

**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. 2004-3  
(Monument Ranch) of the City of Perris**

**Relating to**

**\$8,430,000  
Community Facilities District No. 2004-3  
(Monument Ranch) of the City of Perris  
Special Tax Refunding Bonds, 2015 Series**

THIS COMMITMENT AGREEMENT AND PURCHASE CONTRACT (this “Purchase Contract”), dated \_\_\_\_\_, 2015, 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. 2004-3 (MONUMENT RANCH) 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. 3248 (the “Resolution of Formation”) adopted on June 29, 2004 heretofore undertaken proceedings and declared the necessity of Improvement Area Number 2 (“IA2”) of Community Facilities District No. 2004-3 (Monument Ranch) 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, Resolution No. 3249, and Resolution No. 3250 (collectively the “Resolutions”), adopted by the legislative body of the District on June 29, 2004, 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 June 29, 2004, in addition to the levy of a special tax (the “Special Tax”) in accordance with a rate and method of apportionment specific to IA 2 (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 \$12,500,000 on behalf of the District; and

*WHEREAS*, on April 12, 2005, pursuant to Resolution No. 3392, the District authorized the issuance of not to exceed \$9,500,000 Improvement Area No. 2 of Community Facilities District No. 2004-3 (Monument Ranch) of the City of Perris Special Tax Bonds, 2005 Series A (the “Prior District Bonds”), and on June 9, 2005 the District issued the Prior District Bonds in the principal amount of \$8,430,000 secured by the levy of the Special Taxes within IA2 pursuant to the RMA; and

*WHEREAS*, the District has determined that it is in the best interest of the District to refinance the Prior District Bonds, and has issued the following bonds (the “Local Obligation Bonds”) in the initial principal amount of \$\_\_\_\_\_ Improvement Area No. 2 of Community Facilities District No. 2004-3 (Monument Ranch) of the City of Perris Special Tax Refunding Bonds, 2015 Series, pursuant to the terms of a Fiscal Agent Agreement, dated as of July 1, 2015, 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 and refunding the Prior District Bonds, has determined to issue its \$\_\_\_\_\_ Perris Joint Powers Authority Local Agency Revenue Bonds (CFD No. 2004-3, IA2 Refunding), 2015 Series C (the “Authority Bonds”), pursuant to an Indenture of Trust, dated as of July 1, 2015 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 July 9, 2015 (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 July 1, 2015, 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 May 12, 2015 (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) A supplementary opinion, dated the date of the Closing and addressed to the Authority, of Bond Counsel to the effect that (i) 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 enforceable in accordance with its terms, except as such enforceability may be limited by the application of equitable principles if equitable remedies are sought; and (ii) the Local Obligation Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Fiscal Agent Agreement is exempt from qualification under the Trust Indenture Act of 1939, as amended;

(4) A certificate dated the Closing Date, addressed to the Authority, signed by the City Manager or Assistant City Manager 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.  
2004-3 (MONUMENT RANCH) OF THE CITY  
OF PERRIS

By: \_\_\_\_\_  
City Manager

[Signature Page to Commitment Agreement and Purchase Contract]

**EXHIBIT A**

**Improvement Area No. 2 of  
Community Facilities District No. 2004-3  
(Monument Ranch) of the City of Perris  
Special Tax Refunding Bonds, 2015 Series**

PRINCIPAL AMOUNT: \$ \_\_\_\_\_  
AUTHORITY PREMIUM: \_\_\_\_\_  
PURCHASE PRICE \$ \_\_\_\_\_

| <u>Maturity Date</u><br><u>(September 1)</u> | <u>Amount</u> | <u>Coupon</u> | <u>Yield</u> |
|--|---------------|---------------|--------------|
| 2015   |               |               |              |
| 2016   |               |               |              |
| 2017   |               |               |              |
| 2018   |               |               |              |
| 2019   |               |               |              |
| 2020   |               |               |              |
| 2021   |               |               |              |
| 2022   |               |               |              |
| 2023   |               |               |              |
| 2024   |               |               |              |
| 2025   |               |               |              |
| 2026   |               |               |              |
| 2027   |               |               |              |
| 2028   |               |               |              |
| 2029   |               |               |              |
| 2030   |               |               |              |
| 2031   |               |               |              |
| 2032   |               |               |              |
| 2033   |               |               |              |
| 2034   |               |               |              |
| 2035   |               |               |              |

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**ESCROW DEPOSIT AND TRUST AGREEMENT**

**by and among the**

**PERRIS JOINT POWERS AUTHORITY**

**and**

**COMMUNITY FACILITIES DISTRICT NO. 2004-3 (MONUMENT RANCH)  
OF THE CITY OF PERRIS**

**and**

**U.S. BANK NATIONAL ASSOCIATION**

**Dated as of July 1, 2015**

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**Relating to the Payment and Redemption of the**

**\$8,430,000 (Initial Principal Amount) Improvement Area No. 2 of  
Community Facilities District No. 2004-3 (Monument Ranch) of the City of Perris  
Special Tax Revenue Bonds, 2005 Series A**

## **ESCROW DEPOSIT AND TRUST AGREEMENT**

This ESCROW DEPOSIT AND TRUST AGREEMENT (this "Agreement") is made and entered into as of July 1, 2015, by and among the PERRIS JOINT POWERS AUTHORITY, a joint powers authority existing under the laws of the State of California (the "Authority"), COMMUNITY FACILITIES DISTRICT NO. 2004-3 (MONUMENT RANCH) OF THE CITY OF PERRIS (the "District"), 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, as escrow agent, 2005 Fiscal Agent, Fiscal Agent, and Trustee (as hereinafter defined) (collectively, the "Escrow Bank");

### **WITNESSETH:**

**WHEREAS**, the City Council (the "City Council") of the City of Perris (the "City") formed the District under the provisions of the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.* of the California Government Code) (the "Act") and Resolution No. 3248 of the City Council adopted on June 29, 2004, and created various improvement areas within the District, including Improvement Area No. 2 ("IA 2"); and

**WHEREAS**, the City Council is authorized under the Act and pursuant to Ordinance No. 1132 adopted on July 13, 2004 to levy special taxes within the District to pay for the costs of facilities provided by the District within IA 2; and

**WHEREAS**, on April 12, 2005, pursuant to Resolution No. 3392 of the City, the City authorized the issuance and sale of bonds for IA2 of the District pursuant to a Fiscal Agent Agreement, dated as of May 1, 2005 by and between the District and the predecessor fiscal agent to U.S. Bank National Association (the "Fiscal Agent"), designated "Improvement Area No. 2 of Community Facilities District No. 2004-3 (Monument Ranch) of the City of Perris Special Tax Revenue Bonds, 2005 Series A" (the "Prior Bonds") in the principal amount of \$8,430,000, for the purpose of financing the acquisition, rehabilitation and construction of certain public improvements and fees within IA2 of the District (the "Facilities"), and issued said Prior Bonds on June 9, 2005; and; and

**WHEREAS**, the Prior District Bonds were issued pursuant to a Fiscal Agent Agreement, dated as of May 1, 2005, (the "2005 Fiscal Agent Agreement") by and between the District and the predecessor to U.S. Bank National Association, as fiscal agent thereunder (the "2005 Fiscal Agent"); and

**WHEREAS**, the Prior District Bonds are currently outstanding in the aggregate principal amount of \$7,785,000; and

**WHEREAS**, the City and the Housing Authority of the City of Perris, entered into a Joint Exercise of Powers Agreement, created under the Joint Exercise of Powers Act (Sections 6500 *et seq.* of the California Government Code) (the "Bond Law"), dated as of March 26, 2013, thereby forming the Perris Joint Powers Authority (the "Authority") to assist the City and the Housing Authority of the City in their respective financings; and

**WHEREAS**, the District and the Authority have determined that refunding, canceling, and/or defeasing the Prior District Bonds to effect savings is prudent in the management of their fiscal affairs and a public purpose; and

**WHEREAS**, the City, on behalf of the District, has taken action and held proceedings to issue \$\_\_\_\_\_ of its Improvement Area No. 2 of Community Facilities District No. 2004-3 (Monument Ranch) of the City of Perris Special Tax Refunding Bonds, 2015 Series (the “District Bonds”) subject to the terms of a fiscal agent agreement, dated July 1, 2015, by and between U.S. Bank National Association, as Fiscal Agent (the “Fiscal Agent”), and the District (the “Fiscal Agent Agreement”); and

**WHEREAS**, the Authority is authorized by the Bond Law to issue bonds, and in order to raise funds to purchase the District Bonds and effectuate the refunding, the Authority has determined to issue its \$\_\_\_\_\_ initial principal amount Perris Joint Powers Authority Local Agency Revenue Bonds (CFD No. 2004-3, IA 2 Refunding), 2015 Series C (the “Authority Bonds”), pursuant to the Bond Law and subject to the terms of an Indenture of Trust, dated as of July 1, 2015, by and between U.S. Bank National Association, as Trustee (the “Trustee”), and the Authority (the “Indenture”); and

**WHEREAS**, the Authority will use a portion of the proceeds of the Authority Bonds to purchase the District Bonds; and

**WHEREAS**, the District will use a portion of the proceeds of the sale of the District Bonds to the Authority, along with other moneys, to prepay and redeem the Prior District Bonds and discharge the 2005 Fiscal Agent Agreement; and

**WHEREAS**, the Prior District Bonds mature, bear interest and are callable as set forth on Schedule A attached hereto; and

**WHEREAS**, the 2005 Fiscal Agent Agreement provides for the payment, redemption, and discharge of the Prior District Bonds prior to maturity by the setting apart of money in a special irrevocable escrow fund to insure the payment of principal, premium and interest thereon; and

**WHEREAS**, the Authority, the District and the Escrow Bank wish to enter into this Agreement for the purpose of providing the terms and conditions relating to the deposit and application of moneys to provide for the payment and prepayment of the Prior District Bonds in full and, concurrently with said payment, discharge of the 2005 Fiscal Agent Agreement, pursuant to and in accordance with the provisions of the 2005 Fiscal Agent Agreement; and

**WHEREAS**, the Escrow Bank has full powers to act with respect to the irrevocable escrow created herein and to perform the duties and obligations to be undertaken pursuant to this Agreement.

**NOW, THEREFORE**, in consideration of the above premises and of the mutual promises and covenants herein contained and for other valuable consideration, the parties hereto do hereby agree as follows:

**Section 1. Certain Definitions.** Unless the context otherwise requires, the terms defined in this section shall, for all purposes of this Agreement have the meanings herein specified. Capitalized terms not otherwise defined herein are defined in the 2005 Fiscal Agent Agreement.

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

“Agreement” means this Escrow Deposit and Trust Agreement dated as of July 1, 2015, by and among the Authority, the District and the Escrow Bank.

“Authority” means the Perris Joint Powers Authority, a joint powers authority existing under the laws of the State of California, as further described in the preambles hereto.

“Authority Bonds” have the definition set forth in the preambles of this Agreement.

“Bond Counsel” means Aleshire & Wynder, LLP, or any other attorney or firm of attorneys of nationally recognized standing in the field of municipal finance whose opinions are generally accepted by purchasers of municipal bonds or notes, appointed from time to time by the Authority.

“Bond Fund” means the fund so designated which is established and held by the 2005 Trustee pursuant to the 2005 Fiscal Agent Agreement.

“Bond Law” means Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California.

“City” means the City of Perris, a municipal corporation.

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

“Closing Date” means the date of delivery of the Authority Bonds and the District Bonds.

“District” means the Community Facilities District No. 2004-3 (Improvement Area No. 2) of the City of Perris, as further described in the preambles hereto.

“District Bonds” have the definition set forth in the preambles of this Agreement.

“Escrow Fund” means the fund by that name as created in Section 4 herein.

“Fiscal Agent” has the definition set forth in the preambles of this Agreement.

“Fiscal Agent Agreement” has the definition set forth in the preambles of this Agreement.

“Indenture” has the definition set forth in the preambles of this Agreement.

“Payment Date” means each date upon which interest or principal is due on the Prior District Bonds as shown on Schedule A attached hereto.

“Prior District Bonds” have the definition set forth in the preambles of this Agreement.

“Redemption Date” means the date of early redemption of the Prior District Bonds.

“Special Tax Fund” means the Special Tax Fund created pursuant to the 2005 Fiscal Agent Agreement.

“Trustee” has the definition set forth in the preambles of this Agreement.

“2005 Fiscal Agent” has the definition set forth in the preambles of this Agreement.

“2005 Fiscal Agent Agreement” has the definition set forth in the preambles of this Agreement.

**Section 2. Receipt of 2005 Fiscal Agent Agreement.** The Escrow Bank hereby acknowledges receipt of a true and correct copy of the 2005 Fiscal Agent Agreement. Reference herein to, or citation of, any provision of the 2005 Fiscal Agent Agreement shall be deemed to incorporate the same as a part hereof in the same manner and with the same effect as if fully set forth herein.

**Section 3. Appointment of Escrow Bank.** The District hereby appoints the Escrow Bank as escrow bank for all purposes of this Agreement and in accordance with the terms and provisions of this Agreement and the 2005 Fiscal Agent Agreement and the Escrow Bank hereby accepts such appointment. The Escrow Bank is entering into this Agreement in its current capacity as Escrow Bank, Trustee, 2005 Fiscal Agent and Fiscal Agent.

**Section 4. Establishment of Escrow Fund.** There is hereby created by the Authority with, and to be held by, the Escrow Bank, as security for the payment of the principal of, redemption premium and interest on the Prior District Bonds as hereinafter set forth, an irrevocable escrow to be maintained in escrow by the Escrow Bank on behalf of the District and for the benefit of the owners of the Prior District Bonds, said escrow to be designated the “Escrow Fund.” All moneys deposited in the Escrow Fund shall constitute a special fund for the payment of the principal of, redemption premium and interest with respect to the Prior District Bonds in accordance with the provisions of the 2005 Fiscal Agent Agreement. If at any time the Escrow Bank shall receive actual knowledge that the moneys in the Escrow Fund will not be sufficient to make any payment required by Section 6 hereof, the Escrow Bank shall notify the Authority of such fact and the Authority shall immediately cure such deficiency.

**Section 5. Transfer of Prior Funds; Deposit into Escrow Fund; Investment of Amounts.**

(a) On the Closing Date and concurrently with the transfers above, the Escrow Agent, as 2005 Fiscal Agent, shall transfer \$\_\_\_\_\_ to the Trustee for deposit pursuant to the Indenture, which amount is derived from the reserve fund (\$\_\_\_\_\_), the bond fund (\$\_\_\_\_\_), and certain funds remaining in the Special Tax Fund under the 2005 Fiscal Agent Agreement (\$\_\_\_\_\_).



(b) On the Closing Date and concurrently with the transfers above, pursuant to the Fiscal Agent Agreement, there is hereby deposited with the Escrow Bank and the Escrow Bank hereby acknowledges the receipt of, immediately available federal funds in the amount of \$\_\_\_\_\_. The Escrow Bank shall deposit such funds in the Escrow Fund.

(c) Moneys deposited in the Escrow Fund shall be held uninvested.

(d) The amounts deposited in the Escrow Fund will be sufficient to defease the Prior District Bonds on the Closing Date and redeem the Prior District Bonds on August 12, 2015, and applied as provided in Section 6. An amount equal to \$\_\_\_\_\_ shall be held in the Escrow Fund (the "Escrow Deposit") on the Closing Date. The Escrow Deposit shall be sufficient to pay the principal of, premium on and interest due on the Prior District Bonds up to and on August 12, 2015 and discharge the Prior District Bonds and the 2005 Fiscal Agent Agreement on the Closing Date pursuant to Section 11.3 of the 2005 Fiscal Agent Agreement.

(e) The District hereby agrees that the Escrow Deposit is fully sufficient to pay such Prior District Bonds, including all principal, interest and premiums (if any), pursuant to Section 11.3 of the 2005 Fiscal Agent Agreement on the Redemption Date.

(f) Funds held by the Escrow Bank in the Escrow Fund are solely for the uses and purposes set forth herein.

(g) After the Escrow Bank shall have paid or have made provision for payment of all principal of and interest and redemption premiums on the Prior District Bonds as provided in Section 6 hereof, the Escrow Bank shall promptly transfer to the Trustee any surplus amounts remaining in the Escrow Fund to the Interest Account of the Bond Fund established under the Indenture to pay debt service on the 2015 Bonds.

(h) All remaining amounts in the funds and accounts under the 2005 Fiscal Agent Agreement, not accounted for in the Fiscal Agent Agreement, the Indenture, or Subsection (a), (b) or (c) above, and not needed pursuant to Subsection (h) above shall be used to repay the Escrow Bank for any fees and expenses, and subsequently shall be transferred to the Trustee for deposit in the Interest Account under the Indenture.

**Section 6. Instructions as to Application of Deposit.** The total amount held in the Escrow Fund pursuant to Section 5 hereof shall be deemed to be and shall constitute the deposits permitted to be made by the District to pay in full the Prior District Bonds and discharge the 2005 Fiscal Agent Agreement. In accordance with the 2005 Fiscal Agent Agreement, the Authority and the District hereby irrevocably direct and instruct the Escrow Bank, as successor to the 2005 Fiscal Agent, to apply the moneys in the Escrow Fund to pay all of the principal of, premium and interest on the Prior District Bonds as the same shall become due and payable to and including August 12, 2015, the date of early redemption of the Prior District Bonds, all as more particularly set forth in Schedule A attached hereto and hereby made a part hereof.

The District hereby instructs the 2005 Fiscal Agent to send written notice in the name of the District to the owner of each of the Prior District Bonds at the address shown on the registration books maintained by the Trustee, as successor to the 2005 Fiscal Agent, at least thirty (30) days prior to August 12, 2015, the date fixed for redemption and payment of all of the

Prior District Bonds. The Escrow Bank, as 2005 Fiscal Agent, hereby accepts that instruction pursuant to Section 11.3 of the 2005 Fiscal Agent Agreement.

The District hereby covenants that no part of the moneys or funds at any time in the Escrow Fund shall be used directly or indirectly to acquire any securities or obligations, the acquisition of which would cause the Prior District Bonds to be “arbitrage bonds” within the meaning of Section 148(a) of the Code.

**Section 7. Refunding of Prior District Bonds.** Pursuant to Section 11.3(b) of the 2005 Fiscal Agent Agreement, the District shall pay and discharge the entire indebtedness by depositing with the 2005 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 the 2005 Fiscal Agent Agreement, is fully sufficient to pay all principal, interest, and redemption premiums for the Prior District Bonds. Pursuant to this Escrow Agreement, the deposit of moneys and the provision for notice of redemption, and the lien of the 2005 Fiscal Agent Agreement with respect to the Prior District Bonds shall cease and terminate.

**Section 8. Notice of Redemption; Notice of Defeasance.** Pursuant to Section 2.3(d) of the 2005 Fiscal Agent Agreement, the 2005 Fiscal Agent shall mail by first class mail notice of redemption to the respective owners of the Prior District Bonds at least thirty (30) but not more than sixty (60) days prior to the date fixed for redemption for the Prior District Bonds. In addition, the Escrow Bank is instructed to post a Notice of Defeasance with the Securities Depository and Information Services, as defined in the 2005 Fiscal Agent Agreement, or as amended. A form of the Notice of Defeasance is attached as Exhibit A hereto, and shall be posted within 10 days following the defeasance of the Prior District Bonds on the Closing Date.

**Section 9. Creation of Lien.** The escrow created hereby shall be irrevocable. The Owners of the Prior District Bonds are hereby given an express lien on, and security interest in, the Escrow Fund and all earnings thereon, if any, until used and applied in accordance with this Agreement. The cash in the Escrow Fund is hereby pledged and assigned, and shall be applied solely for the payment of the principal of, the premium, if any, and interest on the Prior District Bonds.

**Section 10. Compensation to Escrow Bank.** The District shall pay or shall cause the Authority to pay to the Escrow Bank full compensation for its duties under this Agreement, including out-of-pocket costs such as publication costs, redemption expenses, legal fees and other costs and expenses relating hereto. Without limitation on the foregoing, the Escrow Bank shall not be entitled to any lien or right of set-off on amounts on deposit in the Escrow Fund for payment of its compensation under this Agreement.

**Section 11. Liabilities and Obligations of Escrow Bank.** The Escrow Bank shall have no obligation to make any payment or disbursement of any type or incur any financial liability in the performance of its duties under this Agreement unless the District or the Authority shall have deposited sufficient funds with the Escrow Bank. The Escrow Bank may rely and shall be protected in acting upon the written or oral instructions of the District or the Authority or their agents relating to any matter or action as Escrow Bank under this Agreement.

The Escrow Bank and its respective successors, assigns, agents and servants shall not be held to any personal liability whatsoever, in tort, contract, or otherwise, in connection with the execution and delivery of this Agreement, the establishment of the Escrow Fund, the acceptance of the moneys deposited therein, the sufficiency of moneys held hereunder to accomplish the redemption of the Prior District Bonds, or any payment, transfer or other application of moneys by the Escrow Bank in accordance with the provisions of this Agreement or by reason of any non-negligent act, non-negligent omission or non-negligent error of the Escrow Bank made in good faith in the conduct of its duties. The recitals of fact contained in the “whereas” clauses herein shall be taken as the statement of the District, and the Escrow Bank assumes no responsibility for the correctness thereof. The Escrow Bank makes no representations as to the sufficiency of the moneys to accomplish the redemption of the Prior District Bonds pursuant to the 2005 Fiscal Agent Agreement or to the validity of this Agreement as to the District and, except as otherwise provided herein, the Escrow Bank shall incur no liability in respect thereof. The Escrow Bank shall not be liable in connection with the performance of its duties under this Agreement except for its own negligence or willful misconduct, and the duties and obligations of the Escrow Bank shall be determined by the express provisions of this Agreement. The Escrow Bank may consult with counsel, who may or may not be counsel to the District, and in reliance upon the written opinion of such counsel shall have full and complete authorization and protection in respect of any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Bank shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action under this Agreement, such matter (except the matters set forth herein as specifically requiring a certificate of a nationally recognized firm of independent certified public accountants or an opinion of counsel) may be deemed to be conclusively established by a written certification of the District.

The Authority and the District hereby assume liability for, and hereby agree (whether or not any of the transactions contemplated hereby are consummated) to indemnify, protect, save and hold harmless the Escrow Bank and its respective successors, assigns, agents and servants from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including legal fees and disbursements) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, at any time, the Escrow Bank (whether or not also indemnified against by any other person under any other agreement or instrument) and in any way relating to or arising out of the execution and delivery of this Agreement, the establishment of the Escrow Fund, the retention of the moneys therein and any payment, transfer or other application of moneys by the Escrow Bank in accordance with the provisions of this Agreement, or as may arise by reason of any act, omission or error of the Escrow Bank made in good faith in the conduct of its duties; *provided, however*, that neither the Authority nor the District shall be required to indemnify the Escrow Bank against its own negligence, gross negligence or willful misconduct. The indemnities contained in this Section 11 shall survive the termination of this Agreement.

**Section 12. Amendment.** This Agreement may be modified or amended at any time by a supplemental agreement which shall become effective when the written consents of the owners of one hundred percent (100%) in aggregate principal amount of the Prior District Bonds then outstanding shall have been filed with the Escrow Bank. This Agreement may be modified or amended at any time by a supplemental agreement, without the consent of any such owners, but only (a) to add to the covenants and agreements of any party, other covenants to be observed,

or to surrender any right or power herein or therein reserved to the District, (b) to cure, correct or supplement any ambiguous or defective provision contained herein, (c) in regard to questions arising hereunder or thereunder, as the parties hereto or thereto may deem necessary or desirable and which, in the opinion of counsel, shall not materially adversely affect the interests of the owners of the Prior District Bonds and the Authority Bonds, and that such amendment will not cause interest with respect to the Prior District Bonds or the Authority Bonds to become subject to federal income taxation.

**Section 13. Termination; Unclaimed Money.** This Agreement shall terminate when the principal of and interest on all Prior District Bonds have been paid; *provided, however,* that money held by the Escrow Bank in the Escrow Fund for the payment and discharge of any of the Prior District Bonds which remain unclaimed for two (2) years after such payments were due, shall be repaid by the Escrow Bank to the District free from the trust created by the 2005 Fiscal Agent Agreement and the escrow created by this Agreement, and the Escrow Bank shall thereupon be released and discharged with respect thereto and hereto and all liability of the Escrow Bank with respect to such money shall thereupon cease; *provided, however,* that before being required to make any such payment to the District, the Escrow Bank shall, at the expense of the Authority, cause to be mailed to the Owners of all such Prior District 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 District.

**Section 14. Merger or Consolidation of Escrow Bank; Resignation of Escrow Bank.** Any company into which the Escrow Bank may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Escrow Bank may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible to act as fiscal agent under the 2005 Fiscal Agent Agreement, shall be the successor hereunder to the Escrow Bank without the execution or filing of any paper or any further act. The Escrow Bank may resign by giving written notice to the District and the Authority, and upon receipt of such notice the Authority and District shall promptly appoint a successor Escrow Bank. If the Authority and District do not appoint a successor Escrow Bank, the resigning Escrow Bank may, at the expense of the District, petition a court of competent jurisdiction for the appointment of a successor Escrow Bank, which court may thereupon, upon such notice as it shall deem proper, appoint a successor Escrow Bank. Upon acceptance of appointment by a successor Escrow Bank, the resigning Escrow Bank shall transfer all amounts held by it in the Escrow Fund to such successor Escrow Bank and be discharged of any further obligation or responsibility hereunder.

**Section 15. Severability.** If any section, paragraph, sentence, clause or provision of this Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, sentence, clause or provision shall not affect any of the remaining provisions of this Agreement.

**Section 16. Notice of Escrow Bank, District and Authority.** Any notice to or demand upon the Escrow Bank may be served and presented, and such demand may be made, at the principal corporate trust office of the Escrow Bank at U.S. Bank National Association,

Global Corporate Trust Services, 633 West Fifth Street, 24th Floor, Los Angeles, California 90071. Any notice to or demand upon the District or Authority shall be deemed to have been sufficiently given or served for all purposes by being mailed by registered or certified mail, and deposited, postage prepaid, in a post office letter box, addressed to such party, c/o City of Perris 101 North "D" Street, Perris, California 92570, Attn: City Manager (or such other address as may have been filed in writing by the District with the Escrow Bank).

IN WITNESS WHEREOF, Authority, the District, and the Escrow Bank have each caused this Agreement to be executed by their duly authorized officers all as of the date first above written.

PERRIS JOINT POWERS AUTHORITY

By: \_\_\_\_\_  
Executive Director

COMMUNITY FACILITIES DISTRICT NO. 2004-3  
(MONUMENT RANCH) OF THE CITY OF PERRIS

By: \_\_\_\_\_  
City Manager

U.S. BANK NATIONAL ASSOCIATION

By: \_\_\_\_\_  
Authorized Officer

**SCHEDULE A**

**PAYMENT AND REDEMPTION SCHEDULE OF REFUNDED BONDS**

| <u>Payment Date</u> | <u>Principal</u> | <u>Interest</u> | <u>Principal Redeemed</u> | <u>Redemption Premium</u> | <u>Total Payment</u> |
|---------------------|------------------|-----------------|---------------------------|---------------------------|----------------------|
| 09/01/2015          | \$120,000        | \$202,011.25    | \$7,665,000.00            | 1\$53,300.00              | \$8,140,311.25       |

**EXHIBIT B**

**NOTICE OF DEFEASANCE  
COMMUNITY FACILITIES DISTRICT NO. 2004-3  
(MONUMENT RANCH) OF THE CITY OF PERRIS IMPROVEMENT AREA  
NO. 2  
SPECIAL TAX REFUNDING BONDS, 2005 SERIES A**

**[SEE ATTACHED]**



**NOTICE OF DEFEASANCE  
COMMUNITY FACILITIES DISTRICT NO. 2004-3 (MONUMENT RANCH) OF  
THE CITY OF PERRIS IMPROVEMENT AREA NO. 2 SPECIAL TAX  
REVENUE BONDS, 2005 SERIES A**

**Redemption Date on August 12, 2015, at 102.5%**

| <b>Rate</b> | <b>Maturity<br/>Date</b> | <b>CUSIP<sup>1</sup></b> | <b>Principal<br/>Amount</b> |
|-------------|--------------------------|--------------------------|-----------------------------|
|-------------|--------------------------|--------------------------|-----------------------------|

NOTICE IS HEREBY GIVEN to the owners of the bonds described above (the “Refunded Bonds”), that pursuant to the Escrow Deposit and Trust Agreement (the “Agreement”) entered into and dated as of July 1, 2015, by and among the COMMUNITY FACILITIES DISTRICT NO. 2004-3 (MONUMENT RANCH) OF THE CITY OF PERRIS (the “District”) 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, as escrow bank, 2005 Fiscal Agent, Fiscal Agent, and Trustee (as those terms are defined in the Agreement) (collectively, the “Escrow Bank”), that:

As of June 9, 2015 the District has deposited in an Escrow Fund with the Escrow Bank sufficient monies to pay all of the principal of, redemption premium and interest on the Refunded Bonds as the same shall become due and payable to and including August 12, 2015, the date of early redemption of the Refunded Bonds, all as set forth above.

The Escrow Bank has been instructed by the District to redeem the Refunded Bonds on August 12, 2015 at the Redemption price of 102.5%.

**Date: June 9, 2015**

**By: U.S. BANK NATIONAL ASSOCIATION,  
as Escrow Bank**

**THIS IS NOT A NOTICE OF REDEMPTION**

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<sup>1</sup> *The District and the Escrow Bank shall not be responsible for the use of the CUSIP number(s) selected, nor is any representation made as to their correctness indicated in the notice or as printed on any Refunded Bond. They are included solely for the convenience of the owners of the Refunded Bonds.*



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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 July 1, 2015

Relating to

\$8,525,000

Perris Joint Powers Authority  
Local Agency Refunding Revenue Bonds  
(CFD No. 2004-3, IA 2 Refunding), 2015 Series C

**TABLE OF CONTENTS**

|   | <b><u>Page</u></b> |
|---|--------------------|
| ARTICLE I DEFINITIONS; AUTHORIZATION AND PURPOSE OF BONDS; EQUAL SECURITY ..... | 2                  |
| Section 1.01 Definitions.....   | 2                  |
| Section 1.02 Rules of Construction .....  | 11                 |
| Section 1.03 Authorization and Purpose of Bonds .....                           | 11                 |
| Section 1.04 Equal Security.....  | 11                 |
| ARTICLE II ISSUANCE OF THE BONDS .....  | 11                 |
| Section 2.01 Terms of the Bonds.....  | 11                 |
| Section 2.02 Redemption of Bonds. ....  | 13                 |
| Section 2.03 Form of the Bonds .....  | 15                 |
| Section 2.04 Execution of Bonds.....  | 15                 |
| Section 2.05 Transfer of Bonds .....  | 16                 |
| Section 2.06 Exchange of Bonds .....  | 16                 |
| Section 2.07 Registration Books.....  | 16                 |
| Section 2.08 Bonds Mutilated, Los, Destroyed or Stolen.....                     | 16                 |
| Section 2.09 CUISP® Numbers .....   | 17                 |
| Section 2.10 Use of Securities Depository. ....                                 | 17                 |
| Section 2.11 Temporary Bonds.....   | 18                 |
| ARTICLE III DEPOSIT AND APPLICATION OF PROCEEDS OF BONDS .....                  | 19                 |
| Section 3.01 Issuance of Bonds .....  | 19                 |
| Section 3.02 Application of Proceeds of Sale of Bonds and Other Amounts.....    | 19                 |
| Section 3.03 Bond Purchase Fund .....   | 19                 |
| Section 3.04 Costs of Issuance Fund .....                                       | 19                 |
| Section 3.05 Validity of Bonds.....   | 20                 |
| ARTICLE IV REVENUES; FLOW OF FUNDS.....   | 20                 |
| Section 4.01 Pledge of Revenues; Assignment of Rights.....                      | 20                 |
| Section 4.02 Receipt, Deposit and Application of Revenues. ....                 | 20                 |
| Section 4.03 Cash Flow Management Fund. ....                                    | 22                 |
| Section 4.04 Redemption Fund.....   | 23                 |
| Section 4.05 Investments .....  | 23                 |
| Section 4.06 Valuation and Disposition of Investments .....                     | 24                 |

|  |    |
|--|----|
| ARTICLE V COVENANTS OF THE AUTHORITY .....                             | 24 |
| Section 5.01 Punctual Payment.....                                     | 24 |
| Section 5.02 Extension of Payment of Bonds.....                        | 24 |
| Section 5.03 Against Encumbrances.....                                 | 24 |
| Section 5.04 Power to Issue Bonds and Make Pledge and Assignment ..... | 25 |
| Section 5.05 Accounting Records and Financial Statements.....          | 25 |
| Section 5.06 No additional Parity Debt .....                           | 25 |
| Section 5.07 Tax Covenants Relating to Bonds.....                      | 25 |
| Section 5.08 District Bonds .....                                      | 28 |
| Section 5.09 Further Assurances.....                                   | 29 |
| Section 5.10 Immunity.....   | 29 |
| Section 5.11 No Acceleration .....                                     | 29 |
| ARTICLE VI THE TRUSTEE .....   | 29 |
| Section 6.01 Appointment of Trustee .....                              | 29 |
| 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 .....                    | 32 |
| Section 6.05 Intervention by Trustee .....                             | 32 |
| Section 6.06 Removal of Trustee.....                                   | 32 |
| Section 6.07 Resignation by Trustee .....                              | 32 |
| Section 6.08 Appointment of Successor Trustee .....                    | 32 |
| Section 6.09 Merger or Consolidation .....                             | 33 |
| Section 6.10 Concerning any Successor Trustee .....                    | 33 |
| Section 6.11 Appointment to Co-Trustee .....                           | 33 |
| Section 6.12 Indemnification; Limited Liability of Trustee .....       | 34 |
| 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 REMEDIES .....                          | 36 |
| Section 8.01 Events of Default .....                                   | 36 |
| Section 8.02 Remedies Upon Event of Default .....                      | 36 |

|                                |   |     |
|--------------------------------|---|-----|
| Section 8.03                   | Application of Revenues and Other Funds After Default.....          | 37  |
| Section 8.04                   | Power of Trustee to Control Proceedings .....                       | 37  |
| Section 8.05                   | Appointment of Receivers .....                                      | 38  |
| Section 8.06                   | Non-Waiver.....   | 38  |
| Section 8.07                   | Rights and Remedies of Bond Owners .....                            | 38  |
| Section 8.08                   | Termination of Proceedings .....                                    | 39  |
| ARTICLE IX MISCELLANEOUS ..... |   | 39  |
| Section 9.01                   | Limited Liability of Authority .....                                | 39  |
| 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 Certificate.....   | 40  |
| Section 9.06                   | Execution of Documents by Bond Owners.....                          | 41  |
| 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 .....                                 | 42  |
| Section 9.11                   | Funds and Accounts .....  | 42  |
| Section 9.12                   | Payment on Business Days .....                                      | 42  |
| Section 9.13                   | Notices .....   | 42  |
| Section 9.14                   | Unclaimed Moneys .....  | 43  |
| Section 9.15                   | Governing Law .....   | 43  |
| Section 9.16                   | Execution of Counterparts .....                                     | 43  |
| Exhibit A.....                 |   | A-1 |

## INDENTURE OF TRUST

THIS INDENTURE OF TRUST (this “Indenture”) is dated as of July 1, 2015, 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. 3326 (“the Resolution of Intention”) adopted on April 27, 2004, and Resolution 3428 (the “Resolution of Formation”) adopted on June 29, 2004, heretofore undertaken proceedings and declared the necessity of Community Facilities District No. 2004-3 (Monument Ranch) of the City of Perris (the “District”) to issue bonds on behalf of its Improvement Area Number 2 (“IA2”) 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, Resolution No. 3249, and Resolution No. 3250 (collectively the “Resolutions”), adopted by the legislative body of the District on June 29, 2004, 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 June 29, 2004, in addition to the levy of a special tax (the “Special Tax”) within IA2 in accordance with a rate and method of apportionment specific to IA2 (the “RMA”); and

WHEREAS, based upon the Resolutions adopted by the legislative body of the District and the election, the District authorized the District to issue bonds in an amount not to exceed \$12,500,000 on behalf of IA2; and

WHEREAS, on April 12, 2005, pursuant to Resolution No. 3392 of the City, the District authorized the issuance of Improvement Area No. 2 of Community Facilities District No. 2004-3 (Monument Ranch) of the City of Perris Special Tax Revenue Bonds, 2005 Series A” (the “Prior

District Bonds”), and on June 9, 2005, the District issued the Prior District Bonds in the principal amount of \$8,430,000 secured by the levy of the Special Taxes within IA2 pursuant to the RMA; and

WHEREAS, there is currently \$7,785,000 outstanding of the Prior District Bonds; 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 refinance the Prior District Bonds; and

WHEREAS, in order to effectuate the refinancing, the City, on behalf of the District, pursuant to Resolution Number \_\_\_\_\_ adopted on May 12, 2015, approved the issuance of not to exceed \$9,500,000 of the Improvement Area No. 2 of Community Facilities District No. 2004-3 (Monument Ranch) of the City of Perris Special Tax Refunding Bonds, 2015 Series, secured by special taxes levied on taxable properties in the District; and

WHEREAS, the Authority, pursuant to Resolution Number PJPA-\_\_\_\_\_ adopted on May 12, 2015, approved the issuance of not-to-exceed \$9,500,000,000 Perris Joint Powers Authority Local Agency Revenue Bonds (CFD No. 2004-3, IA 2 Refunding), 2015 Series C (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, if permitted, (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, 2015, 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 and Nonarbitrage Certificate .

“Bonds” means the \$8,525,000 initial principal amount Perris Joint Powers Authority Local

Agency Revenue Bonds (CFD No. 2004-3, IA 2 Refunding), 2015 Series C, 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, rating agency fees, 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 2004-3 (Monument Ranch) of the City of Perris.

“District Bonds” means the Improvement Area No. 2 of Community Facilities District No.

2004-3 (Monument Ranch) of the City of Perris Special Tax Refunding Bonds, 2015 Series.

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

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

“Escrow Agreement” means the Escrow Deposit and Trust Agreement, dated as of July 1, 2015, by and among the Authority, the District, and the Escrow Agent.

“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 July 1, 2015, 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](http://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, 2015, 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 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.

“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 Standard & Poor’s, a division of The McGraw-Hill Companies, 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 and Nonarbitrage 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 (CFD No. 2004, IA 2 Refunding), 2015 Series C” which shall be issued in the original aggregate principal amount of \_\_\_\_\_ (\$\_\_\_\_\_).

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:

**Maturity Date**  
**(September 1)**

**Principal**  
**Amount**

**Interest**  
**Rate**

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, 2015, 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 on or prior to September 1, 2025, 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, 2025, 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, 2035 are subject to mandatory redemption in part by lot, on September 1 in each year, commencing September 1, 2031, 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, 2035**

| <b>September 1<br/>(Year)</b> | <b>Principal<br/>Amount</b> |
|-------------------------------|-----------------------------|
| 2031                          |                             |
| 2032                          |                             |
| 2033                          |                             |
| 2034                          |                             |
| <u>2035*</u>                  |                             |
| <b>*Maturity</b>              |                             |

(c) Special Mandatory Redemption. The Bonds shall also be subject to mandatory redemption prior to maturity on any date on or after September 1, 2015, 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, 2015 through August 31, 2025 | 102.0%                  |
| September 1, 2025 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 or special mandatory 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, Los, 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 CUISP® 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 a net original issue discount of \$\_\_\_\_\_ less the Underwriter's discount of \$\_\_\_\_\_), and (ii) the total amount of \$\_\_\_\_\_, comprising moneys and securities transferred to the Trustee from the Escrow Agent pursuant to the Escrow Agreement, as follows:

(a) The Trustee shall deposit in the Reserve Account of the Revenue Fund the total amount of \$\_\_\_\_\_, 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, which amount shall be comprised of other available funds.

(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, 2015 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 and Nonarbitrage 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, of the Bonds or Prior PFA 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 or Prior PFA 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 or Prior PFA 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 Paymentse. Except as would not cause any Bond or Prior PFA 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 or Prior PFA 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 or Prior PFA 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 or Prior PFA 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 or Prior PFA Bond 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 or Prior PFA 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 or Prior PFA Bond 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 or Prior PFA Bond 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 or Prior PFA 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 or Prior PFA 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. 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.

**Section 6.09 Merger or Consolidation.** 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 6.10 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 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.

**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.

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|----------------------|--|
| If to the Authority: | Perris Joint Powers Authority<br>101 North "D" Street<br>Perris, California 92570<br>Attention: Executive Director<br>Tel: 951/943-6100<br>Fax: 951/943-4246 |
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| If to the District: | Community Facilities District No. 2004-3<br>(Monument Ranch) of the City of Perris<br>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, 24<sup>th</sup> 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

**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 REFUNDING REVENUE BONDS  
(CFD NO. 2004-3, IA 2 REFUNDING) 2015 SERIES C

| <u>RATE OF INTEREST</u> | <u>MATURITY DATE</u> | <u>DATED DATE</u> | <u>CUSIP®</u> |
|-------------------------|----------------------|-------------------|---------------|
|-------------------------|----------------------|-------------------|---------------|

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, 2015, 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, 2015 (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 July 1, 2015, 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 Refunding Revenue Bonds (CFD No. 2004-3, IA2 Refunding), 2015 Series C" (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 Improvement Area No. 2 of Community Facilities District No. 2004-3 (Monument Ranch) of the City of Perris Special Tax Refunding Bonds, 2015 Series (the “District Bonds”), all as more particularly described in the Indenture.

The Bonds maturing on or prior to September 1, 2025, 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, 2025, 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, 2035 are subject to mandatory redemption in part by lot, on September 1 in each year, commencing September 1, 2031, 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, 2035**

| <b>September 1<br/>(Year)</b> | <b>Principal<br/>Amount</b> |
|-------------------------------|-----------------------------|
| 2031                          |                             |
| 2032                          |                             |
| 2033                          |                             |
| 2034                          |                             |
| <u>2035*</u>                  |                             |

**\*Maturity**

The Bonds shall also be subject to special mandatory redemption on any date on or after September 1, 2015, 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, 2015 through August 31, 2025 | 102.0%                  |
| September 1, 2025 and thereafter          | 100.0%                  |

The Bonds are not subject to Mandatory Sinking Payment 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.

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: \_\_\_\_\_, 2015

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

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FISCAL AGENT AGREEMENT

by and between

COMMUNITY FACILITIES DISTRICT NO. 2004-3  
(MONUMENT RANCH) OF THE CITY OF PERRIS

and

U.S. BANK NATIONAL ASSOCIATION,  
as Fiscal Agent

Dated as of July1, 2015

Relating to:  
\$8,525,000  
Improvement Area No. 2 of Community Facilities District No. 2004-3 (Monument Ranch) of the  
City of Perris  
Special Tax Refunding Bonds, 2015 Series

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## **FISCAL AGENT AGREEMENT**

THIS FISCAL AGENT AGREEMENT (the “Agreement”) is dated as of July 1, 2015, by and between the Community Facilities District No. 2004-3 (Monument Ranch) 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 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. 3248 of the City Council adopted on June 29, 2004, and created various improvement areas within the District, including Improvement Area No. 2 (“IA2”); and

WHEREAS, the City Council is authorized under the Act and pursuant to Resolution Nos. 3249, 3250, adopted on June 29, 2004, and Ordinance No. 1132, adopted on July 13, 2004, to levy special taxes to pay for the costs of facilities provided by the District within IA 2, pursuant to the rate and method of apportionment approved by the qualified electors within the District; and

WHEREAS, on April 12, 2005 pursuant to Resolution No. 3392, the District authorized the issuance of bonds to be secured by the special taxes within the District, in an amount not to exceed \$9,500,000; and

WHEREAS, on June 9, 2005, the District issued its \$8,430,000 initial principal amount of Improvement Area No. 2 of Community Facilities District No. 2004-3 (Monument Ranch) of the City of Perris Special Tax Revenue Bonds, 2005 Series A (the “Prior Bonds”), pursuant to a Fiscal Agent Agreement dated as of May 1, 2005, by and between the District and the predecessor fiscal agent to U.S. Bank National Association (the “Fiscal Agent”), for the purpose of financing the acquisition, rehabilitation and construction of certain public improvements and fees within the District (the “Facilities”); and

WHEREAS, on May 12, 2015, 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. 2 of Community Facilities District No. 2004-3 (Monument Ranch) of the City of Perris Special Tax Refunding Bonds, 2015 Series” (the “Bonds”), for the purpose of providing funds to pay off and discharge the Prior Bonds, to fund a reserve account as required herein, and to pay the expenses of the District in connection with the issuance of the Bonds; 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 (CFD No. 2004-3, IA 2 Refunding), 2015 Series C (the “Authority

Bonds”), for the purpose of purchasing the Bonds, to provide funding to redeem and discharge the Prior Bonds, 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 July 1, 2015, 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.

**1.3 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.

**1.5 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 Refunding Revenue Bonds (CFD No. 2004-3, IA 2 Refunding) 2015 Series C, 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 July 1, 2015, 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 the Improvement Area No. 2 of Community Facilities District No. 2004-3 (Monument Ranch) of the City of Perris Special Tax Refunding Bonds, 2015 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, 2015; 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 Indenture Agreement.

“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.

“Costs of Issuance” means all expenses incurred in connection with the authorization, issuance, sale and delivery of the Bonds or Additional Bonds, as applicable, including but not limited to all compensation, fees and expenses (including but not limited to fees and expenses for legal counsel) of the City and the Fiscal Agent, compensation to any financial consultants or underwriters, legal fees and expenses, filing and recording costs, rating agency fees, costs of preparation and reproduction of documents and costs of printing.

“Costs of Issuance Fund” means the fund established pursuant to Section 3.8 hereof.

“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. 2004-3 (Monument Ranch) 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 refinanced 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.

“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, 2015, 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. 1132, adopted by the Legislative Body on July 13, 2004.

“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.

“Prior Bonds” means the Improvement Area No. 2 of Community Facilities District No. 2004-3 (Monument Ranch) of the City of Perris Special Tax Revenue Bonds, 2005 Series A.

“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) prepayments of the Special Taxes, (b) 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, (c) 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 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 May 12, 2015, 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. 3248 adopted by the Legislative Body on June 29, 2004, 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 IA 2 of the District.

“S&P” means Standard & Poor’s, a division of The McGraw-Hill Companies, 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 by the District, including any scheduled payments and any prepayments 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 IA 2 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 “Improvement Area No. 2 of Community Facilities District No. 2004-3 (Monument Ranch) of the City of Perris Special Tax Refunding Bonds, 2015 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><br><u>(September 1)</u> | <u>Amount</u> | <u>Coupon</u> |
|--|---------------|---------------|
|--|---------------|---------------|

(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, 2015, 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 maturing on or prior to September 1, 2025, 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, 2025, 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.

(a) *Special Mandatory Redemption from Prepayment of Special Taxes and from Surplus Funds*. The Bonds shall also be subject to mandatory redemption prior to maturity on any date on or after September 1, 2015, 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 Periods</u>                 | <u>Redemption Price</u> |
|---|-------------------------|
| September 1, 2015 through August 31, 2025 | 102.0%                  |
| September 1, 2025 and thereafter          | 100.0%                  |

(ii) *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 proceeds of the sale of the Bonds in the amount of \$\_\_\_\_\_ (being the Principal Amount of \$\_\_\_\_\_, plus a bond purchase premium of \$\_\_\_\_\_ shall be received by the Fiscal Agent and deposited or transferred by the Fiscal Agent as follows (the Fiscal Agent may establish temporary funds or accounts to record or facilitate any such deposit or transfer):

(a) The Fiscal Agent shall transfer \$ \_\_\_\_\_ to the Escrow Agent for deposit pursuant to the Escrow Agreement.

(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 \$\_\_\_\_\_ in the Costs of Issuance Fund, which amounts shall be from other available funds.

(d) The Fiscal Agent shall deposit \$\_\_\_\_\_ in the First Year Administrative Fund.

**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 or refinancing of the Facilities or the Prior Bonds 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 shall establish a fund known as the “Special Taxes Receipt Fund” (in which it shall create an account for each Community Facilities District within the City). The City shall deposit Special Taxes when received in the account established for the District and immediately thereafter transfer such amounts 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 and the Agency Contribution received by the City on behalf of the District pursuant to the Pledge Agreement. 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, 2015, 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 Reserved.**

**3.8 Costs of Issuance Fund.** The Fiscal Agent shall establish and maintain a separate fund to be held by the Fiscal Agent known as the “Costs of Issuance Fund” into which shall be deposited the amounts set forth in Section 3.2(c) above or as required by a Supplemental Agreement. The moneys in the Costs of Issuance Fund shall be used to pay Costs of Issuance from time to time upon receipt of an Officer’s Certificate of the District. On the date which is one hundred eighty (180) days following the Closing Date, or upon the earlier receipt by the Fiscal Agent of a written request of the District stating that all Costs of Issuance have been paid, the Fiscal Agent shall transfer all remaining amounts in the Costs of Issuance Fund to be deposited in the Bond Fund.

**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 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 therefor.

(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 and Agency Contributions.** 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 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), 3.8, 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 and the Costs of Issuance Fund. Such books of record and accounts shall at all times during business hours and upon reasonable prior notice be subject to the inspection of the City, 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 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 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 the District, the Treasurer shall, not less than forty-five (45) days prior to each Interest Payment Date, send bills to the owners of such real property located within the District subject to the levy of the Special Taxes for Special Taxes in an aggregate amount necessary to meet the financial obligations of the District due on the next Interest Payment Date, said bills to specify that the amounts so levied shall be due and payable not less than thirty (30) days prior to such Interest Payment Date and shall be delinquent if not paid when due.

In any event, the Treasurer shall fix and levy the amount of Special Taxes within the District required (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 July 31 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, 2015 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.

**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.

**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. 2004-3 (Monument Ranch)  
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.  
2004-3 (MONUMENT RANCH) OF THE CITY  
OF PERRIS,  
on behalf of its Improvement Area No. 2

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. 2 OF COMMUNITY FACILITIES DISTRICT NO. 2004-3  
(MONUMENT RANCH)  
OF THE CITY OF PERRIS  
SPECIAL TAX REFUNDING BOND, 2015 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. 2004-3 (Monument Ranch) 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 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, 2015 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, 2015 (each an "Interest Payment Date"), at the interest rate set forth above, until the principal amount hereof is paid or made available for payment. The principal of this Bond is payable to the registered owner hereof in lawful money of the United States of America upon presentation and surrender of this Bond at the 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 May 12, 2015, 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 refinancing the acquisition of certain facilities (the “Project”), and is one of the Bonds designated “Improvement Area No. 2 of Community Facilities District No. 2004-3 (Monument Ranch) of the City of Perris Special Tax Refunding Bonds, 2015 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 July 1, 2015 (the “Agreement”), by and between the District and the Fiscal Agent and this reference incorporates the Agreement herein, and by acceptance hereof the owner of this Bond assents to said terms and conditions. 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 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, 2025, as selected by the District, at the redemption prices and schedules applicable to the Perris Joint Powers Authority Local Agency Revenue Bonds (CFD No. 2004-3, IA 2 Refunding), 2015 Series C (“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 July 1, 2015, relating to the Authority Bonds.

The Bonds shall be subject to mandatory redemption on any date on or after September 1, 2015, 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, 2015 through August 31, 2025 | 102.0%                  |
| September 1, 2025 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 Improvement Area No. 2 of Community Facilities District No. 2004-3 (Monument Ranch) 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: \_\_\_\_\_, 2015

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

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(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.

## CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”), dated as of July \_\_\_\_, 2015, is executed and delivered by Community Facilities District No. 2004-3, IA 2 (Monument Ranch) of the City of Perris (the “District”) and Willdan Financial Services, as dissemination agent (the “Dissemination Agent”), in connection with the issuance of the \$\_\_\_\_\_ Perris Joint Powers Authority Local Agency Revenue Bonds (CFD No. 2004-3, IA 2 Refunding), 2015 Series C (the “Bonds”). The Bonds are being issued pursuant to provisions of an Indenture of Trust, dated as of July 1, 2015 (the “Indenture”), by and between the Perris Joint Powers Authority (the “Issuer”) and U.S. Bank National Association, as trustee (the “Trustee”). The District and the Dissemination Agent covenant and agree as follows:

**SECTION 1. Purpose of the Disclosure Agreement.** This Disclosure Agreement is being executed and delivered by the District and the Dissemination Agent for the benefit of the Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with SEC Rule 15c2-12(b)(5).

**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 or any addendum thereto 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 tax purposes.

“Disclosure Representative” shall mean the City Manager of the City or his or her designee, or such other officer or employee as the City shall designate in writing to the Trustee and Dissemination Agent from time to time.

“Dissemination Agent” shall mean Willdan Financial Services, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the District and which has filed with the Trustee a written acceptance of such designation.

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

“MSRB” shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934 or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Marketplace Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.



“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

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

“SEC” shall mean the United States Securities and Exchange Commission.

“State” shall mean the State of California.

### SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than December 31 of each year, commencing December 31, 2015, provide to the MSRB and the Participating Underwriter 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.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the District shall provide the Annual Report to the Dissemination Agent. If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the District of such failure to receive the Annual Report. 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 Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall, to the extent information is known to it, file a report with the District and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided.

SECTION 4. Content of Annual Reports. The District’s Annual Report shall contain or include by reference the following (unless otherwise stated, such information shall be as of the end of the most recent Fiscal Year and shall be with respect to the District):

(i) The audited financial statements of the Issuer, prepared in accordance with generally accepted accounting principles in effect from time to time. If the Issuer’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the most recently filed audited financial

statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(ii) Total assessed valuation (per the Riverside County Assessor's records) of all parcels currently subject to the Special Tax showing the total assessed valuation for all land and the total assessed valuation for the then current Fiscal Year.

(iii) The actual amount of the Special Tax levy and the maximum amount that can be levied pursuant to the rate and method of apportionment relating to the District for the then current Fiscal Year.

(iv) With respect to delinquencies within the District:

(a) delinquency information with respect to the 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 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 of each such parcel.

(v) The principal amount of prepayments of the Special Tax as of the then current Fiscal Year's Special Tax levy date.

(vi) A current debt service schedule for the outstanding Bonds and the District Bonds.

(vii) The principal amount of the Bonds outstanding and the balances in the Reserve Account (along with a statement of the Reserve Requirement), Cash Flow Management Fund (along with a statement of the Cash Flow Management Fund Requirement) and the Delinquency Management Fund (along with a statement of the Delinquency Management Fund Requirement) as of the September 30 next preceding the Annual Report date.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's Internet Website or filed with the SEC.

#### SECTION 5. Reporting of Listed Events.

(a) Pursuant to the provisions of this section, upon the occurrence of any of the following events (in each case to the extent applicable) with respect to the Bonds, the District shall give, or cause to be given by so notifying the Dissemination Agent in writing and

instructing the Dissemination Agent to give, notice of the occurrence of such event, in each case, pursuant to Section 5(c) hereof:

1. principal or interest payment delinquencies;
2. non-payment related defaults, if material;
3. modifications to the rights of the Bondholders, if material;
4. optional, contingent or unscheduled calls, if material, and tender offers;
5. defeasances;
6. rating changes;
7. 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 or other material events affecting the tax status of the Bonds;
8. unscheduled draws on the debt service reserves reflecting financial difficulties;
9. unscheduled draws on the credit enhancements reflecting financial difficulties;
10. substitution of the credit or liquidity providers or their failure to perform;
11. release, substitution or sale of property securing repayment of the Bonds, if material;
12. bankruptcy, insolvency, receivership or similar proceedings of the Authority, which shall occur as described below;
13. appointment of a successor or additional trustee or the change of name of a trustee, if material, or;
14. the consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority 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 terms, if material.

For these purposes, any event described in item 12 of this Section 5(a) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Authority in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Authority, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the

entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority.

(b) Upon receipt of notice from the District and instruction by the District to report the occurrence of any Listed Event, the Dissemination Agent shall provide notice thereof to the MSRB in accordance with Section 5(c) hereof. In the event the Dissemination Agent shall obtain actual knowledge of the occurrence of any of the Listed Events, the Dissemination Agent shall, immediately after obtaining such knowledge, contact the Disclosure Representative, inform such person of the event, and request that the District promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to Section 5(c). For purposes of this Disclosure Agreement, “actual knowledge” of the occurrence of such Listed Event shall mean actual knowledge by the Dissemination Agent, if other than the Trustee, and if the Dissemination Agent is the Trustee, then by the officer at the corporate trust office of the Trustee with regular responsibility for the administration of matters related to the Indenture. The Dissemination Agent shall have no responsibility to determine the materiality, if applicable, of any of the Listed Events.

(c) The District, or the Dissemination Agent, if the Dissemination Agent has been instructed by the District to report the occurrence of a Listed Event, shall file a notice of such occurrence with the MSRB in a timely manner not more than ten business days after the occurrence of the event.

SECTION 6. Termination of Reporting Obligation. The District’s obligations 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(c).

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 this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Agreement. The initial Dissemination Agent shall be Willdan Financial Services. The Dissemination Agent may resign by providing thirty days’ written notice to the District and the Trustee. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the District. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the District in a timely manner and in a form suitable for filing.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the District and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the District) provided, the Dissemination Agent shall not be obligated to enter into any such amendment that modifies or increases its duties or obligations hereunder, and any provision of this Disclosure Agreement may be waived, provided that in the opinion of nationally recognized

bond counsel, such amendment or waiver is permitted by the Rule. In the event of any amendment or waiver of a provision of this Disclosure Agreement, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District.

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.

SECTION 10. Filings with the MSRB. All financial information, operating data, financial statements, notices, and other documents provided to the MSRB in accordance with this Disclosure Agreement shall be provided in an electronic format prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Agreement, the Trustee (at the written request of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Bonds, shall, but only to the extent funds in an amount satisfactory to the Trustee have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges and fees of the Trustee whatsoever, including, without limitation, fees and expenses of its attorneys), or any holder 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 or the Dissemination Agent, as the case may be, to comply with its 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 12. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article VIII of the Indenture pertaining to the Trustee is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture and the Trustee and the Dissemination Agent shall be entitled to the protections, limitations from liability and indemnities afforded the Trustee thereunder. The Dissemination Agent and the Trustee 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 the Trustee, their 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 its 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 or the

Trustee's respective negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent and the Trustee shall have no duty or obligation to review any information provided to them hereunder and shall not be deemed to be acting in any fiduciary capacity for the District, the Bondholders, or any other party. Neither the Trustee nor the Dissemination Agent shall have any liability to the Bondholders or any other party for any monetary damages or financial liability of any kind whatsoever related to or arising from 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.

SECTION 13. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the District: Community Facilities District No. 2004-3, IA 2  
(Monument Ranch) of the City of Perris  
c/o City of Perris  
101 North "D" Street  
Perris, California 92570  
Attn: City Manager  
Phone: (951) 943-6100

To the Dissemination Agent: Willdan Financial Services  
27368 Via Industria, Suite 200  
Temecula, California 92590  
Attn: Disclosure Group  
Phone: (951) 587-3500

To the Trustee: U.S. Bank National Association  
633 West Fifth Street, 24<sup>th</sup> Floor  
Los Angeles, California 90071  
Attention: Corporate Trust Services  
Phone: (213) 615-6062

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the District, the Trustee, the Dissemination Agent, the Participating Underwriter and holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 15. 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.

COMMUNITY FACILITIES DISTRICT NO.  
2004-3, IA 2 (MONUMENT RANCH)  
OF THE CITY OF PERRIS

By \_\_\_\_\_  
City Manager of the City of Perris

WILLDAN FINANCIAL SERVICES, as  
Dissemination Agent

By \_\_\_\_\_  
Authorized Representative

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Party: Community Facilities District No. 2004-3, IA 2  
(Monument Ranch) of the City of Perris

Name of Bond Issue: Perris Joint Powers Authority  
Local Agency Revenue Bonds  
(CFD No. 2004-3, IA 2 Refunding), 2015 Series C

Date of Issuance: \_\_\_\_\_, 2015

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of July 1, 2015, with respect to the Bonds. [The District anticipates that the Annual Report will be filed by \_\_\_\_\_.]

Dated: \_\_\_\_\_

WILLDAN FINANCIAL SERVICES,  
on behalf of the District

cc: Issuer



\$ \_\_\_\_\_  
Perris Joint Powers Authority  
Local Agency Revenue Bonds  
(CFD No. 2004-3, Improvement Area 2 Refunding), 2015 Series C

Purchase Contract  
\_\_\_\_\_, 2015

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

Community Facilities District No. 2004-3  
(Improvement Area 2 (Monument Ranch) of the City of Perris  
c/o the City of Perris  
101 North "D" Street  
Perris, California 92570  
Ladies and Gentlemen:

O'Connor & Company Securities, Inc. (the "Underwriter") hereby offers to enter into the following agreement with the Perris Joint Powers Authority (the "Authority") and Community Facilities District No. 2004-3, Improvement Area 2 (Monument Ranch) of the City of Perris (the "District"). Upon the acceptance hereof by you, this offer will be binding upon the Authority, the District and the Underwriter. This offer is made subject to (i) the written acceptance hereof by you and (ii) withdrawal by the Underwriter upon written notice (by facsimile or otherwise) delivered to you at any time prior to the acceptance hereof by you.

The Authority and the District acknowledge and agree that: (i) the purchase and sale of the Bonds (as defined below) pursuant to this Purchase Contract is an arm's-length commercial transaction among the Authority, the District and the Underwriter; (ii) in connection with such transaction, the Underwriter is acting solely as a principal and not as an agent or a fiduciary of the Authority or the District; (iii) the Underwriter has not assumed (individually or collectively) a fiduciary responsibility in favor of the Authority or the District with respect to: (x) the offering of the Bonds or the process leading thereto (whether or not any Underwriter, or any affiliate of the Underwriter, has advised or is currently advising the Authority or the District on other matters); or (y) any other obligation to the Authority or the District except the obligations expressly set forth in this Purchase Contract; and (iv) the Authority and the District have consulted with their own legal and financial advisors to the extent they deemed appropriate in connection with the offering of the Bonds. The Authority and the District acknowledge that each has previously provided the Underwriter with an acknowledgement of receipt of the required Underwriter disclosure under Rule G-17 of the Municipal Securities Rulemaking Board (the "MSRB").

1. **Purchase and Sale.** Upon the terms and conditions and upon the basis of the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase from the Authority, at the Closing Time on the Closing Date (both as defined herein), and the Authority hereby agrees to sell and deliver to the Underwriter, \$\_\_\_\_\_ aggregate principal amount of its Local Agency Revenue Bonds (CFD No. 2004-3, IA 2 Refunding), 2015 Series C (the “Bonds”). The Bonds shall be dated the date of their initial delivery, and shall mature on September 1 in the years shown on Exhibit A hereto, shall bear interest at the rates shown on Exhibit A hereto and shall be subject to redemption and have such other terms as are provided in the Indenture of Trust, dated as of July 1, 2015 (the “Indenture”), by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”). Interest on the Bonds shall be payable each March 1 and September 1 to maturity or earlier redemption of the Bonds, beginning September 1, 2015. The purchase price for the Bonds shall be an amount equal to \$\_\_\_\_\_ (being the aggregate principal amount thereof (\$\_\_\_\_\_ less an underwriter’s discount of \$\_\_\_\_\_ and less net original issue [premium discount] of \$\_\_\_\_\_). (The date of such payment and delivery is referred to herein as the “Closing Date,” the hour and date of such delivery and payment is referred to herein as the “Closing Time,” and the other actions contemplated hereby to take place at the time of such payment and delivery being herein sometimes called the “Closing”).

2. **The Bonds.** The Bonds shall be described in, and shall be issued and secured pursuant to, the provisions of the Constitution and the laws of the State of California including the provisions of the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 (commencing with Section 6584) of Division 7 of Title 1 of the Government Code of the State of California (the “Bond Law”) and the Indenture, authorizing the issuance of the Bonds.

The Bonds are being issued for the purpose of funding a reserve fund for the Bonds, to acquire from the District the District Bonds (as defined in the Indenture) being issued by the District pursuant to a Fiscal Agent Agreement, dated as of July 1, 2015 (the “Fiscal Agent Agreement”), by and between the District and U.S. Bank National Association, as fiscal agent (the “Fiscal Agent”), and to pay the costs of issuance of the Bonds and the District Bonds. The proceeds from the sale of the District Bonds will be used to refund the Perris Public Financing Authority 2005 Local Agency Revenue Bonds, Series A (the “Prior Bonds”). The Bonds are secured by Revenues (as defined in the Indenture), consisting primarily of amounts received by the Authority from the District pursuant to the District Bonds.

The refunding of the Prior Bonds will be accomplished through an Escrow Deposit and Trust Agreement, dated as of July 1, 2015 (the “Escrow Agreement”), by and among the Authority, the District and U.S. Bank National Association, as escrow agent (the “Escrow Agent”).

The Bonds shall be payable and shall be subject to redemption as provided in the Indenture and shall be as described in the Preliminary Official Statement of the Authority dated \_\_\_\_\_, 2015 (the “Preliminary Official Statement”) and the Official Statement of the Authority dated of even date herewith. Such Official Statement, including the cover page and the appendices thereto, relating to the Bonds, as amended to conform to the terms of this Purchase Contract and with such changes and amendments thereto as have been mutually agreed

to by the Authority, the District and the Underwriter, are hereinafter referred to as the “Official Statement.”

This Purchase Contract, the Escrow Agreement and the Indenture are referred to herein as the “Authority Documents.” This Purchase Contract, the Fiscal Agent Agreement and the Continuing Disclosure Agreement, dated as of July 1, 2015 (the “Continuing Disclosure Agreement”), by and between the District and Willdan Financial Services, as dissemination agent, are referred to herein as the “District Documents.”

3. **Offering by the Underwriter.** It shall be a condition to the Authority’s obligations to sell and to deliver the Bonds to the Underwriter and to the Underwriter’s obligation to purchase, to accept delivery of and to pay for the Bonds that the entire principal amount of the Bonds shall be issued, sold and delivered by the Authority and purchased, accepted and paid for by the Underwriter at the Closing. It is understood that the Underwriter proposes to offer the Bonds for sale to the public (which may include selected dealers) at prices or yields as set forth on the inside cover page of the Official Statement. Concessions from the public offering price may be allowed to selected dealers. It is understood that the initial public offering price and concessions set forth in the Official Statement may vary after the initial public offering. It is further understood that the Bonds may be offered to the public at prices other than the par value thereof. The net premium on the sale of the Bonds to the public, if any, shall accrue to the benefit of the Underwriter.

4. **Official Statement, Delivery of Other Documents, Use of Documents.**

(a) The Authority and the District hereby authorize the use by the Underwriter of the Preliminary Official Statement and the Official Statement (including any supplements or amendments thereto) and the Indenture and the Fiscal Agent Agreement and the information therein contained, in connection with the public offering and sale of the Bonds.

(b) The Authority shall deliver to the Underwriter, within seven business days from the date hereof, such number of copies of the final Official Statement executed on behalf of and approved for distribution by the Authority as the Underwriter may reasonably request in order for the Underwriter to comply with the rules of the MSRB and Rule 15c2-12(b)(4) under the Securities Exchange Act of 1934.

(c) As soon as practicable following receipt thereof, the Underwriter shall deliver the Official Statement, and any supplements or amendments thereto, to the Electronic Municipal Market Access system (“EMMA”) through the MSRB.

5. **Representations, Warranties and Agreements of the Authority.** The Authority represents, warrants and agrees as follows:

(a) The Authority is a joint exercise of powers authority duly organized and validly existing under the laws of the State of California.

(b) The Authority has full legal right, power and authority (i) to enter into the Authority Documents, (ii) to sell, issue and deliver the Bonds to the Underwriter as provided

herein, and (iii) to carry out and consummate the transactions on its part contemplated by the Authority Documents and the Official Statement.

(c) By all necessary official action, the Authority has duly authorized and approved the Authority Documents, has duly authorized and approved the Preliminary Official Statement and the Official Statement, has duly authorized and approved the execution and delivery of, and the performance by the Authority of the obligations in connection with the issuance of the Bonds on its part contained in the Bonds and the Authority Documents, and the consummation by it of all other transactions contemplated by the Authority Documents in connection with the issuance of the Bonds.

(d) To the best of its knowledge, the Authority is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation of any state or of the United States, or any agency or instrumentality of either, or any applicable judgment or decree, or any loan agreement, indenture, bond, note, resolution, agreement (including, without limitation, the Indenture) or other instrument to which the Authority is a party which breach or default has or may have an adverse effect on the ability of the Authority to perform its obligations under the Indenture, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the execution and delivery of the Bonds and the Authority Documents, and compliance with the provisions on the Authority's part contained therein, will not conflict in any material way with or constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party nor will any such execution, delivery, adoption 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 the property or assets of the Authority or under the terms of any such law, regulation or instrument, except as provided by the Bonds and the Indenture.

(e) To the best of its knowledge, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matters which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the Authority of its obligations in connection with the issuance of the Bonds under the Authority Documents have been duly obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state or of the United States in connection with the offering and sale of the Bonds; except as described in or contemplated by the Official Statement, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, board, agency or commission having jurisdiction of the matters which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the Authority of its obligations under the Indenture have been duly obtained.

(f) The Bonds when issued will conform to the descriptions thereof contained in the Official Statement under the captions "SUMMARY STATEMENT" and "THE BONDS"; and the Authority Documents when executed and delivered will conform to the descriptions

thereof contained in the Official Statement under the captions “SUMMARY STATEMENT,” “THE BONDS,” “SOURCES OF PAYMENT FOR THE BONDS” and “APPENDIX A – SUMMARY OF THE INDENTURE.”

(g) The Bonds, when issued, authenticated 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, and upon such issuance and delivery, the Indenture will provide, for the benefit of the owners from time to time of the Bonds, the legally valid and binding pledge of and lien and security interest it purports to create.

(h) As of the date hereof, there is no action, suit, proceeding, inquiry or investigation, notice of which has been served on the Authority, at law or in equity before or by any court, government agency, public board or body, pending or to the best knowledge of the officer of the City executing this Purchase Contract on behalf of the Authority, threatened against the Authority, affecting the existence of the Authority, or affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the pledge and lien on the Revenues pursuant to the Indenture, or contesting or affecting as to the Authority the validity or enforceability of the Bond Law, the Bonds or the Authority Documents, or contesting the tax-exempt status of interest on the Bonds, or contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or contesting the powers of the Authority for the issuance of the Bonds, or the execution and delivery or adoption by the Authority of the Authority Documents, or in any way contesting or challenging the consummation of the transactions contemplated hereby or thereby; nor, to the best knowledge of the Authority, is there any basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity of the Bond Law, as to the Authority, or the authorization, execution, delivery or performance by the Authority of the Bonds or the Authority Documents.

(i) The Authority will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order (x) 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, (y) 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 shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction, provided, that the Underwriter shall bear all costs in connection with the Authority’s action under (x) and (y) herein, and (z) assure or maintain the tax-exempt status of the interest on the Bonds.

(j) As of the date thereof, the Preliminary Official Statement does not, except for the omission of certain information permitted to be omitted in accordance with Rule 15c2-12, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein with respect to the Authority, in light of the circumstances under which they were made, not misleading.

(k) At the time of the Authority's acceptance hereof, and (unless an event occurs of the nature described in paragraph (m) of this Section 5) at all times subsequent thereto up to and including the date of the Closing, the Official Statement does not and will 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; provided, however, that these representations and warranties of the Authority shall apply only to the information contained in the Official Statement relating to the Authority.

(l) If the Official Statement is supplemented or amended pursuant to paragraph (m) of this Section 5, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto up to and including the date of the Closing, the Official Statement as so supplemented or amended will 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; provided, however, that these representations and warranties of the Authority shall apply only to the information contained in the Official Statement relating to the Authority.

(m) If between the date of this Purchase Contract and that date which is 25 days after the end of the underwriting period (as determined in accordance with Section 14 hereof) any event known to the Authority shall occur affecting the Authority which might adversely affect the marketability of the Bonds or the market prices thereof, or which might cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the Authority shall notify the Underwriter thereof, and if in the opinion of the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Authority will at its expense prepare and furnish to the Underwriter a reasonable number of copies of such supplement to, or amendment of, the Official Statement in a form and in a manner approved by the Underwriter.

(n) The Authority will refrain from taking any action, or permitting any action to be taken, with regard to which the Authority may exercise control, that results in the loss of the tax-exempt status of the interest on the Bonds.

(o) Any certificate signed by any officer of the City on behalf of the Authority and delivered to the Underwriter pursuant to the Indenture, this Purchase Contract or any document contemplated thereby shall be deemed a representation and warranty by the Authority to the Underwriter as to the statements made therein.

(p) The Authority will cause the proceeds from the sale of the Bonds to be paid to the Trustee for the purposes specified in the Indenture and the Official Statement. So long as any of the Bonds are outstanding and except as may be authorized by the Indenture, the Authority will not issue or sell any bonds or other obligations, other than the Bonds sold thereby, the interest on and premium, if any, or principal of which will be payable from the payments to be made under the Indenture.

(q) The Authority shall honor all other covenants on its part contained in the Indenture which are incorporated herein and made a part of this Purchase Contract.

6. **Representations, Warranties and Agreements of the District.** The District represents, warrants and agrees as follows:

(a) The District is a community facilities district duly organized and validly existing under the laws of the State of California.

(b) The District has full legal right, power and authority (i) to enter into the District Documents, and (ii) to carry out and consummate the transactions on its part contemplated by the District Documents and the Official Statement.

(c) By all necessary official action, the District has duly authorized and approved the District Documents, has duly authorized and approved the Preliminary Official Statement and the Official Statement, has duly authorized and approved the execution and delivery of, and the performance by the District of the obligations in connection with the issuance of the Bonds on its part contained in the Bonds and the District Documents, and the consummation by it of all other transactions contemplated by the District Documents in connection with the issuance of the District Bonds.

(d) To the best of its knowledge, the District is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation of any state or of the United States, or any agency or instrumentality of either, or any applicable judgment or decree, or any loan agreement, indenture, bond, note, resolution, agreement (including, without limitation, the Fiscal Agent Agreement) or other instrument to which the District is a party which breach or default has or may have an adverse effect on the ability of the District to perform its obligations under the Fiscal Agent Agreement, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the execution and delivery of the Bonds and the District Documents, and compliance with the provisions on the District's part contained therein, will not conflict in any material way with or constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the District is a party nor will any such execution, delivery, adoption 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 the property or assets of the District or under the terms of any such law, regulation or instrument, except as provided by the District Documents.

(e) To the best of its knowledge, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matters which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the District of its obligations in connection with the issuance of the District Bonds under the District Documents have been duly obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of

any state or of the United States in connection with the offering and sale of the Bonds or the District Bonds; except as described in or contemplated by the Official Statement, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, board, agency or commission having jurisdiction of the matters which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the District of its obligations under the District Documents have been duly obtained.

(f) The District Bonds when issued will conform to the descriptions thereof contained in the Official Statement under the captions “SUMMARY STATEMENT” and “THE BONDS”; and the District Documents when executed and delivered will conform to the descriptions thereof contained in the Official Statement under the captions “SUMMARY STATEMENT,” “THE BONDS,” “SOURCES OF PAYMENT FOR THE BONDS” and “APPENDIX B – SUMMARY OF THE FISCAL AGENT AGREEMENT.”

(g) The District Bonds, when issued, authenticated and delivered in accordance with the Fiscal Agent Agreement, and sold to the Authority as provided in the Commitment Agreement and Purchase Contract for Purchase and Sale of Local Obligation Bonds, dated \_\_\_\_\_, 2015, by and between the Authority and the District (the “Local Obligation Purchase Contract”) will be the validly issued and outstanding obligation of the District, entitled to the benefits of the Fiscal Agent Agreement, and upon such issuance and delivery, the Fiscal Agent Agreement will provide, for the benefit of the owners from time to time of the District Bonds, the legally valid and binding pledge of and lien and security interest it purports to create.

(h) As of the date hereof, there is no action, suit, proceeding, inquiry or investigation, notice of which has been served on the District, at law or in equity before or by any court, government agency, public board or body, pending or to the best knowledge of the officer of the City executing this Purchase Contract on behalf of the District, threatened against the District, affecting the existence of the District, or affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the District Bonds or the pledge and lien on the Revenues pursuant to the Indenture or the pledge and lien on the Special Tax Revenues pursuant to the Fiscal Agent Agreement, or contesting or affecting as to the District the validity or enforceability of the Bond Law, the Bonds, the District Bonds or the District Documents, or contesting the tax-exempt status of interest on the Bonds or the District Bonds, or contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or contesting the powers of the District for the issuance of the District Bonds, or the execution and delivery or adoption by the District of the District Documents, or in any way contesting or challenging the consummation of the transactions contemplated hereby or thereby; nor, to the best knowledge of the District, is there any basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity of the Bond Law, as to the District, or the authorization, execution, delivery or performance by the District of the Bonds, the District Bonds or the District Documents.

(i) [RESERVED.]



(j) As of the date thereof, the Preliminary Official Statement does not, except for the omission of certain information permitted to be omitted in accordance with Rule 15c2-12, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein with respect to the District, in light of the circumstances under which they were made, not misleading.

(k) At the time of the District's acceptance hereof, and (unless an event occurs of the nature described in paragraph (m) of this Section 6) at all times subsequent thereto up to and including the date of the Closing, the Official Statement does not and will 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; provided, however, that these representations and warranties of the District shall apply only to the information contained in the Official Statement relating to the District.

(l) If the Official Statement is supplemented or amended pursuant to paragraph (m) of this Section 6, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto up to and including the date of the Closing, the Official Statement as so supplemented or amended will 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; provided, however, that these representations and warranties of the District shall apply only to the information contained in the Official Statement relating to the District.

(m) If between the date of this Purchase Contract and that date which is 25 days after the end of the underwriting period (as determined in accordance with Section 14 hereof) any event known to the District shall occur affecting the District which might adversely affect the marketability of the Bonds or the market prices thereof, or which might cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the District shall notify the Underwriter thereof, and if in the opinion of the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the District will at its expense prepare and furnish to the Underwriter a reasonable number of copies of such supplement to, or amendment of, the Official Statement in a form and in a manner approved by the Underwriter.

(n) The District will refrain from taking any action, or permitting any action to be taken, with regard to which the District may exercise control, that results in the loss of the tax-exempt status of the interest on the Bonds or the District Bonds.

(o) Any certificate signed by any officer of the City on behalf of the District and delivered to the Underwriter pursuant to the Fiscal Agent Agreement, this Purchase Contract, the Local Obligation Purchase Contract or any document contemplated thereby shall be deemed a representation and warranty by the District to the Underwriter as to the statements made therein.

(p) The District shall honor all other covenants on its part contained in the Fiscal Agent Agreement which are incorporated herein and made a part of this Purchase Contract.

(q) At or prior to the Closing, the District shall have duly authorized, executed and delivered the Continuing Disclosure Agreement which shall comply with the provisions of Rule 15c2-12(b)(5) and shall be substantially in the form appended to the Official Statement as Appendix F thereto.

7. **Closing.** At 8:00 a.m., California time, on July \_\_, 2015, or on such earlier date or as soon thereafter as practicable, as may be mutually agreed upon by the Authority, the District and the Underwriter, the Authority will, subject to the terms and conditions hereof, cause the Trustee to deliver to the Underwriter, the Bonds, in definitive form duly authenticated by the Trustee, together with the other documents hereinafter mentioned; and the Underwriter will accept such delivery and will pay the purchase price of the Bonds at the offices of Aleshire & Wynder, LLP, Irvine, California, as set forth in Section 1 hereof, by delivering federal or other immediately available funds in the amount of such purchase price to the Trustee. The Bonds shall be prepared in fully registered form without coupons in authorized denominations and registered in the name of the Underwriter.

8. **Closing Conditions.** The Underwriter has entered into this Purchase Contract in reliance upon the representations and warranties of the Authority and the District contained herein, and in reliance upon the representations and warranties to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the Authority and the District of their respective obligations hereunder, both as of the date hereof and as of the date of the Closing. Accordingly, the Underwriter's obligations under this Purchase Contract to purchase, to accept delivery of and to pay for the Bonds shall be conditioned upon the performance by the Authority and the District of their obligations to be performed hereunder and under such documents and instruments at or prior to the Closing, and shall also be subject to the following additional conditions:

(a) The representations and warranties of the Authority and the District contained herein shall be true, complete and correct on the date hereof and on and as of the date of the Closing, as if made on the date of the Closing;

(b) At the time of the Closing, the Indenture and the Fiscal Agent Agreement shall be in full force and effect in accordance with their terms and shall not have been amended, modified or supplemented and the Official Statement shall not have been supplemented or amended, except in any such case as may have been agreed to by the Underwriter;

(c) At the time of the Closing, all necessary official action of the Authority and the District and of the other parties thereto relating to the Authority Documents and the District Documents shall have been taken and shall be in full force and effect and shall not have been amended, modified or supplemented in any material respect;

(d) Subsequent to the date hereof, there shall not have occurred any change in or affecting particularly the Authority, the District, the Bonds or the District Bonds, as the

foregoing matters are described in the Official Statement, which in the reasonable opinion of the Underwriter materially impairs the investment quality of the Bonds;

(e) At or prior to the Closing, the Underwriter shall have received copies of each of the following documents:

(1) The Official Statement and each supplement or amendment, if any, thereto, executed by the Executive Director of the Authority;

(2) A copy of the Indenture, executed by the Authority and the Trustee;

(3) A copy of the Fiscal Agent Agreement, executed by the District and the Fiscal Agent;

(4) A copy of this Purchase Contract, executed by the Authority, the District and the Underwriter;

(5) A copy of the Escrow Agreement, executed by the Authority, the City and the Escrow Agent;

(6) A copy of the Local Obligation Purchase Contract, executed by the Authority and the District;

(7) Certificates of the Authority and the District, respectively, with respect to the matters described in Sections 5 and 6 and in paragraphs (a), (b), (c) and (d) of this Section 8;

(8) An opinion (the "Final Approving Legal Opinion"), dated the date of the Closing and addressed to the District, of Aleshire & Wynder, LLP, Bond Counsel for the Authority, substantially in the form set forth in Appendix E to the Official Statement;

(9) A supplemental opinion, dated the date of the Closing and addressed to the Underwriter, of Aleshire & Wynder, LLP, Bond Counsel for the Authority, in substantially the form attached hereto as Exhibit B;

(10) An opinion, dated the date of the Closing and addressed to the Underwriter, of the City Attorney of the City, as Special Counsel for the District and the Authority, in substantially the form attached hereto as Exhibit C;

(11) A reliance letter, dated the date of the Closing and addressed to the Underwriter and the Fiscal Agent, respectively, of Aleshire & Wynder, LLP, Bond Counsel for the Authority, regarding the final approving opinion;

(12) An opinion, dated the date of the Closing and addressed to the Underwriter, the Authority and the District of Norton Rose Fulbright US LLP, Disclosure Counsel, in substantially the form attached hereto as Exhibit D;

(13) Transcripts of all proceedings relating to the authorization and issuance of the Bonds certified by the Secretary or an Assistant Secretary of the Authority;

(14) An opinion of counsel to the Trustee, the Fiscal Agent and the Escrow Agent, to the effect that:

(i) Due Organization and Existence - the Trustee, the Fiscal Agent and the Escrow Agent have been duly organized and are validly existing and in good standing, with full corporate power to undertake the trust duties and obligations under the Indenture and the Fiscal Agent Agreement and the Escrow Agreement;

(ii) Corporate Action - the Trustee, the Fiscal Agent and the Escrow Agent have duly authorized, executed and delivered the Indenture, the Fiscal Agent Agreement and the Escrow Agreement, and by all proper corporate action have authorized the acceptance of the duties and obligations of the Trustee, the Fiscal Agent and the Escrow Agent under the Indenture, the Fiscal Agent Agreement and the Escrow Agreement, respectively, and to authorize in such capacity the authentication and delivery of the Bonds and the District Bonds;

(iii) Due Authorization, Execution and Delivery - assuming due authorization, execution and delivery by the Authority and the District, the Indenture, the Fiscal Agent Agreement and the Escrow Agreement are the valid, legal and binding agreements of the Trustee, the Fiscal Agent and the Escrow Agent, respectively, enforceable in accordance with their terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights in general and by general equity principles (regardless of whether such enforcement is considered in a proceeding in equity or at law); and

(iv) Consents - exclusive of federal or state securities laws and regulations, to the best of such counsel's knowledge after reasonable inquiry and investigation, other than routine filings required to be made with governmental agencies in order to preserve the Trustee's, the Fiscal Agent's and the Escrow Agent's authority to perform a trust business (all of which routine filings such counsel believes, after reasonable inquiry and investigation, to have been made), no consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Trustee, the Fiscal Agent or the Escrow Agent is or will be required for the execution by the Trustee, the Fiscal Agent or the Escrow Agent of the Indenture, the Fiscal Agent Agreement or the Escrow Agreement or the authentication and delivery of the Bonds or the District Bonds;

(15) The general resolutions of the Trustee, the Fiscal Agent and the Escrow Agent authorizing the execution and delivery of certain documents by certain

officers of the Trustee and Fiscal Agent, which resolutions authorize the execution and delivery of the Indenture, the Fiscal Agent Agreement and the Escrow Agreement;

(16) A certificate of the Trustee, the Fiscal Agent and the Escrow Agent, dated the date of Closing, certifying that, subject to the limitations provided herein, the Trustee, the Fiscal Agent and the Escrow Agent represent and warrant and agree with the Underwriter that as of the date of Closing:

(i) Due Organization and Existence - the Trustee, the Fiscal Agent and the Escrow Agent are duly organized and existing as a national banking association in good standing under the laws of the United States of America having the full power and authority to enter into and perform their duties under the Indenture, the Fiscal Agent Agreement and the Escrow Agreement, respectively, and to authenticate and deliver the Bonds and the District Bonds to the Underwriter pursuant to the terms of the Indenture, the Fiscal Agent Agreement and the Escrow Agreement, respectively;

(ii) No Conflict - to the best of the knowledge of the Trustee, the Fiscal Agent and the Escrow Agent, after due investigation, the execution and delivery by the Trustee of the Indenture, by the Fiscal Agent of the Fiscal Agent Agreement and by the Escrow Agent of the Escrow Agreement and the authentication and delivery by the Trustee and the Fiscal Agent of the Bonds and the District Bonds, respectively, and compliance with the terms thereof will not, in any material respect, conflict with, or result in a violation or breach of, or constitute a default under, any loan agreement, indenture, bond, note, resolution or any other agreement or instrument to which the Trustee, the Fiscal Agent or the Escrow Agent 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 the Trustee, the Fiscal Agent or the Escrow Agent or any of its activities or properties, or result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Trustee, the Fiscal Agent or the Escrow Agent; and

(iii) No Litigation - to the best of the knowledge of the Trustee, the Fiscal Agent and the Escrow Agent, no litigation has been served upon the Trustee, the Fiscal Agent or the Escrow Agent to restrain or enjoin the Trustee's, the Fiscal Agent's or the Escrow Agent's participation in, or in any way contesting the powers of the Trustee, the Fiscal Agent or the Escrow Agent with respect to, the transactions contemplated by the Indenture, the Fiscal Agent Agreement or the Escrow Agreement, respectively;

(17) Executed copies of the Continuing Disclosure Agreement, by and between the District and Willdan Financial Services, as dissemination agent, substantially in the form presented in Appendix D to the Official Statement;

(18) A certificate from Willdan Financial Services ("Special Tax Consultant") to the effect that (i) the Special Tax if applied in accordance with the terms

as set forth in the rate and method of apportionment of special taxes with respect to the District (the "RMA"), after deducting Administrative Expenses, will annually yield sufficient revenue to make timely payments of debt service on the District Bonds, provided that information and other data supplied by the District, by the Underwriter or by any of their agents, which has been relied upon by the Special Tax Consultant is true and correct, (ii) the Special Tax, if collected in the maximum amounts permitted pursuant to the RMA on the Closing Date, would generate at least 110% of the maximum debt service payable with respect to the District Bonds during each fiscal year, based on a debt service schedule supplied by O'Connor & Company Securities, Inc. and relied upon by the Special Tax Consultant, (iii) the debt service with respect to the District Bonds, if paid in accordance with their terms, will be sufficient to pay debt service payable with respect to the Bonds (iv) the information supplied by such firm for use in the sections of the Official Statement captioned "APPENDIX C – RATE AND METHOD OF APPORTIONMENT" is true and correct as of the date of the Official Statement and as of the Closing Date, and (v) the description of the RMA contained in the Official Statement is correctly presented in all material respects; and

(19) 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 date of the Closing, of the Authority's and the District's representations and warranties 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 on or prior to the date of the Closing of all the agreements then to be performed and conditions then to be satisfied by it.

All 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 Bond Counsel and the Underwriter. The opinions and other documents presented as exhibits to this Purchase Contract or as Appendices to the Official Statement shall be deemed satisfactory provided they are substantially in the forms attached as exhibits to this Purchase Contract or as Appendices to the Official Statement.

If the Authority and the District shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds contained in this Purchase Contract, or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and neither the Underwriter nor the District shall be under any further obligation hereunder.

9. **Termination.** The Underwriter shall have the right to terminate the Underwriter's obligations under this Purchase Contract to purchase, to accept delivery of and to pay for the Bonds by notifying the Authority and the District in writing or by telegram, of their election to do so, if, after the execution hereof and prior to the Closing: (a) the United States has become engaged in hostilities which have resulted in a declaration of war or a national emergency; (b) there shall have occurred the declaration of a general banking moratorium by any authority of the United States or the States of New York or California; (c) an event shall have

occurred or been discovered as described in paragraph (m) of Section 5 or paragraph (m) of Section 6 hereof which in the opinion of the Underwriter requires the preparation and publication of disclosure material or a supplement or amendment to the Official Statement; (d) any legislation, ordinance, rule or regulation shall be introduced in, or be enacted by any governmental body, department or agency in the State of California, or a decision by any court of competent jurisdiction within the State of California shall be rendered which, in the Underwriter's reasonable opinion, materially adversely affects the market price of the Bonds; (e) legislation shall be introduced, by amendment or otherwise, or be enacted by the House of Representatives or the Senate of the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by or on behalf of the Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter shall be made or proposed, to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the Bonds, as contemplated hereby or by the Official Statement, is or would be in violation of any provision of the Securities Act of 1933, as amended and as then in effect, or the Securities Exchange Act of 1934, as amended and as then in effect, or the Trust Indenture Act of 1939, as amended and as then in effect, or with the purpose or effect of otherwise prohibiting the issuance, offering or sale of obligations of the general character of the Bonds or the Bonds, as contemplated hereby or by the Official Statement; (f) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange; (g) the New York Stock Exchange, or other national securities exchange or association or any governmental authority, shall impose as to the Bonds, or obligations of the general character of the Bonds, 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 broker-dealers; (h) trading in securities on the New York Stock Exchange or the American Stock Exchange shall have been suspended or limited or minimum prices have been established on either such exchange; or (i) any action shall have been taken by any government in respect of its monetary affairs which, in the reasonable opinion of the Underwriter, has a material adverse effect on the United States securities market.

If this Purchase Contract shall be terminated pursuant to Section 8 or this Section 9, or if the purchase provided for herein is not consummated because any condition to the Underwriter's obligation hereunder is not satisfied or because of any refusal, inability or failure on the part of the Authority or the District to comply with any of the terms or to fulfill any of the conditions of this Purchase Contract, or if for any reason the Authority or the District shall be unable to perform all of its obligations under this Purchase Contract, neither the Authority nor the District shall be liable to the Underwriter for damages on account of loss of anticipated profits arising out of the transactions covered by this Purchase Contract.

**10. Payment of Costs and Expenses.** (a) All costs and expenses incident to the sale and delivery of the Bonds to the Underwriter, including, but not limited to: (i) the fees and expenses of the Authority and its Counsel, the Financing Consultant, Disclosure Counsel and other consultants; (ii) the fees and expenses of the District, its Counsel, the Financing Consultant, Disclosure Counsel and other consultants; (iii) the fees and expenses of Bond Counsel; (iv) all costs and expenses incurred in connection with the preparation and printing of the Bonds and the District Bonds; (v) all expenses in connection with the preparation, printing, distribution and delivery of the Preliminary Official Statement, the Official Statement and any

amendment or supplement thereto; (vi) California Municipal Statistics fees, CUSIP Bureau charges, fees of Public Securities Association and California Public Securities Association, MSRB fees, California Debt and Investment Advisory Commission fees; (vii) the fees and expenses of the Trustee and Fiscal Agent and its counsel and all other fees and expenses of the Underwriter except as provided in paragraph (b) below shall be payable by the Authority from the proceeds of the Bonds.

(b) The Underwriter shall pay all advertising expenses in connection with the public offering of the Bonds and all other expenses incurred by it in connection with its public offering and distribution of the Bonds.

**11. Representations, Warranties and Agreements to Survive Delivery.**

The representations, warranties, indemnities, agreements and other statements of the Authority, the District and the Underwriter or their officers or partners set forth in, or made pursuant to, this Purchase Contract will remain operative and in full force and effect regardless of any investigation made by or on behalf of the Authority, the District or the Underwriter or any controlling person and will survive delivery of and payment for the Bonds.

**12. Notices.** Any notice or other communication to be given under this Purchase Contract may be given by delivering the same in writing:

To the Authority: Perris Joint Powers Authority  
c/o City of Perris  
101 North "D" Street  
Perris, California 92570  
Attention: City Manager

To the District: Community Facilities District No. 2004-3  
(Improvement Area 2) of the City of Perris  
c/o City of Perris  
101 North "D" Street  
Perris, California 92570  
Attention: City Manager

To the Underwriter: O'Connor & Company Securities, Inc.  
234 East 17<sup>th</sup> Street, #114  
Costa Mesa, California 92627  
Attention: Tony Wetherbee

**13. Parties in Interest.** This Purchase Contract is made solely for the benefit of the Authority, the District and the Underwriter (including the successors or assigns of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof. All of the Authority's and 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 Underwriter; (ii) delivery of and payment for the Bonds pursuant to this Purchase Contract; and (iii) any termination of this Purchase Contract.



14. **Determination of End of the Underwriting Period.** For purposes of this Purchase Contract, the End of the Underwriting Period for the Bonds shall mean the earlier of (a) the day of the Closing unless the Authority and the District have been notified in writing by the Underwriter, on or prior to the day of the Closing, that the “end of the underwriting period” for the Bonds for all purposes of Rule 15c2-12 of the Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934 (the “Rule”) will not occur on the day of the Closing, or (b) the date on which notice is given to the Authority and the District by the Underwriter in accordance with the following sentence. In the event that the Underwriter has given notice to the Authority and the District pursuant to clause (a) above that the “end of the underwriting period” for the Bonds will not occur on the day of the Closing, the Underwriter agrees to notify the Authority and the District in writing as soon as practicable following the “end of the underwriting period” for the Bonds for all purposes of the Rule.

15. **Effectiveness.** This Purchase Contract shall become effective upon the execution of the acceptance by the designees of the Authority and the District and shall be valid and enforceable at the time of such acceptance.

16. **Headings.** The headings of the sections of this Purchase Contract are inserted for convenience only and shall not be deemed to be a part hereof.

17. **Governing Law.** This Purchase Contract shall be construed in accordance with the laws of the State of California.

18. **Counterparts.** This Purchase Contract may be executed in any number of counterparts.

If the foregoing is in accordance with your understanding of the Purchase Contract please sign and return to us the enclosed duplicate copies hereof, whereupon it will become a binding agreement between the District and the Underwriter in accordance with its terms.

Very truly yours,

**O'CONNOR & COMPANY SECURITIES, INC.**

By: \_\_\_\_\_

Title: \_\_\_\_\_

Accepted:

This \_\_\_\_ day of \_\_\_\_\_, 2015

**PERRIS JOINT POWERS AUTHORITY**

By: \_\_\_\_\_  
Executive Director

**COMMUNITY FACILITIES DISTRICT NO. 2004-3  
IMPROVEMENT AREA NO. 2 (MONUMENT RANCH)  
OF THE CITY OF PERRIS**

By: \_\_\_\_\_  
Assistant City Manager

Exhibit A

\$ \_\_\_\_\_

Perris Joint Powers Authority

Local Agency Revenue Bonds (CFD No. 2004-3, IA 2 Refunding), 2015 Series C

| <u>Maturity Date</u><br><u>(September 1)</u> | <u>Principal</u><br><u>Amount</u> | <u>Coupon</u> | <u>Yield</u> |
|--|-----------------------------------|---------------|--------------|
|--|-----------------------------------|---------------|--------------|

Exhibit B

Supplemental Opinion of Aleshire & Wynder, LLP  
Addressed to the Underwriter

§ \_\_\_\_\_  
Perris Joint Powers Authority  
Local Agency Revenue Bonds (CFD No. 2004-3, IA 2 Refunding), 2015 Series C

\_\_\_\_\_, 2015

O'Connor & Company Securities, Inc.  
234 East 17<sup>th</sup> Street, #114  
Costa Mesa, California 92627

Ladies and Gentlemen:

This letter is addressed to you, as the Underwriter, pursuant to Section 8(e)(9) of the Purchase Contract, dated \_\_\_\_\_, 2015 (the "Purchase Contract"), by and among you, the Perris Joint Powers Authority (the "Authority") and the Community Facilities District No. 2004-3, IA 2 (Monument Ranch) of the City of Perris (the "District"), providing for the purchase of \$\_\_\_\_\_ aggregate principal amount of Perris Joint Powers Authority Local Agency Revenue Bonds (CFD No. 2004-3, IA 2 Refunding), 2015 Series C (the "Authority Bonds"). The Authority Bonds are being issued pursuant to the Indenture of Trust, dated as of July 1, 2015, between the Authority and U.S. Bank National Association (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture of Trust or, if not defined in the Indenture of Trust, in the Purchase Contract.

In addition to the opinions set forth in our final legal opinion concerning the validity of the Authority Bonds and certain other matters, dated the date hereof and addressed to the Authority (but which may be relied upon by you to the same extent as if such opinion were addressed to you), and based on and subject to the matters referred to in the second through fourth paragraphs of said final legal opinion (but excluding the last sentence of the fourth paragraph thereof) (which are hereby incorporated herein by reference), and in reliance thereon, as of the date hereof, we are of the following opinions or have reached the following conclusions:

1. The Authority Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture of Trust is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

2. The Purchase Contract has been duly executed and delivered by the Authority and the District and (assuming due authorization, execution and delivery by, and validity against, the Underwriter) is a valid and binding agreement of the Authority and the District. We call attention to the fact that the rights and obligations under the Purchase Contract may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, and to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against entities formed pursuant to Government Code Section 6500 and following in the State of California. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained therein.

3. The statements contained in the Official Statement, dated \_\_\_\_\_, 2015, with respect to the Authority Bonds, on the cover of the Official Statement and under the captions "SUMMARY STATEMENT," "THE BONDS," "SOURCES OF PAYMENT FOR THE BONDS," "LEGAL MATTERS – TAX EXEMPTION," "APPENDIX A – SUMMARY OF THE INDENTURE" and "APPENDIX B – SUMMARY OF THE FISCAL AGENT AGREEMENT" insofar as such statements expressly summarize certain provisions of the Indenture, the Fiscal Agent Agreement, the Authority Bonds and our opinion concerning certain federal tax matters relating to the Authority Bonds, are accurate in all material respects.

This letter is furnished by us as bond counsel to the Authority. No attorney-client relationship has existed or exists between our firm and you in connection with the Authority Bonds or by virtue of this letter. Our engagement with respect to the Authority Bonds has terminated as of the date hereof, and we disclaim any obligation to update this letter. This letter is delivered to you as Underwriter, is solely for your benefit as such Underwriter and is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person. This letter is not intended to be relied upon by owners of the Authority Bonds.

The foregoing represent our interpretation of applicable law to the facts as described herein. We bring to your attention the fact that our conclusions are an expression of professional judgment and are not a guarantee of a result.

Respectfully submitted,

Exhibit C

Opinion of Aleshire & Wynder, LLP,  
Special Counsel to the Authority and the District and addressed to the Underwriter

\$ \_\_\_\_\_  
Perris Joint Powers Authority  
Local Agency Revenue Bonds (CFD No. 2004-3, IA 2 Refunding), 2015 Series C

\_\_\_\_\_, 2015

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

Community Facilities District No. 2004-3, IA 2  
(Monument Ranch) of the City of Perris  
c/o City of Perris  
Perris, California 92570

O'Connor & Company Securities, Inc.  
234 East 17<sup>th</sup> Street, #114  
Costa Mesa, California 92627

Ladies and Gentlemen:

We are acting as counsel for the Perris Joint Powers Authority (the "Authority"), the Community Facilities District No. 2004-3, IA 2 (Monument Ranch) of the City of Perris (the "District") and the City of Perris (the "City") and have acted as counsel to the Authority, the District and the City in connection with the matters referred to herein. As such counsel we have examined and are familiar with (i) documents relating to the existence, organization and operation of the Authority, the District and the City provided to us by the Authority, the District and the City, (ii) certifications by officers of the Authority, the District and the City and (iii) all necessary documentation of the Authority, the District and the City relating to the authorization, execution and delivery of the Indenture of Trust (the "Authority Indenture") dated as of July 1, 2015, by and between the Authority and U.S. Bank National Association (the "Trustee"). Terms used herein and not otherwise defined have the respective meanings set forth in the Purchase Contract, dated \_\_\_\_\_, 2015, by and among O'Connor & Company Securities, Inc., the Authority and the District.

Based upon the foregoing and such examination of law and such other information, papers and documents as we deem necessary or advisable to enable us to render this opinion, including the Constitution and laws of the State of California, together with the

resolutions, ordinances and public proceedings of the Authority and the District, we are of the following opinions:

(1) The Authority is duly organized and existing under the laws of the State of California.

(2) The District is duly organized and existing under the laws of the State of California.

(3) The City is duly organized and existing under the laws of the State of California.

(4) To the best of our knowledge, the Resolution of the Authority authorizing the Indenture, the Purchase Contract and the Local Obligation Purchase Contract were duly adopted at meetings of the Authority which were duly called and held;

(5) To the best of our knowledge, the Resolutions of the City Council, acting on behalf of the District, relating to formation of the District, the levy of the Special Tax in the District and authorizing the Fiscal Agent Agreement and the Local Obligation Purchase Contract were duly adopted at meetings of the City Council which were duly called and held;

(6) To the best of our knowledge, the Ordinance of the City authorizing the levy of the Special Tax in the District was duly read and adopted at a meeting of the City Council which was duly called and held;

(7) To the best of our knowledge, the statements and information contained in the Official Statement in the section entitled "LEGAL MATTERS – ABSENCE OF LITIGATION" as of the date thereof and as of the date hereof, does not contain an 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 light of the circumstances under which they were made, not misleading;

(8) To the best of our knowledge, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or threatened against the Authority, the District or the City, wherein an unfavorable decision, ruling or finding would: (i) affect the creation, organization, existence or powers of the Authority, the District or the City, or the title of their respective members and officers to their respective offices; (ii) enjoin or restrain the issuance, sale or delivery of the Authority Bonds or the District Bonds, the receipt of any other moneys or property pledged or to be pledged under the Indenture, 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 Authority under the Indenture or of the District under the Fiscal Agent Agreement or with respect to the Special Taxes in the District or the moneys and assets pledged or to be pledged to pay the principal of, premium, if any, or interest on the Bonds or the District Bonds; (iv) in any way questioning or affecting any authority for the issuance of the Bonds, the District Bonds or the validity or

enforceability of the Bonds or the District Bonds; or (v) in any way questioning or affecting the Purchase Contract or the Local Obligation Purchase Contract or the transactions contemplated by the Purchase Contract, the Local Obligation Purchase Contract, the Indenture or the Fiscal Agent Agreement.

(9) The execution and delivery of the Authority Documents and the other instruments contemplated by any of such documents to which the Authority is a party, 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 or any department, division, agency or instrumentality of either thereof, or any applicable court or administrative decree or order or 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 a manner which would materially adversely affect the Authority's performance under the Authority Documents.

(10) The execution and delivery of the District Documents and the other instruments contemplated by any of such documents to which the District is a party, 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 or any department, division, agency or instrumentality of either thereof, or any applicable court or administrative decree or order or any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the District is a party or is otherwise subject or bound in a manner which would materially adversely affect the District's performance under the District Documents.

(11) All approvals, consents, authorizations, elections and orders of or filings or registrations with any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to, or the absence of which would materially adversely affect, the performance by the Authority and the District of their obligations under the Authority Documents and the District Documents, respectively, have been obtained and are in full force and effect.



This opinion is rendered only with respect to the laws of the State of California and the United States of America and is addressed only to the Authority, the District, the City and O'Connor & Company Securities, Inc. This letter is furnished by us as counsel to the Authority, the District and the City. Other than the Authority, the District and the City, no attorney-client relationship has existed or exists between us and O'Connor & Company Securities, Inc. in connection with the Bonds or by virtue of this letter. Our engagement with respect to the Bonds has terminated as of the date hereof, and we disclaim any obligation to update this letter. This letter is delivered to you, is solely for your benefit and is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person. This letter is not intended to, and may not, be relied upon by owners of the Bonds. No other person is entitled to rely on this opinion, nor may the addressees rely on it in connection with any transactions other than those described herein.

Respectfully submitted,

Exhibit D

Opinion of Norton Rose Fulbright US LLP, Disclosure Counsel  
Addressed to the Issuer, the District and the Underwriter

\$ \_\_\_\_\_  
Perris Joint Powers Authority  
Local Agency Revenue Bonds (CFD No. 2004-3, IA 2 Refunding), 2015 Series C

\_\_\_\_\_, 2015

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

Community Facilities District No. 2004-3, IA 2  
(Monument Ranch) of the City of Perris  
c/o City of Perris  
Perris, California 92570

O'Connor & Company Securities, Inc.  
234 East 17<sup>th</sup> Street, #114  
Costa Mesa, California 92627

Ladies and Gentlemen:

We have acted as Disclosure Counsel to the Perris Joint Powers Authority (the "Issuer") with respect to the issuance of the above captioned bonds (the "Bonds"). The Bonds are being issued pursuant to the provisions of the Constitution and the laws of the State of California, including the provisions of the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 (commencing with Section 6584), of Division 7 of Title 1 of the Government Code of the State of California, as in existence on the Closing Date or as thereafter amended from time to time (the "Bond Law"). The Bonds shall be issued and secured pursuant to an Indenture of Trust, dated as of July 1, 2015 (the "Indenture"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"), authorizing the issuance of the Bonds. The Bonds are more fully described in the final Official Statement of the Issuer dated \_\_\_\_\_, 2015 (the "Official Statement"). Capitalized terms not otherwise defined herein shall have the meaning ascribed thereto in the Official Statement.

In rendering this opinion, we have reviewed such records, documents, certificates and opinions, and made such other investigations of law and fact as we have deemed necessary or appropriate.

This opinion is limited to matters governed by the Federal securities law of the United States, and we assume no responsibility with respect to the applicability or effect of the laws of any other jurisdiction.

In our capacity as Disclosure Counsel, we have rendered certain legal advice and assistance to you in connection with the preparation of the Official Statement. Rendering such legal advice and assistance involved, among other things, discussions and inquiries concerning various legal matters, review of certain records, documents and proceedings, and participation in conferences with, among others, your representatives and representatives of Bond Counsel, the Financing Consultant, the Authority, the City, the District, and other consultants, at which conferences the contents of the Official Statement and related matters were discussed. On the basis of the information made available to us in the course of the foregoing (but without having undertaken to determine or verify independently, or assuming any responsibility for, the accuracy, completeness or fairness of any of the statements contained in the Official Statement), no facts have come to the attention of the personnel in our firm directly involved in rendering legal advice and assistance in connection with the preparation of the Official Statement which cause us to believe that the Official Statement as of its date (excluding therefrom financial, engineering and statistical data; forecasts, projections, estimates, assumptions and expressions of opinions; the treatment of the Bonds or the interest, discount or premium related thereto for tax purposes under the law of any jurisdiction; and the statements contained in the Official Statement under the caption "LEGAL MATTERS – TAX EXEMPTION," and in the Appendices thereto, as to all of which we express no view) contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

During the period from the date of the Official Statement to the date of this opinion, except for our review of the certificates and opinions regarding the Official Statement delivered on the date hereof, we have not undertaken any procedures or taken any actions which were intended or likely to elicit information concerning the accuracy, completeness or fairness of any of the statements contained in the Official Statement.

We are furnishing this opinion to you, as Disclosure Counsel to the Issuer, solely for your benefit. This opinion is rendered in connection with the transaction described herein, and may not be relied upon by you for any other purpose. This opinion shall not extend to, and may not be used, circulated, quoted, referred to, or relied upon by, any other person, firm, corporation or other entity without our prior written consent. Our engagement with respect to this matter terminates upon the delivery of this opinion to you at the time of the closing relating to the Bonds, and we have no obligation to update this opinion.

Very truly yours,

**NEW ISSUE-BOOK ENTRY ONLY**

**NOT RATED**

(see “CONCLUDING INFORMATION - NO RATING ON THE BONDS” herein)

*In the opinion of Aleshire & Wynder, LLP, Bond Counsel, based on existing statutes, regulations, rulings and court decisions and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes. In the opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that it is included in adjusted current earnings in calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding other federal or State tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See “LEGAL MATTERS - TAX EXEMPTION” herein.*

**COUNTY OF RIVERSIDE**

**STATE OF CALIFORNIA**

**\$8,525,000\***  
**PERRIS JOINT POWERS AUTHORITY**  
**LOCAL AGENCY REVENUE BONDS**  
**(CFD NO. 2004-3, IA 2 REFUNDING),**  
**2015 SERIES C**

**Dated: Date of Delivery**

**Due: September 1, as shown below**

**This cover page contains certain information for quick reference only. It is not a summary of the issue. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Investment in the Bonds (as defined herein) involves risks. See “BOND OWNERS’ RISKS” herein for a discussion of special risk factors that should be considered in evaluating the investment quality of the Bonds.**

Interest on the Bonds is payable semiannually on March 1 and September 1 of each year, commencing September 1, 2015, until maturity or earlier redemption thereof (see “THE BONDS - GENERAL PROVISIONS” and “THE BONDS - REDEMPTION” herein).

**The Bonds are subject to optional redemption, special mandatory redemption and mandatory sinking payment redemption prior to their stated maturities as described herein.**

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**MATURITY SCHEDULE**

(see inside cover)

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A portion of the proceeds from the Bonds issued by the Authority will be used, on the delivery date of the Bonds, to acquire the District Bonds (as defined herein) to be issued under the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.* of the Government Code of the State of California). The Bonds are special obligations of the Authority payable solely from and secured by revenues from repayment of the District Bonds, the Reserve Account and the Cash Flow Management Fund, as defined herein, held by the Trustee and under certain circumstances described in the Indenture by any available surplus revenues with respect to other series of bonds issued by the Authority as described herein.

Proceeds from the sale of the District Bonds to the Authority will be used, in part, to repay and defease the outstanding Perris Public Financing Authority 2005 Local Agency Revenue Bonds, Series A and to cancel the 2005 District Bonds, as defined herein.

Repayment of the District Bonds will be from Special Taxes (as described herein) to be levied against taxable real property within Improvement Area No. 2 of Community Facilities District 2004-3 (Monument Ranch), as described herein (see “SOURCES OF PAYMENT FOR THE BONDS” and “BOND OWNERS’ RISKS” herein).

It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of The Depository Trust Company on or about July 9, 2015 (see “APPENDIX F - BOOK-ENTRY SYSTEM”).

*The date of the Official Statement is \_\_\_\_\_, 2015.*

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\* Preliminary, subject to change..

**\$8,525,000\***  
**PERRIS JOINT POWERS AUTHORITY**  
**LOCAL AGENCY REVENUE BONDS**  
**(CFD NO. 2004-3, IA 2 REFUNDING),**  
**2015 SERIES C**

**MATURITY SCHEDULE**

(Base CUSIP<sup>+</sup> \_\_\_\_\_:)

**\$5,405,000\* Serial Bonds**

| <u>Maturity Date</u><br><u>September 1</u> | <u>Principal</u><br><u>Amount*</u> | <u>Interest</u><br><u>Rate</u> | <u>Reoffering</u><br><u>Rate</u> | <u>CUSIP</u><br><u>Suffix<sup>+</sup></u> |
|--|------------------------------------|--------------------------------|----------------------------------|---|
| 2015                                       |                                    |                                |                                  |   |
| 2016                                       |                                    |                                |                                  |   |
| 2017                                       |                                    |                                |                                  |   |
| 2018                                       |                                    |                                |                                  |   |
| 2019                                       |                                    |                                |                                  |   |
| 2020                                       |                                    |                                |                                  |   |
| 2021                                       |                                    |                                |                                  |   |
| 2022                                       |                                    |                                |                                  |   |
| 2023                                       |                                    |                                |                                  |   |
| 2024                                       |                                    |                                |                                  |   |
| 2025                                       |                                    |                                |                                  |   |
| 2026                                       |                                    |                                |                                  |   |
| 2027                                       |                                    |                                |                                  |   |
| 2028                                       |                                    |                                |                                  |   |
| 2029                                       |                                    |                                |                                  |   |
| 2030                                       |                                    |                                |                                  |   |

**\$3,120,000\*** \_\_\_\_\_% **Term Bond due September 1, 2035, Price** \_\_\_\_\_% **CUSIP Suffix<sup>+</sup>** \_\_\_\_\_

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+ CUSIP® is a registered trademark of the American Bankers Association. CUSIP® data is provided by CUSIP Global Services (CGS) which is managed on behalf of the American Bankers Association by S&P Capital IQ. CUSIP® data is not intended to create a database and does not serve in any way as a substitute for the CUSIP® Service Bureau. CUSIP® numbers are provided for convenience of reference only. Neither the Community Facilities District nor the Underwriter takes any responsibility for the accuracy of such numbers.

---

\* Preliminary, subject to change..

**PERRIS JOINT POWERS AUTHORITY  
PERRIS, CALIFORNIA**

**AUTHORITY BOARD AND CITY COUNCIL**

Daryl Busch, *Mayor*  
Tonya Burke, *Mayor Pro Tem*  
David Starr Rabb, *Council Member*  
Julio Rodriguez, *Council Member*  
Rita Rogers, *Council Member*

---

**CITY STAFF**

Richard Belmudez, *City Manager*  
Ron Carr, *Assistant City Manager*  
Eric Dunn, *City Attorney*  
Nancy Salazar, *City Clerk*

---

**PROFESSIONAL SERVICES**

**Bond Counsel**  
Aleshire & Wynder, LLP  
Irvine, California

**Disclosure Counsel**  
Norton Rose Fulbright US LLP  
Los Angeles, California

**City Attorney and Authority Counsel**  
Aleshire & Wynder, LLP  
Irvine, California

**Financing Consultant**  
Rod Gunn Associates, Inc.  
a California corporation

**Special Tax Consultant, Dissemination Agent,  
Compliance Agent and Administrator**  
Willdan Financial Services  
Temecula, California

**Trustee and Fiscal Agent**  
U.S. Bank National Association  
Los Angeles, California

**Underwriter**  
O'Connor & Company Securities, Inc.  
Costa Mesa, California

**Underwriter's Counsel**  
McFarlin & Anderson LLP  
Laguna Hills, California

---

**FOR ADDITIONAL INFORMATION**

Ron Carr, City of Perris, California (951) 943-6100  
O'Connor & Company Securities, Inc. (949) 764-9320

## **GENERAL INFORMATION ABOUT THE OFFICIAL STATEMENT**

The information set forth herein has been obtained from the Authority, the City and other sources believed to be reliable. This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Estimates and opinions are included and should not be interpreted as statements of fact. Summaries of documents do not purport to be complete statements of their provisions. No dealer, broker, salesperson or any other person has been authorized by the Authority or the Underwriter to give any information or to make any representations other than those contained in this Official Statement in connection with the offering contained herein and, if given or made, such information or representations must not be relied upon as having been authorized by the Authority, the City, the District or the Underwriter.

This Official Statement does not constitute an offer to sell or solicitation of an offer to buy, nor shall there be any offer or solicitation of such offer or any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and neither delivery of this Official Statement nor any sale of the Bonds made thereafter shall under any circumstances create any implication that there has been no change in the affairs of the Authority and the District or in any other information contained herein, since the date hereof.

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 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.

**IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE 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 UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ABOVE, AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.**

This Official Statement, including any supplement or amendment hereto, is intended to be deposited with the Municipal Securities Rulemaking Board through the Electronic Municipal Marketplace Access (“EMMA”) website.

## **FORWARD-LOOKING STATEMENTS**

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used, such as “plan,” “project,” “expect,” “anticipate,” “intend,” “believe,” “estimate,” “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 that 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 or the City do not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.



## TABLE OF CONTENTS

|   |  |
|---|--|
| <p>Vicinity Map .....v</p> <p><b>SUMMARY STATEMENT</b> .....1</p> <p><b>THE AUTHORITY</b> .....1</p> <p>Authority Formation; Members .....1</p> <p>Bond Authorization and Issuance .....1</p> <p>Repayment of the Bonds.....1</p> <p>Purchase of Local Obligations.....2</p> <p>Financing Purpose of the Bonds .....2</p> <p><b>THE DISTRICT</b>.....3</p> <p>Enabling Legislation .....3</p> <p>Formation of the District.....3</p> <p><b>IMPROVEMENT AREA NO. 2</b> .....3</p> <p>General Location of the Improvement Area .....3</p> <p>Property Ownership and Home Values .....4</p> <p>Authorization and Issuance of the District</p> <p style="padding-left: 20px;">Bonds .....4</p> <p>Repayment of the District Bonds .....4</p> <p>Insert Map 2.....5</p> <p>Financing Purpose of the District Bonds .....6</p> <p><b>THE SPECIAL TAXES</b> .....6</p> <p>General.....6</p> <p>Special Tax Requirement .....6</p> <p>Apportionment of the Special Tax .....6</p> <p>Maximum Special Tax .....7</p> <p>Tax Burden.....7</p> <p>Lien of the Special Tax .....7</p> <p>Value-to-Lien Ratios .....8</p> <p><b>REDEMPTION OF THE BONDS</b> .....9</p> <p>Optional Redemption.....9</p> <p>Special Mandatory Redemption.....9</p> <p>Mandatory Sinking Payment Redemption .....10</p> <p><b>THE BONDS - GENERAL PROVISIONS</b> .....10</p> <p>Denominations.....10</p> <p>Registration, Transfer and Exchange .....10</p> <p>Payment .....10</p> <p>Notice.....11</p> <p><b>LEGAL MATTERS</b> .....11</p> <p><b>PROFESSIONAL SERVICES</b>.....11</p> <p><b>AVAILABILITY OF LEGAL DOCUMENTS</b> .....12</p> <p><b>SELECTED FACTS</b> .....13</p> <p><b>ESTIMATED SOURCES AND USES OF FUNDS</b>.....15</p> <p style="padding-left: 20px;"><b>THE BONDS</b>.....15</p> <p style="padding-left: 20px;"><b>THE DISTRICT BONDS</b> .....16</p> <p><b>PLAN OF REFUNDING</b>.....17</p> <p><b>DEBT SERVICE COVERAGE</b>.....18</p> <p style="padding-left: 20px;"><b>DEBT SERVICE COVERAGE ON THE BONDS</b>.....18</p> <p style="padding-left: 20px;"><b>DEBT SERVICE COVERAGE ON THE DISTRICT BONDS</b> .....19</p> | <p><b>SCHEDULED DEBT SERVICE SCHEDULES</b>.....20</p> <p style="padding-left: 20px;"><b>SCHEDULED DEBT SERVICE ON THE BONDS</b>.....20</p> <p style="padding-left: 20px;"><b>SCHEDULED DEBT SERVICE ON THE DISTRICT BONDS</b> .....21</p> <p><b>THE BONDS</b>.....22</p> <p style="padding-left: 20px;"><b>GENERAL PROVISIONS</b> .....22</p> <p style="padding-left: 40px;">Repayment of the Bonds.....22</p> <p style="padding-left: 40px;">Transfer or Exchange of Bonds .....22</p> <p style="padding-left: 40px;">Bonds Mutilated, Lost, Destroyed or Stolen.....22</p> <p style="padding-left: 20px;"><b>REDEMPTION</b> .....23</p> <p style="padding-left: 40px;">Optional Redemption.....23</p> <p style="padding-left: 40px;">Special Mandatory Redemption .....23</p> <p style="padding-left: 40px;">Mandatory Sinking Payment Redemption .....23</p> <p style="padding-left: 40px;">Open Market Purchase of Bonds .....24</p> <p style="padding-left: 40px;">Notice of Redemption; Rescission.....24</p> <p style="padding-left: 40px;">Effect of Redemption.....24</p> <p style="padding-left: 40px;">Partial Redemption .....25</p> <p style="padding-left: 20px;"><b>INVESTMENT OF FUNDS</b>.....25</p> <p style="padding-left: 20px;"><b>ADDITIONAL OBLIGATIONS</b> .....25</p> <p style="padding-left: 40px;">The Authority.....25</p> <p style="padding-left: 40px;">The District.....25</p> <p><b>SOURCES OF PAYMENT FOR THE BONDS</b>.....26</p> <p style="padding-left: 20px;"><b>REPAYMENT OF THE BONDS</b> .....26</p> <p style="padding-left: 40px;">General .....26</p> <p style="padding-left: 40px;">Application of Revenues; Flow of Funds .....26</p> <p style="padding-left: 40px;">Reserve Account.....27</p> <p style="padding-left: 40px;">Cash Flow Management Fund .....27</p> <p style="padding-left: 40px;">Redemption Fund .....28</p> <p style="padding-left: 20px;"><b>REPAYMENT OF THE DISTRICT BONDS</b>.....28</p> <p style="padding-left: 40px;">General .....28</p> <p style="padding-left: 40px;">Special Taxes .....29</p> <p style="padding-left: 40px;">Application of Special Taxes; Flow of Funds.....29</p> <p style="padding-left: 40px;">Delinquency Management Fund.....30</p> <p style="padding-left: 40px;">Redemption Fund .....30</p> <p style="padding-left: 40px;">Covenant for Superior Court Foreclosure.....30</p> <p><b>BOND OWNERS' RISKS</b>.....32</p> <p style="padding-left: 20px;"><b>THE BONDS</b>.....32</p> <p style="padding-left: 40px;">No Liability of the Authority to the Bond Owners.....32</p> <p style="padding-left: 40px;">Loss of Tax Exemption .....32</p> <p style="padding-left: 40px;">IRS Audits .....32</p> <p style="padding-left: 40px;">Secondary Market.....32</p> <p style="padding-left: 40px;">Early Bond Redemption .....33</p> <p style="padding-left: 20px;"><b>THE DISTRICT BONDS</b> .....33</p> <p style="padding-left: 40px;">Risk Factors Relating to Real Estate Market Conditions.....33</p> <p style="padding-left: 40px;">Risk Factors Relating to Land Values.....33</p> <p style="padding-left: 40px;">Risk Factors Relating to the Levying and Collection of the Special Taxes.....34</p> |
|---|--|

|   |            |
|---|------------|
| Risk Factors Relating to Tax Burden .....   | 39         |
| Risk Factors Relating to Governmental Rules,<br>Initiatives, Etc. ....              | 41         |
| Risk Factors Relating to Limitations of the<br>District Bonds and the District..... | 42         |
| <b>THE AUTHORITY .....</b>  | <b>44</b>  |
| AUTHORITY ORGANIZATION .....  | 44         |
| CITY ORGANIZATION .....   | 44         |
| <b>DISTRICT ADMINISTRATION .....</b>  | <b>45</b>  |
| ADMINISTRATION GENERAL.....   | 45         |
| LEVY OF THE SPECIAL TAX .....   | 45         |
| DELINQUENCIES.....  | 45         |
| Identification of Delinquencies; Initial<br>Notification .....                      | 45         |
| Special Tax Collections.....  | 46         |
| FORECLOSURE ACTIONS .....   | 47         |
| Requirement.....  | 47         |
| Procedure .....   | 47         |
| <b>LEGAL MATTERS .....</b>  | <b>49</b>  |
| ENFORCEABILITY OF REMEDIES .....  | 49         |
| APPROVAL OF LEGAL PROCEEDINGS.....  | 49         |
| TAX EXEMPTION .....   | 49         |
| INFORMATION REPORTING AND BACKUP<br>WITHHOLDING.....                                | 51         |
| ABSENCE OF LITIGATION.....  | 51         |
| <b>CONCLUDING INFORMATION .....</b>   | <b>52</b>  |
| NO RATING ON THE BONDS .....  | 52         |
| UNDERWRITING .....  | 52         |
| CONTINUING DISCLOSURE.....  | 52         |
| Continuing Disclosure Agreement.....  | 52         |
| Prior Compliance .....  | 52         |
| THE FINANCING CONSULTANT.....   | 53         |
| FORWARD-LOOKING STATEMENTS .....  | 53         |
| ADDITIONAL INFORMATION .....  | 53         |
| REFERENCES .....  | 54         |
| EXECUTION .....   | 54         |
| <b>APPENDIX A.    SUMMARY OF THE<br/>INDENTURE .....</b>                            | <b>A-1</b> |
| <b>APPENDIX B.    SUMMARY OF THE<br/>FISCAL AGENT AGREEMENT .....</b>               | <b>B-1</b> |
| <b>APPENDIX C.    RATE AND METHOD OF<br/>APPORTIONMENT.....</b>                     | <b>C-1</b> |
| <b>APPENDIX D.    FORM OF CONTINUING<br/>DISCLOSURE AGREEMENT .....</b>             | <b>D-1</b> |
| <b>APPENDIX E.    FORM OF BOND<br/>COUNSEL OPINION.....</b>                         | <b>E-1</b> |
| <b>APPENDIX F.    BOOK-ENTRY SYSTEM.....</b>  | <b>F-1</b> |

## Vicinity Map

(insert map #1)

**OFFICIAL STATEMENT**  
**\$8,525,000\***  
**PERRIS JOINT POWERS AUTHORITY**  
**LOCAL AGENCY REVENUE BONDS**  
**(CFD NO. 2004-3, IA 2 REFUNDING),**  
**2015 SERIES C**

This Official Statement, which includes the cover page and appendices (the “Official Statement”), is provided to furnish certain information concerning the sale of the Perris Joint Powers Authority Local Agency Revenue Bonds (CFD No. 2004-3, IA 2 Refunding), 2015 Series C (the “Bonds”), in the aggregate principal amount of \$8,525,000.\*

**SUMMARY STATEMENT**

*This Summary Statement contains only a brief description of this issue and does not purport to be complete. This Summary Statement is subject in all respects to more complete information in the entire Official Statement, including the appendices, and the offering of the Bonds to potential investors is made only by means of the entire Official Statement and the documents summarized herein. Investment in the Bonds involves risks. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision with respect to the Bonds.*

**THE AUTHORITY**

**Authority Formation; Members**

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 “Joint Powers Act”). The City of Perris (the “City”), pursuant to Resolution No. 4569 adopted on March 26, 2013, and the Housing Authority of the City of Perris (the “Housing Authority”), pursuant to Resolution No. HA002, adopted on March 26, 2013, formed the Authority by the execution of a joint exercise of powers agreement (the “Joint Powers Agreement”) (see “**THE AUTHORITY**” herein). The City Council of the City serves as the Board of the Authority (see “**THE AUTHORITY**” herein).

**Bond Authorization and Issuance**

Pursuant to the Joint Powers Act, the Authority is authorized, among other things, to issue revenue bonds to provide funds to acquire local obligations issued to finance or refinance public capital improvements, such revenue bonds to be repaid from the repayment of the local obligations so acquired by the Authority. The Bonds are being issued pursuant to the Indenture, as defined herein, approved by the Authority pursuant to the Authority Resolution adopted on May 12, 2015 (the “Authority Resolution”). It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of The Depository Trust Company on or about July 9, 2015 (see “**APPENDIX F - BOOK-ENTRY SYSTEM**”).

**Repayment of the Bonds**

The Bonds are secured under an Indenture of Trust, dated as of July 1, 2015 (the “Indenture”), between the Authority and U.S. Bank National Association, Los Angeles, California, as trustee (the “Trustee”) (see “**APPENDIX A - SUMMARY OF THE INDENTURE**”).

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\* Preliminary, subject to change.

The Bonds are special obligations of the Authority payable solely from and secured by the proceeds of:

1. Moneys received from payment of the local obligations to be acquired by the Authority with the proceeds of the Bonds;
2. The Reserve Account (as defined in the Indenture) established with the proceeds of the Bonds and held pursuant to the Indenture (see “**SOURCES OF PAYMENT FOR THE BONDS – REPAYMENT OF THE BONDS - Reserve Account**” herein);
3. Any moneys that may be available from the Cash Flow Management Fund established and held pursuant to the Indenture (see “**SOURCES OF PAYMENT FOR THE BONDS – REPAYMENT OF THE BONDS – Cash Flow Management Fund**” herein);
4. Money, if any, on deposit in the Revenue Fund, Bond Fund and Redemption Fund: and
5. Any investment earnings with respect to such moneys as provided in the Indenture (see “**THE BONDS – INVESTMENT OF FUNDS**” herein)

(collectively, the “Revenues” herein).

In addition, the Bonds may be payable 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 available to replenish the Reserve Account to its requirement and to fund the Cash Flow Management Fund to its requirement as provided in the Indenture. In the event of a shortfall of the amount required to pay debt service on the Bonds, the Bonds may be payable from the Cash Flow Management Fund of other series of local agency revenue bonds of the Authority (see “**SOURCES OF PAYMENT FOR THE BONDS – REPAYMENT OF THE BONDS**” and “**BOND OWNERS’ RISKS**” herein).

**The Bonds are special obligations of the Authority. The Bonds do not constitute a debt or liability of the City, the State or of any political subdivision thereof, other than the Authority. The Authority shall only be obligated to pay the principal of the Bonds, or the interest thereon, from the funds described herein, and neither the faith and credit nor the taxing power of the District (except to the limited extent described herein), the City, the State or any of its political subdivisions is pledged to the payment of the principal of or the interest on the Bonds. The Authority has no taxing power.**

### **Purchase of Local Obligations**

On the delivery date of the Bonds, the Authority will acquire bonds (the “District Bonds”) to be issued by Community Facilities District No. 2004-3 (Monument Ranch) of the City of Perris (the “District”) relating to Improvement Area No. 2 (the “Improvement Area”), as described herein.

The Authority has issued other series of bonds. Each series is separately secured under the terms of the indenture for such other series of bonds. The Authority is not authorized to issue any additional bonds under the Indenture secured by repayment of the District Bonds except for refunding purposes. The District also is not authorized to issue additional bonds secured by the Special Taxes levied within Improvement Area No. 2 of the District except for refunding purposes.

### **Financing Purpose of the Bonds**

The Bonds are being issued for the following purposes:

1. To provide funds to acquire the District Bonds on the date of delivery of the Bonds;
2. To fund the Reserve Account. The amount of Bond proceeds deposited into the Reserve Account will be \$727,125.00\* (an amount equal to the Reserve Requirement) (see “**SOURCES OF PAYMENT FOR THE BONDS - REPAYMENT OF THE BONDS - Reserve Account**” herein); and
3. To pay the expenses of the Authority in connection with the issuance of the Bonds.

---

\* Preliminary, subject to change.

In addition, there will be an initial deposit into the Cash Flow Management Fund from other available funds of \$109,068.75\* (see “ESTIMATED SOURCES AND USES OF FUNDS – THE BONDS,” “SOURCES OF PAYMENT FOR THE BONDS – REPAYMENT OF THE BONDS - Reserve Account” and “SOURCES OF PAYMENT FOR THE BONDS – REPAYMENT OF THE BONDS - Cash Flow Management Fund” herein).

## **THE DISTRICT**

### **Enabling Legislation**

The Mello-Roos Community Facilities Act of 1982, as amended, constituting Section 53311 *et seq.* of the Government Code of the State of California (the “Act”), was enacted by the California Legislature to provide an alternative method of financing certain public facilities, improvements and services. The Act authorizes local governmental entities to establish community facilities districts as legally constituted governmental entities within defined boundaries, with the legislative body of the local applicable governmental entity acting on behalf of the community facilities district. Subject to approval by at least a two-thirds vote of the votes cast by qualified electors within the community facilities district and compliance with the provisions of the Act, the legislative body may issue bonds for such community facilities district established by it and may levy and collect a special tax within the community facilities district to repay such bonds.

Pursuant to the Act, the City may designate a portion or portions of a community facilities district as one or more improvement areas. After the designation of an improvement area, all proceedings for purposes of a bond election and for the purpose of levying special taxes for payment of the bonds shall apply only to such improvement area.

### **Formation of the District**

On June 29, 2004, the City formed Community Facilities District No. 2004-3 (Monument Ranch) of the City of Perris (the “District”) by the adoption of Resolution No. 3251. The District consists of 2 improvement areas (“Improvement Area No. 1” and “Improvement Area No. 2”) (each an “Improvement Area” and collectively, the “Improvement Areas”). Each Improvement Area has a separate rate and method of apportionment of special tax approved by the City and the qualified electors within each respective Improvement Area. The City and the qualified electors within each Improvement Area voted in favor of the incurrence of bonded indebtedness and each Improvement Area has separate bond authorizations.

The District is issuing the District Bonds on behalf of and for the benefit of Improvement Area No. 2 as discussed herein.

## **IMPROVEMENT AREA NO. 2**

### **General Location of the Improvement Area**

The boundaries of the District coincide with the development generally known as Monument Ranch. Improvement Area No. 2 is fully developed with 227 single family homes on approximately 45.6 acres.

The District is located within the City of Perris, generally west of U.S. Interstate Highway 215. Improvement Area No. 2 is located south of Ethanac Road and north of McLaughlin Road, with the eastern most section located at Goetz Road.

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\* Preliminary, subject to change.

## **Property Ownership and Home Values**

All the 227 parcels within Improvement Area No. 2 are fully developed with single family homes in individual ownership. The assessed value of homes in Improvement Area No. 2 range from approximately \$228,400 to \$272,600 with an average assessed value of \$242,000.

**The owners of property within the Improvement Area will not be personally liable for payments of the Special Taxes to be applied to pay the principal of and interest on the District Bonds.**

## **Authorization and Issuance of the District Bonds**

The bond authorization amount for Improvement Area No. 2, approved by the qualified electors on June 29, 2004, is \$12,500,000. On the date of delivery of the Bonds, the District will issue the District Bonds in the principal amount of \$8,525,000\* which will be acquired by the Authority. The District is not authorized to issue any additional bonds except for refunding purposes (see “**THE BONDS – ADDITIONAL OBLIGATIONS – The District**” herein).

In June 2005, the District issued its special tax bonds in the principal amount of \$8,430,000 of which \$7,785,000 remains outstanding (the “2005 District Bonds”). A portion of the proceeds of the District Bonds, together with certain other funds, will be used to defease the outstanding 2005 Bonds.

The District, pursuant to a resolution adopted on May 12, 2015 (the “District Resolution”), approved the issuance of the District Bonds and the sale of the District Bonds to the Authority. The District Bonds are secured by Special Taxes levied on taxable properties in Improvement Area No. 2, as described below. The Board of Directors of the Authority, pursuant to the Authority Resolution, authorized the Authority to acquire the District Bonds.

## **Repayment of the District Bonds**

The District Bonds are secured under a Fiscal Agent Agreement, dated as of July 1, 2015 (the “Fiscal Agent Agreement”) between the District and U.S. Bank National Association, Los Angeles, California, as Fiscal Agent (the “Fiscal Agent”) (see “**APPENDIX B - SUMMARY OF THE FISCAL AGENT AGREEMENT**”).

The District Bonds are special obligations of the District payable solely from and secured by the proceeds of:

1. The Special Taxes on parcels of land within Improvement Area No. 2 of the District pledged to the repayment of the District Bonds in an amount sufficient to pay debt service on the District Bonds, including an allowance for delinquencies, subject to the Maximum Special Tax, as described herein, that may be levied on parcels within Improvement Area No. 2 as set forth in the Act, the Fiscal Agent Agreement and the Rate and Method of Apportionment;
2. Any investment earnings with respect to such moneys (see “**THE BONDS – INVESTMENT OF FUNDS**” herein); and
3. Any moneys that may be available from the Delinquency Management Fund established and held pursuant to the Fiscal Agent Agreement (see “**SOURCES OF PAYMENT FOR THE BONDS – REPAYMENT OF THE DISTRICT BONDS – Delinquency Management Fund**” herein).

---

\* Preliminary, subject to change.

**Insert Map 2**



**The District Bonds are special obligations of the District. The District Bonds do not constitute a debt or liability of the City, the State or of any political subdivision thereof, other than the District. The District shall only be obligated to pay the principal of the District Bonds, or the interest thereon, from the funds described herein, and neither the faith and credit nor the taxing power of the City, the State or any of its political subdivisions is pledged to the payment of the principal of or the interest on the District Bonds. The District does not have any ad valorem taxing power (see “SOURCES OF PAYMENT FOR THE BONDS” and “BOND OWNERS’ RISKS” herein).**

## **Financing Purpose of the District Bonds**

The District Bonds are being issued for the following purposes:

1. A portion of the proceeds of the District Bonds, together with certain other funds, will be used to defease the outstanding 2005 District Bonds;
2. To pay the expenses of the District in connection with the issuance of the District Bonds; and
3. To pay the administrative expenses of the District related to Improvement Area No. 2 in the year following issuance of the District Bonds prior to the receipt of the Special Taxes for such fiscal year.

(see “ESTIMATED SOURCES AND USES OF FUNDS – THE DISTRICT BONDS” herein).

In addition, there will be an initial deposit into the Delinquency Management Fund from other available funds in the amount of 15% of Maximum Annual Debt Service (\$109,068.75\*) on the District Bonds (see “ESTIMATED SOURCES AND USES OF FUNDS – THE DISTRICT BONDS,” “SOURCES OF PAYMENT FOR THE BONDS – REPAYMENT OF THE DISTRICT BONDS - Delinquency Management Fund” herein).

## **THE SPECIAL TAXES**

### **General**

The Special Taxes are to be levied and collected according to the Rate and Method of Apportionment as briefly summarized below (see “APPENDIX C – Rate and Method of Apportionment”).

### **Special Tax Requirement**

The District is required pursuant to the Rate and Method of Apportionment to annually determine the Special Tax Requirement for Improvement Area No. 2 (as defined herein) and apportion such amount subject to the Maximum Special Tax for Improvement Area No. 2, as described herein, until the Special Taxes equal the Special Tax Requirement. Generally, the “Special Tax Requirement” is the amount necessary to pay debt service on the District Bonds, reasonably anticipated delinquencies within Improvement Area No. 2 based on past delinquencies and the Administrative Expenses of the District relating to Improvement Area No. 2.

### **Apportionment of the Special Tax**

The Rate and Method of Apportionment requires the Special Tax levy to be apportioned between classes of property according to its development status. All the property within Improvement Area No. 2 is classified as Developed Property and, therefore, the Special Tax Requirement is apportioned only on Developed Property.

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\* Preliminary, subject to change.

**Maximum Special Tax**

The Rate and Method of Apportionment established Maximum Special Tax categories for Developed Property based upon Building Square Footage. Developed Property, as defined in the Rate and Method of Apportionment, generally consists of all Taxable Property in Improvement Area No. 2 for which a building permit for new construction has been issued (see “APPENDIX C – RATE AND METHOD OF APPORTIONMENT”).

The Fiscal Year 2014/15 Maximum Special Tax for each category in Improvement Area No. 2 is as follows:

**COMMUNITY FACILITIES DISTRICT 2004-3 (MONUMENT RANCH)  
IMPROVEMENT AREA NO. 2  
MAXIMUM SPECIAL TAX BY LAND USE CATEGORY  
FISCAL YEAR 2014/15**

| <b>Residential<br/>Floor Area<br/>(Sq. Ft.)</b> | <b>Number of<br/>Parcels</b> | <b>Maximum<br/>Special Tax</b> | <b>Amount Levied</b> | <b>% Levied</b> | <b>FY 2014/15<br/>Dollars<br/>Levied</b> |
|---|------------------------------|--------------------------------|----------------------|-----------------|--|
| Less than 2,401                                 | 31                           | \$2,275.86                     | \$2,138.14           | 93.95%          | \$66,282.34                              |
| 2,401 to 2,700                                  | 35                           | 2,474.55                       | 2,324.82             | 93.95%          | \$81,368.70                              |
| 2,701 to 3,000                                  | 55                           | 2,624.49                       | 2,465.68             | 93.95%          | \$135,612.40                             |
| 3,001 to 3,300                                  | 77                           | 2,823.19                       | 2,652.36             | 93.95%          | \$204,231.72                             |
| Greater than 3,300                              | 19                           | 3,282.75                       | 3,084.10             | 93.95%          | \$58,597.90                              |

Source: City of Perris

**Tax Burden**

A tool for evaluating the burden of the Special Taxes on property owners is the ratio of total taxes, special taxes and assessments as a percentage of property value (the “Effective Tax Rate”). The size of the Effective Tax Rate could affect the ability and willingness of the property owners to pay the Special Taxes when due. Conceptually, bonds issued by a community facilities district secured by special taxes finance improvements that otherwise would have to be added to the purchase price of a home and, therefore, homes in such community facilities district would have a lower selling price than comparable homes that did not have the benefit of such financing. In practice, however, the purchase price of a home is primarily determined by market forces that may or may not take into account the special taxes. Although the Special Tax rate may not change, the percentage Effective Tax Rate varies with the value of a dwelling. Therefore, during periods of a depressed real estate market when home prices decrease, the Effective Tax Rate increases. In addition, the Special Taxes increase 2% annually, and the value of homes in Improvement Area No. 2 will vary with the real estate market.

The current Effective Tax Rate in Improvement Area No. 2 is approximately 2.49% based upon the current average assessed value in Improvement Area No. 2 (see “BOND OWNERS’ RISKS – THE DISTRICT BONDS - Risk Factors Relating to Tax Burden - Effective Tax Rate” herein).

**Lien of the Special Tax**

Payment of the Special Taxes is secured by the parcels assessed within Improvement Area No. 2. In the event an annual installment of the Special Taxes included in the County of Riverside (the “County”) tax bill of an assessed parcel is not paid when due, the District can institute foreclosure proceedings in court to cause the parcel to be sold in order to recover the delinquent amount from the proceeds of the sale (see “SOURCES OF PAYMENT FOR THE BONDS - REPAYMENT OF THE DISTRICT BONDS – Covenant for Superior

**Court Foreclosure**” herein). Although the Special Taxes will constitute a lien on parcels of real property within Improvement Area No. 2 of the District, they do not constitute a personal indebtedness of the owner(s) of real property.

Foreclosure and sale may not always result in the recovery of any or the full amount of delinquent Special Taxes. No assurance can be given that should a parcel or lot with delinquent annual installments be foreclosed, that any bid will be received for such property or, if a bid is received, that such bid will be sufficient to pay such delinquent annual installments of the Special Tax. However, since a property is sold only for the amount delinquent and not for the entire outstanding special taxes, it is anticipated that the current value of Developed Property, as estimated, should be sufficient to secure any delinquent special taxes (see **“BOND OWNERS’ RISKS – THE DISTRICT BONDS – Risk Factors Relating to Land Values”** herein).

The payment of Special Taxes by a property owner depends in part upon the debt secured by the parcel (see discussion under **“BOND OWNERS’ RISKS – THE DISTRICT BONDS – Risk Factors Relating to Land Values”** herein). In particular, property owners with negative equity may default on their mortgage payments and not pay their Special Taxes. Any holder of a mortgage or deed of trust could, but would not be required to, advance the amount of delinquent Special Taxes to protect its security interest.

Delinquencies in the payment of property taxes and the Special Taxes may result from any of a number of factors affecting individual property owners. See **“BOND OWNERS’ RISKS – THE DISTRICT BONDS”** for discussions of certain potential causes of property tax and Special Tax delinquencies. The table below shows the ratio between the average assessed value of land and improvements to the average actual annual Special Tax for such land and improvements within Improvement Area No. 2.

**COMMUNITY FACILITIES DISTRICT NO. 2004-3 (MONUMENT RANCH)  
IMPROVEMENT AREA NO. 2  
RATIO OF THE AVERAGE ASSESSED VALUE OF LAND AND IMPROVEMENTS  
TO THE AVERAGE ACTUAL ANNUAL SPECIAL TAX  
FISCAL YEAR 2014/15**

| <u>Improvement Area<br/>No. 2 Assessed Value</u> | <u>Number of Parcels</u> | <u>Average Assessed<br/>Value</u> | <u>Average<br/>Actual Annual<br/>Special Tax</u> | <u>Ratio of Average<br/>Assessed Value to<br/>Average Actual<br/>Annual Special Tax</u> |
|--|--------------------------|-----------------------------------|--|---|
| \$54,938,163                                     | 227                      | \$242,018                         | \$2,516.56                                       | 96.17 to 1  |

Sources: City of Perris and County Assessment Rolls.

**Value-to-Lien Ratios**

The value of the land and improvements within Improvement Area No. 2 is a major factor in determining the investment quality of the District Bonds. Reductions in property values within Improvement Area No. 2 due to a downturn in the economy or the real estate market, events such as earthquakes, droughts or floods, stricter land use regulations or other events may adversely impact the value of the security underlying the Special Tax. To account for such uncertainties, investors typically require the value of the property upon which the Special Tax is levied to be several times the principal amount of the District Bonds. Such value-to-lien ratios are derived by dividing the value of the property by the principal amount of the District Bonds. For example, a 3:1 ratio means that the value is three times the total bond amount. **The value-to-lien ratio of individual parcels may be less or more than the aggregate value-to-lien ratio shown below.** Pursuant to the Act and the Rate and Method of Apportionment, the principal amount of the District Bonds is not allocable among the parcels within Improvement Area No. 2 of the District (see **“BOND OWNERS’ RISKS – THE DISTRICT BONDS – Risk Factors Relating to Land Values”** herein).

Shown below is the assessed value-to-lien ratio based upon Fiscal Year 2014-15 assessed values.

**COMMUNITY FACILITIES DISTRICT NO. 2004-3 (MONUMENT RANCH)  
IMPROVEMENT AREA NO. 2 ASSESSED VALUE TO LIEN RATIO**

| <u>2014-15 Fiscal Year Assessed Value</u> | <u>Principal Amount of District Bonds</u> | <u>Approximate Ratio of Assessed Value of Property to Principal Amount of District Bonds</u> |
|---|---|--|
| \$54,938,163                              | \$8,525,000*                              | 6.44 to 1  |

Source: County of Riverside and the City of Perris.

**Special Tax Collections**

The amount of the Special Tax levy and the amounts collected and delinquencies for Fiscal Years 2012/13 through 2014/15 are shown below.

**COMMUNITY FACILITIES DISTRICT NO. 2004-3  
(MONUMENT RANCH IA 2)  
SPECIAL TAX RECEIPTS**

| <u>Fiscal Year</u>     | <u>No. of Parcels Levied</u> | <u>Amount Levied</u> | <u>Amount Delinquent as of June 30</u> | <u>% Delinquent</u> | <u>Parcels Currently Delinquent</u> |
|------------------------|------------------------------|----------------------|--|---------------------|-------------------------------------|
| 2008/09                | 228                          | \$539,559            | \$62,559                               | 11.6%               | 0                                   |
| 2009/10                | 217                          | 516,145              | 26,702                                 | 5.2%                | 0                                   |
| 2010/11                | 217                          | 516,145              | 15,692                                 | 3.0%                | 00                                  |
| 2011/12                | 217                          | 524,888              | 16,150                                 | 3.1%                | 1                                   |
| 2012/13                | 217                          | 524,888              | 6,401                                  | 1.2%                | 2                                   |
| 2013/14                | 217                          | 535,385              | 11,456                                 | 2.1%                | 2                                   |
| 2014/15 <sup>(1)</sup> | 217                          | 546,093              | 10,545                                 | 3.9%                | 8                                   |

(1) Fiscal Year 2014/15 delinquency amounts are for the first installment only (due December 10, 2014) as of February 10, 2015.

Source: County of Riverside, as compiled by Willdan Financial Services.

**REDEMPTION OF THE BONDS**

**Optional Redemption**

The Bonds are subject to optional redemption prior to maturity at the option of the Authority, in whole or in part, from such maturities as selected by the Authority and by lot within a maturity, on September 1, 2025, from any available source of funds, and on any date thereafter at a redemption price equal to the principal amount thereof, plus accrued interest to the date of redemption, as described herein (see “**THE BONDS – REDEMPTION - Optional Redemption**” herein).

**Special Mandatory Redemption**

The Bonds are subject to special mandatory redemption, in whole or in part, from such maturities as selected by the Authority and by lot within a maturity, on any date on or after September 1, 2015, from

redemption of the District Bonds from amounts constituting prepayments of Special Taxes, from surplus revenues transferred by the Authority from the Cash Flow Management Fund held under the Indenture to the District and from amounts transferred from the Delinquency Management Fund under the Fiscal Agent Agreement for the redemption of the District Bonds at a redemption price equal to the principal amount thereof, plus accrued interest to the date of redemption, plus a premium, as described herein (see **“THE BONDS - REDEMPTION – Special Mandatory Redemption”** herein).

### **Mandatory Sinking Payment Redemption**

The Bonds maturing September 1, 2035, are subject to mandatory sinking payment redemption, without premium, prior to their maturity date, in part by lot on September 1 in each year commencing September 1, 2031, from sinking payments under the Indenture (see **“THE BONDS - REDEMPTION – Mandatory Sinking Payment Redemption”** herein).

## **THE BONDS - GENERAL PROVISIONS**

### **Denominations**

The Bonds will be issued in the minimum denomination of \$5,000 each or any integral multiple thereof (see **“THE BONDS - GENERAL PROVISIONS”** herein).

### **Registration, Transfer and Exchange**

The Bonds will be issued in fully-registered form without coupons. Any Bond may, in accordance with its terms, be transferred or exchanged, pursuant to the provisions of the Indenture (see **“THE BONDS - GENERAL PROVISIONS - Transfer or Exchange of Bonds”** herein). When delivered, the Bonds will be registered in the name of The Depository Trust Company, New York, New York (“DTC”), or its nominee. DTC will act as securities depository for the Bonds. Individual purchases of Bonds will be made in book-entry form only in the principal amount of \$5,000 each or any integral thereof. Purchasers of the Bonds will not receive certificates representing their Bonds purchased (see **“APPENDIX F - BOOK-ENTRY SYSTEM”** herein).

### **Payment**

Principal of the Bonds and any premium upon redemption will be payable in each of the years and in the amounts set forth on the inside cover page hereof upon surrender at the corporate trust office of the Trustee in Los Angeles, California. Interest on the Bonds will be paid by check of the Trustee mailed by first-class mail on the Interest Payment Date (as defined in the Indenture) to the person entitled thereto (owner of record as of preceding Record Date) (except as otherwise described herein for interest paid to an account in the continental United States of America by wire transfer as requested in writing no later than the applicable record date by owners of \$1,000,000 or more in aggregate principal amount of Bonds) (see **“THE BONDS - GENERAL PROVISIONS”** herein). Initially, interest on and principal and premium, if any, of the Bonds will be payable when due by wire of the Trustee to DTC which will in turn remit such interest, principal and premium, if any, to DTC Participants (as defined herein), which will in turn remit such interest, principal and premium, if any, to Beneficial Owners (as defined herein) of the Bonds (see **“APPENDIX F - BOOK-ENTRY SYSTEM”** herein).

Each Bond will 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, 2015, 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 been paid in full or made available for payment thereon payable on each Interest Payment Date.

## **Notice**

Notice of any redemption will be mailed by first-class mail by the Trustee at least thirty (30) but no more than sixty (60) days prior to the date fixed for redemption to the registered owners of any Bonds designated for redemption and to the Securities Depositories and one or more Information Services provided in the Indenture. Neither failure to receive such notice nor any defect in the notice so mailed will affect the sufficiency of the proceedings for redemption of such Bonds or the cessation of accrual of interest on the redemption date (see “**THE BONDS - REDEMPTION - Notice of Redemption; Rescission**” herein).

If at the time of mailing of any notice of optional redemption there has not been deposited with the Trustee moneys sufficient to redeem all the Bonds called for redemption, such notice will say that it is subject to the deposit of the redemption of 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 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.

## **LEGAL MATTERS**

The legal proceedings in connection with the issuance of the Bonds are subject to the approving opinion of Aleshire & Wynder, LLP, Irvine, California, as Bond Counsel. Such opinion, and certain tax consequences incident to the ownership of the Bonds, including certain exceptions to the tax treatment of interest, are described more fully under the heading “**LEGAL MATTERS**” herein. Certain legal matters will be passed on for the Authority and the District by Aleshire & Wynder, LLP, Irvine, California, as City Attorney. Certain legal matters will be passed upon for the Authority, the District and the City by Norton Rose Fulbright US LLP, Los Angeles, California, as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by McFarlin & Anderson LLP, Laguna Hills, California, as Underwriter’s Counsel.

## **PROFESSIONAL SERVICES**

U.S. Bank National Association, Los Angeles, California, will serve as Trustee under the Indenture and as Fiscal Agent under the Fiscal Agent Agreement. The Trustee will act on behalf of the Bond Owners for the purpose of receiving all moneys required to be paid to the Trustee, to allocate, use and apply the same, to hold, receive and disburse the Revenues and other funds held under the Indenture, and otherwise to hold all the offices and perform all the functions and duties provided in the Indenture to be held and performed by the Trustee.

Rod Gunn Associates, Inc., a California corporation, Financing Consultant, advised the District and the Authority as to the financial structure and certain other financial matters relating to the Bonds.

Willdan Financial Services, Temecula, California, Special Tax Consultant, prepared the cash flow certificate for the District demonstrating that there will be sufficient Special Taxes, assuming timely receipt, to pay debt service on the District Bonds.

Fees payable to Bond Counsel, Disclosure Counsel, Underwriter's Counsel and the Financing Consultant are contingent upon the sale and delivery of the Bonds.

## **AVAILABILITY OF LEGAL DOCUMENTS**

The summaries and references contained herein with respect to the Indenture, the Bonds, the District Bonds, the Fiscal Agent Agreement and other statutes or documents do not purport to be comprehensive or definitive and are qualified by reference to each such document or statute; and references to the Bonds are qualified in their entirety by reference to the form thereof included in the Indenture. Copies of the documents described herein are available for inspection during the period of initial offering of the Bonds at the offices of the Underwriter, O'Connor & Company Securities, Inc., 234 East 17<sup>th</sup> Street, Suite 114, Costa Mesa, California, 92627, telephone (949) 764-9320. Copies of these documents may be obtained after delivery of the Bonds from the City at 101 North "D" Street, Perris, California 92570, telephone (951) 943-6100.

## SELECTED FACTS

*The following summary does not purport to be complete. Reference is hereby made to the complete Official Statement in this regard. Furthermore, the following summary makes certain assumptions regarding valuation of property within Improvement Area No. 2 of the District based upon assessed valuations. Neither the Authority nor the District make any representation as to the current value of property within Improvement Area No. 2 of the District or provides any assurance as to the estimated values of property being achieved (see “**BOND OWNERS’ RISKS**” herein).*

### **THE BONDS**

|  |  |
|--|--|
| Principal Amount of Bonds:   | \$8,525,000*   |
| Additional Bonds:  | Except for refunding purposes, additional bonds are not authorized.  |
| First Optional Redemption Date:  | September 1, 2025, at 100% of principal amount (see “ <b>THE BONDS – REDEMPTION – Optional Redemption</b> ” herein).   |
| First Special Mandatory Redemption Date:   | On any date on or after September 1, 2015, from the special mandatory redemption of District Bonds at a premium, as described herein (see “ <b>THE BONDS - REDEMPTION – Special Mandatory Redemption</b> ” herein).                                    |
| Primary Source of Revenues for Repayment:  | The Bonds are payable from Revenues (as defined herein) received from the payment of the District Bonds and certain other sources (see “ <b>SOURCES OF PAYMENT FOR THE BONDS – REPAYMENT OF THE BONDS</b> ” and “ <b>BOND OWNERS’ RISKS</b> ” herein). |
| Priority:  | The Bonds are secured by a first pledge of and lien on the Revenues as described herein (see “ <b>SOURCES OF PAYMENT FOR THE BONDS – REPAYMENT OF THE BONDS</b> ” and “ <b>BOND OWNERS’ RISKS</b> ” herein).   |
| Debt Service Coverage from Repayment of District Bonds (see “ <b>DEBT SERVICE COVERAGE – DEBT SERVICE COVERAGE ON THE BONDS</b> ” herein): | 100%   |

### **THE DISTRICT BONDS**

|   |  |
|---|--|
| Principal Amount of the District Bonds: | \$8,525,000*   |
| Additional District Bonds:              | Additional bonds within Improvement Area No. 2 of the District are not authorized except for refunding purposes. |

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\* Preliminary, subject to change.



|  |   |
|--|---|
| Average Amount of Bonded Debt per Parcel:            | \$37,555  |
| Primary Sources for Repayment of the District Bonds: | Special Taxes levied within Improvement Area No. 2 of the District (see “ <b>SOURCES OF PAYMENT FOR THE BONDS – REPAYMENT OF THE DISTRICT BONDS</b> ” herein).  |
| Priority:  | The District Bonds are secured by a pledge of Special Taxes levied against all taxable real property within Improvement Area No. 2 of the District (see “ <b>SOURCES OF PAYMENT FOR THE BONDS – REPAYMENT OF THE DISTRICT BONDS</b> ” and “ <b>BOND OWNERS’ RISKS</b> ” herein).<br><br>The lien of the Special Taxes on the taxable real property within Improvement Area No. 2 of the District is on a parity with the lien of all overlapping governmental liens (see “ <b>BOND OWNERS’ RISKS – Risk Factors Relating to Tax Burden</b> ” herein). |
| First Optional Redemption Date:                      | September 1, 2025, at 100% of principal amount (see “ <b>THE BONDS - REDEMPTION</b> ” herein).  |

**THE DISTRICT**

**Property Owners**

Owners of Developed Property: 227 Individual Owners

**Assessed Value**

Fiscal Year 2014/15 Assessed Value of Developed Property within Improvement Area No. 2 of the District: \$54,938,163

Ratio of Assessed Value of property within Improvement Area No. 2 of the District to the aggregate principal amount of the District Bonds: 6.44 to 1

**Special Taxes**

Approximate ratio of the Maximum Special Taxes within Improvement Area No. 2 of the District in any Fiscal Year to the corresponding Annual Debt Service on the District Bonds: 1.10 to 1  
(see “**DEBT SERVICE COVERAGE – DEBT SERVICE COVERAGE ON THE DISTRICT BONDS**” herein).

Estimated Average Effective Tax Rate: 2.49%  
See “**BOND OWNERS’ RISKS – Risk Factors Relating to Tax Burden - Effective Tax Rate**” herein.

Special Tax collections within Improvement Area No. 2 of the District: See “**DISTRICT ADMINISTRATION - DELINQUENCIES**” herein.

## **ESTIMATED SOURCES AND USES OF FUNDS**

### **THE BONDS**

Proceeds from the sale of the Bonds will be used to provide funds to acquire the District Bonds in the aggregate principal amounts indicated below. Under the provisions of the Indenture, the Trustee will receive the proceeds from the sale of the Bonds and will apply them as follows:

#### **Sources of Funds**

Principal Amount of the Bonds

Net Original Issue Discount

Underwriter's Discount

Net Bond Proceeds

Other Available Funds <sup>(1)</sup>

Total Available

#### **Uses of Funds**

Bond Purchase Fund <sup>(2)</sup>

Costs of Issuance Fund <sup>(3)</sup>

Reserve Account <sup>(4)</sup>

Cash Flow Management Fund <sup>(5)</sup>

Total

(1) Includes moneys in the prior Reserve Fund and certain other prior funds.

(2) To be used to acquire the District Bonds.

(3) Expenses include fees of Bond Counsel, the Financing Consultant, Disclosure Counsel, Underwriter's Counsel, the Trustee, costs of printing the Official Statement and other costs of issuance of the Bonds.

(4) Equal to the Reserve Requirement. See "**SOURCES OF PAYMENT FOR THE BONDS – REPAYMENT OF THE BONDS – Reserve Account**" herein.

(5) Equal to the Cash Flow Management Fund Requirement and funded from other available funds (see "**SOURCES OF PAYMENT FOR THE BONDS – REPAYMENT OF THE BONDS – Cash Flow Management Fund**" herein).

## THE DISTRICT BONDS

The District will deposit the proceeds from the District Bonds and other available funds as follows:

### Sources of Funds

Principal Amount of District Bonds

Bond Purchase Discount

Net Bond Proceeds

Other Available Funds

### Total Available

### Uses of Funds

Costs of Issuance Fund <sup>(1)</sup>

Delinquency Management Fund <sup>(2)</sup>

Administrative Expense Fund

Escrow Fund <sup>(3)</sup>

Total

- (1) Costs of Issuance include fees of Bond Counsel, the Financing Consultant, Disclosure Counsel, Special Tax Consultant, the Fiscal Agent and other costs related to the issuance of the District Bonds.
- (2) Equal to the Delinquency Management Fund Requirement and funded from other available funds (see “**SOURCES OF PAYMENT FOR THE BONDS – REPAYMENT OF THE DISTRICT BONDS – Delinquency Management Fund**” herein).
- (3) Amount required to defease the 2005 District Bonds (see “**PLAN OF REFUNDING**” herein).

## **PLAN OF REFUNDING**

Currently, \$7,785,000 remains outstanding of the 2005 District Bonds. On the date of delivery, a portion of the proceeds of the District Bonds, together with certain other funds, will be deposited in trust with U.S. Bank National Association, Los Angeles, California, as escrow holder (the "Escrow Bank"), pursuant to an Escrow Agreement, dated as of July 1, 2015, by and among the Authority, the District and the Escrow Bank (the "Escrow Agreement"). The deposit will be in an amount sufficient to pay interest on the 2005 District Bonds through and including September 1, 2015 (the "Redemption Date"), and to pay the redemption price with respect to the remaining 2005 District Bonds on the Redemption Date, and the 2005 District Bonds shall be deemed prepaid. The lien of the 2005 District Bonds created by the Fiscal Agent Agreement, dated as of May 1, 2005, by and between the District and the Trustee, will be discharged, terminated and of no further force and effect.

## **DEBT SERVICE COVERAGE**

### **DEBT SERVICE COVERAGE ON THE BONDS**

The Bonds are special obligations of the Authority payable solely from and secured by revenues from repayment of the District Bonds and certain funds and accounts established under the Indenture, including the Cash Flow Management Fund and the Reserve Account held by the Trustee. In addition, the Bonds may be payable from any available surplus revenues with respect to other series of local agency revenue bonds issued pursuant to the Indenture to the extent such surplus revenues are available to replenish the Reserve Account to its requirement and to fund the Cash Flow Management Fund to its requirement (see **SOURCES OF PAYMENT FOR THE BONDS – REPAYMENT OF THE BONDS – Application of Revenues; Flow of Funds**” herein).

#### **PERRIS JOINT POWERS AUTHORITY LOCAL AGENCY REVENUE BONDS (CFD NO. 2004-3, IA 2 REFUNDING), 2015 SERIES C DEBT SERVICE COVERAGE**

| <b><u>Bond<br/>Year</u></b> | <b><u>District Bonds Debt<br/>Service Payments</u></b> | <b><u>Debt Service Payments<br/>on the Bonds</u></b> | <b><u>Coverage<br/>Ratio</u></b> |
|-----------------------------|--|--|----------------------------------|
| 2015                        |  |  | 100%                             |
| 2016                        |  |  | 100%                             |
| 2017                        |  |  | 100%                             |
| 2018                        |  |  | 100%                             |
| 2019                        |  |  | 100%                             |
| 2020                        |  |  | 100%                             |
| 2021                        |  |  | 100%                             |
| 2022                        |  |  | 100%                             |
| 2023                        |  |  | 100%                             |
| 2024                        |  |  | 100%                             |
| 2025                        |  |  | 100%                             |
| 2026                        |  |  | 100%                             |
| 2027                        |  |  | 100%                             |
| 2028                        |  |  | 100%                             |
| 2029                        |  |  | 100%                             |
| 2030                        |  |  | 100%                             |
| 2031                        |  |  | 100%                             |
| 2032                        |  |  | 100%                             |
| 2033                        |  |  | 100%                             |
| 2034                        |  |  | 100%                             |
| 2035                        |  |  |                                  |

## DEBT SERVICE COVERAGE ON THE DISTRICT BONDS

The following tables present the projected annual debt service coverage on the District Bonds based upon the realization of certain assumptions and the aggregate projected Special Tax within Improvement Area No. 2 of the District. In addition, the District Bonds may be payable from any moneys that may be available from the Delinquency Management Fund established and held pursuant to the Fiscal Agent Agreement (see “**SOURCES OF PAYMENT FOR THE BONDS – REPAYMENT OF THE DISTRICT BONDS – Delinquency Management Fund**” herein). No allowance was made for delinquencies.

Pursuant to the Act, under no circumstances will the Special Tax levied against any parcel of developed property for which an occupancy permit for private residential use has been issued 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. 2 of the District. Accordingly, the District may not be able to levy the maximum special tax within Improvement Area No. 2 of the District in certain circumstances.

The receipt of Special Taxes is subject to several variables described herein. The District provides no assurance that the Special Tax and the coverage ratios shown will be achieved (see “**BOND OWNERS’ RISKS**” herein).

### CITY OF PERRIS COMMUNITY FACILITIES DISTRICT NO. 2004-3 (MONUMENT RANCH) IMPROVEMENT AREA NO. 2 DEBT SERVICE COVERAGE

| <u>Fiscal Year</u> | <u>Total Maximum<br/>Special Tax</u> | <u>Less<br/>Administrative<br/>Expense</u> | <u>Net Maximum<br/>Special Tax</u> | <u>Debt Service<br/>Payments on the<br/>District Bonds</u> | <u>Coverage<br/>Ratio</u> |
|--------------------|--------------------------------------|--|------------------------------------|--|---------------------------|
| 2015               |                                      |  |                                    |  |                           |
| 2016               |                                      |  |                                    |  |                           |
| 2017               |                                      |  |                                    |  |                           |
| 2018               |                                      |  |                                    |  |                           |
| 2019               |                                      |  |                                    |  |                           |
| 2020               |                                      |  |                                    |  |                           |
| 2021               |                                      |  |                                    |  |                           |
| 2022               |                                      |  |                                    |  |                           |
| 2023               |                                      |  |                                    |  |                           |
| 2024               |                                      |  |                                    |  |                           |
| 2025               |                                      |  |                                    |  |                           |
| 2026               |                                      |  |                                    |  |                           |
| 2027               |                                      |  |                                    |  |                           |
| 2028               |                                      |  |                                    |  |                           |
| 2029               |                                      |  |                                    |  |                           |
| 2030               |                                      |  |                                    |  |                           |
| 2031               |                                      |  |                                    |  |                           |
| 2032               |                                      |  |                                    |  |                           |
| 2033               |                                      |  |                                    |  |                           |
| 2034               |                                      |  |                                    |  |                           |
| 2035               |                                      |  |                                    |  |                           |

# SCHEDULED DEBT SERVICE SCHEDULES

## SCHEDULED DEBT SERVICE ON THE BONDS

The following is the scheduled debt service on the Bonds.

| <u>Interest Payment Date</u> | <u>Principal</u> | <u>Coupon</u> | <u>Interest</u> | <u>Debt Service</u> | <u>Annual Debt Service</u> | <u>Bond Balance</u> |
|------------------------------|------------------|---------------|-----------------|---------------------|----------------------------|---------------------|
| September 1, 2015            |                  |               |                 |                     |                            |                     |
| March 1, 2016                |                  |               |                 |                     |                            |                     |
| September 1, 2016            |                  |               |                 |                     |                            |                     |
| March 1, 2017                |                  |               |                 |                     |                            |                     |
| September 1, 2017            |                  |               |                 |                     |                            |                     |
| March 1, 2018                |                  |               |                 |                     |                            |                     |
| September 1, 2018            |                  |               |                 |                     |                            |                     |
| March 1, 2019                |                  |               |                 |                     |                            |                     |
| September 1, 2019            |                  |               |                 |                     |                            |                     |
| March 1, 2020                |                  |               |                 |                     |                            |                     |
| September 1, 2020            |                  |               |                 |                     |                            |                     |
| March 1, 2021                |                  |               |                 |                     |                            |                     |
| September 1, 2021            |                  |               |                 |                     |                            |                     |
| March 1, 2022                |                  |               |                 |                     |                            |                     |
| September 1, 2022            |                  |               |                 |                     |                            |                     |
| March 1, 2023                |                  |               |                 |                     |                            |                     |
| September 1, 2023            |                  |               |                 |                     |                            |                     |
| March 1, 2024                |                  |               |                 |                     |                            |                     |
| September 1, 2024            |                  |               |                 |                     |                            |                     |
| March 1, 2025                |                  |               |                 |                     |                            |                     |
| September 1, 2025            |                  |               |                 |                     |                            |                     |
| March 1, 2026                |                  |               |                 |                     |                            |                     |
| September 1, 2026            |                  |               |                 |                     |                            |                     |
| March 1, 2027                |                  |               |                 |                     |                            |                     |
| September 1, 2027            |                  |               |                 |                     |                            |                     |
| March 1, 2028                |                  |               |                 |                     |                            |                     |
| September 1, 2028            |                  |               |                 |                     |                            |                     |
| March 1, 2029                |                  |               |                 |                     |                            |                     |
| September 1, 2029            |                  |               |                 |                     |                            |                     |
| March 1, 2030                |                  |               |                 |                     |                            |                     |
| September 1, 2030            |                  |               |                 |                     |                            |                     |
| March 1, 2031                |                  |               |                 |                     |                            |                     |
| September 1, 2031            |                  |               |                 |                     |                            |                     |
| March 1, 2032                |                  |               |                 |                     |                            |                     |
| September 1, 2032            |                  |               |                 |                     |                            |                     |
| March 1, 2033                |                  |               |                 |                     |                            |                     |
| September 1, 2033            |                  |               |                 |                     |                            |                     |
| March 1, 2034                |                  |               |                 |                     |                            |                     |
| September 1, 2034            |                  |               |                 |                     |                            |                     |
| March 1, 2035                |                  |               |                 |                     |                            |                     |
| September 1, 2035            |                  |               |                 |                     |                            |                     |

## SCHEDULED DEBT SERVICE ON THE DISTRICT BONDS

The following is the scheduled debt service on the District Bonds.

| <u>Interest Payment Date</u> | <u>Principal</u> | <u>Coupon</u> | <u>Interest</u> | <u>Debt Service</u> | <u>Annual Debt Service</u> | <u>Bond Balance</u> |
|------------------------------|------------------|---------------|-----------------|---------------------|----------------------------|---------------------|
| September 1, 2015            |                  |               |                 |                     |                            |                     |
| March 1, 2016                |                  |               |                 |                     |                            |                     |
| September 1, 2016            |                  |               |                 |                     |                            |                     |
| March 1, 2017                |                  |               |                 |                     |                            |                     |
| September 1, 2017            |                  |               |                 |                     |                            |                     |
| March 1, 2018                |                  |               |                 |                     |                            |                     |
| September 1, 2018            |                  |               |                 |                     |                            |                     |
| March 1, 2019                |                  |               |                 |                     |                            |                     |
| September 1, 2019            |                  |               |                 |                     |                            |                     |
| March 1, 2020                |                  |               |                 |                     |                            |                     |
| September 1, 2020            |                  |               |                 |                     |                            |                     |
| March 1, 2021                |                  |               |                 |                     |                            |                     |
| September 1, 2021            |                  |               |                 |                     |                            |                     |
| March 1, 2022                |                  |               |                 |                     |                            |                     |
| September 1, 2022            |                  |               |                 |                     |                            |                     |
| March 1, 2023                |                  |               |                 |                     |                            |                     |
| September 1, 2023            |                  |               |                 |                     |                            |                     |
| March 1, 2024                |                  |               |                 |                     |                            |                     |
| September 1, 2024            |                  |               |                 |                     |                            |                     |
| March 1, 2025                |                  |               |                 |                     |                            |                     |
| September 1, 2025            |                  |               |                 |                     |                            |                     |
| March 1, 2026                |                  |               |                 |                     |                            |                     |
| September 1, 2026            |                  |               |                 |                     |                            |                     |
| March 1, 2027                |                  |               |                 |                     |                            |                     |
| September 1, 2027            |                  |               |                 |                     |                            |                     |
| March 1, 2028                |                  |               |                 |                     |                            |                     |
| September 1, 2028            |                  |               |                 |                     |                            |                     |
| March 1, 2029                |                  |               |                 |                     |                            |                     |
| September 1, 2029            |                  |               |                 |                     |                            |                     |
| March 1, 2030                |                  |               |                 |                     |                            |                     |
| September 1, 2030            |                  |               |                 |                     |                            |                     |
| March 1, 2031                |                  |               |                 |                     |                            |                     |
| September 1, 2031            |                  |               |                 |                     |                            |                     |
| March 1, 2032                |                  |               |                 |                     |                            |                     |
| September 1, 2032            |                  |               |                 |                     |                            |                     |
| March 1, 2033                |                  |               |                 |                     |                            |                     |
| September 1, 2033            |                  |               |                 |                     |                            |                     |
| March 1, 2034                |                  |               |                 |                     |                            |                     |
| September 1, 2034            |                  |               |                 |                     |                            |                     |
| March 1, 2035                |                  |               |                 |                     |                            |                     |
| September 1, 2035            |                  |               |                 |                     |                            |                     |



# THE BONDS

## GENERAL PROVISIONS

### Repayment of the Bonds

Interest is payable on the Bonds at the rates per annum set forth on the inside cover page hereof. Interest with respect to the Bonds will be computed on the basis of a year consisting of 360 days and twelve 30-day months.

Each Bond will be dated the date of delivery, and interest with respect thereto will be payable from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated 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, 2015, in which event interest with respect thereto will be payable from the date of delivery; 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.

Interest with respect to the Bonds will be payable by check of the Trustee mailed by first-class mail on the Interest Payment Date to the Owners thereof, *provided* that in the case of an Owner of \$1,000,000 or greater in principal amount of Outstanding Bonds, such payment may, at such Owner's option, be made by wire transfer of immediately available funds to an account in the continental United States of America in accordance with written instructions provided prior to the Record Date to the Trustee by such Owner. The Owners of the Bonds shown on the registration books on the Record Date for the Interest Payment Date will be deemed to be the Owners of the Bonds on said Interest Payment Date for the purpose of the paying of interest. Principal of the Bonds and any premium upon early redemption is payable upon presentation and surrender thereof at the corporate trust office of the Trustee in Los Angeles, California.

### Transfer or Exchange of Bonds

Any Bond may, in accordance with its terms, be transferred or exchanged, pursuant to the provisions of the Indenture, upon surrender of such Bond for cancellation at the corporate trust office of the Trustee. Whenever any Bond or Bonds shall be surrendered for transfer or exchange, the Trustee shall authenticate and deliver a new Bond or Bonds for like aggregate principal amount of authorized denominations. The Trustee may require the 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 is not required to transfer or exchange (a) any Bonds or portions thereof during the period established by the Trustee for selection of Bonds for redemption, or (b) any Bonds selected for redemption.

### Bonds Mutilated, Lost, Destroyed or Stolen

If any Bond becomes mutilated, the Authority, at the expense of the Bond Owner, will execute, and the Trustee will 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 will be canceled by it. If any Bond issued under the Indenture is lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and the Authority and, if such evidence is satisfactory to them and indemnity satisfactory to them is given, the Authority, at the expense of the Bond Owner, will execute, and the Trustee will 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 has matured or has 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 by the Bond Owner of a sum not exceeding the actual cost of preparing each new Bond

issued under the provisions of the Indenture described in this paragraph and of the expenses which may be incurred by the Authority and the Trustee. Any Bond issued under the provisions of the Indenture described in this paragraph in lieu of any Bond alleged to be lost, destroyed or stolen will be equally and proportionately entitled to the benefits of the Indenture with all other Bonds secured by the Indenture.

## **REDEMPTION**

Notwithstanding any provisions in the Indenture to the contrary, upon any optional redemption or any special mandatory redemption, in part, the Authority shall deliver a Written Certificate (as defined in the Indenture) 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 so stating that the remaining payments of principal and interest on the District Bonds, together with other Revenues to be available, will be sufficient on a timely basis to pay debt service on the Bonds.

The Authority is required, in such Written Certificate, to certify to the Trustee that sufficient moneys for purposes of such redemption are or will be on deposit in the Redemption Fund and to deliver such moneys to the Trustee, together with other Redemption Revenues, if any, then to be delivered to the Trustee pursuant to the Indenture, which moneys are required to be identified to the Trustee in the Written Certificate delivered with the Redemption Revenues.

### **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, 2025, 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.

### **Special Mandatory Redemption**

The Bonds are subject to mandatory redemption prior to maturity on any date on or after September 1, 2015, in whole or in part from such maturities as selected by the Authority and by lot within a maturity, from the redemption of the District Bonds from amounts constituting prepayments of the Special Taxes and from amounts held in the Delinquency Management Fund under the Fiscal Agent Agreement and from amounts in 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 date fixed for redemption.

| <b><u>Redemption Periods</u></b>          | <b><u>Redemption Prices</u></b> |
|---|---------------------------------|
| September 1, 2015 through August 31, 2025 | 102.0%                          |
| September 1, 2025 and thereafter          | 100.0%                          |

### **Mandatory Sinking Payment Redemption**

The Bonds maturing September 1, 2035, are subject to mandatory redemption, in part by lot, on September 1 in each year commencing September 1, 2031, from mandatory sinking payments made by the Authority pursuant to 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 years as set forth in the following schedule; provided, however, that (i) in lieu of redemption thereof, the Bonds may be purchased by the Authority and tendered to the Trustee, and (ii) if some but not all of the Bonds have been redeemed pursuant to optional redemption or special mandatory redemption provisions described herein, the total amount of all future mandatory sinking payments will be reduced by the aggregate principal amount of the 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.

**SCHEDULE OF MANDATORY SINKING PAYMENT REDEMPTIONS  
BONDS MATURING SEPTEMBER 1, 2035**

| <u>September 1</u><br><u>Year</u> | <u>Principal</u><br><u>Amount</u> | <u>September 1</u><br><u>Year</u> | <u>Principal</u><br><u>Amount</u> |
|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| 3031                              |                                   | 2034                              |                                   |
| 2032                              |                                   | 2035                              |                                   |
| 2033                              |                                   |                                   |                                   |

**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.

**Notice of Redemption; Rescission**

When redemption is authorized or required, written notice of redemption is required to be mailed by the Trustee to the Bond Owners of any Bonds designated for redemption at their addresses appearing on the bond registration books, to the Securities Depositories, and to one or more of the Information Services, all as provided in the Indenture, by first-class mail, postage prepaid, no less than thirty (30), nor more than sixty (60), days prior to the date fixed for redemption. Neither failure to receive such notice nor any defect in the notice so mailed will affect the sufficiency of the proceedings for redemption of such Bonds or the cessation of accrual of interest on the redemption date.

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 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.

In addition to the foregoing notice, further notice will be given by the Trustee to any Bond Owner whose Bond has been called for redemption but who has failed to tender his or her Bond for payment by the date which is sixty (60) days after the redemption date, but no defect in such further notice will in any manner defeat the effectiveness of a call for redemption.

The Authority shall have the right to rescind any optional redemption or special mandatory 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 under the Indenture. The Authority and the Trustee shall have no liability to the Bond Owners or any other party related to 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.

**Effect of Redemption**

The rights of a Bond Owner to receive interest will terminate on the date, if any, on which the Bond is to be redeemed pursuant to a call for redemption. The Indenture contains no provisions requiring any publication of notice of redemption, and Bond Owners must maintain a current address on file with the Trustee to receive any notices of redemption.

## **Partial Redemption**

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 Bond Owner thereof, at the expense of the Authority, a new Bond or Bonds of the same maturity date of authorized denominations in an aggregate principal amount equal to the unredeemed portion of the Bond to be redeemed.

## **INVESTMENT OF FUNDS**

All moneys in any of the funds or accounts established with the Trustee, pursuant to the Indenture, or the Fiscal Agent, pursuant to the Fiscal Agent Agreement, will be invested solely in Permitted Investments (as defined in the Indenture), as directed pursuant to the Written Request of the Authority or the District filed with the Trustee or the Fiscal Agent at least two (2) Business Days (as defined in the Indenture) in advance of the making of such investments. In the absence of any such Written Request, the Trustee will invest any such moneys in money market funds. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account. For the purpose of determining the amount in any fund, the value of Permitted Investments credited to such fund will be calculated at the fair market value thereof (excluding any accrued interest). Investment of funds and accounts subject to yield restrictions under applicable provisions of the Internal Revenue Code shall be valued at their present value.

## **ADDITIONAL OBLIGATIONS**

### **The Authority**

Except for refunding purposes, additional bonds secured by the Revenues are not authorized.

### **The District**

Pursuant to the provisions of the Fiscal Agent Agreement, the District is not authorized to issue additional bonds related to Improvement Area No. 2 except for refunding purposes.

# SOURCES OF PAYMENT FOR THE BONDS

## REPAYMENT OF THE BONDS

### General

The Bonds are payable solely from and secured by payment of the District Bonds, the Cash Flow Management Fund and the Reserve Account held pursuant to the Indenture and certain investment earnings on the funds and accounts held under the Indenture. In addition, the Bonds may be payable from any available surplus revenues with respect to other series of local agency revenue bonds in the event of a shortfall of Revenues available to pay debt service to the extent the Authority determines to loan such funds.

**The Bonds are special obligations of the Authority. The Bonds shall not be deemed to constitute a debt or liability of the State or of any political subdivision thereof, other than the Authority. The Authority shall only be obligated to pay the principal of the Bonds and the interest thereon from the funds described herein, and neither the faith and credit nor the taxing power of the City or the District, except to the limited extent described herein, the State or any of its political subdivisions is pledged to the payment of the principal of or the interest on the Bonds. The Authority has no taxing power.**

### Application of Revenues; Flow of Funds

**Revenue Fund.** The Trustee will deposit all Revenues (excluding Redemption Revenues) upon receipt thereof in a special fund designated as the "Revenue Fund" which the Trustee shall establish, maintain and hold in trust under the Indenture.

**Deposit of Revenues; Bond Fund.** The Trustee will establish, maintain and hold in trust a separate fund entitled the "Bond Fund." Within the Bond Fund, the Trustee will establish, maintain and hold in trust separate special accounts entitled "Interest Account," "Principal Account" and "Reserve Account." On or before each Interest Payment Date, the Trustee shall transfer from the Revenue Fund for deposit into the Bond Fund the amounts and in the priority set forth below.

**Application of Revenues; Bond Fund.** On or before each Interest Payment Date, the Trustee will transfer from the Revenue Fund and deposit into the Bond Fund and the following 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;

*Interest Account.* On or before each 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).

*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. 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).

*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, shall be credited to the replenishment of the Reserve Account in an amount sufficient to maintain the Reserve Requirement therein.

The Authority is required to 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 shall 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 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 the redemption of the Bonds. Amounts in the Reserve Account may be used to pay the final year's debt service on the Bonds.

**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, 2015, on deposit in the Revenue Fund shall be transferred to the Cash Flow Management Fund.

### **Reserve Account**

In order to secure further the timely payment of principal of and interest on the Bonds, the Authority is required, upon delivery of the Bonds, to deposit in the Reserve Account for the Bonds an amount equal to the Reserve Requirement. The Reserve Requirement means with respect to the Bonds the least of (i) 10% of the initial proceeds of the Bonds (within the meaning of section 148 of the Code), (ii) Maximum Annual Debt Service, or (iii) 125% of the average Annual Debt Service as of the date of issuance, **provided, however, the Reserve Requirement on any calculation date shall not be greater than the Reserve Requirement amount as of the date of issuance.**

The amount of Bond proceeds deposited into the Reserve Account will be in an amount equal to \$727,125.00 (see “**ESTIMATED SOURCES AND USES OF FUNDS – THE BONDS**” herein). Thereafter, the Authority is required to deposit any amounts received from the District for replenishment of the Reserve Account 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 are not available therefor (including amounts in the Cash Flow Management Fund). Amounts in the Reserve Account in excess of the Reserve Requirement will be deposited into the Revenue Fund. Amounts in the Reserve Account may be used to pay the final year's debt service on the Bonds (see “**APPENDIX A - SUMMARY OF THE INDENTURE**”). Upon redemption, amounts on deposit in the Reserve Account shall be reduced (to an amount not less than the Reserve Requirement) and excess money shall be transferred to the Redemption Fund and used for the redemption of Bonds.

### **Cash Flow Management Fund**

On September 2 of each year (or the next business day to the extent September 2 is not a business day), commencing September 2, 2015, the Trustee shall transfer any amounts remaining in the Revenue Fund to the Cash Flow Management Fund (as defined in the Indenture). 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 its 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 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.

The Cash Flow Management Fund Requirement is 15% (\$109,068.75) of maximum annual debt service on the Bonds. There will be an initial deposit from other available funds of \$109,068.75 into the Cash Flow Management Fund.

### **Redemption Fund**

The Trustee will establish as a separate fund to be called the “Redemption Fund,” to the credit of which the Authority shall deposit, immediately upon receipt, all Redemption Revenues. 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 to redeem Bonds (except for mandatory sinking fund redemption) pursuant to the Indenture.

## **REPAYMENT OF THE DISTRICT BONDS**

### **General**

The principal of, premium, if any, the interest on the District Bonds and the Administrative Expenses of the District, are payable from the Special Taxes collected on real property within Improvement Area No. 2 of the District and funds, including any amounts available in the Delinquency Management Fund (as defined in the Fiscal Agent Agreement), held by the Fiscal Agent and available for such purposes pursuant to the Fiscal Agent Agreement.

The District Bonds are secured by a first pledge of all of the Special Tax Revenues and Redemption Revenues and all moneys deposited in the Bond Fund and, until disbursed, as provided in the Fiscal Agent Agreement, in the Special Tax Fund, the Redemption Fund and the Delinquency Management Fund. The Special Tax Revenues and all moneys deposited into said funds are dedicated to the payment of the principal of, and interest and any premium on the District Bonds.

**The District Bonds are limited obligations of the District payable from the proceeds of Special Taxes levied on certain parcels within Improvement Area No. 2 of the District. The District Bonds shall not be deemed to constitute a debt or liability of the City, the State or of any political subdivision thereof, other than the District to the limited extent set forth in the Fiscal Agent Agreement. Neither the faith and credit nor the taxing power of the City, the District, the State or any of its political subdivisions is pledged to the payment of the principal of or the interest on the District Bonds except to the limited extent provided herein.**

## Special Taxes

The Special Taxes are excepted from the tax rate limitation of California Constitution Article XIII A pursuant to Section 4 thereof as a “special tax” authorized by at least a two-thirds vote of the qualified electors as set forth in the Act. Consequently, the City Council of the City (the “City Council”), on behalf of the District, has the power and is obligated by the Fiscal Agent Agreement to cause the levy and collection of the Special Taxes.

The District has covenanted in the Fiscal Agent Agreement to levy (subject to the limits set forth in the Rate and Method of Apportionment) in each fiscal year the Special Taxes in an amount sufficient to pay the debt service on the District Bonds, including an allowance for delinquencies, and the cost of providing for administrative expenses of the District and the Authority relating to Improvement Area No. 2.

The Special Taxes are to be levied and collected according to the Rate and Method of Apportionment and the Act as described in the section entitled “**THE SPECIAL TAXES**” herein.

Although the Special Taxes will constitute a lien on parcels of real property within Improvement Area No. 2 of the District, they do not constitute a personal indebtedness of the owner(s) of real property within Improvement Area No. 2 of the District. There is no assurance that the property owner(s), or any successors and/or assigns thereto or subsequent purchaser(s) of land within Improvement Area No. 2 of the District, will be able to pay the annual Special Taxes or if able to pay the Special Taxes that they will do so (see “**BOND OWNERS’ RISKS**” herein).

The Special Taxes are required to be collected by the County of Riverside Tax Collector in the same manner and at the same time as regular *ad valorem* property taxes are collected by the Tax Collector of the County. When received, such Special Taxes will be transferred by the City to the Fiscal Agent as soon as possible after receipt. Moneys in the Special Tax Fund (as defined in the Fiscal Agent Agreement) are held in trust for the benefit of Improvement Area No. 2 of the District and owners of the District Bonds and disbursed pursuant to the Fiscal Agent Agreement.

### Application of Special Taxes; Flow of Funds

**Bond Fund.** The Fiscal Agent will deposit all Special Taxes with respect to the District Bonds, when received from the City, into the Special Tax Fund (exclusive of Redemption Revenues received which shall be deposited into the Redemption Fund under the Fiscal Agent Agreement). The Fiscal Agent, from time to time, pursuant to a written direction of the District will transfer to the Administrative Expense Fund (as defined in the Fiscal Agent Agreement) an amount for budgeted Administrative Expenses.

At least ten (10) Business Days prior to each Interest Payment Date, the Fiscal Agent will transfer from the Special Tax Fund for deposit into the Bond Fund which consists of the following accounts, 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 Special Taxes 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) The Fiscal Agent will deposit into the Interest Account an amount which, together with the amount then on deposit therein, is sufficient to cause the aggregate amount on deposit in the Interest Account to equal the amount then required to make the payment of interest on the District Bonds on the next Interest Payment Date.
- (ii) The Fiscal Agent will deposit into the Principal Account an amount which, together with the amount then on deposit therein, is sufficient to cause the aggregate amount on deposit in the Principal Account to equal the amount of principal or sinking account payment coming due and payable on the next Interest Payment Date on the Outstanding District Bonds upon the stated maturity or redemption thereof.



## **Delinquency Management Fund**

On September 2 of each year, commencing September 2, 2014, the Fiscal Agent shall transfer any amounts remaining in the Special Tax Fund to the Delinquency Management Fund. Amounts, if any, deposited into the Delinquency Management Fund shall be applied for the following purposes in the following order of priority:

- (i) The Fiscal Agent shall transfer to the appropriate account within the Bond Fund to pay debt service on the District 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 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 District 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.

The Delinquency Management Fund Requirement is 15% (\$109,068.75) of Maximum Annual Debt Service on the District Bonds. On the delivery date of the District Bonds, the Delinquency Management Fund will be fully funded from other available funds (see “**ESTIMATED SOURCES AND USES OF FUNDS – THE DISTRICT BONDS**”).

## **Redemption Fund**

The Fiscal Agent will establish a “Redemption Fund” in which there shall be established and created an Optional Redemption Account, a Mandatory Redemption Account and a Special Mandatory Redemption Account, to the credit of which the District or the City, on behalf of the District, will deposit, immediately upon receipt, all Redemption Revenues received by the District or the City on behalf of the District. Moneys in the Redemption Funds will be disbursed as provided below and, pending any disbursement, shall be subject to a lien in favor of the Owners of the District Bonds.

1. All prepayments of Special Taxes, any amounts transferred pursuant to the Indenture for the redemption of District Bonds, and amounts transferred from the Delinquency Management Fund 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 moneys 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.

## **Covenant for Superior Court Foreclosure**

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 July 31 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. 2 of 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.

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 District, or the Fiscal Agent, is expressly authorized under the Fiscal Agent Agreement 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 lesser 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 District Bonds, consent to such sale for such lesser amounts (as such consent is described in Section 53356.6 of the Act), and release the District, the City and their officers and agents from any liability in connection therewith.
- (C) The District is expressly authorized under the Fiscal Agent Agreement 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 within Improvement Area No. 2 of 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 District Bonds under the Fiscal Agent Agreement.

No assurances can be given that the real property subject to foreclosure and sale at a judicial foreclosure sale will be sold or, if sold, that the proceeds of such sale will be sufficient to pay any delinquent Special Tax installment. Although the Act authorizes the District to cause such an action to be commenced and diligently pursued to completion, the Act does not require the District or the City to purchase or otherwise acquire any lot or parcel of property sold at the foreclosure sale pursuant to the judgment in any such action if there is no other purchaser at such sale, nor does the Act specify the priority relationship, if any, between the Special Taxes and other taxes and assessment liens.

The property in Improvement Area No. 2 of the District is also subject to several overlapping liens. A default in the payment of Special Taxes in Improvement Area No. 2 of the District is also likely to result in a default in the payment of other overlapping liens. Since the liens of other overlapping special districts are on a parity with the Special Taxes, the foreclosure of the lien of the Special Taxes will not extinguish the liens of the other overlapping special districts.

As a result of the foregoing, in the event of a delinquency or nonpayment by the property owners of one or more Special Tax installments, there can be no assurance that there would be available to the District sufficient funds to pay when due the principal of, interest on and premium, if any, on the District Bonds (see **“BOND OWNERS’ RISKS – THE DISTRICT BONDS – Risk Factors Relating to the Levying and Collection of the Special Taxes – Foreclosure and Sale Proceedings,” “BOND OWNERS’ RISKS – THE DISTRICT BONDS – Risk Factors Relating to the Levying and Collection of the Special Taxes - Bankruptcy and Foreclosure Delays”** and **“BOND OWNERS’ RISKS – THE DISTRICT BONDS – Risk Factors Relating to the Levying and Collection of the Special Taxes - Property Controlled by Federal Deposit Insurance Corporation and Other Federal Agencies”** herein).

## **BOND OWNERS' RISKS**

BEFORE PURCHASING ANY OF THE BONDS, PROSPECTIVE INVESTORS AND THEIR PROFESSIONAL ADVISORS SHOULD CAREFULLY CONSIDER, AMONG OTHER THINGS, THE FOLLOWING RISK FACTORS, WHICH ARE NOT MEANT TO BE AN EXHAUSTIVE LISTING OF ALL RISKS ASSOCIATED WITH THE PURCHASE OF THE BONDS. MOREOVER, THE ORDER OF PRESENTATION OF THE RISK FACTORS DOES NOT NECESSARILY REFLECT THE ORDER OF THEIR IMPORTANCE.

*The purchase of the Bonds involves investment risk. If a risk factor materializes to a sufficient degree, it could delay or prevent payment of principal of and/or interest on the Bonds. Such risk factors include, but are not limited to, the following matters.*

### **THE BONDS**

The ability of the Authority to pay the principal of and interest on the Bonds depends upon the receipt by the Trustee of sufficient Revenues from repayment of the District Bonds, amounts on deposit in the Cash Flow Management Fund, the Reserve Account and interest earnings on amounts in the funds and accounts for the Bonds established by the Indenture. A number of risks that could prevent the District from repaying the District Bonds are outlined below.

#### **No Liability of the Authority to the Bond Owners**

Except as expressly provided in the Indenture, the Authority will not have any obligation or liability to the Owners of the Bonds with respect to the payment when due of the District Bonds, or with respect to the observance or performance by the District of other agreements, conditions, covenants and terms required to be observed or performed by it under the District Bonds, the Fiscal Agent Agreement or any related documents or with respect to the performance by the Trustee of any duty required to be performed by it under the Indenture.

#### **Loss of Tax Exemption**

As discussed under the caption “**LEGAL MATTERS - TAX EXEMPTION**” 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 or the District in violation of their covenants contained in the Indenture and the Fiscal Agent Agreement. Should such an event of taxability occur, the Bonds are not subject to special redemption or any increase in interest rate and will remain outstanding until maturity or until redeemed under one of the redemption provisions contained in the Indenture.

#### **IRS Audits**

The Internal Revenue Service (the “IRS”) has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds).

#### **Secondary Market**

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of 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.

## **Early Bond Redemption**

The Bonds are subject to optional, special mandatory and mandatory redemption prior to their stated maturities. Special mandatory redemption may occur on any date commencing September 1, 2015 (see “THE BONDS - REDEMPTION” herein).

## **THE DISTRICT BONDS**

### **Risk Factors Relating to Real Estate Market Conditions**

**Risks of Real Estate Secured Investments Generally.** 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 the vicinity of Improvement Area No. 2 of the District, the supply of or demand for competitive properties in such area, and the market value of residential property in the event of sale or foreclosure; (ii) changes in real estate tax rate 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, wild fires and floods), which may result in uninsured losses and (iv) the imposition of overlapping debt by special districts or other public agencies.

### **Risk Factors Relating to Land Values**

**Land Values.** If a property owner defaults in the payment of the Special Tax, the District’s only remedy is to commence foreclosure proceedings against the defaulting property owner’s real property for which the Special Tax has not been paid in an attempt to obtain funds to pay the delinquent Special Tax. Therefore, the value of the land and improvements within Improvement Area No. 2 of the District is a critical factor in determining the investment quality of any series of bonds issued by or for the District. Reductions in property values within Improvement Area No. 2 of the District due to a downturn in the economy or the real estate market, events such as earthquakes, droughts, or floods, stricter land use regulations or other events may adversely impact the value of the security underlying the Special Tax.

Pursuant to the Act and the Rate and Method of Apportionment, the principal amount of the District Bonds is not allocable among the parcels in Improvement Area No. 2 of the District. Upon sale of parcels, the buyer acquires the property subject to the unpaid portion of any special taxes and assessments levied against the parcel purchased.

**Potential purchasers of the Bonds should be aware that if a parcel bears a tax liability in excess of its market value, then there may be little incentive for the owner of the parcel to pay the Special Taxes on such parcel and little likelihood that such property would be purchased in a foreclosure sale.**

Prospective purchasers of the Bonds should not assume that the land and improvements could be sold for the assessed amount at a foreclosure sale for delinquent Special Taxes. In particular, the values of individual properties within Improvement Area No. 2 of the District will vary, in some cases significantly. The future value of the land can be expected to fluctuate due to many different, not fully predictable, real estate related investment risk factors, including, but not limited to: general tax law changes related to real estate, changes in competition, general area employment base changes, population changes, changes in real estate related interest rates affecting general purchasing power, advertising, changes in allowed zoning uses and density, natural disasters such as floods, earthquakes and landslides, and similar factors.

**Earthquakes.** Southern California is among the most seismically active regions in the United States of America. The occurrence of seismic activity in Improvement Area No. 2 of the District could result in substantial damage to properties in Improvement Area No. 2 of the District 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. In the event of a severe earthquake, there may be significant damage to both property and infrastructure in Improvement Area No. 2 of the District. As a result, a substantial portion of the property owners may be unable or unwilling to pay the Special Taxes when due. In

addition, the value of land in Improvement Area No. 2 of the District could be diminished in the aftermath of such an earthquake, reducing the resulting proceeds of foreclosure sales in the event of delinquencies in the payment of Special Taxes.

**Geologic, Topographic and Climatic Conditions.** The value of the taxable property in Improvement Area No. 2 of the District in the future can be adversely affected by a variety of additional factors, particularly those which may affect infrastructure and other public improvements and private improvements on the parcels of taxable property and the continued habitability and enjoyment of such private improvements. Such additional factors include, without limitation, geologic conditions such as earthquakes and volcanic eruptions, topographic conditions such as earth movements, landslides, liquefaction, floods or fires, and climatic conditions such as tornadoes, droughts, and the possible reduction in water allocation or availability. It is possible that one or more of the conditions referenced above may occur and may result in damage to improvements of varying seriousness, that the damage may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost or because repair or replacement will not facilitate habitability or other use, or because other considerations preclude such repair or replacement. Under any of these circumstances, the value of the Taxable Property may well depreciate or disappear.

### **Risk Factors Relating to the Levying and Collection of the Special Taxes**

**Insufficiency of Special Taxes.** As discussed herein, the amount of Special Taxes that are collected within Improvement Area No. 2 of the District could be insufficient to pay principal of, interest and premium, if any, on the District Bonds due to nonpayment of the Special Taxes levied and insufficient or lack of proceeds received from a foreclosure sale of land within Improvement Area No. 2 of the District.

The District has covenanted in the Fiscal Agent Agreement to institute foreclosure proceedings upon delinquencies in the payments of the Special Taxes as described herein and to sell any real property with a lien of delinquent Special Taxes to obtain funds to pay debt service on the District Bonds (see “**DISTRICT ADMINISTRATION – DELINQUENCIES**” herein). If foreclosure proceedings are ever instituted, any holder of a mortgage or deed of trust could, but would not be required to, advance the amount of delinquent Special Taxes to protect its security interest. See “**SOURCES OF PAYMENT FOR THE BONDS - REPAYMENT OF THE DISTRICT BONDS - Covenant for Superior Court Foreclosure**” herein for provisions which apply in the event foreclosure is required and which the District is required to follow in the event of delinquency in the payment of Special Taxes.

**Maximum Rates.** Within the limits of the Rate and Method of Apportionment, the District may adjust the Special Tax levied on all property in Improvement Area No. 2 of the District to provide an amount required to pay debt service on the District Bonds and other obligations of the District, to pay for reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year and the amount, if any, necessary to pay all annual Administrative Expenses and make rebate payments to the United States government. However, the amount of the Special Taxes that may be levied against particular categories of property in Improvement Area No. 2 of the District is subject to the maximum rates provided in the Rate and Method of Apportionment. There is no assurance that the maximum rates will at all times be sufficient to pay the amounts required to be paid by the Fiscal Agent Agreement.

**No Personal Liability for Special Taxes.** No property owner will be personally liable for the payment of the Special Taxes to be applied to pay the principal of and interest on the District Bonds. In addition, there is no assurance that any property owner will be able to pay the Special Taxes or that any property owner will pay such Special Taxes even if it is financially able to do so.

Payment of the Special Taxes is dependent upon the current and future property owners’ ability or willingness to pay Special Taxes assessed on their property in Improvement Area No. 2 of the District (see “**BOND OWNERS’ RISKS – THE DISTRICT BONDS – Risk Factors Relating to Real Estate Market Conditions – Land Values**” herein). The only asset of the current property owners or future property owners which constitutes security for the District Bonds is their property holdings assessed within Improvement Area No. 2 of the District.

**Special Taxes Are Not Within Teeter Plan.** The County has adopted a Teeter Plan as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code, under which a tax distribution procedure is implemented and secured roll taxes are distributed to taxing agencies within the County on the basis of the tax levy, rather than on the basis of actual tax collections. However, by policy, the County does not include assessments, reassessments and special taxes in its Teeter program. The Special Taxes are not included in the County's Teeter program.

**Foreclosure and Sale Proceedings.** In order to pay debt service on the District Bonds, it is necessary that the Special Tax levied against land within Improvement Area No. 2 of the District be paid in a timely manner. The District has covenanted in the Fiscal Agent Agreement under certain conditions to institute foreclosure proceedings against property with delinquent Special Taxes in order to obtain funds to pay debt service on the District Bonds. If foreclosure proceedings were instituted, any mortgage or deed of trust holder could, but would not be required to, advance the amount of the delinquent Special Tax to protect its security interest.

In the event such superior court foreclosure is necessary, there could be a delay in principal and interest payments to the Authority, as the owner of the District Bonds, pending prosecution of the foreclosure proceedings and receipt of the proceeds of the foreclosure sale, if any. No assurances can be given that the real property subject to foreclosure and sale at a judicial foreclosure sale will be sold or, if sold, that the proceeds of such sale will be sufficient to pay any delinquent Special Tax installment. Although the Act authorizes the District to cause such an action to be commenced and diligently pursued to completion, the Act does not specify the obligations of the District with regard to purchasing or otherwise acquiring any lot or parcel of property sold at the foreclosure sale if there is no other purchaser at such sale (see **"SOURCES OF PAYMENT FOR THE BONDS – REPAYMENT OF THE DISTRICT BONDS - Covenant for Superior Court Foreclosure"** herein).

Sufficiency of the foreclosure sales proceeds to cover the delinquent amount depends in part upon the market for and the value of the parcel at the time of the foreclosure sale (see **"BOND OWNERS' RISKS – THE DISTRICT BONDS – Risk Factors Relating to Land Values"** above).

The current assessed value is some evidence of such future value. However, future events may result in significant changes from the current assessed value. Such events could include a downturn in the economy, as well as a number of additional factors. Any of these factors may result in significant erosion in value, with consequent reduced security of the District Bonds and, consequently, the Bonds.

Sufficiency of foreclosure sale proceeds to cover a delinquency may also depend upon the value of prior or parity liens and similar claims. A variety of governmental liens may presently exist or may arise in the future with respect to a parcel which, unless subordinate to the lien securing the Special Taxes, may effectively reduce the value of such parcel. The property in Improvement Area No. 2 of the District is also subject to several overlapping liens.

Failure to institute timely foreclosure proceedings or actions by property owners to prevent foreclosure may cause delay or inability to foreclosure under the law.

Timely foreclosure and sale proceedings with respect to a parcel may be forestalled or delayed by a stay in the event the owner of the parcel becomes the subject of bankruptcy proceedings. Further, should the stay not be lifted, payment of Special Taxes may be subordinated to bankruptcy law priorities.

**Bankruptcy and Foreclosure Delays.** The payment of the Special Taxes and the ability of the District to foreclose the lien of a delinquent unpaid Special Tax may be limited by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by the laws of the State of California relating to judicial foreclosure.

The various legal opinions to be delivered concurrently with the delivery of the Bonds and the District Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments, by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and limitations on remedies against governmental entities in the State of California.

Although bankruptcy proceedings would not cause the Special Taxes to become extinguished, bankruptcy of a property owner or of a partner or other owner of a property within Improvement Area No. 2 of the District could result:

1. in a delay in prosecuting superior court foreclosure proceedings;
2. in loss of priority of the lien securing any Special Taxes with respect to Special Taxes levied while bankruptcy proceedings are pending;
3. in the amount of any lien on property securing the payment of delinquent Special Taxes being reduced if the value of the property were determined by the bankruptcy court to have become less than the amount of the lien, and the amount of the delinquent Special Taxes in excess of the reduced lien could be treated as an unsecured claim by the court; and/or
4. the Bankruptcy Code might prevent moneys on deposit in the funds and accounts created under the Fiscal Agent Agreement from being applied to pay interest or principal on the District Bonds and/or to redeem District Bonds if bankruptcy proceedings were brought by or against the property owner and if the court found that the property owner had an interest in such moneys within the meaning of Section 541(a)(1) of the Bankruptcy Code.

Such delay or loss of priority or non-payment would increase the likelihood of a delay or default in payment of the principal of and interest on the District Bonds and the possibility of delinquent Special Tax installments not being paid in full.

On July 30, 1992, the United States Court of Appeals for the Ninth Circuit issued its opinion in a bankruptcy case entitled *In re Glasply Marine Industries*. In that case, the court held that *ad valorem* property taxes levied by Snohomish County in the State of Washington after the date that the property owner filed a petition for bankruptcy were not entitled to priority over a secured creditor with a prior lien on the property. The court upheld the priority of unpaid taxes imposed after the filing of the bankruptcy petition as “administrative expenses” of the bankruptcy estate, payable after all secured creditors. As a result, the secured creditor was to foreclose on the property and retain all of the proceeds of the sale except the amount of the pre-petition taxes.

According to the court’s ruling, as administrative expenses, post-petition taxes would have to be paid, assuming that the debtor has sufficient assets to do so. In certain circumstances, payment of such administrative expenses may be allowed to be deferred. Once the property is transferred out of the bankruptcy estate (through foreclosure or otherwise) it would at that time become subject to current *ad valorem* taxes.

The Act provides that the Special Taxes are secured by a continuing lien, which is subject to the same lien priority in the case of delinquency as *ad valorem* taxes. No case law exists with respect to how a bankruptcy court would treat the lien for the Special Taxes levied after the filing of a petition in bankruptcy. *Glasply* is controlling precedent for bankruptcy courts in the State. If the *Glasply* precedent was applied to the levy of the Special Tax, the amount of Special Tax received from parcels whose owners declared bankruptcy could be reduced.

It should also be noted that on October 22, 1994, Congress enacted 11 U.S. C. Section 362(b)(18), which added an exception to the automatic stay for *ad valorem* property taxes imposed by a political subdivision after the filing of a bankruptcy petition. Pursuant to this provision of law, in the event of a bankruptcy petition filed on or after October 22, 1994, the lien for *ad valorem* taxes in subsequent fiscal years will attach even if the property is part of the bankruptcy estate. Bond Owners should be aware that the potential effect of 11 U.S. C. Section 362(b)(18) on the Special Taxes depends upon whether a court were to determine that the Special Taxes should be treated like *ad valorem* taxes for this purpose.

**Disclosure to Future Land Buyers.** A “Notice of Special Tax Lien” (the “Notice”) for the District has been recorded pursuant to Section 53328.3 of the Act and Section 3114.5 of the Streets and Highways Code, with the County Recorder for the County (the “County Recorder”). The Notice sets forth, among other things, the Rate and Method of Apportionment, the legal description of property within Improvement Area No. 2 of the District as of the date of recording the Notice, and the boundaries of Improvement Area No. 2 of the District by reference to the map(s) recorded with the County Recorder. While title insurance and search companies normally refer to such notices in title reports, and sellers of property within Improvement Area No. 2 of the District are required to give prospective buyers a notice of special tax in accordance with Sections 53360.2 or 53341.5 of the Act, there can be no assurances that such reference will be made or notice given, or if made or given, that prospective purchasers or lenders will consider such Special Tax obligation in the purchase of land within Improvement Area No. 2 of the District or the lending of money thereon. Failure to disclose the existence of the Special Tax may affect the willingness and ability of future landowners within Improvement Area No. 2 of the District to pay the Special Tax when due.

**Exempt Properties.** Certain properties are exempt from the Special Tax in accordance with the Rate and Method of Apportionment and provisions of the Act. The Act provides that properties or entities of the State, federal or local government at the time of formation of Improvement Area No. 2 of the District are exempt from the Special Tax; provided, however, that property within Improvement Area No. 2 of the District acquired by a public entity through negotiated transactions, or by gift or devise, which is not otherwise exempt from the Special Tax, will continue to be subject to the Special Tax. In addition, the 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 Act have not been tested. If for any reason property subject to the Special Tax becomes exempt from taxation by reason of ownership by a non-taxable entity, such as the federal government, or another public agency, subject to the limitation of the maximum authorized rate of levy, the Special Tax may be reallocated to the remaining taxable properties within Improvement Area No. 2 of the District. This would result in the owners of such property paying a greater amount of the Special Tax and could have an adverse impact upon the timely payment of the Special Tax; however, the amount of Special Tax to be levied and collected from the property owner is subject to the Maximum Special Tax as set forth in the Rate and Method of Apportionment and to the limitation in the Act that under no circumstances may the Special Taxes levied on any residential parcel be increased by more than ten percent as a consequence of delinquency by the owner of any parcel. If a substantial portion of land within Improvement Area No. 2 of the District became exempt from the Special Tax because of public ownership, or otherwise, the maximum Special Tax which could be levied upon the remaining acreage might not be sufficient to pay the principal of and interest on the District Bonds when due and a default would occur with respect to the payment of such principal and interest.

The Act further provides that no other properties or entities are exempt from the Special Tax unless the properties or entities are expressly exempted in a resolution of consideration to levy a new special tax or to alter the rate or method of apportionment of an existing special tax. The Act would prohibit the City Council, acting as the legislative body of the District, from adopting a resolution to reduce the rate of the Special Tax or terminate the levy of the Special Tax unless the City Council, acting as the legislative body of the District, determined that the reduction or termination of the Special Tax “would not interfere with the timely retirement” of the District Bonds (see “**BOND OWNERS’ RISKS – THE DISTRICT BONDS – Risk Factors Relating to Governmental Rules, Initiatives, Etc. - Right to Vote on Taxes Act**” below).

**Property Controlled by Federal Deposit Insurance Corporation and Other Federal Agencies.** The District’s ability to collect interest and penalties specified by State law and to foreclose the lien of a delinquent Special Tax payment may be limited in certain respects with regard to properties in which the Internal Revenue Service, the Drug Enforcement Agency, the Federal Deposit Insurance Corporation (the “FDIC”) or other similar federal agencies has or obtains an interest. Specifically, with respect to the FDIC, on June 4, 1991, the FDIC issued a Statement of Policy Regarding the Payment of State and Local Real Property Taxes. The 1991 Policy Statement was revised and superseded by a new Policy Statement



effective January 9, 1997 (the "Policy Statement"). The Policy Statement provides that real 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 or 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. With respect to property in California owned by the FDIC on January 9, 1997, and that was owned by the Resolution Trust Corporation (the "RTC") on December 31, 1995, or that became property of the FDIC through foreclosure of a security interest held by the RTC on that date, the FDIC will continue the RTC's prior practice of paying special taxes imposed pursuant to the Mello-Roos Act if the taxes were imposed prior to the RTC's acquisition of an interest in the property. All other special taxes, including the Special Taxes which secure the District Bonds, may be challenged by the FDIC.

The Authority and the District are unable to predict what effect the application of the Policy Statement would have in the event of a delinquency with respect to a parcel in which the FDIC has an interest, although prohibiting the lien of the FDIC to be foreclosed on at a judicial foreclosure sale would likely reduce the number of or eliminate the persons willing to purchase such a parcel at a foreclosure sale. Owners of the Bonds should assume that the Authority and the District will be unable to foreclose on any parcel owned by the FDIC. The Authority has not undertaken to determine whether the FDIC currently has, or is likely to acquire, any interest in any of the parcels and therefore expresses no view concerning the likelihood that the risks described above will materialize while the Bonds are outstanding.

In the case of Fannie Mae and Freddie Mac, in the event a parcel is owned by a federal government entity or federal government sponsored entity, such as Fannie Mae and Freddie Mac, the ability to foreclose on the parcel or to collect delinquent Special Taxes may be limited. Federal courts have held that based on the supremacy clause of the United States Constitution "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, anything in the Constitution or Laws of any State to the contrary notwithstanding." In the absence of Congressional intent to the contrary, a state or local agency cannot foreclose to collect delinquent taxes or assessments if foreclosure would impair the federal government interest. This means that, unless Congress has otherwise provided, if a federal government entity owns a parcel 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.

## Risk Factors Relating to Tax Burden

**Billing of Special Taxes.** A special tax can result in a substantially heavier property tax burden being imposed upon properties within a community facilities district than elsewhere in a city or county, and this in turn can lead to problems in the collection of the special tax. In some community facilities districts the taxpayers have refused to pay the special tax and have commenced litigation challenging the special tax, the community facilities district and the bonds issued by the District.

Under provisions of the Act, the Special Taxes are billed to the properties within Improvement Area No. 2 of the District which were entered on the Assessment Roll of the County Assessor by January 1 of the previous fiscal year on the regular property tax bills sent to owners of such properties. Such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do regular property tax installments. These Special Tax installment payments cannot be made separately from property tax payments. Therefore, the unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and installment payments of Special Taxes in the future. See “**SOURCES OF PAYMENT FOR THE BONDS - REPAYMENT OF THE DISTRICT BONDS - Covenant for Superior Court Foreclosure**” for a discussion of the provisions which apply, and procedures which the District is obligated to follow, in the event of delinquency in the payment of installments of Special Taxes.

**Additional Taxation.** On June 3, 1986, California voters approved an amendment to Article XIII A of the California Constitution to allow local governments and school districts to raise their property tax rates above the constitutionally mandated 1% ceiling for the purpose of repaying certain new general obligation debt issued for the acquisition or improvement of real property and approved by at least two-thirds of the votes cast by the qualified electorate. If any such voter-approved debt is issued, it may be on a parity with the lien of the Special Taxes on the parcels within Improvement Area No. 2 of the District.

**Value-to-Lien Ratios.** The value of the land and improvements within Improvement Area No. 2 of the District is a major factor in determining the investment quality of any series of bonds issued by the District. Reductions in property values within Improvement Area No. 2 of the District due to a downturn in the economy or the real estate market, events such as earthquakes, droughts or floods, stricter land use regulations or other events may adversely impact the value of the security underlying the Special Tax. To account for such uncertainties, investors typically require the value of the property upon which the Special Tax is levied to be several times the principal amount of the related district bonds. Such value-to-lien ratios are derived by dividing the value of the property by the principal amount of the related district bonds. For example, a 3:1 ratio means that the value is three times the total bond amount. **The value-to-lien ratio of individual parcels may be less or more than the aggregate value-to-lien ratio shown below.** Pursuant to the Act and the Rate and Method of Apportionment, the principal amount of the District Bonds is not allocable among the parcels in Improvement Area No. 2 of the District. **In addition, a value-to-lien ratio does not give any indication if a property owner has negative or little equity in their property.**

Shown below is the average assessed value-to-lien ratio based upon Fiscal Year 2014-15 assessed values.

**COMMUNITY FACILITIES DISTRICT NO. 2004-3 (MONUMENT RANCH)  
IMPROVEMENT AREA NO. 2  
ASSESSED VALUE TO LIEN RATIOS**

| <u>2014-15 Fiscal Year Assessed Value</u> | <u>Principal Amount of<br/>District Bonds</u> | <u>Approximate Ratio of Assessed Value<br/>of Property to Principal Amount of<br/>District Bonds</u> |
|---|---|--|
| \$54,938,163                              | \$8,525,000*                                  | 6.44 to 1  |

Source: County of Riverside and the City of Perris.

\* Preliminary, subject to change.

**Parity Taxes and Special Assessments.** The property in Improvement Area No. 2 of the District is subject to several overlapping liens.

The Special Taxes and any penalties thereon will constitute a lien against the lots and parcels of land within Improvement Area No. 2 of the District until they are paid in full. Such lien is on a parity with all special taxes and special assessments levied by other public entities, agencies and districts and is co-equal to and independent of the lien for general property taxes regardless of when they are imposed upon the same real property.

The District has no control over the ability of other public entities, agencies and districts to issue indebtedness secured by special taxes or assessments payable from all or a portion of the real property within Improvement Area No. 2 of the District. Any such special taxes or assessments may have a lien on such real property on a parity with the Special Taxes. Accordingly, the liens on the real property within Improvement Area No. 2 of the District could greatly increase, without any corresponding increase in the value of the property within Improvement Area No. 2 of the District and thereby severely reduce the value-to-lien ratio of the land-secured public debt existing at the time the District Bonds are issued. The imposition of such additional indebtedness could also reduce the willingness and ability of the property owners within Improvement Area No. 2 of the District to pay the Special Taxes when due.

The Special Taxes have priority over all existing and future private liens imposed on the real property within Improvement Area No. 2 of the District.

As a result of the foregoing, in the event of a delinquency or nonpayment by the property owners of one or more Special Tax installments, there can be no assurance that there would be available to the District sufficient funds to pay when due the principal of, interest on and premium, if any, on the District Bonds.

**Effective Tax Rate.** Another tool for evaluating the tax burden is the ratio of total taxes, special taxes and assessments as a percentage of property value (the “Effective Tax Rate”). The size of the Effective Tax Rate could affect the ability and willingness of the property owners to pay the Special Taxes when due (see “**BOND OWNERS’ RISKS – THE DISTRICT BONDS – Risk Factors Relating to Tax Burden**” herein).

The table below sets forth the estimated Fiscal Year 2014-15 Effective Tax Rates for a hypothetical home based upon the estimated average size and assessed value in Improvement Area No. 2 of the District. The table sets forth those entities with fees, charges, *ad valorem* taxes and special taxes regardless of whether those entities have issued debt. The estimated tax rates and amounts presented herein are based on currently available information. The actual amounts charged may vary and may increase in future years depending on the amount of the District Bonds outstanding, the number of delinquencies and the status of development, among other factors.

Conceptually, bonds issued by a community facilities district secured by special taxes finance improvements that otherwise would have to be added to the purchase price of a home and, therefore, homes in such community facilities district would have a lower selling price than comparable homes that did not have the benefit of such financing. In practice, however, the purchase price of a home is primarily determined by market forces that may or may not take into account the special taxes.

A special tax can result in a substantially heavier property tax burden being imposed upon properties within a community facilities district than elsewhere in a city or county and this in turn can lead to problems in the collection of the special tax. In particular, a heavy tax burden could influence property owners with negative or little equity in their property not to pay the special taxes.

**Community Facilities District No. 2004-3 IA 2  
Representative Property Tax Bill for  
Fiscal Year 2014-15**

**ASSESSED VALUATION AND PROPERTY TAXES**

Assessed Value <sup>(1)</sup> \$247,448

|  | <b>Percent of<br/>Assessed<br/>Value</b> | <b>Projected<br/>Amount</b> |
|--|--|-----------------------------|
| <b>AD VALOREM PROPERTY TAXES</b>                                     | 1.0665%                                  | \$2,639.10                  |
| <b>ASSESSMENTS, SPECIAL TAXES, AND PARCEL CHARGES <sup>(2)</sup></b> |  |                             |
| Flood Control Stormwater / Cleanwater                                |  | \$3.78                      |
| Perris Maint Dis 84-1  |  | 46.28                       |
| Perris Landscape Dist 1  |  | 537.28                      |
| Perris Storm Drain Dist 1  |  | 241.24                      |
| MWD Standby East   |  | 6.94                        |
| Eastern Municipal Water District Standby Combined Charge             |  | 26.00                       |
| <b>Subtotal</b>  |  | <b><u>\$861.52</u></b>      |
| CFD 2004-3 IA 2 Monument Perris Assigned Tax for facilities          |  | <b><u>\$2,652.36</u></b>    |
| <b>TOTAL PROPERTY TAXES AND ASSESSMENTS</b>                          |  | <b><u>\$6,152.98</u></b>    |
| <b>ESTIMATED EFFECTIVE TAX RATE</b>                                  |  | <b>2.49%</b>                |

(1) Sample tax bill for a single family detached home with the median assessed value in CFD 2004-3 IA 2. The building size of sample shown is 3,285 square feet.

(2) All assessments assume a lot size of less than one acre.

Source: Willdan Financial Services & County of Riverside

**Risk Factors Relating to Governmental Rules, Initiatives, Etc.**

**Right to Vote on Taxes Act.** An initiative measure commonly referred to as the “Right to Vote on Taxes Act” (“Proposition 218”) was approved by the voters of the State of California at the November 5, 1996, general election. Proposition 218 added Article XIII C (“Article XIII C”) and Article XIII D to the California Constitution. According to the “Title and Summary” of Proposition 218 prepared by the California Attorney General, Proposition 218 limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.” Generally, many of the provisions of Proposition 218 have not yet been interpreted by the courts, although a number of lawsuits have been filed requesting the courts to interpret various aspects of Proposition 218.

Among other things, Section 3 of Article XIII C 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.” Proposition 218 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, Proposition 218 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 Proposition 218

unless such legislative body determines that the reduction or termination of the special tax would not interfere with the timely retirement of that debt. Although the matter is not free from doubt, it is likely that the exercise by the voters in Improvement Area No. 2 of the District of the initiative power referred to in Article XIIC to reduce or terminate the Special Tax is subject to the same restrictions as is the District, pursuant to the Act. Accordingly, although the matter is not free from doubt, it is likely that Proposition 218 has not conferred on the voters in Improvement Area No. 2 of the District 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 in Improvement Area No. 2 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.

The interpretation and application of Proposition 218 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.

**Ballot Initiatives and Legislative Measures.** Proposition 218 was adopted pursuant to a measure 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 State Legislature. The adoption of any such initiative or enactment of legislation might place limitations on the ability of the State, the City or local District to increase revenues or to increase appropriations.

### **Risk Factors Relating to Limitations of the District Bonds and the District**

**Limited Obligation.** Neither the faith and credit nor the taxing power of the City, the State or any political subdivision thereof, other than the District, is pledged to the payment of the District Bonds. Except for the Special Taxes derived from the District, no other taxes are pledged to the payment of the District Bonds. The District Bonds are not general or special limited obligations of the City, the State or any political subdivision thereof or general obligations of the District, but are special obligations of the District, payable solely from Special Taxes and the other assets pledged therefor under the Fiscal Agent Agreement.

**Limitations on Remedies.** Remedies available to the Bond Owners may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the District Bonds or to preserve the tax-exempt status of the Bonds. Bond Counsel has limited its opinion as to the enforceability of the Bonds and the District Bonds and of the Indenture and the Fiscal Agent Agreement 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 and by the exercise of judicial discretion and limitations on remedies against governmental entities in the State of California. Additionally, the District Bonds are not subject to acceleration in the event of the breach of any covenant or duty under the Indenture. 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.

Enforceability of the rights and remedies of the Owners of the District Bonds, and the obligations incurred by the District, may become subject to the federal bankruptcy code and bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights

generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against joint powers authorities in the State. See **“BOND OWNERS’ RISKS - THE DISTRICT BONDS – Risk Factors Relating to the Levying and Collection of the Special Taxes”** above.

**No Acceleration Provision.** The Fiscal Agent Agreement does not contain a provision allowing for the acceleration of the principal of the District Bonds in the event of a payment default or other default under the terms of the District Bonds or the Fiscal Agent Agreement. Accordingly, the Indenture does not contain a provision allowing for acceleration of the Bonds.

# THE AUTHORITY

## AUTHORITY ORGANIZATION

The Authority is governed by a five-member board which consists of all members of the City Council. The Mayor is the Chair of the Authority and the Mayor Pro Tem is the Vice Chair. The City Manager acts as the Executive Director, the City Clerk acts as the Secretary and the Assistant City Manager / Finance Director acts as the Treasurer of the Authority. The current Authority governing board is as follows:

### AUTHORITY GOVERNING BOARD

Daryl Busch, *Chairperson*  
Tonya Burke, *Vice-Chairperson*  
David Starr Rabb, *Board Member*  
Julio Rodriguez, *Board Member*  
Rita Rodgers, *Board Member*

The California Government Code provides for the issuance of revenue bonds of joint exercise of powers authorities, such as the Authority, to be repaid solely from the revenues of certain public obligations, such as the District Bonds.

## CITY ORGANIZATION

The City is incorporated as a general law city. The City has a Council/Manager form of municipal government. The City Council appoints the City Manager who is responsible for the day-to-day administration of City business and the coordination of all departments of the City. The City Council is composed of five members elected bi-annually at large to four-year alternating terms. The City Council members and their term expiration dates are as follows:

| <u>City Council Member</u>              | <u>Term Expires</u> |
|---|---------------------|
| Daryl Busch, <i>Mayor</i>               | December 2016       |
| Tonya Burke, <i>Mayor Pro Tem</i>       | December 2018       |
| David Starr Rabb, <i>Council Member</i> | December 2018       |
| Julio Rodriguez, <i>Council Member</i>  | December 2016       |
| Rita Rodgers, <i>Council Member</i>     | December 2016       |

The City performs certain general administrative functions for the Authority. The costs of such functions, as well as additional services performed by City staff are allocated annually to the Authority. The Authority reimburses the City for such allocated costs out of available revenues. Current City staff assigned to administer the Authority include the following:

### CITY STAFF

Richard Belmudez, *City Manager*  
Ron Carr, *Assistant City Manager*  
Eric Dunn, *City Attorney*  
Nancy Salazar, *City Clerk*

The City Attorney is appointed by and serves at the pleasure of the Perris City Council. Legal services are performed under contract with the firm of Aleshire & Wynder, LLP, Irvine, California.

# **DISTRICT ADMINISTRATION**

## **ADMINISTRATION GENERAL**

The City and its Special Tax Consultant provide administrative and support services to the District as well as other special districts in the City. The City currently administers 31 community facilities districts.

## **LEVY OF THE SPECIAL TAX**

The District is required to communicate with the County Auditor to ascertain the relevant parcels on which the Special Taxes are to be levied within Improvement Area No. 2 of the District, taking into account any parcel splits during the preceding and then current fiscal year. The District is required by resolution to provide for the levy of the Special Taxes within Improvement Area No. 2 of the District in the current fiscal year. A certified list of all parcels within Improvement Area No. 2 of the District subject to the Special Tax, including the amount of the Special Tax to be levied on each such parcel, is filed by the District with the County Auditor on or before the tenth (10th) day of August of that tax year. The Special Taxes so levied may not exceed the authorized amounts as provided in the Rate and Method of Apportionment and applicable provisions of the Act.

The City Council, acting on behalf of the District, levies the Special Taxes in accordance with the Rate and Method of Apportionment (see “**APPENDIX C – RATE AND METHOD OF APPORTIONMENT**”), the Fiscal Agent Agreement and the Act. Because the Special Taxes have been authorized by a two-thirds (2/3) vote of those qualified electors within Improvement Area No. 2 of the District that cast votes, the Special Taxes are a special tax imposed within the limitations of Section 4 of Article XIII A of the State Constitution. The City Council, as the legislative body of the District, has the power and is obligated, pursuant to the covenants contained in the Fiscal Agent Agreement, to cause the levy and collection of the Special Taxes within Improvement Area No. 2 of the District annually.

The Special Taxes are payable and are collected in the same manner and at the same time and in the same installment as the general taxes on real property are payable and have the same priority, become delinquent at the same times and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general taxes on real property.

When received, the Special Taxes are required to be transferred by the City to the Fiscal Agent as provided in the Fiscal Agent Agreement and deposited by the Fiscal Agent in a separate Special Tax Fund (see “**SOURCES OF PAYMENT FOR THE BONDS – REPAYMENT OF THE DISTRICT BONDS – Application of Special Taxes; Flow of Funds**” herein).

Under the Act, the Rate and Method of Apportionment and the Fiscal Agent Agreement, the District has the authority and the obligation to increase the levy of Special Taxes against non-delinquent property owners within Improvement Area No. 2 of the District if other owners in such District are delinquent in the payment of Special Taxes. However, the District’s ability to increase Special Tax levies for this purpose is limited by two factors:

- (a) The maximum Special Tax set forth in the Rate and Method of Apportionment, and
- (b) The limitations on such increases set forth in the Act, which provide that under no circumstances may the Special Tax levied against any parcel used for private residential purposes be increased as a consequence of delinquency or default by an owner of any other parcel or parcels within Improvement Area No. 2 of the District by more than ten percent (10%).

## **DELINQUENCIES**

### **Identification of Delinquencies; Initial Notification**

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 July 31 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. 2 of 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 notices of delinquency and a demand for immediate payment thereof.

Special Taxes are due in two equal installments. Special Taxes levied become delinquent if not paid by December 10<sup>th</sup> (the “First Installment”) and April 10<sup>th</sup> (the “Second Installment”). Generally, the First Installment pays the March 1<sup>st</sup> interest payment and ½ of the September 1<sup>st</sup> principal payment on the Bonds. Generally, the Second Installment pays the September 1<sup>st</sup> interest payment and ½ of the September 1<sup>st</sup> principal payment.

### **Special Tax Collections**

Delinquencies in the payment of property taxes and the Special Taxes may result from any of a number of factors affecting individual property owners. See “**BOND OWNERS’ RISKS**” for discussions of certain potential causes of property tax delinquencies.

It is the City’s experience that the majority of delinquencies are cured within the Bond Year. However, the timing and the amount of such delinquent payments are not fully predictable. In order to guard against temporary shortages in cash flow, the District has established a Delinquency Management Fund to be held by the Fiscal Agent. The Delinquency Management Fund Requirement is 15% of Maximum Annual Debt Service on the District Bonds. On the delivery date of the District Bonds, the Delinquency Management Fund will be fully funded. Replenishment of the Delinquency Management Fund will be primarily funded from delinquent payments and from Special Taxes and investment earnings, to the extent the amounts thereof received by the Fiscal Agent are in excess of the debt service due on the applicable District Bonds and all administrative expenses of the District have been paid. Amounts in the Delinquency Management Fund, if any, will be used to pay debt service on the related District Bonds to the extent Special Taxes are insufficient for such purpose.

In addition to delinquencies in the payment of Special Taxes by individual home owners, there are a number of less frequent risks, such as bankruptcy of a major property owner, earthquakes and other natural hazards, among others (see “**BOND OWNERS’ RISKS**”), that may cause larger disruptions in the receipt of the Special Taxes that may also take longer to resolve. To assist in mitigating against such future delinquencies and a possible payment default on the Bonds, the Authority has established the Cash Flow Management Fund to be held by the Trustee. The Cash Flow Management Fund Requirement is 15% of Maximum Annual Debt Service on the Bonds (\$109,068.75). The Cash Flow Management Fund will be initially funded in the amount of \$109,068.75. Replenishment of the Cash Flow Management Fund will be from any delinquent payments of debt service on the District Bonds, surplus Revenues and, at the election of the Authority, by any available surplus revenues with respect to other series of local agency revenue bonds issued by the Authority.

Amounts in the Cash Flow Management Fund will be used, prior to any draw on the Reserve Account, to pay debt service on the Bonds to the extent Revenues are insufficient for such purpose.

## FORECLOSURE ACTIONS

### Requirement

Pursuant to Section 53356.1 of the Act, in the event of any delinquency in the payment of the Special Tax, the District may order the institution of a superior court action to foreclose the lien of the Special Tax within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at judicial foreclosure sale. Under the provisions of the Act, such judicial foreclosure action is not mandatory. The District has covenanted to initiate foreclosure action in the superior court against parcels with delinquent Special Taxes as provided in the Fiscal Agent Agreement (see “**SOURCES OF PAYMENT FOR THE BONDS – REPAYMENT OF THE DISTRICT BONDS – Covenant for Superior Court Foreclosure**” herein).

If foreclosure proceedings were instituted, any mortgage or deed of trust holder could, but would not be required to, advance the amount of the delinquent Special Tax to protect its security interest. The current value of a home within Improvement Area No. 2 of the District is approximately seventy times the Maximum Special Tax and generally lenders have advanced the amount of the delinquent Special Tax to protect their security interest. For this reason, the amount of short sales and private foreclosures by mortgage lien holders is not necessarily reflective of the amount of City foreclosure activity.

### Procedure

Foreclosure proceedings are directed by the District through a notification to foreclosure counsel, which may be the City Attorney (“Foreclosure Counsel”), as to the delinquent assessor parcel numbers for which foreclosure proceedings are to be initiated. During or prior to filing suit, the District will first remove the delinquent Special Taxes from the County Tax Roll, as required by law. Foreclosure Counsel then initiates a request for a title search to identify the current legal owner of a delinquent parcel. Foreclosure Counsel also sends a written demand for payment to the owner shown on the County Tax Roll, followed by the filing of a complaint with the Superior Court in Riverside County (the “Court”) and recording a *lis pendens* against the property at the office of the County Recorder.

Each legal owner and all holders of any other interest in the land must file an answer to the complaint within 30 days following the completion of service of process on them. If no answer is filed within such 30-day period, Foreclosure Counsel files a request that a default judgment be entered by the Court. If any party files an answer, then the case must be litigated and Foreclosure Counsel could file a motion for summary judgment.

Following the entry of a judgment, whether by default or otherwise, against all defendants, Foreclosure Counsel requests a writ of sale from the Court for delivery to the Riverside County Sheriff’s Department (the “Sheriff”). The writ of sale is delivered to the Sheriff with instructions to execute on the delinquent parcel. Levy by the Sheriff consists of posting notice on the delinquent property, followed by mailing of notice to the last known address of the legal owner and publication of the notice of levy.

Thereafter, the delinquent property owner is entitled to a redemption period of 120 days. Following such 120-day period, foreclosure proceedings can continue following the publication and mailing of a notice of sale of the delinquent parcel or parcels, which sale must be at least 20 days following such notice. The foreclosure process described above typically takes at least six months from the date on which a judgment is entered and can take substantially longer. It should be noted that any foreclosure proceedings commenced as described above could be stayed by the commencement of bankruptcy proceedings by or against the owner of the delinquent property (see “**BOND OWNERS’ RISKS – THE DISTRICT BONDS – Risk Factors Relating to the Levying and Collection of the Special Taxes – Foreclosure and Sale Proceedings**” and “**BOND OWNERS’ RISKS – THE DISTRICT BONDS – Risk Factors Relating to the Levying and Collection of the Special Taxes – Bankruptcy and Foreclosure Delays**” herein).

**No assurances can be given that the real property subject to sale or foreclosure will be sold or, if sold, that the proceeds of the sale will be sufficient to pay any delinquent Special Tax installment.**

**The Act does not require the City or the District to purchase or otherwise acquire any lot or parcel of property offered for sale or subject to foreclosure if there is no other purchaser at such sale. The Act does specify that the Special Tax will have the same lien priority in the case of delinquency as for *ad valorem* property taxes (see “BOND OWNERS’ RISKS – THE DISTRICT BONDS – Risk Factors Relating to Land Values” herein).**

The District reserve the right to elect to accept payment from a property owner of at least the enrolled amount of the Special Taxes for a parcel(s) but less than the full amount of the penalties, interest, costs and attorneys’ fees related to the Special Tax delinquency for such parcel(s). The Bond Owners are deemed to have consented to the foregoing reserved right of the District, notwithstanding any provision of the Act or other law of the State, or any other term set forth in the Fiscal Agent Agreement to the contrary. The Bond Owners, by their acceptance of the Bonds, consent to such payment for such lesser amounts.

## **LEGAL MATTERS**

### **ENFORCEABILITY OF REMEDIES**

The remedies available to the Trustee and the Owners of the Bonds upon an event of default under the Indenture, the Fiscal Agent Agreement or any other document described herein are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided for under such documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Indenture is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

### **APPROVAL OF LEGAL PROCEEDINGS**

Aleshire & Wynder, LLP, Irvine, California, as Bond Counsel, will render an opinion to the Authority which states that the Indenture and the Bonds are valid and binding contracts of the Authority and are enforceable in accordance with their terms. The legal opinion of Bond Counsel will be subject to certain limitations including the effect of bankruptcy, insolvency, moratorium and other similar laws affecting creditors' rights and to the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement.

The Authority has no knowledge of any fact or other information which would indicate that the Indenture is not so enforceable against the Authority, except to the extent such enforcement is limited by principles of equity and by State and federal laws relating to bankruptcy, reorganization, moratorium or creditors' rights generally.

Certain legal matters will be passed on for the Authority, the City and the District by Aleshire & Wynder, LLP, Irvine, California, as City Attorney. Certain legal matters will be passed upon for the Authority, the City and the District by Norton Rose Fulbright US LLP, Los Angeles, California, as Disclosure Counsel. Certain legal matters will be passed on for the Underwriter by McFarlin & Anderson LLP, Laguna Hills, California, as Underwriter's Counsel.

Fees payable to Bond Counsel, Disclosure Counsel and Underwriter's Counsel are contingent upon the sale and delivery of the Bonds.

### **TAX EXEMPTION**

At closing, Bond Counsel expects to render an opinion to the Authority that based on existing statutes, regulations, rulings and court decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State personal income taxes. Bond Counsel expects to deliver an opinion at the time of issuance of the Bonds substantially in the form set forth in Appendix E hereto.

The Internal Revenue Code of 1986 (the "Code") imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Authority has covenanted to comply with certain restrictions designed to assure that interest on the Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Bonds being included in federal gross income, possibly from the date of issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may affect the value of, or the tax status of interest, on the Bonds. Further, no assurance can be given that

pending or future legislation or amendments to the Code will not adversely affect the value of, or the tax status of interest on, the Bonds. Prospective owners are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

Bond Counsel is further of the opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. Bond Counsel observes, however, that interest on the Bonds is included in adjusted current earnings in calculating corporate alternative minimum taxable income.

If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is greater than the amount payable at maturity thereof, then the excess of the tax basis of a purchaser of such Bond (other than a purchaser who holds such Bond as inventory, stock in trade or for sale to customers in the ordinary course of business) over the principal amount of such Bond constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes.

Under the Code, original issue discount is excludable from gross income for federal income tax purposes to the same extent as the interest on the Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each such Bond and the basis of such Bond acquired at such initial offering price by an initial purchaser of each such Bond will be increased by the amount of such accrued discount. The Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase such Bonds after the initial offering of a substantial amount thereof. Owners who do not purchase such Bonds in the initial offering at the initial offering prices should consult their own tax advisors with respect to the tax consequences of ownership of such Bonds. All holders of such Bonds should consult their own tax advisors with respect to the allowance of a deduction for any loss on a sale or other disposition to the extent that calculation of such loss is based on accrued original issue discount.

Under the Code, original issue premium is amortized for federal income tax purposes over the term of such Bond based on the purchaser's yield to maturity in such Bond, except that in the case of such Bond callable prior to its stated maturity, the amortization period and the yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such Bond. A purchaser of such Bond is required to decrease his or her adjusted basis in such Bond by the amount of bond premium attributable to each taxable year in which such purchaser holds such Bond. The amount of bond premium attributable to a taxable year is not deductible for federal income tax purposes. Purchasers of such Bonds should consult their tax advisors with respect to the precise determination for federal income tax purposes of the amount of bond premium attributable to each taxable year and the effect of bond premium on the sale or other disposition of such Bond and with respect to the state and local tax consequences of owning and disposing of such Bond.

Prospective purchasers of the Bonds should be aware that (i) 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 percent of the sum of certain items, including interest with respect to the Bonds, (ii) interest, with respect to 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, (iii) passive investment income, including interest with respect to the Bonds, may be subject to federal income taxation under Section 1375 of the Code for subchapter S corporations having subchapter C earnings and profits at the close of the taxable year and gross receipts more than 25% of which constitute passive investment income, and (iv) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest on the Bonds.

Certain agreements, requirements and procedures contained or referred to in the Indenture and other relevant documents may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in those documents, upon the advice or with the approving opinion of nationally recognized bond counsel. Bond Counsel expresses no opinion as to any Bond or the interest payable with respect thereto if any change occurs or action is taken or omitted upon the advice or approval of counsel other than Bond Counsel.

Although Bond Counsel has rendered an opinion that interest on the Bonds is excluded from federal gross income, and is exempt from current State of California personal income taxes, the ownership or disposition of the Bonds, and the accrual or receipt of interest on the Bonds may otherwise affect an Owner's State or federal tax liability. The nature and extent of these other tax consequences will depend upon each Owner's particular tax status and the Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences. Bond Council's opinion is rendered as of its date and it assumes no obligation to update its opinion.

Future rulings, court decisions, legislative proposals, if enacted into law, or clarification of the Code may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent Owners from realizing the full current benefit of the tax status of such interest. For example, Representative Dave Camp, Chair of the House Ways and Means Committee released draft legislation that would subject interest on the Bonds to a federal income tax at an effective rate of 10% or more for individuals, trusts, and estates in the highest tax bracket, and the Obama Administration proposed legislation that would limit the exclusion from gross income of interest on the Bonds to some extent for high-income individuals. There can be no assurance that such future rulings, court decisions, legislative proposals, if enacted into law, or clarification of the Code enacted or proposed after the date of issuance of the Bonds will not have an adverse effect on the tax exempt status or market price of the Bonds.

## **INFORMATION REPORTING AND BACKUP WITHHOLDING**

Information reporting requirements will apply to interest (including original issue discount, if any) paid after March 31, 2007, on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payer with a Form W-9, "Request for Taxpayer Identification Number and Certification," or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payer is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payer" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the Internal Revenue Service.

## **ABSENCE OF LITIGATION**

The Authority will furnish a certificate, dated as of the date of delivery of the Bonds, stating that there is not now known to be pending or threatened any litigation restraining or enjoining the execution or delivery of the Indenture or the sale or delivery of the Bonds or in any manner questioning the proceedings and authority under which the Indenture is to be executed and delivered or the Bonds are to be delivered or affecting the validity thereof.

## CONCLUDING INFORMATION

### NO RATING ON THE BONDS

The Authority has not made, and does not contemplate making, any application for a rating on the Bonds. No such rating should be assumed based upon any other Authority rating that may be obtained. Prospective purchasers of the Bonds are required to make independent determinations as to the credit quality of the Bonds and their appropriateness as an investment. Should a Bond Owner elect to sell a Bond prior to maturity, no representations or assurances can be made that a market will have been established or maintained for the purchase and sale of the Bonds. The Underwriter assumes no obligation to establish or maintain such a market and is not obligated to repurchase any of the Bonds at the request of the owner thereof.

### UNDERWRITING

O'Connor & Company Securities, Inc. (the "Underwriter") is offering the Bonds at the prices set forth on the inside cover page hereof. The initial offering prices may be changed from time to time and concessions from the offering prices may be allowed to dealers, banks and others.

The Underwriter has purchased the Bonds at a price equal to approximately \_\_\_\_\_% (\$\_\_\_\_\_) of the aggregate principal amount of the Bonds, which amount represents the principal amount of the Bonds, less the Underwriter's discount of \$\_\_\_\_\_ and less a net original issue discount of \$\_\_\_\_\_.

The Underwriter will pay certain of its expenses relating to the offering.

### CONTINUING DISCLOSURE

#### Continuing Disclosure Agreement

The Authority has determined that, except for information relating to fund balances held by the Trustee with respect to the Bonds, no financial or operating data concerning the Authority is material to any decision to purchase, hold or sell the Bonds and the Authority will not provide any such information. The District has undertaken all responsibilities for any continuing disclosure to Bond Owners as described below, and the Authority shall have no liability to the Owners (as defined in the Indenture) of the Bonds or any other person with respect to such disclosures.

The District has covenanted for the benefit of Owners of the Bonds to provide certain financial information and operating data relating to the District. The District has agreed to make such information available not later than December 31 of each year, commencing December 31, 2015 (the "Annual Report"), and to provide notices of the occurrences of certain enumerated events. Each Annual Report and the notice of certain enumerated events will be filed by the Trustee, acting as dissemination agent, with the Municipal Securities Rulemaking Board ("MSRB") in an electronic format as prescribed by the MSRB. The specific nature of information to be contained in the Annual Report or the notice of certain enumerated events is set forth in "APPENDIX D - FORM OF CONTINUING DISCLOSURE AGREEMENT." These covenants have been made by the District in order to assist the Underwriter in complying with the Rule 15c2-12 of the Securities Exchange Act of 1934, as amended (the "Rule").

#### Prior Compliance

The City commissioned Willdan Financial Services, Temecula, California ("Willdan") to conduct a compliance audit of its prior continuing disclosure filings on 35 separate bond issues. Willdan concluded after the filing of 12 supplemental reports that the City is currently in conformance with the requirements of the Rule and pursuant to separate Continuing Disclosure Agreements executed in connection with such bond issues. Generally, five of the supplemental reports pertained to rating changes (4 downgrades on

certain bond issues insured by AMBAC or by MBIA and one upgrade) and seven of the supplemental reports pertained to improvement fund balances after the closing of such funds. In addition, one supplemental report addressed certain operating information of the former Redevelopment Agency.

Although currently in compliance, on numerous occasions, the City failed to timely file certain annual financial statements of the City. The City has elected not to include its Annual Financial Statements in the Official Statement. No funds or assets of the City are required to be used to pay debt service on the Bonds or the respective District Bonds and the City is not obligated to advance available funds to cover any delinquencies. Investors should not rely on the financial condition of the City in whether to buy, hold or sell the Bonds.

## **THE FINANCING CONSULTANT**

The material contained in this Official Statement was prepared by Rod Gunn Associates, Inc., a California corporation, an independent financial consulting firm, who advised the Authority as to the financial structure and certain other financial matters relating to the Bonds. The information set forth herein has been obtained by Rod Gunn Associates, Inc. from sources which are believed to be reliable, but such information is not guaranteed by Rod Gunn Associates, Inc. as to accuracy or completeness, nor has it been independently verified. Fees paid to Rod Gunn Associates, Inc. are contingent upon the sale and delivery of the Bonds.

## **FORWARD-LOOKING STATEMENTS**

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 similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the caption “**THE SPECIAL TAXES**” herein.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVES 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.

## **ADDITIONAL INFORMATION**

The summaries and references contained herein with respect to the Indenture, the Fiscal Agent Agreement, the Bonds, statutes and other documents do not purport to be comprehensive or definitive and are qualified by reference to each such document or statute; and references to the Bonds are qualified in their entirety by reference to the form hereof included in the Indenture. Copies of the Indenture and the Fiscal Agent Agreement are available for inspection during the period of initial offering of the Bonds at the offices of the Underwriter, O’Connor & Company Securities, Inc., 234 East 17<sup>th</sup> Street, Suite 114, Costa Mesa, California, 92627, telephone (949) 764-9320. Copies of these documents may be obtained after delivery of the Bonds from the City through the Assistant City Manager, City of Perris, 101 North “D” Street, Perris, California 92570.



## **REFERENCES**

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.

## **EXECUTION**

The execution of this Official Statement by the Executive Director has been duly authorized by the Perris Public Financing Authority.

### **PERRIS JOINT POWERS AUTHORITY**

By: /s/ \_\_\_\_\_  
Executive Director

**APPENDIX A.  
SUMMARY OF THE INDENTURE**

**APPENDIX B.  
SUMMARY OF THE FISCAL AGENT AGREEMENT**

**APPENDIX C.  
RATE AND METHOD OF APPORTIONMENT**

**APPENDIX D.**  
**FORM OF CONTINUING DISCLOSURE AGREEMENT**

**APPENDIX E.**  
**FORM OF BOND COUNSEL OPINION**

**APPENDIX F.**  
**BOOK-ENTRY SYSTEM**

## **APPENDIX F**

### **BOOK-ENTRY SYSTEM**

*The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal of and interest on the Bonds to Direct Participants, Indirect Participants or Beneficial Owners (as such terms are defined below) of the Bonds, confirmation and transfer of beneficial ownership interests in the Bonds and other Bond-related transactions by and between DTC, Direct Participants, Indirect Participants and Beneficial Owners of the Bonds is based solely on information furnished by DTC to the Authority which the Authority believes to be reliable, but the Authority and the Underwriter do not and cannot make any independent representations concerning these matters and do not take responsibility for the accuracy or completeness thereof. Neither the DTC, Direct Participants, Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.*

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds 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 Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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 3.6 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](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“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 Bonds 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 the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.



To facilitate subsequent transfers, all Bonds 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 the Bonds 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds 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.

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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds 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 Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds 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.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption price and interest payments on the Bonds 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 Authority or the Trustee, on payable date in accordance with their 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 Authority, 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 Authority 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.

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

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, the Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

### **Discontinuance of DTC Services**

In the event that (a) DTC determines not to continue to act as securities depository for the Bonds, or (b) the Authority determines that DTC shall no longer act and delivers a written certificate to the Trustee to that effect, then the Authority will discontinue the Book-Entry System with DTC for the Bonds. If the Authority determines to replace DTC with another qualified securities depository, the Authority will prepare or direct the preparation of a new single separate, fully-registered Bond for each maturity of the Bonds registered in the name of such successor or substitute securities depository as are not inconsistent with the terms of the Indenture. If the Authority fails to identify another qualified securities depository to replace the incumbent securities depository for the Bonds, then the Bonds shall no longer be restricted to being registered in the Bond registration books in the name of the incumbent securities depository or its nominee, but shall be registered in whatever name or names the incumbent securities depository or its nominee transferring or exchanging the Bonds shall designate.

In the event that the Book-Entry System is discontinued, the following provisions would also apply: (i) the Bonds will be made available in physical form, (ii) principal of, and redemption premiums if any, on the Bonds will be payable upon surrender thereof at the trust office of the Trustee identified in the Indenture, and (iii) the Bonds will be transferable and exchangeable as provided in the Indenture.

*The Authority or the Trustee do not have any responsibility or obligation to DTC Participants, to the persons for whom they act as nominees, to Beneficial Owners, or to any other person who is not shown on the registration books as being an owner of the Bonds, with respect to (i) the accuracy of any records maintained by DTC or any DTC Participants; (ii) the payment by DTC or any DTC Participant of any amount in respect of the principal of, redemption price of or interest on the Bonds; (iii) the delivery of any notice which is permitted or required to be given to registered owners under the Indenture; (iv) the selection by DTC or any DTC Participant of any person to receive payment in the event of a partial redemption of the Bonds; (v) any consent given or other action taken by DTC as registered owner; or (vi) any other matter arising with respect to the Bonds or the Indenture. The Authority or the Trustee cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal of or interest on the Bonds paid to DTC or its nominee, as the registered owner, or any notices to the Beneficial Owners or that they will do so on a timely basis or will serve and act in a manner described in this Official Statement. The Authority or the Trustee are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner in respect to the Bonds or any error or delay relating thereto.*