be subject to mandatory redemption prior to maturity on any date on or after September 1, 2017, in whole or in part from such maturities as selected by the Authority and by lot within a maturity, from the redemption of District Bonds from amounts constituting prepayments of special taxes, from amounts transferred from the Delinquency Management Fund under the Fiscal Agent Agreement and from amounts transferred by the Authority from the Cash Flow Management Fund under this Indenture at the following redemption prices (expressed as a percentage of the principal amount of Bonds to be redeemed) together with accrued interest thereon to the redemption date.

<u>Redemption Date</u>	<u>Redemption Price</u>
September 1, 2017 through August 31, 2027	102.0%
September 1, 2027 and thereafter	100.0%

(d) Notice of Redemption. The Trustee on behalf and at the expense of the Authority shall mail (by first class mail) notice of any redemption to the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, to the Securities Depositories and to one or more Information Services, at least thirty (30) but not more than sixty (60) days prior to the date fixed for redemption. Neither failure to receive any such notice so mailed nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice shall state the date of the notice, the redemption date, and the redemption price and shall designate the CUSIP® numbers, the Bond numbers (but only if less than all of the Outstanding Bonds are to be redeemed) and the maturity of the Bonds to be redeemed, and shall require that such Bonds be then surrendered at the Corporate Trust Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

If at the time of mailing of any notice of optional redemption there shall not have been deposited with the Trustee moneys sufficient to redeem all the Bonds called for redemption, such notice shall state that it is subject to the deposit of sufficient moneys with the Trustee not later than the opening of business on the redemption date and will be of no effect unless such moneys are so deposited.

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

In addition to the foregoing notice, further notice shall be given by the Trustee in said form by first class mail to any Bond Owner whose Bond has been called for redemption but who has failed to tender his Bond for payment by the date which is sixty days after the redemption date, but

no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption.

Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall, to the extent practicable, bear the CUSIP® number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

(e) Partial Redemption of Bonds. In the event only a portion of any Bond is called for redemption, then upon surrender of such Bond the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of the same series and maturity date, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond to be redeemed.

(f) Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption shall have been duly provided, such Bonds so called shall cease to be entitled to any benefit under this Indenture other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date specified in such notice. All Bonds redeemed pursuant to this Section 2.02 shall be canceled and destroyed.

(g) Authority Notice. Notwithstanding any provisions in the Indenture to the contrary, upon any optional redemption or special mandatory redemption or mandatory redemption (other than sinking fund redemption) in part, the Authority shall deliver a Written Certificate to the Trustee at least sixty (60) days prior to the proposed redemption date or such later date as shall be acceptable to the Trustee in the sole determination of the Trustee, so stating that the remaining payments of principal and interest on the District Bonds, together with other Revenues will be sufficient on a timely basis to pay debt service on the Bonds. The Authority shall certify in such Written Certificate that sufficient moneys for purposes of such redemption are or will be on deposit in the Redemption Fund, and is required to deliver such moneys to the Trustee together with other Redemption Revenues, if any, then to be delivered to the Trustee, which moneys are required to be identified to the Trustee in the Written Certificate delivered with the Redemption Revenues.

(h) Open Market Purchase of Bonds. In lieu of redemption of any Bond, the Trustee may, at any time and upon Written Request of the Authority, use and withdraw amounts on deposit in the Revenue Fund for the purchase of such Bonds at public or private sale as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Authority may in its discretion determine in accordance with all applicable laws and in accordance with the priority afforded the relative Bond under this Indenture.

Section 2.03. Form of the Bonds. The Bonds, the form of Trustee's certificate of authentication, and the form of assignment to appear thereon, shall be substantially in the form 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 Indenture.

Section 2.04. Execution of Bonds. The Bonds shall be signed in the name and on behalf of the Authority with the manual or facsimile signatures of its Chairperson or Executive Director and attested with the manual or facsimile signature of its Secretary or any assistant duly appointed by the Board, and shall be delivered to the Trustee for authentication by it. In case any officer of the Authority who shall have signed any of the Bonds shall cease to be such officer before the Bonds so signed shall have been authenticated or delivered by the Trustee or issued by the Authority, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the Authority as though the individual who signed the same had continued to be such officer of the Authority. Also, any Bond may be signed on behalf of the Authority by any individual who on the actual date of the execution of such Bond shall be the proper officer although on the nominal date of such Bond such individual shall not have been such officer.

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

Section 2.05. Transfer of Bonds. Subject to Section 2.10, any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. Whenever any Bond or Bonds shall be surrendered or transfer, the Authority shall execute and the Trustee shall authenticate and deliver to the transferee a new Bond or Bonds of like maturity and aggregate principal amount of authorized denominations. The Trustee may require payment by the Bond Owner requesting such transfer or exchange of any tax or other governmental charge required to be paid with respect to such transfer or exchange. The Trustee shall not be required to transfer, pursuant to this Section, either (a) all Bonds during the period established by the Trustee for the selection of Bonds for redemption, or (b) any Bonds selected for redemption pursuant to Section 2.02. The cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer shall be paid by the Authority.

Section 2.06. Exchange of Bonds. The Bonds of any series may be exchanged at the Corporate Trust Office of the Trustee for a like aggregate principal amount of Bonds of the same series of other authorized denominations and of the same maturity. The Trustee shall not be required to exchange, pursuant to this Section, either (a) all Bonds during the period established by the Trustee for the selection of Bonds for redemption, or (b) any Bonds selected for redemption pursuant to Section 2.02. The cost of printing Bonds and any service rendered or expenses incurred by the Trustee in connection with any exchange shall be paid by the Authority.

Section 2.07. Registration Books. The Trustee will keep or cause to be kept at its Corporate Trust Office sufficient records for the registration and transfer of the Bonds which shall at all reasonable times during regular business hours be open to inspection by the Authority with reasonable prior notice; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said records Bonds as hereinbefore provided.

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

Section 2.09. CUSIP® Numbers. The Trustee and the Authority shall not be liable for any defect or inaccuracy in the CUSIP® number that appears on any Bond or in any redemption notice. The Trustee may, in its discretion, include in any redemption notice a statement to the effect that the CUSIP® numbers on the Bonds have been assigned by an independent service and are included in such notice solely for the convenience of the Owners and that neither the Trustee, nor the Authority shall be liable for any inaccuracies in such numbers.

Section 2.10. Use of Securities Depository.

(a) The Bonds shall be initially registered as provided in Section 2.01. Registered ownership of the Bonds, or any portion thereof, may not thereafter be transferred except:

(i) to any successor of Cede & Co., as nominee of DTC, as its nominee, or to any substitute depository designated pursuant to clause (ii) of this Section (a “substitute depository”); provided, that any successor of Cede & Co., as nominee of DTC or a substitute depository, shall be qualified under any applicable laws to provide the services proposed to be provided by it;

(ii) to any substitute depository upon (1) the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository, or (2) a determination by the Authority to substitute another depository for DTC (or its successor) because DTC or its successor (or any substitute depository or its successor) is no longer able to carry out its functions as depository; provided, that any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(iii) to any person as provided below, upon (1) the resignation of DTC or its successor (or substitute depository or its successor from its functions as depository, or (2) a determination by the Authority to remove DTC or its successor (or any substitute depository or its successor) from its functions as depository.

(b) In the case of any transfer pursuant to clause (i) or clause (ii) of subsection (a) hereof, upon receipt of the Outstanding Bonds by the Trustee, together with a Request of the Authority to the Trustee, a new Bond for each maturity shall be authenticated and delivered in the aggregate principal amount of the Bonds then Outstanding, registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such Request of the Authority.

(c) In the case of any transfer pursuant to clause (iii) of subsection (a) hereof upon receipt of the Outstanding Bonds by the Trustee, together with a Written Request of the Authority to the Trustee, new Bonds shall be authenticated and delivered in such denominations numbered in the manner determined by the Trustee and registered in the names of such persons as are requested in such a Written Request of the Authority, subject to the limitations of Section 2.01 hereof, provided, the Trustee shall not be required to deliver such new Bonds within a period less than sixty (60) days from the date of receipt of such a Written Request of the Authority. After any transfer pursuant to this subsection, the Bonds shall be transferred pursuant to Section 2.05.

(d) The Authority and the Trustee shall be entitled to treat the person in whose name any Bond is registered as the Owner thereof for all purposes of this Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the Authority; and the Authority and the Trustee shall have no responsibility for transmitting payments to, communication with, notifying, or otherwise dealing with any beneficial owners of the Bonds, and neither the Authority nor the Trustee will have any responsibility or obligations, legal or otherwise, to the beneficial owners or to any other party, including DTC or its successor (or substitute depository or its successor), except for the Owner of any Bonds.

(e) So long as the Outstanding Bonds are registered in the name of Cede & Co. or its registered assigns, the Authority and the Trustee shall cooperate with Cede & Co., as sole registered Owner, or its registered assigns in effecting payment of the principal of and interest on the Bonds by arranging for payment in such manner that funds for such payments are properly identified and are made immediately available on the date they are due.

(f) Notwithstanding anything to the contrary contained herein, so long as the Bonds are registered as provided in this Section 2.10, payment of principal of and interest on the Bonds shall be made in accordance with the Letter of Representations delivered to DTC with respect to the Bonds.

(g) For as long as a book-entry only system is in effect with respect to the Bonds and DTC or a successor Securities Depository is the sole registered owner of the Bonds, in the event of redemption of less than all of the maturity of the Bonds, the particular ownership interests of such maturity to be redeemed will be determined by DTC and its participants, or by a successor Securities Depository or any other intermediary, in accordance with their respective operating rules and procedures, which may be different than pro rata.

Section 2.11. Temporary Bonds. The Bonds may be initially delivered in temporary form exchangeable for definitive Bonds when ready for delivery, which temporary Bonds shall be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Trustee, shall be in fully registered form and shall contain such reference to any of the provisions hereof as may be appropriate. Every temporary Bond shall be authenticated and delivered by the Trustee upon the same conditions and terms and in substantially the same manner as definitive Bonds. If the Trustee authenticates and delivers temporary Bonds, it will register and authenticate definitive Bonds, and in that case, upon demand of the Owner of any temporary Bonds, such definitive Bonds shall be exchanged by the Trustee at its Corporate Trust Office, without cost to such Owner for temporary Bonds upon surrender of such temporary Bonds, and until so exchanged such temporary Bonds shall be entitled to the same benefit, protection and security hereunder as the definitive Bonds executed and delivered hereunder. All temporary Bonds surrendered pursuant to the provisions of this Section shall be canceled by the Trustee and shall not be redelivered.

**ARTICLE III
DEPOSIT AND APPLICATION OF PROCEEDS OF BONDS**

Section 3.01. Issuance of Bonds. Upon the execution and delivery of this Indenture, the Authority shall execute and deliver the Bonds in the aggregate principal amount of _____ (\$_____), to the Trustee for authentication and delivery to the original purchaser thereof upon the Written Request of the Authority.

Section 3.02. Application of Proceeds of Sale of Bonds and Other Amounts. Upon the receipt of payment for the Bonds and other amounts on the Closing Date, the Trustee shall apply the total amount of \$_____, comprising (i) proceeds of sale thereof in the amount of \$_____ (being the principal amount of \$_____, less an Underwriter's Discount of \$_____, plus a net original issue premium of \$_____), and (ii) the total amount of \$_____, comprising other available funds transferred to the Trustee as follows:

- (a) The Trustee shall deposit in the Reserve Account of the Revenue Fund the total amount of \$_____, which is equal to the Reserve Requirement on the Closing Date.
- (b) The Trustee shall deposit the amount of \$_____ in the Bond Purchase Fund.
- (c) The Trustee shall deposit the amount of \$_____ into the Costs of Issuance Fund.
- (d) The Trustee shall deposit the amount of \$_____ in the Cash Flow Management Fund from other available funds. Moneys in the Cash Flow Management Fund are funded by other available funds and not from Bond proceeds.

Section 3.03. Bond Purchase Fund. The Trustee shall establish and maintain a separate fund to be known as the "Bond Purchase Fund" into which shall be deposited a portion of the proceeds of the sale of the Bonds in the amount set forth in Section 3.02(b). The Trustee shall disburse all amounts in the Bond Purchase Fund on the Closing Date to purchase the District Bonds. The Trustee shall transfer the funds in the Bond Purchase Fund upon receipt thereof to the Fiscal

Agent for deposit pursuant to the Fiscal Agent Agreement. Following the disbursement of all amounts to purchase the District Bonds, the Trustee shall close the Bond Purchase Fund.

Section 3.04. Costs of Issuance Fund. There is hereby established a fund to be held by the Trustee known as the “Costs of Issuance Fund” into which shall be deposited a portion of the Bond proceeds as set forth in Section 3.02(c). The moneys in the Costs of Issuance Fund shall be used to pay Costs of Issuance from time to time upon receipt of a Written Request of the Authority. On the date which is one hundred eighty (180) days following the Closing Date or upon the earlier receipt by the Trustee of a Written Request of the Authority stating that all Costs of Issuance have been paid, the Trustee shall transfer all remaining amounts in the Costs of Issuance Fund to the Revenue Fund, and the Trustee shall close the Costs of Issuance Fund. The Authority may at any time file a Written Request of the Authority requesting that the Trustee retain a specified amount in the Costs of Issuance Fund and transfer to the Revenue Fund all remaining amounts, and the Trustee shall comply with such request.

Section 3.05. Validity of Bonds. The validity of the authorization and issuance of the Bonds shall not be affected in any way of any proceedings taken by the District with respect to the application of the proceeds of the sale of the District Bonds, and the recital contained in the Bonds that the same are issued pursuant to the Bond Law shall be conclusive evidence of their validity and of the regularity of their issuance.

ARTICLE IV REVENUES; FLOW OF FUNDS

Section 4.01. Pledge of Revenues; Assignment of Rights. The Bonds shall be secured by a first lien on and pledge (which shall be effected in the manner and to the extent hereinafter provided) of all of the Revenues and Redemption Revenues and a pledge of all of the moneys in the Bond Fund, the Revenue Fund, the Redemption Fund and in the Cash Flow Management Fund, including all amounts derived from the investment of such moneys. The Bonds shall be equally secured by a pledge, charge and first lien upon the Revenues and Redemption Revenues and such moneys without priority for number, date of the Bonds, date of execution or date of delivery; and the payment of the interest on and principal of the Bonds and any premiums upon the redemption of any thereof shall be and are secured by an exclusive pledge, charge and first lien upon the Revenues and Redemption Revenues and such moneys. So long as any of the Bonds are Outstanding, the Revenues and Redemption Revenues and such other moneys shall not be used for any other purpose except as described hereunder for payment of the Bonds; except that out of the Revenues and Redemption Revenues there may be apportioned such sums, for such purposes, as are expressly permitted by Section 4.02 and Section 4.05, respectively.

The Authority hereby transfers in trust and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Revenues and Redemption Revenues and all of the right, title and interest of the Authority (but not the obligations) in the District Bonds (other than the rights of the Authority under Sections 9.01 and 9.08 hereof and any rights of the Authority in the Rebate Account or to notices or consent herein). The Trustee shall be entitled to and shall receive all of the Revenues and the Redemption Revenues, and any Revenues and Redemption Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to

the Trustee. The assignment to the Trustee is solely in its capacity as Trustee under this Indenture and in accepting such assignment and taking any actions with respect to the District Bonds, the Trustee shall be entitled to all the indemnities, protections, immunities and limitations from liability afforded it as Trustee under this Indenture. The Trustee also shall be entitled to and, subject to the provisions hereof, shall take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the District under the District Bonds.

Section 4.02. Receipt, Deposit and Applications of Revenues.

(a) **Deposit of Revenues; Revenue Fund.** All Revenues (excluding Redemption Revenues) shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "Revenue Fund" which the Trustee shall establish, maintain and hold in trust hereunder.

(b) **Deposit of Revenues; Bond Fund:** The Trustee shall establish, maintain and hold in trust a fund, entitled Bond Fund. Within such fund, the Trustee shall establish, maintain and hold in trust separate special accounts entitled "Interest Account" and "Principal Account" and "Reserve Account" as shown in Subsection (c) below. On or before each Interest Payment Date, the Trustee shall transfer from the Revenue Fund for deposit into the Bond Fund the following amounts, in the priority set forth in Subsection (c) below.

(c) **Application of Revenues; Bond Fund.** On or before each Interest Payment Date, the Trustee shall transfer from the Revenue Fund and deposit into the Bond Fund and the following respective special accounts therein, the following amounts in the following order of priority, the requirements of each such special account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority;

(i) *Interest Account.* On or before each applicable Interest Payment Date, the Trustee shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest becoming due and payable on such Interest Payment Date on all Outstanding Bonds. No deposit need be made into the Interest Account if the amount contained therein is at least equal to the interest becoming due and payable upon all Outstanding Bonds on such Interest Payment Date. All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds redeemed prior to maturity).

(ii) *Principal Account.* On or before each date on which the principal of the Bonds shall be payable, the Trustee shall deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the aggregate amount of principal (including sinking fund payments) coming due and payable on such date on the Bonds pursuant to Section 2.01. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds (including sinking fund payments).

(iii) *Reserve Account.* All amounts on deposit in the Revenue Fund on each Interest Payment Date not required to pay any interest on or principal of any Outstanding Bonds then having come due and payable, shall be credited to the replenishment of the Reserve Account in an amount sufficient to maintain the Reserve Requirement therein.

The Authority shall deposit from the repayment of the District Bonds, and, to the extent necessary and if permitted by law, from available surplus revenues with respect to other series of bonds issued by the Authority relating to community facilities districts, and maintain an amount of money equal to the Reserve Requirement in the Reserve Account at all times while the Bonds are Outstanding. Amounts in the Reserve Account will be used to pay debt service on the Bonds to the extent other moneys (including amounts in the Cash Flow Management Fund) are not available therefor. Earnings on amounts in the Reserve Account in excess of the Reserve Requirement or other amounts in the Reserve Account in excess of the Reserve Requirement shall be deposited into the Revenue Fund, if and to the extent such earnings or other amounts are not required to be retained in the Reserve Account to meet the Reserve Requirement. Upon redemption of the Bonds, amounts on deposit in the Reserve Account shall be reduced (to an amount not less than the Reserve Requirement) and the excess moneys shall be transferred to the Redemption Fund and used for redemption of the Bonds. Amounts in the Reserve Account may be used to pay the final year's debt service on the Bonds.

(iv) *Surplus.* All remaining amounts on September 2 (or the next Business Day to the extent September 2 is not a Business Day) of each year commencing September 2, 2017 on deposit in the Revenue Fund shall be transferred to the Cash Flow Management Fund.

(d) Rebate Account. The Trustee shall deposit in the Rebate Account (which account is established as a separate account to be held by the Trustee) from time to time, as set forth in this Indenture, an amount determined by the Authority to be subject to rebate to the United States of America in accordance with Section 5.07(h). Amounts in the Rebate Account shall be applied and disbursed by the Trustee solely for the purposes and at the times set forth in written requests of the Authority filed with the Trustee pursuant to Section 5.07(h). The Trustee shall not be responsible for calculating rebate amounts or for the adequacy or correctness of any rebate report or rebate calculations. The Trustee shall be deemed conclusively to have complied with the provisions of the Indenture and any other agreement relating to the Bonds regarding calculation and payment of rebate if it follows the directions of the Authority and it shall have no independent duty to review such calculations or enforce the compliance with such rebate requirements by the Authority.

Section 4.03. Cash Flow Management Fund.

(a) Establishment of Cash Flow Management Fund. There is hereby established as a separate fund to be held by the Trustee, the "Cash Flow Management Fund," to the credit of which a deposit shall be made as required by Section 3.02 and Section 4.02 hereof. The Cash Flow Management Fund may also be funded at the election of the Authority from any available surplus revenues with respect to other series of local agency revenue bonds issued by the Authority to the extent such surplus revenues are loaned to replenish the Cash Flow Management Fund to the Cash Flow Management Fund Requirement. Amounts, if any, deposited

into the Cash Flow Management Fund shall be applied for the following purposes in the following order of priority:

(i) The Trustee shall, prior to any draw on the Reserve Account, pay debt service on the Bonds to the extent Revenues are insufficient for such purpose.

(ii) Upon the written direction of the Authority, the Trustee shall transfer any amounts in the Cash Flow Management Fund to the trustee of any other series of local agency revenue bonds issued by the Authority to the extent any surplus revenues from such other series of local agency revenue bonds were loaned to replenish the Cash Flow Management Fund.

(iii) Upon the written direction of the Authority, the Trustee shall transfer any amounts in the Cash Flow Management Fund to the trustee of any other series of local agency revenue bonds issued by the Authority in an amount estimated by the Authority to be necessary to prevent a shortfall in the amount required to pay debt service on such other series of local agency revenue bonds or to the fiscal agent of any local agency bonds issued by the City, on behalf of a community facilities district, an amount estimated by the Authority necessary to prevent a shortfall in the amount required to pay debt service on such local agency bonds. All such transfers shall be treated as loaned amounts.

(iv) Upon the written direction of the Authority, the Trustee shall transfer such amounts as may be directed by the Authority for deposit in the Redemption Fund.

(v) The Trustee shall transfer all remaining amounts in the Cash Flow Management Fund in excess of the Cash Flow Management Fund Requirement to the Fiscal Agent for the District Bonds for deposit in the Delinquency Management Fund held under the Fiscal Agent Agreement, in such amounts as directed in writing by the Authority.

Section 4.04. Redemption Fund. There is hereby established as a separate fund to be held by the Trustee, the "Redemption Fund," to the credit of which the Authority shall deposit, immediately upon receipt, all Redemption Revenues, except sinking fund payments which shall be deposited in the Principal Account of the Bond Fund. Moneys in the Redemption Fund shall be held in trust by the Trustee for the benefit of the Authority and the Owners of the Bonds, and shall be used and withdrawn by the Trustee to redeem Bonds pursuant to Sections 2.02(a) and 2.02(c) hereof on the applicable date thereof.

Section 4.05. Investments. All moneys in any of the funds or accounts established with the Trustee pursuant to this Indenture shall be invested by the Trustee solely in Permitted Investments pursuant to the Written Request of the Authority given to the Trustee at least two (2) Business Days in advance of the making of such investments which by their terms mature prior to the date on which moneys are required to be paid out hereunder. Each such written direction shall contain or be deemed to contain the representation of the Authority that the investments identified therein constitute Permitted Investments hereunder upon which the Trustee may conclusively rely. In the absence of any such direction from the Authority, the Trustee shall invest any such moneys in clause (d) of the definition of Permitted Investments. Obligations purchased as an investment of moneys in any funds or accounts shall be deemed to be part of such fund or account.

All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder shall be deposited in the fund or account from which such investment was made. For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder upon the Written Request of the Authority. The Trustee or its affiliate may (but shall not be obligated to) act as principal or agent in the acquisition or disposition of any investment and shall be entitled to its customary fees therefor. The Trustee is required to sell or present for redemption, any Permitted Investment it purchases whenever it shall be necessary to provide monies to meet any required payment, transfer, withdrawal or disbursement from the fund or account in which such permitted investment is held. The Trustee shall incur no liability for losses arising from any investments made pursuant to this Section.

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

The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by this Section. The Trustee may act as purchaser or agent in the making or disposing of any investment. Such investments, if registered, shall be registered in the name of the Trustee for the benefit of the Owners and held by the Trustee.

The Trustee or any of its affiliates may act as sponsor, advisor or manager or provide administrative services in connection with any Permitted Investments.

Investment of funds is also subject to the provisions of the Tax Certificate.

Section 4.06. Valuation and Disposition of Investments. Except as otherwise provided in the next sentence, the Authority covenants that all investments of amounts deposited in any fund, or account created by or pursuant to this Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of section 148 of the Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Indenture or the Code) at Fair Market Value. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under the applicable provisions of the Code shall be valued at their present value (within the meaning of section 148 of the Code).

ARTICLE V COVENANTS OF THE AUTHORITY

Section 5.01. Punctual Payment. The Authority shall punctually pay or cause to be paid the principal, interest and premium (if any) to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of this Indenture, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in this Indenture.

Section 5.02. Extension of Payment of Bonds. The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of

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

Section 5.03. Against Encumbrances. The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under this Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by this Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, including the purchase of Additional Bonds and other programs under the Bond Law, and reserves the right to issue other obligations for such purposes.

Section 5.04. Power to Issue Bonds and Make Pledge and Assignment. The Authority is duly authorized pursuant to law to issue the Bonds and to enter into this Indenture and to pledge and assign the Revenues, the District Bonds and other assets purported to be pledged and assigned, respectively, under this Indenture in the manner and to the extent provided in this Indenture. The Bonds and the provisions of this Indenture are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms and priority of payment, and the Authority and the Trustee, subject to the provisions of this Indenture, shall at all times, to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bond Owners under this Indenture against all claims and demands of all persons whomsoever.

Section 5.05. Accounting Records and Financial Statements. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with industry standards, in which complete and accurate entries shall be made of all transactions made by the Trustee relating to the proceeds of Bonds, the Revenues and all funds and accounts established by the Trustee pursuant to this Indenture. Such books of record and account shall be available for inspection by the Authority, during regular business hours with reasonable prior notice.

Not later than 45 days following each Interest Payment Date, the Trustee shall prepare and file with the Authority a report setting forth: (i) amounts withdrawn from and deposited into each fund and account maintained by the Trustee under the Indenture; (ii) the balance on deposit in each fund and account as of the date for which such report is prepared; and (iii) a brief description of all obligations held as investments in each fund and account. Copies of such reports may be mailed to any owner of at least 50% aggregate principal amount of Bonds Outstanding, upon the owner's written request at a cost not to exceed the Trustee's actual costs of duplication and mailing. Said reports may be in the form of the Trustee's regular statements.

Section 5.06. No Additional Parity Debt. Except for the Bonds, or bonds issued for the purpose of refunding the Bonds, the Authority covenants that no additional bonds, notes or other indebtedness shall be issued or incurred which are payable out of the Revenues in whole or in part.

Subject to the foregoing limitation, the Authority expressly reserves the right to enter into one or more indentures for any of its corporate purposes, including but not limited to the purchase of Additional Bonds under the Fiscal Agent Agreement, and other programs under the Bond Law, and reserves the right to issue other obligations for such purposes.

Section 5.07. Tax Covenants Relating to Bonds.

(a) **Special Definitions.** When used in this Section, the following terms have the following meanings:

“Bonds” means, unless otherwise qualified, the Bonds.

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

“Computation Date” has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“Gross Proceeds” means any proceeds as defined in section 1.148-1(b) of the Tax Regulations (referring to sales, investment and transferred proceeds), and any replacement proceeds as defined in section 1.148-1(c) of the Tax Regulations, or of the Bonds.

“Investment” has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“Nonpurpose Investment” means any investment property, as defined in section 148(b) of the Code, in which Gross Proceeds of the Bonds are invested and that is not acquired to carry out the governmental purposes of that series of Bonds.

“Rebate Amount” has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“Tax Regulations” means the United States Treasury Regulations promulgated pursuant to sections 103 and 141 through 150 of the Code, or section 103 of the 1954 Code, as applicable.

“Yield” of any Investment has the meaning set forth in section 1.148-5 of the Tax Regulations; and of any issue of governmental obligations has the meaning set forth in section 1.148-4 of the Tax Regulations.

(b) **Not to Cause Interest to Become Taxable.** The Authority covenants that it shall not use, and shall not permit the use of, and shall not omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) in a manner that if made or omitted, respectively, could cause the interest on any Bond to fail to be excluded pursuant to Section 103(a) of the Code from the gross income, of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the Trustee receives a written opinion of Bond Counsel to the effect that failure to comply with such covenant will not adversely affect such exclusion of the interest on any Bond from the gross income of the owner thereof for federal income tax purposes, the Authority shall comply with each of the specific covenants in this Section.

(c) Private Use and Private Payments. Except as would not cause any Bond to become a “private activity bond” within the meaning of section 141 of the Code and the Tax Regulations, the Authority shall take all actions necessary to assure that the District or City or other public agency at all times prior to the final cancellation of the last of the Bonds to be retired:

(i) exclusively owns, operates and possesses all property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with Gross Proceeds of the Bonds and not use or permit the use of such Gross Proceeds (including through any contractual arrangement with terms different than those applicable to the general public) or any property acquired, constructed or improved with such Gross Proceeds in any activity carried on by any person or entity (including the United States or any agency, department and instrumentality thereof) other than a state or local government, unless such use is solely as a member of the general public; and

(ii) does not directly or indirectly impose or accept any charge or other payment by any person or entity (other than a state or local government) who is treated as using any Gross Proceeds for any property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with such Gross Proceeds.

(d) No Private Loan. Except as would not cause any Bond to become a “private activity bond” within the meaning of section 141 of the Code and the Tax Regulations and rulings thereunder, the Authority shall not use or permit the use of Gross Proceeds to make or finance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, such Gross Proceeds are considered to be “loaned” to a person or entity if: (i) property acquired, constructed or improved with such Gross Proceeds is sold or leased to such person or entity in a transaction that creates a debt for federal income tax purposes; (ii) capacity in or service from such property is committed to such person or entity under a take-or-pay, output or similar contract or arrangement; or (iii) indirect benefits of such Gross Proceeds, or burdens and benefits of ownership of any property acquired, constructed or improved with such Gross Proceeds, are otherwise transferred in a transaction that is the economic equivalent of a loan.

(e) Not to Invest at Higher Yield. Except as would not cause the Bonds to become “arbitrage bonds” within the meaning of section 148 of the Code and the Tax Regulations and rulings thereunder, the Authority shall not (and shall not permit any person to), at any time prior to the final cancellation of the last Bond to be retired, directly or indirectly invest Gross Proceeds in any Investment, if as a result of such investment the Yield of any Investment acquired with Gross Proceeds, whether then held or previously disposed of, would materially exceed the Yield of the Bonds within the meaning of said section 148.

(f) Not Federally-Guaranteed. Except to the extent permitted by section 149(b) of the Code and the Tax Regulations and rulings thereunder, the Authority shall not take or omit to take (and shall not permit any person to take or omit to take) any action that would cause any Bond to be “federally guaranteed” within the meaning of section 149(b) of the Code and the Tax Regulations and rulings thereunder.

(g) Information Report. The Authority shall timely file any information required by section 149(e) of the Code with respect to Bonds with the Secretary of the Treasury on Form 8038-G or such other form and in such place as the Secretary may prescribe.

(h) Rebate of Arbitrage Profits. Except to the extent otherwise provided in section 148(f) of the Code and the Tax Regulations:

(i) The Authority shall account for all Gross Proceeds (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and shall retain all records of accounting for at least six years after the day on which the last Bond is discharged. However, to the extent permitted by law, the Authority may commingle Gross Proceeds of Bonds with its other monies, provided that it separately accounts for each receipt and expenditure of Gross Proceeds and the obligations acquired therewith.

(ii) Not less frequently than each Computation Date, the Authority shall calculate the Rebate Amount in accordance with rules set forth in section 148(f) of the Code and the Tax Regulations and rulings thereunder. The Authority shall maintain a copy of the calculation with its official transcript of proceedings relating to the issuance of the Bonds until six years after the final Computation Date.

(iii) In order to assure the excludability pursuant to section 103(a) of the Code of the interest on the Bonds from the gross income of the Owners thereof for federal income tax purposes, the Authority shall pay to the United States the amount that when added to the future value of previous rebate payments made for the Bonds equals (i) in the case of the Final Computation Date as defined in section 1.148-3(e)(2) of the Tax Regulations, one hundred percent (100%) of the Rebate Amount on such date; and (ii) in the case of any other Computation Date, ninety percent (90%) of the Rebate Amount on such date. Upon the Written Request of the Authority, the Trustee shall pay over to the Authority amounts in the Rebate Account for such purpose. In all cases, such rebate payments shall be made by the Authority at the times and in the amounts as are or may be required by section 148(f) of the Code and the Tax Regulations and rulings thereunder, and shall be accompanied by Form 8038-T or such other forms and information as is or may be required by section 148(f) of the Code and the Tax Regulations and rulings thereunder for execution and filing by the Authority. Notwithstanding the foregoing, and provided the Authority takes all steps available to it to cause the provision of such amounts, the monetary obligation of the Authority under this paragraph (iii) shall be limited to amounts provided to it for such purpose by the District.

(iv) Not to Divert Arbitrage Profits. Except to the extent permitted by section 148 of the Code and the Tax Regulations and rulings thereunder, the Authority shall not and shall not permit any person to, at any time prior to the final cancellation of the last of the Bonds to be retired, enter into any transaction that reduces the amount required to be paid to the United States pursuant to paragraph (h) of this Section because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the Yields on the Bonds not been relevant to either party.

(i) **Bonds Not Hedge Bonds.** The Authority represents that none of the Bonds is or will become a “hedge bond” within the meaning of section 149(g) of the Code.

(j) **Elections.** The Authority hereby directs and authorizes any Authority Representative to make elections permitted or required pursuant to the provisions of the Code or the Tax Regulations, as such Representative (after consultation with Bond Counsel) deems necessary or appropriate in connection with the Bonds, in the Tax and Non Arbitrage Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986, Tax Exemption or similar or other appropriate certificate, form or document.

(k) **Closing Certificate.** The Authority agrees to execute and deliver in connection with the issuance of the Bonds a Tax and Non Arbitrage Certificate, as to Arbitrage and the Provisions of Section 103 and 141 to 150 of the Internal Revenue Code of 1986, or similar document containing additional representations and covenants pertaining to the exclusion of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes, which representations and covenants are incorporated as though expressly set forth herein.

Section 5.08. District Bonds. The Trustee, as assignee of the Authority's rights pursuant to Section 4.01, shall (subject to the provisions of this Indenture) collect all amounts due as principal and interest on District Bonds from the District and, subject to the provisions hereof, shall enforce, and take all steps, actions and proceedings reasonably necessary for the enforcement of all of the rights of the Authority thereunder and for the enforcement of all of the obligations of the District thereunder.

Section 5.09. Further Assurances. The Authority shall cause to be collected and paid to the Trustee all Revenues as such Revenues become due and payable. The Authority 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 Indenture, and for the better assuring and confirming unto the Owners of the Bonds the rights and benefits provided in this Indenture.

Section 5.10. Immunity. The Authority is not entitled to any immunity, sovereign or otherwise, from any legal proceedings to enforce or collect upon this Indenture or the Bonds. To the extent that the Authority has or hereafter may acquire any right to immunity, the Authority hereby waives such rights for itself in respect of its obligations arising under this Indenture and the Bonds.

Section 5.11. No Acceleration. The principal of the Bonds shall not be subject to acceleration hereunder. Nothing in this Section shall in any way prohibit the redemption of the Bonds or the defeasance of the Bonds and discharge of this Indenture.

ARTICLE VI THE TRUSTEE

Section 6.01. Appointment of Trustee. U.S. Bank National Association is hereby appointed Trustee by the Authority for the purpose of receiving all moneys required to be deposited with the Trustee hereunder and to allocate, use and apply the same as provided in this Indenture.

The Authority agrees that it will maintain a Trustee having a corporate trust office in the State, with a combined capital and surplus of at least Seventy Five Million Dollars (\$75,000,000), and subject to supervision or examination by federal or State authority, so long as any Bonds are Outstanding. If such bank or trust company publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this Section 6.01 the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee is hereby authorized to pay the principal of and interest and redemption premium (if any) on the Bonds when duly presented for payment at maturity, or on redemption or purchase prior to maturity, and to cancel all Bonds upon payment thereof. The Trustee shall keep accurate records of all funds administered by it and of all Bonds paid and discharged by it.

Section 6.02. Acceptance of Trusts. The Trustee hereby accepts the trusts imposed upon it by this Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee, prior to the occurrence of an Event of Default and after curing or waiving all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an Event of Default hereunder has occurred (which has not been cured or waived), the Trustee may exercise such of the rights and powers vested in it by this Indenture, and shall use the same degree of care and skill and diligence in their exercise, as a prudent person would use in the conduct of its own affairs.

(b) The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its duty hereunder. The Trustee may conclusively rely on an opinion of counsel as full and complete protection for any action taken or suffered by it hereunder.

(c) The Trustee shall not be responsible for any recital herein or in the Bonds, or for any of the supplements hereto or thereto or instruments of further assurance, or for the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby and the Trustee shall not be bound to ascertain or inquire as to the observance or performance of any covenants, conditions or agreements on the part of the Authority hereunder.

(d) The Trustee may become the Owner of Bonds secured hereby with the same rights which it would have if not the Trustee; may acquire and dispose of other bonds or evidences of indebtedness of the Authority with the same rights it would have if it were not the Trustee; and may act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of Bonds, whether or not such committee shall represent the Owners of the majority in aggregate principal amount of the Bonds then Outstanding.

(e) The Trustee shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons. Any action

taken or omitted to be taken by the Trustee pursuant to this Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Bond, shall be conclusive and binding upon all future Owners of the same Bond and upon Bonds issued in exchange therefor or in place thereof. The Trustee shall not be bound to recognize any person as an Owner of any Bond or to take any action at his request unless the ownership of such Bond by such person shall be reflected on the Registration Books.

(f) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a Certificate of the Authority as sufficient evidence of the facts therein contained and prior to the occurrence of an Event of Default hereunder of which the Trustee has been given notice or is deemed to have notice, as provided in Section 6.02(h) hereof, shall also be at liberty to accept a Certificate of the Authority to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed by it to be necessary or advisable, but shall in no case be bound to secure the same.

(g) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and it shall not be answerable for other than its negligence or willful misconduct. The immunities and exceptions from liability of the Trustee shall extend to its officers, directors, employees and agents.

(h) The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default hereunder except failure by the Authority to file with the Trustee any document required by this Indenture to be so filed subsequent to the issuance of the Bonds, unless the Trustee shall be specifically notified in writing of such default by the Authority or by the Owners of at least twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding and all notices or other instruments required by this Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the Corporate Trust Office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no Event of Default hereunder except as aforesaid.

(i) At any and all reasonable times the Trustee, and its duly authorized agents, attorneys, experts, accountants and representatives, shall have the right (but not the duty) fully to inspect all books, papers and records of the Authority pertaining to the Bonds, and to make copies of any of such books, papers and records such as may be desired but which is not privileged by statute or by law.

(j) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises hereof.

(k) Notwithstanding anything elsewhere in this Indenture with respect to the execution of any Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of this Indenture, the Trustee shall have the right, but shall not be required, to demand any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, as may be deemed desirable for the purpose of establishing

the right of the Authority to the execution of any Bonds, the withdrawal of any cash, or the taking of any other action by the Trustee.

(l) Before taking the action referred to in Section 8.02, the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful default in connection with any such action.

(m) All moneys received by the Trustee shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required by law.

(n) The Trustee shall have no responsibility or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

Section 6.03. Fees, Charges and Expenses of Trustee. The Trustee shall be paid and reimbursed by the Authority for reasonable fees for its services rendered hereunder and all advances, counsel fees (including expenses) and other expenses reasonably and necessarily made or incurred by the Trustee in connection with such services. Upon the occurrence of an Event of Default hereunder, but only upon an Event of Default, the Trustee shall have a first lien with right of payment prior to payment of any Bond upon the amounts held hereunder for the foregoing fees, charges and expenses incurred by it respectively. The Trustee's right to payment of its fees and expenses shall survive the discharge and payment or defeasance of the Bonds and termination of the Indenture, and the resignation or removal of the Trustee.

Section 6.04. Notice to Bond Owners of Default. If an Event of Default hereunder occurs with respect to any Bonds of which the Trustee has been given or is deemed to have notice, as provided in Section 6.02(h) hereof, then the Trustee shall promptly give written notice thereof by first-class mail to the Owner of each such Bond, unless such Event of Default shall have been cured before the giving of such notice; provided, however, that unless such Event of Default consists of the failure by the Authority to make any payment when due, the Trustee may elect not to give such notice to the Bond Owners if and so long as the Trustee in good faith determines that such Event of Default does not materially adversely affect the interests of the Bond Owners or that it is otherwise not in the best interests of the Bond Owners to give such notice.

Section 6.05. Intervention by Trustee. In any judicial proceeding to which the Authority is a party which, in the opinion of the Trustee and its counsel, has a substantial bearing on the interests of Owners of any of the Bonds arising under this Indenture, the Trustee may intervene on behalf of such Bond Owners, and subject to Section 6.02(l) hereof, shall do so if requested in writing by the Owners of at least twenty-five percent (25%) aggregate principal amount of such Bonds then Outstanding.

Section 6.06. Removal of Trustee. The Owners of a majority in aggregate principal amount of the Outstanding Bonds may at any time, or the Authority may (and the Authority, at the request of the District shall) so long as no Event of Default shall have occurred and then be continuing, remove the Trustee initially appointed, and any successor thereto, by an instrument or

concurrent instruments in writing delivered to the Trustee at least thirty (30) days prior to the effective date of such removal, whereupon the Authority or such Owners, as the case may be, shall appoint a successor or successors thereto; provided that any such successor shall be a bank or trust company meeting the requirements set forth in Section 6.01.

Section 6.07. Resignation by Trustee. The Trustee and any successor Trustee may at any time give thirty (30) days' written notice of its intention to resign as Trustee hereunder, such notice to be given to the Authority and the District by registered or certified mail. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee.

Section 6.08. Appointment of Successor Trustee. In the event of the removal or resignation of the Trustee pursuant to Sections 6.06 or 6.07, respectively, with the prior written consent of the District, the Authority shall promptly appoint a successor Trustee. In the event the Authority shall for any reason whatsoever fail to appoint a successor Trustee within ninety (90) days following the delivery to the Trustee of the instrument described in Section 6.06 or within ninety (90) days following the receipt of notice by the Authority pursuant to Section 6.07, the Trustee may apply to a court of competent jurisdiction for the appointment of a successor Trustee meeting the requirements of Section 6.01 hereof. Any such successor Trustee appointed by such court shall become the successor Trustee hereunder notwithstanding any action by the Authority purporting to appoint a successor Trustee following the expiration of such ninety-day period.

Any resignation or removal of the Trustee pursuant to Section 6.06 or Section 6.07 and appointment of a successor Trustee shall become effective upon written acceptance of appointment by the successor Trustee. Upon such acceptance, the Authority shall cause notice thereof to be given by first class mail, postage prepaid, to the Bond Owners at their respective addresses set forth on the Registration Books.

Section 6.09. Merger or Consolidation. Any company into which the Trustee 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 Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company shall meet the requirements set forth in Section 6.01, shall be the successor to the Trustee and vested with all of the title to the trust estate and all of the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

Section 6.10. Concerning any Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Authority an instrument in writing accepting such appointment hereunder and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessors; but such predecessor shall, nevertheless, on the request of the Authority, or of the Trustee's successor, execute and deliver an instrument transferring to such successor all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities and moneys held by it as the Trustee hereunder to its successor. Should any instrument in writing from the Authority be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights,

powers and duties hereby vested or intended to be vested in the predecessor Trustee, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Authority.

Section 6.11. Appointment to Co-Trustee. It is the purpose of this Indenture that there shall be no violation of any law of any jurisdiction (including particularly the law of the State) denying or restricting the right of banking corporations or associations to transact business as Trustee in such jurisdiction. It is recognized that in the case of litigation under this Indenture, and in particular in case of the enforcement of the rights of the Trustee on default, or in the case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Trustee or hold title to the properties, in trust, as herein granted, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional individual or institution as a separate trustee or co-trustee. The following provisions of this Section 6.11 are adopted to these ends.

In the event that the Trustee appoints an additional individual or institution as a separate trustee or co-trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Indenture to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vested in such separate trustee or co-trustee but only to the extent necessary to enable such separate trustee or co-trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate trustee or co-trustee shall run to and be enforceable by either of them.

Should any instrument in writing from the Authority be required by the separate trustee or co-trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to it such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Authority. In case any separate trustee or co-trustee, or a successor to either, shall become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate trustee or co-trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new trustee or successor to such separate trustee or co-trustee.

Section 6.12. Indemnification; Limited Liability of Trustee. The Authority further covenants and agrees to indemnify and save the Trustee and its officers, directors, agents and employees, harmless from and against any loss, costs, claims, expense and liabilities which it may incur arising out of or in the exercise and performance of its powers and duties hereunder, including the costs and expenses of defending against any claim of liability, but excluding any and all losses, costs, claims, expenses and liabilities which are due to the negligence or willful misconduct of the Trustee, its officers, directors, agents or employees. No provision in this Indenture shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability hereunder if it is not assured to its satisfaction that repayment of such funds or adequate indemnity against such liability or risk is not assured to it. The Trustee shall not be liable for any action taken or omitted to be taken by it in accordance with the direction of the Owners of a majority in aggregate principal amount of Bonds Outstanding relating to the time, method and place of conducting any proceeding or remedy available to the Trustee under this Indenture. The obligations of the Authority under this paragraph

shall survive the resignation or removal of the Trustee under this Indenture or any defeasance of the Bonds.

ARTICLE VII MODIFICATION AND AMENDMENT OF THE INDENTURE

Section 7.01. Amendment Hereof.

(a) This Indenture and the rights and obligations of the Authority and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Indenture which shall become binding upon execution by the Authority and the Trustee and upon prior written consent of the District, without consent of any Bond Owners, to the extent permitted by law but only for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Authority contained in this Indenture, other covenants and agreements hereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the Authority;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in this Indenture, or in any other respect whatsoever, as the Authority may deem necessary or desirable, provided that such modification or amendment does not materially adversely affect the interests of the Bond Owners in the opinion of Bond Counsel;

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

(iv) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest on the Bonds.

(b) Except as set forth in the preceding paragraph of this Section 7.01, this Indenture and the rights and obligations of the Authority and of the Owners of the Bonds may only be modified or amended at any time by a Supplemental Indenture which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding are filed with the Trustee. No such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Authority to pay the principal, interest or premiums (if any) at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee.

(c) The Trustee shall be provided an opinion of Bond Counsel that any such Supplemental Indenture entered into by the Authority and the Trustee complies with the provisions of this Article VII and the Trustee may conclusively rely upon such opinion.

Section 7.02. Effect of Supplemental Indenture. From and after the time any Supplemental Indenture becomes effective pursuant to this Article VII, this Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners of Outstanding Bonds, as the case may be, shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 7.03. Endorsement or Replacement of Bonds After Amendment. After the effective date of any action taken as hereinabove provided, the Authority may determine that the Bonds shall bear a notation, by endorsement in form approved by the Authority, as to such action, and 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 Corporate Trust Office of the Trustee, a suitable notation as to such action shall be made on such Bond. If the Authority shall so determine, new Bonds so modified as, in the opinion of the Authority, shall be necessary to conform to such Bond Owner's action shall be prepared and executed, and in that case upon demand of the Owner of any Bond Outstanding at such effective date such new Bonds shall be exchanged at the Corporate Trust Office of the Trustee, without cost to each Bond Owner, for Bonds then Outstanding, upon surrender of such Outstanding Bonds.

Section 7.04. Amendment by Mutual Consent. The provisions of this Article VII shall not prevent any Bond Owner from accepting any amendment as to the particular Bond held by him, provided that due notation thereof is made on such Bond.

ARTICLE VIII EVENTS OF DEFAULT AND REMEDIES

Section 8.01. Events of Default. The following events shall be Events of Default hereunder:

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

(b) Default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable.

(c) Failure by the Authority to observe and perform any of the covenants, agreements or conditions on its part in this Indenture or in the Bonds contained, other than as referred to in the preceding clauses (a) and (b), for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied has been given to the Authority by the Trustee, or to the Authority and the Trustee by the Owners of the Bonds of not less than twenty-five percent (25%) in the aggregate principal amount of the Bonds at that time Outstanding, provided, however, that if in the reasonable opinion of the Authority, provided to the Trustee in writing, the failure stated in such notice can be corrected, but not within such thirty (30) day period, such failure shall not constitute an Event of Default if corrective action is instituted by the Authority within such thirty (30) day period and diligently pursued until such failure is corrected.

(d) The filing by the Authority of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the Authority, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Authority or of the whole or any substantial part of its property.

Section 8.02. Remedies Upon Event of Default. Upon the occurrence and during the continuance of an Event of Default, the Trustee may pursue any available remedy at law or in equity to enforce the payment of the principal of and interest and premium (if any) on the Bonds, and to enforce any rights of the Trustee under or with respect to this Indenture.

If an Event of Default shall have occurred and be continuing, the Trustee may, if requested so to do by the Owners of a majority in aggregate principal amount of Outstanding Bonds, and indemnified as provided in Section 6.02(1), the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by this Article VIII, as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Bond Owners.

No remedy by the terms of this Indenture conferred upon or reserved to the Trustee (or to the Bond Owners) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Bond Owners hereunder or now or hereafter existing at law or in equity.

No delay or omission to exercise any rights or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or acquiescence therein; such right or power may be exercised from time to time as often as may be deemed expedient.

Section 8.03. Application of Revenues and Other Funds After Default. All amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of this Indenture shall be applied by the Trustee in the following order upon presentation of the several Bonds, and the stamping thereon of the amount of the payment if only partially paid, or upon the surrender thereof if fully paid.

First, to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and in carrying out the provisions of this Article VIII, including reasonable compensation to its agents, attorneys and counsel and any outstanding fees and expenses of the Trustee; and

Second, to the payment of the whole amount of interest on and principal of the Bonds then due and unpaid, with interest on overdue installments of principal and interest to the extent permitted by law at the net effective rate of interest then borne by the Outstanding Bonds; provided, however, that in the event such amounts shall be insufficient to pay in full the full amount of such interest and principal, then such amounts shall be applied in the following order of priority:

- (a) first, to the payment of all installments of interest on the Bonds then due and unpaid,

(b) second, to the payment of all installments of principal of the Bonds then due and unpaid,

(c) third, to the payment of the redemption price (including principal and interest accrued to the redemption date, but excluding any premium) of the Bonds to be redeemed pursuant to this Indenture, and

(d) fourth, to the payment of interest on overdue installments of principal and interest on the Bonds.

Section 8.04. Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in aggregate principal amount of the Outstanding Bonds, opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation. Any suit, action or proceeding which any Owner of Bonds shall have the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all Owners of Bonds similarly situated and the Trustee is hereby appointed (and the successive respective Owners of the Bonds issued hereunder, by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners of the Bonds for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners of the Bonds as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact.

Section 8.05. Appointment of Receivers. Upon the occurrence of an Event of Default hereunder, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bond Owners under this Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Revenues and other amounts pledged hereunder, pending such proceedings, with such powers as the court making such appointment shall confer.

Section 8.06. Non-Waiver. Nothing in this Article VIII or in any other provision of this Indenture, or in the Bonds, shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the interest on and principal of the Bonds to the respective Owners of the Bonds at the respective dates of maturity, as herein provided, out of the Revenues and other moneys herein pledged for such payment.

A waiver of any default or breach of duty or contract by the Trustee or any Bond Owners shall not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission of the Trustee or any Owner of any

of the Bonds to exercise any right or power accruing upon any default or breach shall impair any such right or power or shall be construed to be a waiver of any such default or breach or an acquiescence therein; and every power and remedy conferred upon the Trustee or Bond Owners by the Bond Law or by this Article VIII may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee or the Bond Owners, as the case may be.

Section 8.07. Rights and Remedies of Bond Owners. No Owner of any Bond issued hereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Indenture, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (e) no direction inconsistent with such written request has been given to the Trustee during such sixty (60) day period by the Owners of majority in aggregate principal amount of the Bonds then Outstanding.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy hereunder; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to enforce any right under this Indenture, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provision of this Indenture shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Bonds.

The right of any Owner of any Bond to receive payment of the principal of and interest and premium (if any) on such Bond as herein provided or to institute suit for the enforcement of any such payment, shall not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions of this Section 8.07 or any other provision of this Indenture.

Section 8.08. Termination of Proceedings. In case the Trustee shall have proceeded to enforce any right under this Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case, the Authority, the Trustee and the Bond Owners shall be restored to their former positions and rights hereunder, respectively, with regard to the property subject to this Indenture, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

ARTICLE IX MISCELLANEOUS

Section 9.01. Limited Liability of Authority. Notwithstanding anything in this Indenture contained, the Authority shall not be required to advance any moneys derived from any source of

income other than the Revenues for the payment of the principal of or interest on the Bonds, or any premiums upon the redemption thereof, or for the performance of any covenants herein contained (except to the extent any such covenants are expressly payable hereunder from the Revenues). The Authority may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose and may be used by the Authority for such purpose without incurring indebtedness.

The Bonds shall be revenue bonds, payable exclusively from the Revenues and other funds as in this Indenture provided. The general fund of the Authority is not liable, and the credit of the Authority is not pledged, for the payment of the interest and premium (if any) on or principal of the Bonds. The Owners of the Bonds shall never have the right to compel the forfeiture of any property of the Authority. The principal of and interest on the Bonds, and any premiums upon the redemption of any thereof, shall not be a legal or equitable pledge, charge, lien or encumbrance upon any property of the Authority or upon any of its income, receipts or revenues except the Revenues and other funds pledged to the payment thereof as in this Indenture provided.

Section 9.02. Benefits of Indenture Limited to Parties. Nothing in this Indenture, expressed or implied, is intended to give to any person other than the Authority, the District, the Trustee, and the Owners of the Bonds, any right, remedy or claim under or by reason of this Indenture. Any covenants, stipulations, promises or agreements in this Indenture contained by and on behalf of the Authority shall be for the sole and exclusive benefit of the Trustee, the District and the Owners of the Bonds.

Section 9.03. Discharge of Indenture. If the Authority shall pay and discharge any or all of the Outstanding Bonds in any one or more of the following ways:

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

(b) by irrevocably depositing with the Trustee, in trust, at or before maturity, money which, all together with the available amounts then on deposit in the funds and accounts established with the Trustee pursuant to this Indenture, is fully sufficient to pay such Bonds, including all principal, interest and premiums (if any); or

(c) by irrevocably depositing with the Trustee or any other fiduciary, in trust, Federal Securities in such amount as an Independent Accountant shall determine will, together with the interest to accrue thereon and available moneys then on deposit in the funds and accounts established with the Trustee pursuant to this Indenture, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) 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 mailed pursuant to Section 2.02(d) or provision satisfactory to the Trustee shall have been made, for the mailing of such notice, then, at the Written Request of the Authority, and notwithstanding that any of such Bonds shall not have been surrendered for payment, the pledge of the Revenues and other funds provided for in this Indenture with respect to such Bonds, pledge of Revenues and all other pecuniary obligations of the Authority under this Indenture

with respect to all such Bonds, shall cease and terminate, except only the obligation of the Authority to pay or cause to be paid to the Owners of such Bonds not so surrendered and paid all sums due thereon from amounts set aside for such purpose as aforesaid, and all expenses and costs of the Trustee. Any funds held by the Trustee following any payments or discharge of the Outstanding Bonds pursuant to this Section 9.03, which are not required for said purposes, shall be paid over to the Authority.

Section 9.04. Successor Is Deemed Included in All References to Predecessor. Whenever in this Indenture or any Supplemental Indenture the Authority is named or referred to, such reference shall be deemed to include the successor to the powers, duties and functions, with respect to the management, administration and control of the affairs of the Authority, that are presently vested in the Authority, and all the covenants, agreements and provisions contained in this Indenture by or on behalf of the Authority shall bind and inure to the benefit of its successors whether so expressed or not.

Section 9.05. Content of Certificates. Every certificate with respect to compliance with a condition or covenant provided for in this Indenture shall include (a) a statement that the person or persons making or giving such certificate have read such covenant or condition and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate are based; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such covenant or condition has been complied with; and (d) a statement as to whether, in the opinion of the signers, such condition or covenant has been complied with.

Any such certificate made or given by an officer of the Authority may be based, insofar as it relates to legal matters, upon a certificate or opinion of or representations by counsel, unless such officer knows that the certificate or opinion or representations with respect to the matters upon which his certificate may be based, as aforesaid, are erroneous, or in the exercise of reasonable care should have known that the same were erroneous. Any such certificate or opinion or representation made or given by counsel may be based, insofar as it relates to factual matters, on information with respect to which is in the possession of the Authority, or upon the certificate or opinion of or representations by an officer or officers of the Authority, unless such counsel knows that the certificate or opinion or representations with respect to the matters upon which his certificate, opinion or representation may be based, as aforesaid, are erroneous, or in the exercise of reasonable care should have known that the same were erroneous.

Section 9.06. Execution of Documents by Bond Owners. Any request, consent or other instrument required by this Indenture to be signed and executed by Bond Owners may be in any number of concurrent writings of substantially similar tenor and may be signed or executed by such Bond Owners in person or by their agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and of the Authority if made in the manner provided in this Section 9.06.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the affidavit of a witness of such execution or by the

certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument or writing acknowledged to him the execution thereof.

The ownership of Bonds shall be proved by the Registration Books. Any request, consent or vote of the Owner of any Bond shall bind every future Owner of the same Bond and the Owner of any Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in pursuance of such request, consent or vote. In lieu of obtaining any demand, request, direction, consent or waiver in writing, the Trustee may call and hold a meeting of the Bond Owners upon such notice and in accordance with such rules and obligations as the Trustee considers fair and reasonable for the purpose of obtaining any such action.

Section 9.07. Disqualified Bonds. In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are owned or held by or for the account of the District or the Authority (but excluding Bonds held in any employees' retirement fund) shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, provided, however, that for the purpose of determining whether the Trustee shall be protected in relying on any such demand, request, direction, consent or waiver, only Bonds which the Trustee knows to be so owned or held shall be disregarded.

Section 9.08. Waiver of Personal Liability. No officer, agent or employee of the Authority shall be individually or personally liable for the payment of the interest on or principal of the Bonds; but nothing herein contained shall relieve any such officer, agent or employee from the performance of any official duty provided by law.

Section 9.09. Partial Invalidity. If any one or more of the covenants or agreements, or portions thereof, provided in this Indenture on the part of the Authority (or of the Trustee) to be performed should be contrary to law, then such covenant or covenants, such agreement or agreements, or such portions thereof, shall be null and void and shall be deemed separable from the remaining covenants and agreements or portions thereof and shall in no way affect the validity of this Indenture or of the Bonds; but the Bond Owners shall retain all rights and benefits accorded to them under the Bond Law or any other applicable provisions of law. The Authority hereby declares that it would have entered into this Indenture and each and every other section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the issuance of the Bonds pursuant hereto irrespective of the fact that any one or more sections, paragraphs, subdivisions, sentences, clauses or phrases of this Indenture or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 9.10. Destruction of Canceled Bonds. Whenever in this Indenture provision is made for the surrender to the Authority of any Bonds which have been paid or canceled pursuant to the provisions of this Indenture, the Trustee shall destroy such Bonds and deliver a certificate of destruction to the Authority.

Section 9.11. Funds and Accounts. Any fund or account required by this Indenture to be established and maintained by the Authority or the Trustee may be established and maintained in the accounting records of the Authority or the Trustee, as the case may be, either as a fund or an

account, and may, for the purpose of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account. All such records with respect to all such funds and accounts held by the Authority shall at all times be maintained in accordance with generally accepted accounting principles and all such records with respect to all such funds and accounts held by the Trustee shall be at all times maintained in accordance with industry practices; in each case with due regard for the protection of the security of the Bonds and the rights of every Owner thereof. Any fund or account required by this Indenture to be established and maintained by the Authority or the Trustee may be established and maintained in the form of multiple funds, accounts or sub-accounts therein.

Section 9.12. Payment on Business Days. Whenever in this Indenture any amount is required to be paid on a day which is not a Business Day, such payment shall be required to be made on the Business Day immediately following such day, provided that interest shall not accrue from and after such day.

Section 9.13. Notices. Any notice, request, complaint, demand or other communication under this Indenture shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by telecopy or other form of telecommunication, at its number set forth below. Notice shall be effective either (a) upon transmission by telecopy or other form of telecommunication, (b) 48 hours after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The Authority, the District, or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the Authority: Perris Joint Powers Authority
101 North "D" Street
Perris, California 92570
Attention: Executive Director
Tel: 951/943-6100
Fax: 951/943-4246

If to the District: Community Facilities District No. 2014-1
(Avelina) of the City of Perris
101 North "D" Street
Perris, California 92570
Attention: City Manager
Tel: 951/943-6100
Fax: 951/943-4246

If to the Trustee: U.S. Bank National Association
Global Corporate Trust Services
633 West Fifth Street, 24th Floor
Los Angeles, California 90071
Attn: Ilse Vlach
Tel: 213/615-6051
Fax: 213/615-6199

Section 9.14. Unclaimed Moneys. Anything in this Indenture to the contrary notwithstanding, subject to the laws of the State, any moneys held by the Trustee in trust for the payment and discharge of any of the Bonds which remain unclaimed for two (2) years after the date when such Bonds or any interest thereon have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee at such date, or for two (2) years after the date of deposit of such moneys if deposited with the Trustee after said date when such Bonds become due and payable, shall be repaid by the Trustee to the Authority, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Bond Owners shall look only to the Authority for the payment of such Bonds; provided, however, that before being required to make any such payment to the Authority, the Trustee shall, at the expense of the Authority, cause to be mailed to the Owners of all such Bonds, at their respective addresses appearing on the Registration Books, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall not be less than thirty (30) days after the date of mailing of such notice, the balance of such moneys then unclaimed will be returned to the Authority.

Section 9.15. Governing Law. This Indenture shall be construed and governed in accordance with the laws of the State of California.

Section 9.16. Execution of Counterparts. This Indenture may be executed in any number of counterparts, each of which shall for all purposes be deemed to be an original and all of which shall together constitute but one and the same instrument.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the PERRIS JOINT POWERS AUTHORITY has caused this Indenture to be signed in its name and U.S. BANK NATIONAL ASSOCIATION, in token of its acceptance of the trust created hereunder, has caused this Indenture to be signed in its corporate name by its officer identified below, all as of the day and year first above written.

PERRIS JOINT POWERS AUTHORITY

By: _____
Executive Director

ATTEST:

By: _____
Secretary

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By: _____
Authorized Officer

[SIGNATURE PAGE TO INDENTURE OF TRUST]

EXHIBIT A
FORM OF BOND

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

NEITHER THE PAYMENT OF THE PRINCIPAL OR ANY PART THEREOF NOR ANY INTEREST THEREON CONSTITUTES A DEBT, LIABILITY OR OBLIGATION OF THE CITY OF PERRIS OR THE HOUSING AUTHORITY OF THE CITY OF PERRIS.

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF RIVERSIDE
PERRIS JOINT POWERS AUTHORITY
LOCAL AGENCY REVENUE BONDS
(IA 1-CFD NO. 2014-1 (AVELINA)), 2017 Series A

<u>RATE OF INTEREST</u>	<u>MATURITY DATE</u>	<u>DATED DATE</u>	<u>CUSIP®</u>
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REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT:

The PERRIS JOINT POWERS AUTHORITY, a joint powers authority organized and existing under the laws of the State of California (the "Authority"), for value received, hereby promises to pay (but only out of the Revenues and other moneys and securities hereinafter referred to) to the Registered Owner identified above or registered assigns (the "Registered Owner"), on the Maturity Date identified above, the Principal Amount identified above in lawful money of the United States of America; and to pay interest thereon at the Rate of Interest identified above in like money from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond, unless (a) it is authenticated on or before an Interest Payment Date and after the fifteenth calendar day of the month immediately preceding such Interest Payment Date (a "Record Date"), in which event it shall bear interest from such Interest Payment Date; (b) it is authenticated on or before August 15, 2017, in which event it shall bear interest from the Dated Date identified above; or (c) interest is in default on this Bond, in which case this Bond shall bear interest from the Interest

Payment Date to which interest hereon has previously been paid or made available for payment, payable semiannually on March 1 and September 1 in each year, commencing September 1, 2017 (each, an "Interest Payment Date"), until payment of such Principal Amount in full. The Principal Amount hereof is payable upon presentation hereof at the corporate trust office of U.S. Bank National Association, (the "Corporate Trust Office") of U.S. Bank National Association, as trustee (the "Trustee") or such other place as designated by the Trustee.

Interest hereon is payable by check of the Trustee mailed by first class mail on each Interest Payment Date to the Registered Owner hereof at the address of the Registered Owner as it appears on the Registration Books of the Trustee as of the fifteenth calendar day of the month preceding such Interest Payment Date; except that at the written request of the owner of at least \$1,000,000 in aggregate principal amount of outstanding Bonds filed with the Trustee prior to the fifteenth calendar day of the month preceding any Interest Payment Date, interest on such Bonds shall be paid to such owner on such Interest Payment Date by wire transfer of immediately available funds to an account in the continental United States designated in such written request. Notwithstanding any other provision herein to the contrary, so long as this Bond shall be registered in book entry only form, the payment of the principal of, and redemption premium, if any, and interest on, this Bond shall be paid in immediately available funds in such manner as determined by the Authority, the Trustee and the Owner.

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

This Bond shall not be entitled to any benefit under the Indenture of Trust, dated as of June 1, 2017, by and between the Authority and the Trustee (the "Indenture"), or become valid or obligatory for any purpose, until the certificate of authentication hereon shall have been manually signed by the Trustee.

This Bond is one of a duly authorized issue of bonds of the Authority designated the "Perris Joint Powers Authority Local Agency Revenue Bonds (IA 1-CFD No. 2014-1 (Avelina)), 2017 Series A" (the "Bonds"), limited in principal amount to \$_____ secured by the Indenture. Reference is hereby made to the Indenture and all indentures supplemental thereto for a description of the rights thereunder of the owners of the Bonds, of the nature and extent of the Revenues (as that term is defined in the Indenture), of the rights, duties and immunities of the Trustee and of the rights and obligations of the Authority thereunder; and all of the terms of the Indenture are hereby incorporated herein and constitute a contract between the Authority and the Registered Owner hereof, and to all of the provisions of which Indenture the Registered Owner hereof, by acceptance hereof, assents and agrees.

The Bonds are authorized to be issued pursuant to the provisions of the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act"). The Bonds are

special obligations of the Authority and, as and to the extent set forth in the Indenture, are payable solely from and secured by a first lien and pledge of the Revenues and certain other moneys and securities held by the Trustee as provided in the Indenture. All of the Bonds are equally secured by a first pledge of, and charge and lien upon, all of the Revenues and Redemption Revenues and such other moneys and securities, and the Revenues and Redemption Revenues and such other moneys and securities constitute a trust fund for the security and payment of the principal of and interest and premium (if any) on the Bonds. The full faith and credit of the Authority is not pledged for the payment of the principal of or interest or redemption premiums (if any) on the Bonds. The Bonds are not secured by a legal or equitable pledge of, or charge, lien or encumbrance upon, any of the property of the Authority or any of its income or receipts, except the Revenues and such other moneys and securities as provided in the Indenture.

The Bonds have been issued to provide funds to be applied by the Authority to the purchase of the local obligations designated as Community Facilities District No. 2014-1 (Avelina) of the City of Perris Special Tax Bonds, 2017 Series (the "District Bonds"), all as more particularly described in the Indenture.

The Bonds maturing on or prior to September 1, 20__, are not subject to Optional Redemption. The Bonds are subject to redemption prior to maturity at the option of the Authority on any date on or after September 1, 2027, as a whole or in part, from such maturities as selected by the Authority and by lot within a maturity, from any available source of funds at 100% of the principal amount of the Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption.

The Bonds maturing September 1, __, September 1, __ and September 1, __ are subject to mandatory redemption in part by lot, on September 1 in each year, commencing September 1, __, with respect to the Bonds maturing September 1, __, September 1, __, with respect to the Bonds maturing September 1, __, and September 1, __, with respect to the Bonds maturing September 1, __, from mandatory sinking payments made by the Authority as provided in this Indenture, at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest thereon to the date of redemption in the aggregate principal amounts and on September 1 in the respective years as set forth in the following schedule; provided, however, that (i) in lieu of redemption thereof, such Bonds may be purchased by the Authority and tendered to the Trustee and the Trustee shall cancel such tendered Bonds, and (ii) if some but not all of such Bonds have been redeemed pursuant to the redemption provisions described in the Indenture, the total amount of all future mandatory sinking payments will be reduced by the aggregate principal amount of such Bonds so redeemed, to be allocated among such mandatory sinking payments on a pro rata basis (as nearly as practicable) in integral multiples of \$5,000, as determined by the Authority.

BONDS MATURING SEPTEMBER 1, 20__
September 1 Principal
(Year) Amount

BONDS MATURING SEPTEMBER 1, 20__
September 1 **Principal**
(Year) **Amount**
***Maturity**

BONDS MATURING SEPTEMBER 1, 20__
September 1 **Principal**
(Year) **Amount**
***Maturity**

The Bonds shall also be subject to special mandatory redemption on any date on or after September 1, 2017, in whole or in part from such maturities as selected by the Authority and by lot within a maturity, from the redemption of District Bonds from amounts constituting prepayments of special taxes, from amounts transferred from the Delinquency Management Fund under the Fiscal Agent Agreement and from amounts transferred by the Authority from the Cash Flow Management Fund under the Indenture at the following redemption prices (expressed as a percentage of the principal amount of Bonds to be redeemed) together with accrued interest thereon to the redemption date.

<u>Redemption Periods</u>	<u>Redemption Price</u>
September 1, 2017 through August 31, 2027	102.0%
September 1, 2027 and thereafter	100.0%

The Trustee on behalf and at the expense of the Authority shall mail (by first class mail) notice of any redemption to the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, to the Securities Depositories and to one or more Information Services, at least thirty (30) but not more than sixty (60) days prior to the date fixed for redemption. Neither failure to receive any such notice so mailed nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice shall state the date of the notice, the redemption date, and the redemption price and shall designate the CUSIP® numbers, the Bond numbers (but only if less than all of the Outstanding Bonds are to be redeemed) and the maturity of the Bonds to be redeemed, and shall require that such Bonds be then surrendered at the Corporate Trust Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

If at the time of mailing of any notice of optional redemption there shall not have been deposited with the Trustee moneys sufficient to redeem all the Bonds called for redemption, such notice shall state that it is subject to the deposit of sufficient moneys with the Trustee not later than the opening of business on the redemption date and will be of no effect unless such moneys are so deposited.

For as long as a book-entry only system is in effect with respect to the Bonds and DTC or a successor Securities Depository is the sole registered owner of the Bonds, in the event of redemption of less than all of the maturity of the Bonds, the particular ownership interests of such maturity to be redeemed will be determined by DTC and its participants, or by a successor Securities Depository or any other intermediary, in accordance with their respective operating rules and procedures, which may be different than pro rata.

IN WITNESS WHEREOF, the Authority has caused this Bond to be executed in its name and on its behalf by the manual signatures of its Chairperson and Secretary all as of the Dated Date identified above.

PERRIS JOINT POWERS AUTHORITY

By: _____
Chairperson

Attest: _____
Secretary

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Indenture and registered on the registration books of the Trustee.

Dated: _____, 2017

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: _____
Authorized Signatory

ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto

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

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

Dated: _____

Signature Guaranteed:

Signature:

Note: Signature(s) must be guaranteed by an
eligible guarantor institution

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