
FISCAL AGENT AGREEMENT

by and between

COMMUNITY FACILITIES DISTRICT NO. 2005-1
(BELLEVUE RANCH WEST)
OF THE CITY OF MERCED

and

MUFG UNION BANK, N.A.,
as Fiscal Agent

Dated as of December 1, 2017

Relating to:

 \$[principal amount]
Community Facilities District No. 2005-1
(Bellevue Ranch West) of the City of Merced
2017 Special Tax Refunding Bonds
(Improvement Area No. 1)

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FISCAL AGENT AGREEMENT

THIS FISCAL AGENT AGREEMENT (this "Agreement") is made and entered into as of December 1, 2017, by and between the Community Facilities District No. 2005-1 (Bellevue Ranch West) of the City of Merced (the "District"), a community facilities district organized and existing under and by virtue of the laws of the State of California, and MUFG Union Bank, N.A., a national banking association organized and existing under the laws of the United States of America, as fiscal agent (the "Fiscal Agent").

W I T N E S S E T H :

WHEREAS, the City Council (the "City Council") of the City of Merced (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. 2005-133 of the City Council adopted on November 21, 2005; and

WHEREAS, the City Council, acting as the legislative body of the District, is authorized under the Act and pursuant to an ordinance adopted on December __, 2005 to levy special taxes to pay for the costs of facilities provided by the District; and

WHEREAS, under the provisions of the Act, on October 17, 2005, the City Council adopted a resolution of intention, which resolution, among other matters, expressed the intent of the City Council to authorize the issuance of one or more series of bonds in the maximum aggregate principal amount as set forth therein, secured by the special taxes under the Act; and

WHEREAS, on _____, 2005, the City Council adopted a resolution (the "2005 Resolution") authorizing the issuance and sale of the \$7,410,000 Community Facilities District No. 2005-1 (Bellevue Ranch West) of the City of Merced, 2006 Special Tax Bonds (Improvement Area No. 1) (the "Prior Bonds"), pursuant to a Fiscal Agent Agreement dated as of June 1, 2006 (the "Prior Bonds Fiscal Agent Agreement"), by and between the City and U.S. Bank National Association (the "Prior Bonds Fiscal Agent"), for the purpose of financing the acquisition, rehabilitation and construction of certain public improvements and capital fees eligible to be financed through the District; and

WHEREAS, on November 20, 2017, the City Council, acting as the legislative body of the District, adopted Resolution No. _____ (the "Resolution") authorizing the issuance and sale of bonds for the District pursuant to this Agreement, designated "Community Facilities District No. 2005-1 (Bellevue Ranch West) of the City of Merced, 2017 Special Tax Refunding Bonds (Improvement Area No. 1)" (the "Bonds"), for the purpose of refinancing the Prior 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 at any time issued and outstanding under this Agreement, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the holders thereof, and for other valuable 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, as follows:

ARTICLE I

STATUTORY AUTHORITY AND DEFINITIONS

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

Section 1.2 Agreement for Benefit of Bond Owners. The provisions, covenants and agreements herein set forth to be performed by or on behalf of the District shall be for the equal benefit, protection and security of the Owners from time to time. In consideration of the acceptance of the Bonds by the Owners thereof, this Agreement shall be deemed to be and shall constitute a contract between the District and the Owners; and the covenants and agreements herein set forth to be performed by the District shall be, for the equal and proportionate benefit, security and protection of all Owners of the Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the number, or date thereof or the time of sale, execution or delivery thereof, or otherwise for any cause whatsoever, except as expressly provided, therein or herein. All of the Bonds, without regard to the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, except as expressly provided in or permitted by this Agreement.

The Fiscal Agent may become the owner of any of the Bonds in its own or any other capacity with the same rights it would have if it were not Fiscal Agent.

Section 1.3 Definitions. Unless the context otherwise requires, the terms defined in this Section 1.3 shall, for all purposes of this Agreement, of any Supplemental Agreement, and of any certificate, opinion or other document herein mentioned, have the meanings herein specified. All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Agreement, and the words "herein," "hereof," "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or subdivision hereof.

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

"Administrative Expense Fund" means the fund by that name established by Section 3.5 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) and complying with the disclosure provisions of the Act, the Continuing Disclosure Agreement and this Agreement; 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 Tax Revenues to the payment of the Bonds or otherwise in respect of litigation relating to the District or the 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)(iii), 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.

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

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

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

“Authorized Officer” means the Mayor, 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) Norton Rose Fulbright US 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.

“Bond Proceeds Fund” means the fund by that name established by Section 3.2 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, 2018.

“Bonds” means the “Community Facilities District No. 2005-1 (Bellevue Ranch West) of the City of Merced, 2017 Special Tax Refunding Bonds (Improvement Area No. 1).”

“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 thereto.

“City” means the City of Merced, a California charter city organized and existing under the Constitution and the laws of the State..

“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 in exchange for the amount representing the purchase price of the Bonds by the Original Purchaser.

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

“Continuing Disclosure Agreement” shall mean the Continuing Disclosure Agreement, by and between the District and the Dissemination Agent, dated as of December 1, 2017, 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 at Los Angeles, California, or such other office designated from time to time by the Fiscal Agent in writing to the District except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Fiscal Agent at which, at any particular time, its corporate trust agency business shall be conducted.

“Costs of Issuance” means items of expense payable or reimbursable directly or indirectly by the City and related to the authorization, sale or issuance of the Bonds, which items of expense shall include, but not limited to, printing costs, costs of reproducing and binding documents, including but not limited to the preliminary official statement and official statement regarding the Bonds, closing costs, filing and recording fees, initial fees and charges of the Fiscal Agent including its first annual administration fee and the fees of its counsel, expenses incurred by the City and District in connection with the issuance of the Bonds, underwriter’s discount, legal fees and charges, including the fees of Bond Counsel and Disclosure Counsel, financial advisor’s fees, appraiser’s or absorption specialist’s fees and costs, if any, special tax consultant’s fees and costs, charges for authentication, transportation and safekeeping of the Bonds and other costs, charges and fees in connection with the foregoing.

“Cost of Issuance Fund” means the fund by that name established by Section 3.3 hereof.

“County” means the County of Merced, 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.

“Developer Continuing Disclosure Agreement” means the continuing disclosure agreements to be entered into by major owners of property within the Improvement Area.

“Dissemination Agent” means Goodwin Consulting Group, Inc. 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. 2005-1 (Bellevue Ranch West) of the City of Merced formed pursuant to the Resolution of Formation.

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

“Escrow Agreement” means the Escrow Agreement dated as of December 1, 2017, by and between the District and the Escrow Bank relating to the defeasance of the Prior Bonds.

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

“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; and

(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 MUFG Union Bank, N.A., appointed by the District and acting as an independent fiscal agent with the duties and powers herein provided, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in Section 8.1.

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

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

“Independent Financial Consultant” means a firm of certified public accountants, a financial consulting firm, a consulting engineering firm or engineer which is not an employee of, or otherwise controlled by, the City.

“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 March 1, 2018.

“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.

“Letter of Representations” means the letter of the District 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 the largest Annual Debt Service for any Bond Year after the calculation is made through the final maturity date of any Outstanding Bonds.

“Net Taxes” means Special Tax Revenues less Administrative Expenses.

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

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

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

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

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

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein (the Fiscal Agent 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 United States government agencies (stripped securities are only permitted if they have been stripped by the District 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 systemwide 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,” and, if rated by Moody’s, rated “Aaa,” “Aa1” or “Aa2;”

(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 or which are with a bank rated “AA” or better by S&P and “Aa” or better by Moody’s.

(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 United States government obligations, or federal agency obligations backed by the full faith and credit of the United States 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 simultaneously 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; and (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 Community Facilities District No. 2005-1 (Bellevue Ranch West) of the City of Merced, 2006 Special Tax Bonds (Improvement Area No. 1), currently outstanding in the principal amount of \$5,865,000.

“Prior Bonds Fiscal Agent” means U. S. Bank National Association, acting as fiscal agent under the Prior Bonds Fiscal Agent Agreement relating to the Prior Bonds.

“Prior Bonds Fiscal Agent Agreement” means the Fiscal Agent Agreement dated as of June 1, 2006, by and between the District and the Prior Bonds Fiscal Agent.

“Rebate Fund” means the fund by that name established by Section 3.8 hereof.

“Record Date” means the fifteenth (15th) 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 3.6 hereof.

“Redemption Revenues” means (a) prepayments of the Special Taxes, (b) any amounts deposited for the optional redemption of Bonds pursuant to Section 2.3(a)(i) hereof, (c) and any amounts deposited for the special mandatory redemption of Bonds pursuant to Section 2.3 (a)(ii) hereof.

“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.

“Reserve Fund” means the fund by that name established pursuant to Section 3.7 hereof.

“Reserve Requirement” means, as the date of any calculation, the lesser of (i) ten percent (10%) of the proceeds of the Bonds, (ii) Maximum Annual Debt Service on the Bonds, or (iii) 125% of the average Annual Debt Service on the Bonds, as determined by the District; provided, however, the Reserve Requirement on any calculation date shall not be greater than the Reserve Requirement amount on the Closing Date.

“Resolution” means Resolution No. _____, adopted by the Legislative Body on November 20, 2017, as now in effect or as it may hereafter be amended from time to time, with respect to the Bonds.

“Resolution of Formation” means Resolution No. 2005-133, adopted by the City Council on November 21, 2005, as now in effect or as it may hereafter be amended from time to time.

“RMA” means the Rate and Method of Apportionment for Community Facilities District No. 2005-1 (Bellevue Ranch West) of the City of Merced.

“S&P” means S&P Global Ratings and its successors or assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a municipal securities rating agency, then the term “S&P” shall be deemed to refer to any other nationally recognized municipal securities rating agency selected by the District.

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

“Special Tax Receivables” means delinquent installments of the Special Taxes that have been sold and assigned to a third party, provided that such sale and assignment was accompanied by the

opinion of nationally recognized bond counsel that the sale and assignment does not have a materially adverse effect on the interests of the Bond Owner, including the tax-exempt status of the Bonds.

“Special Tax Revenues” means (a) the proceeds of the Special Taxes received by the District, (b) income and gains with respect to the investment of amounts on deposit in the funds and accounts established hereunder for the Bonds, (c) proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes, and (d) the net proceeds of the sale of any Special Tax Receivables equal to the par amount of such Special Tax Receivables. Notwithstanding the foregoing, “Special Tax Revenues” does not include any penalties or interest in excess of the interest payable on the Bonds collected in connection with delinquent Special Taxes.

“Special Taxes” means the special taxes levied within the Improvement Area of the District pursuant to the Act, 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.

“Surplus Account” means the account by that name established in the Special Tax Fund by Section 3.4(a) hereof.

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

ARTICLE II

THE BONDS

Section 2.1 Principal Amounts; Designations. The Bonds in the aggregate principal amount of _____ Dollars (\$[principal amount]) are hereby authorized to be issued under and subject to the terms of the Resolution and this Agreement, the Act and other applicable laws of the State of California. The Bonds shall be designated “Community Facilities District No. 2005-1 (Bellevue Ranch West) of the City of Merced, 2017 Special Tax Refunding Bonds (Improvement Area No. 1).” This Agreement constitutes a continuing agreement of the District with the Owners from time to time of the Bonds to secure the full payment of the principal of, premium, if any, and interest on all such Bonds subject to the covenants, provisions and conditions herein contained.

Section 2.2 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:

Maturity Date
(September 1)

Principal
Amount

Coupon

(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 February 15, 2018, 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.

Section 2.3 Redemption.

(a) Redemption Dates.

(i) *Optional Redemption.* The Bonds shall be subject to redemption prior to maturity at the option of the District from any source of funds, on any Interest Payment Date on or after September 1, 20__ as a whole or in part, from such maturities as selected by the District, and by lot within a maturity, at a redemption price (expressed as a percentage of the principal amount of the Bonds to be redeemed), together with accrued interest thereon to the date fixed for redemption, as follows:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
September 1, 20__ and each March 1 and September 1 through and including March 1, 20__	
September 1, 20__ and each March 1 and September 1 thereafter	

(ii) *Special Mandatory Redemption from Prepayment of Special Taxes.* The Bonds shall also be subject to mandatory redemption on any Interest Payment Date on or after March 1, 2018 in whole or in part, from such maturities as selected by the District in order to maintain substantially level Debt Service, and by lot within a maturity, from amounts constituting prepayments of Special Taxes 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 Dates</u>	<u>Redemption Prices</u>
March 1, 2018 and each March 1 and September 1 through and including March 1, 20__	
September 1, 20__ and each March 1 and September 1 thereafter	

(iii) *Mandatory Sinking Payment Redemption.* The Bonds maturing on September 1, 20__ and September 1, 20__ shall be subject to mandatory sinking fund redemption in part, on September 1 in each year commencing September 1, 20__ and September 1, 20__, respectively, and on each September 1, thereafter to maturity, by lot, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date of redemption, without premium, and from sinking payments as follows:

Term Bonds Maturing September 1, 20__			
<u>Year</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Year</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>

*maturity

Term Bonds Maturing September 1, 20__

Year (September 1)	Principal <u>Amount</u>	Year (September 1)	Principal <u>Amount</u>
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*maturity

The amounts in the foregoing schedules shall be reduced by the District pro rata among redemption dates, in order to maintain substantially level Debt Service, as a result of any prior or partial redemption of the Bonds pursuant to optional or special mandatory redemption described above.

(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 forty-five (45) days prior to the applicable redemption date, unless such notice shall be waived by the Fiscal Agent.

(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.

If at the time of mailing of any notice of optional redemption there shall not have been deposited with the Fiscal Agent 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 Fiscal Agent not later than the opening of business on the redemption date and will be of no effect unless such moneys are so deposited.

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 to 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. When notice of redemption has been given, and when the amount necessary for the redemption of the Bonds called for redemption is set aside for that purpose in the Redemption Fund, the Bonds designated for redemption will become due and payable on the date fixed for redemption, and upon presentation and surrender of the Bonds at the place specified in the notice of redemption, and no interest will accrue on the Bonds called for redemption from and after the redemption date, and the Beneficial Owners of the redeemed Bonds, after the redemption date, may look for the payment of principal and premium, if any, of such Bonds or portions of Bonds only to the Redemption Fund and shall have no rights, except with respect to the payment of the redemption price from the Redemption Fund.

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.

(f) Purchase in Lieu of Redemption. In lieu of such optional, mandatory or special mandatory redemption, moneys in the Bond Fund may be used and withdrawn by Fiscal Agent for the purchase of Outstanding Bonds, upon the filing with the Fiscal Agent or an Officer's Certificate requesting such purchase, at public or private sale as and when, and at such prices (including brokerage and other charges) as such Officer's Certificate may provide, but in no event may Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase. In such event, the District shall, as may be appropriate, provide the Fiscal Agent a revised maturity schedule or revised mandatory sinking fund schedule for the Bonds or both.

Section 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.

Section 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.

Section 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 hereof 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.

Section 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.

Section 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.

Section 2.9 CUSIP Numbers. The Fiscal Agent and the District shall not be liable for any defect or inaccuracy in the CUSIP number that appears on any Bond or in any redemption notice. The Fiscal Agent 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 Fiscal Agent, nor the District 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 District 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 District 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 Fiscal Agent, together with a Officer’s Certificate to the Fiscal Agent, 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 Officer’s Certificate.

(c) In the case of any transfer pursuant to clause (iii) of subsection (a) hereof upon receipt of the Outstanding Bonds by the Fiscal Agent, together with a Officer’s Certificate to the Fiscal Agent, new Bonds shall be authenticated and delivered in such denominations numbered in the manner determined by the Fiscal Agent and registered in the names of such persons as are requested in such a Officer’s Certificate, subject to the limitations of Section 2.01 hereof, provided, the Fiscal Agent shall not be required to deliver such new Bonds within a period of less than sixty (60) days from the date of receipt of such a Officer’s Certificate. After any transfer pursuant to this subsection, the Bonds shall be transferred pursuant to Section 2.05.

(d) The District and the Fiscal Agent shall be entitled to treat the person in whose name any Bond is registered as the Owner thereof for all purposes of the Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Fiscal Agent or the District; and the District and the Fiscal Agent shall have no responsibility for transmitting payments to, communication with, notifying, or otherwise dealing with any beneficial owners of the Bonds, and neither the District nor the Fiscal Agent 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 District and the Fiscal Agent 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.

Section 2.11 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.

Section 2.12 Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the District, at the expense of the Owner of said Bond, shall execute, and the Fiscal Agent shall authenticate and deliver, a new Bond of like tenor and principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Fiscal Agent of the Bond so mutilated. Every mutilated Bond, so surrendered to the Fiscal Agent shall be canceled by it and destroyed by the Fiscal Agent who shall deliver a certificate of destruction thereof to the District. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Fiscal Agent and, if such evidence be satisfactory to it and indemnity for the District and the Fiscal Agent satisfactory to the Fiscal Agent shall be given, the District, at the expense of the Owner, shall execute, and the Fiscal Agent shall authenticate and deliver a new Bond of like tenor and principal amount in lieu of and in substitution for the Bond so lost, destroyed or stolen. The District may require payment of a sum not exceeding the actual cost of preparing each new Bond delivered under this Section and of the expenses which may be incurred by the District and the Fiscal Agent for the preparation, execution, authentication and delivery. Any Bond delivered under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the District whether or not the Bond so alleged to be lost, destroyed or stolen is at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Agreement with all other Bonds issued pursuant to this Agreement.

Section 2.13 Limited Obligation. All obligations of the District under this Agreement and the Bonds shall be special obligations of the District, payable solely from the Net Taxes 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.

Section 2.14 No Acceleration. The principal of the Bonds shall not be subject to acceleration hereunder. Nothing in this Section shall in any way prohibit the prepayment or redemption of Bonds under Section 2.3 hereof, or the defeasance of the Bonds and discharge of this Agreement under Section 10.3 hereof.

Section 2.15 No Additional Bonds. Except for refunding purposes, the District shall not issue bonds, notes or other forms of indebtedness payable from Special Tax Revenues and other amounts deposited in the Special Taxes Receipt Fund and secured by a lien and charge upon such amounts equal to the lien and charge securing the Bonds.

ARTICLE III

ISSUANCE OF BONDS

Section 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 hereof and deliver the Bonds to the Original Purchaser. The Authorized Officers of the District are hereby authorized and directed to deliver any and all documents and instruments necessary to cause the issuance of the Bonds in accordance with the provisions of the Act, the Resolution and this Agreement and to do and cause to be done any and all acts and things necessary or convenient for delivery of the Bonds to the Original Purchaser, upon payment of the purchase price for the Bonds.

Section 3.2 Bond Proceeds Fund; Application of Proceeds of Sale of the Bonds. There is hereby established a fund to be held by the Fiscal Agent known as the "Bond Proceeds Fund." Upon the receipt of payment for the Bonds on the Closing Date, the Fiscal Agent shall deposit the proceeds of sale thereof in the amount of \$_____ (being the principal amount of \$[principal amount].00, plus/less net original issue premium/discount of \$_____, and less an underwriter's discount of \$_____), in the Bond Proceeds Fund and transfer or deposit monies as follows:

(a) The Fiscal Agent shall transfer to the Escrow Agent for deposit in the Escrow Fund established under the Escrow Agreement, the amount of \$_____;

(b) The Fiscal Agent shall deposit the amount of \$_____ in the Reserve Fund, which amount equals the initial Reserve Requirement;

(c) The Fiscal Agent shall deposit the amount of \$_____ in the Administrative Expenses Fund.

(d) The Fiscal Agent shall deposit the amount of \$_____ in the Costs of Issuance Fund.

(e) The Fiscal Agent shall deposit the remaining amount, equal to \$_____, in the Interest Account of the Bond Fund, representing capitalized interest

The Fiscal Agent shall close the Bond Proceeds Fund after the disbursements listed above. The

Fiscal Agent may, in its discretion, establish a temporary fund or account in its books and records to facilitate such transfers.

Section 3.3 Costs of Issuance Fund. There is hereby established a fund to be held by the Fiscal Agent known as the “Costs of Issuance Fund” into which shall be deposited a portion of the Bond proceeds as set forth in Section 3.2(d). The moneys in the Costs of Issuance Fund shall be used to pay Costs of Issuance from time to time upon receipt of a Officer’s Certificate. On the date which is ninety (90) days following the Closing Date or upon the earlier receipt by the Fiscal Agent of a Officer’s Certificate stating that all Costs of Issuance have been paid, the Fiscal Agent shall transfer all remaining amounts in the Costs of Issuance Fund to the Interest Account of the Bond Fund.

Section 3.4 Special Taxes Receipt Fund and Special Tax Fund.

(a) Establishment of Special Taxes Receipt Fund and Special Tax Fund. The District shall establish and hold for the benefit of the Owners a fund known as the “Special Taxes Receipt Fund.” The District shall deposit Special Taxes when received in such account established for the District and no later than ten (10) Business Days thereafter transfer such amounts to the Fiscal Agent for deposit in the “Special Tax Fund,” which is hereby established as a separate fund to be held by the Fiscal Agent. There is hereby also established in the Special Tax Fund as a separate account, to be held by the Fiscal Agent, the “Surplus Account” to the credit of the Bond Fund which amounts shall be deposited as provided in paragraph (b) below. Moneys in the Special Tax Fund shall be held by the Fiscal Agent for the benefit of the District and the Owners of the Bonds, shall be disbursed as provided below and, pending any disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

Notwithstanding the foregoing, any amounts received by the District which constitutes prepayments of the Special Taxes shall be transferred by the District not later than ten (10) Business Days after receipt to the Fiscal Agent for deposit by the Fiscal Agent in the Redemption Fund established pursuant to Section 3.6.

(b) Disbursements. After transferring an amount of Special Taxes budgeted for Administrative Expenses to be deposited in the Administrative Expense Fund pursuant to a written direction of the District (provided, however, that the amount deposited in the Administrative Expense Fund prior to the deposits to the Interest Account and the Principal Account of the Bond Fund, as provided below, shall not exceed \$20,000 for any Fiscal Year), and an amount of Special Taxes, if any, which the District shall direct in an Officer’s Certificate delivered to the Fiscal Agent (upon which the Fiscal Agent may conclusively rely), to be withdrawn from the Special Tax Fund to make the amount on deposit in the Reserve Fund equal to the Reserve Requirement, no later than five (5) 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 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, if any) 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 in respect of past due payments on the Bonds.

(c) Investment. Moneys in the Special Tax Fund shall be invested and deposited in accordance with Section 6.1 hereof. 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 or as soon as practicable after September 2 of each year, commencing September 2, 2018, 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 Reserve Fund for replenishment to an amount equal to the Reserve Requirement, if necessary, or to the Administrative Expense Fund or to the Surplus Account of the Special Tax Fund, as directed in writing by the District in an Officer's Certificate. Amounts remaining in the Surplus Account shall be deposited to the Interest Account of the Bond Fund no later than five (5) Business Days prior to each March 1 as provided in paragraph (b) above.

Section 3.5 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," which shall be credited with the amount transferred by the District representing the amount budgeted and levied for Administrative Expenses. Moneys in the Administrative Expense Fund shall be disbursed as provided below.

(b) Disbursement. Amounts in the Administrative Expense Fund shall be withdrawn by the Fiscal Agent and transferred to the District upon receipt of an Officer's Certificate to make such transfer.

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 as provided in an Officer's Certificate, and deposit such amounts in the Surplus Account of 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.

Section 3.6 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" (which fund shall consist solely of an "Optional Redemption Account" and a "Special Mandatory Redemption Account" to be established and created upon receipt of a written direction of the District), to the credit of which the Fiscal Agent shall deposit, immediately upon receipt, all Redemption Revenues received from the District. Moneys in the Redemption Fund shall be held by the Fiscal Agent for the benefit of the District and the Owners of the Bonds, shall be disbursed as provided below and, pending any disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

(b) Disbursement.

(i) All prepayments of Special Taxes shall be deposited in the Special Mandatory Redemption Account to be used to redeem Bonds on the next date for which notice of redemption can timely be given.

(ii) Any amounts transferred for the optional redemption of Bonds shall be deposited into the Optional Redemption Account to be used to redeem Bonds 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 hereof. Interest earnings and profits resulting from said investment shall be retained in the Redemption Fund to be used for the purposes of such fund.

Section 3.7 Reserve Fund.

(a) Establishment of Reserve Fund. There is hereby established as a separate fund to be held by the Fiscal Agent, the "Reserve Fund" which fund shall be maintained in an amount equal to the Reserve Requirement. Moneys in the Reserve Fund shall be held by the Fiscal Agent for the benefit of the District and the Owners of the Bonds, shall be disbursed as provided below and, pending any disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

(b) Disbursement. Amounts in the Reserve Fund shall be applied as follows:

(i) Moneys in the Reserve Fund shall be used solely for the purpose of paying the principal of, including mandatory sinking payments, and interest on the Bonds when due in the event that the moneys in the Interest Account and the Principal Account of the Special Tax Fund are insufficient therefor and for the purpose of making any required transfer to the Rebate Fund pursuant to Section 3.8 hereof upon written direction from the District. If the amounts in the Interest Account or the Principal Account of the Special Tax Fund are insufficient to pay the principal of, including mandatory sinking payments, or interest on the Bonds when due, or amounts in the Special Tax Fund are insufficient to make transfers to the Rebate Fund when required, the Fiscal Agent shall withdraw from the Reserve Fund for deposit in the Interest Account or the Principal Account of the Special Tax Fund or the Rebate Fund, as applicable, moneys necessary for such purposes.

(ii) Whenever moneys are withdrawn from the Reserve Fund the Fiscal Agent shall transfer to the Reserve Fund from available moneys in the Special Tax Fund, or from any other legally available funds which the District elects to apply to such purpose, the amount needed to restore the amount of such Reserve Fund to the Reserve Requirement. Moneys in the Special Tax Fund shall be deemed available for transfer to the Reserve Fund only if the Fiscal Agent determines that such amounts will not be needed to make the deposits required to be made to the Administrative Expense Fund, the Interest Account or the Principal Account of the Special Tax Fund or the Redemption Fund on or before the next September 1. If amounts in the Special Tax Fund together with any other amounts transferred to replenish the Reserve Fund are inadequate to restore the Reserve Fund to the Reserve Requirement, then the District shall, subject to limitations contained in the Act, if any, include the amount necessary to restore the Reserve Fund to the Reserve Requirement in the next annual Special Tax levy to the extent of the maximum permitted Special Tax rates.

(iii) In connection with a redemption of Bonds pursuant to Section 2.3(a)(i) or (ii), or a partial defeasance of Bonds in accordance with Section 10.3 hereof, amounts in the Reserve Fund may be applied to such redemption or partial defeasance so long as the amount on deposit in the Reserve Fund following such redemption or partial defeasance equals the Reserve Requirement. The District shall set forth in an Officer's Certificate the amount in the Reserve Fund to be transferred to the Redemption Fund on a redemption date or to be transferred to

partially defease Bonds, and the Fiscal Agent shall make such transfer on the applicable redemption or defeasance date, subject to the limitation in the preceding sentence.

(iv) Whenever the balance in the Reserve Fund equal or exceeds the amount required to redeem or pay the Outstanding Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, the Fiscal Agent shall, upon receiving an Officer's Certificate (upon which the Fiscal Agent may conclusively rely), transfer the amount in the Reserve Fund to the Interest Account and the Principal Account, to be applied to the payment and redemption of all of the Outstanding Bonds. Annually, at least five (5) days prior to the last day of each Bond Year, the Fiscal Agent shall withdraw moneys in the Reserve Fund in excess of the Reserve Requirement, and deposit such amounts in the Surplus Account of the Special Tax Fund.

(c) Investment. Moneys in the Reserve 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 Reserve Fund to be used for the purposes of such fund.

Section 3.8 Rebate Fund. The Fiscal Agent shall deposit in the Rebate Fund (which fund shall be established if and when needed as a separate fund to be held by the Fiscal Agent upon receipt of an Officer's Certificate from the District) from time to time, as set forth in this Agreement, an amount determined by the District to be subject to rebate to the United States of America in accordance with Section 5.7(h). Amounts in the Rebate Account shall be applied and disbursed by the Fiscal Agent solely for the purposes and at the times set forth in written requests of the District filed with the Fiscal Agent pursuant to Section 5.10. The Fiscal Agent shall not be responsible for calculating rebate amounts or for the adequacy or correctness of any rebate report or rebate calculations. The Fiscal Agent shall be deemed conclusively to have complied with the provisions of this Agreement and any other agreement relating to the Bonds regarding calculation and payment of rebate if it follows the directions of the District and it shall have no independent duty to review such calculations or enforce the compliance with such rebate requirements by the District.

ARTICLE IV

SPECIAL TAX REVENUES; BOND FUND

Section 4.1 Pledge of Special Tax Revenues. The Bonds shall be secured by a first pledge (which pledge shall be effected in the manner and to the extent herein provided) of all of the Special Tax Revenues and Redemption Revenues and all moneys deposited in the Bond Fund and the Reserve Fund and, until disbursed, as provided herein, in the Special Taxes Receipt Fund, the Special Tax Fund and the Redemption 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 as provided herein and in the Act until all of the Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose in accordance with Section 10.3 hereof.

Amounts in the Administrative Expense Fund and the Rebate Fund are not pledged to the repayment of the Bonds.

Section 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,

and which fund shall consist solely of, an Interest Account and a Principal Account) to the credit of which deposits shall be made as required by Section 3.4(b) 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 by the Fiscal Agent for the benefit of the Owners of the Bonds, shall be disbursed for the payment of the principal of (including mandatory sinking payments, if any) and interest on the Bonds as provided below, and, pending such disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

(b) Disbursements. On or before 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 the principal of (including mandatory sinking payments, if any) and interest on the 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, 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 in respect of past due payments on the Bonds.

Any installment of principal (including mandatory sinking payments, if any) or interest on the Bonds which is not paid when due shall accrue interest at the rate of interest on the Bonds until paid, and shall be paid whenever funds in the Bond Fund are sufficient therefor.

If at any time the Fiscal Agent fails to pay principal and interest due on any scheduled payment date for the Bonds, the Fiscal Agent shall notify the District and the Treasurer in writing of such failure, and the Treasurer shall notify the CDIAC of such failure within ten (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

Section 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 when and as due in strict conformity with the terms of this Agreement and any Supplemental Agreement, and it will faithfully observe and perform all of the conditions, covenants and requirements of this Agreement and all Supplemental Agreements and of the Bonds.

Section 5.2 Limited Obligation. The Bonds are limited obligations of the District and are payable solely from and secured solely by the Special Tax Revenues and Redemption Revenues and the amounts in the Bond Fund, Reserve Fund, Redemption Fund, Special Taxes Receipts Fund, and the Special Tax Fund created hereunder.

Section 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 shall not, directly or indirectly, be a party to the approval of any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether

or not with the consent of the District, such claim for interest so extended or funded shall not be entitled, in case of default hereunder, to the benefits of this Agreement, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have 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 such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

Section 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 superior to or on a parity with the pledge and lien herein created for the benefit of the Bonds, except as permitted by this Agreement.

Section 5.5 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 Special Tax Receipt 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 and the Owners of not less than ten percent (10%) of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

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

Section 5.6 Protection of Security and Rights of Owners. The District will preserve and protect the security of the Bonds and the rights of the Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the delivery of any of the Bonds by the District, the Bonds shall be incontestable by the District. In furtherance of the foregoing, the District shall not approve any reduction of the maximum 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 Special Tax Revenues at least equal to the estimated Administrative Expenses plus 110% of annual debt service in such Fiscal Year for the Bonds. The District shall also not permit the tender of Bonds in payment of any Special Taxes except upon receipt of a certificate of an Independent Financial Consultant that to accept such tender will not result in the District having insufficient Special Tax Revenues to pay the principal of and interest on the Bonds remaining Outstanding following such tender.

Section 5.7 Accountability Measures. The District shall comply with the requirements of Section 53410 and 53411 of the California Government Code and shall cause the appropriate officer of the City to file a report with the City Council no later than each January 1 with respect to the amount of funds collected and expended with respect to the District.

Section 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.

On or before five (5) Business Days of May 1 of each year, the Fiscal Agent shall provide the District with a notice stating the amount then on deposit in the Special Tax Fund, the Bond Fund and the

Reserve Fund (including all accounts therein), and informing the District that the Special Taxes are to be levied as necessary to provide Annual Debt Service and Administrative Expenses, and replenishment, if necessary, of the Reserve Fund so that the balance therein equals the Reserve Requirement. The Treasurer shall effect the levy of the Special Taxes each Fiscal Year on the parcels within the Improvement Area 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 Improvement Area 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 Improvement Area, the Treasurer shall, not less than ninety (90) days prior to each Interest Payment Date, send bills to the owners of such real property located within the Improvement Area 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 forty-five (45) 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 Improvement Area required (i) for the payment of principal of and interest on any outstanding 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. 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.

Section 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.

Section 5.10 Tax Covenants.

(a) Special Definitions. When used in this Section, the following terms have the following meanings:

“*Bonds*” means 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.

“*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 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 Bond from the gross income of the owner thereof for federal income tax purposes, the District shall comply with each of the specific covenants in this Section.

(c) Private Use and Private Payments. Except as would not cause any Bond to become a “private activity bond” within the meaning of section 141 of the Code and the Tax Regulations, the District shall take all actions necessary to assure that the District at all times prior to the final cancellation of the last of the Bonds to be retired:

(i) exclusively owns, operates and possesses all property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with Gross Proceeds of the Bonds and not use or permit the use of such Gross Proceeds (including through any contractual arrangement with terms different than those applicable to the general public) or any property acquired, constructed or improved with such Gross Proceeds in any activity carried on by any person or entity (including the United States or any agency, department and instrumentality thereof) other than a state or local government, unless such use is solely as a member of the general public; and

(ii) does not directly or indirectly impose or accept any charge or other payment by any person or entity (other than a state or local government) who is treated as using any Gross Proceeds of the 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 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 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 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 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 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 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 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 Bond is discharged. However, to the extent permitted by law, the District may commingle (and may allow the District 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 Bonds until six years after the final Computation Date.

(iii) In order to assure the excludability pursuant to section 103(a) of the Code of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes, the District shall pay to the United States the amount that when added to the future value of previous rebate payments made for the Bonds equals (i) in the case of the Final Computation Date as defined in section 1.148-3(e)(2) of the Tax Regulations, one hundred percent (100%) of the Rebate Amount on such date; and (ii) in the case of any other Computation

Date, ninety percent (90%) of the Rebate Amount on such date. 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.

(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 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.

(j) Bonds Not Hedge Bonds.

(i) The District represents that none of the Bonds is or will 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 Bonds the District reasonably expected that at least 85% of the spendable proceeds of the 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 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, in the *Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986*, or similar or other appropriate certificate, form or document.

(l) Closing Certificate. The District agrees to execute and deliver in connection with the issuance of the Bonds a *Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 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 5.11 Covenant to Foreclose. The District covenants (i) that it will order, and cause to be commenced, judicial foreclosure proceedings against properties with delinquent Special Taxes in excess of \$5,000 by the October 1 following the close of the Fiscal Year in which such Special Taxes were due, and (ii) that it will commence judicial foreclosure proceedings against all properties with delinquent Special Taxes by the October 1 following the close of each Fiscal Year in which it receives Special Taxes in an amount which is less than ninety-five percent (95%) of the total Special Taxes levied, and diligently pursue to completion such foreclosure proceedings. Commencement of any judicial foreclosure proceedings includes the District's efforts to collect the delinquent Special Taxes by sending subsequent notice of delinquency and a demand for immediate payment thereof. The District may treat any delinquent Special Tax sold to an independent third-party or to any funds of the City for at least 100% of the delinquent amount as having been paid. Proceeds of any such sale up to 100% of the delinquent amount shall be deposited in the Special Tax Fund.

The City Attorney is 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 the above, as long as the Special Taxes are the subject of the County's Teeter Plan and the District is receiving 100% of the Special Taxes it levies, the District shall not have any obligation to commence judicial foreclosure proceedings as described above.

Section 5.12 Annual Reports to CDIAC. Not later than October 30 of each year, commencing October 30, 2018, and until the October 30 following the final maturity of the Bonds, the Treasurer shall supply the information required by Section 53359.5(b) or (c) of the Act to CDIAC (on such forms as CDIAC may specify) and the District.

Section 5.13 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 Bonds. Notwithstanding any other provision of this Agreement, failure of the District to comply with the Continuing Disclosure Agreement shall not be considered a default hereunder; however, any Participating Underwriter or any holder or beneficial owner of the 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.

Section 5.14 Bank Qualification. The District hereby designates the Bonds as "Qualified Tax Exempt Obligations" in accordance with the provisions of section 265(b)(3) of the Code. The District (including any entity that is subordinate to or acts on behalf of the District) has not incurred or issued, and does not reasonably expect to incur or issue, tax-exempt obligations (bonds, notes, lease agreements, etc.) pursuant to section 103(a) of the Code during calendar year 2017 in an aggregate amount in excess of \$10,000,000.

ARTICLE VI

INVESTMENTS; DISPOSITION OF INVESTMENT PROCEEDS; LIABILITY OF THE DISTRICT

Section 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, which by their terms mature prior to the date on which such moneys are required to be paid out hereunder. 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; provided, however, that any such investment shall be made by the Fiscal Agent only if, prior to the date on which such investment is to be made, the Fiscal Agent shall have received a written direction specifying a specific money market fund and, if no such written direction is so received, the Fiscal Agent shall hold such moneys uninvested. The Treasurer shall make note of any investment of funds hereunder in excess of the yield on the Bonds, so that appropriate actions can be taken to assure compliance with Section 6.2 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.

Section 6.2 Liability of District. The District shall not incur any responsibility in respect of the Bonds or this Agreement other than in connection with the duties or obligations explicitly herein or in the Bonds assigned to or imposed upon it. The District shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful default. The District shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements of the Fiscal Agent herein or of any of the documents executed by the Fiscal Agent in connection with the Bonds, or as to the existence of a default or event of default thereunder.

In the absence of bad faith, the District, including the Treasurer, may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the District and conforming to the requirements of this Agreement. The District, including the Treasurer, shall not be liable for any error of judgment made in good faith unless it shall be proved that it was negligent in ascertaining the pertinent facts.

No provision of this Agreement shall require the District to expend or risk its own general funds or otherwise incur any financial liability (other than with respect to the Special Tax Revenues) in the performance of any of its obligations hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

The District may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The District may consult with counsel, who may be the City Attorney, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

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

Whenever in the administration of its duties under this Agreement the District shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of willful misconduct on the part of the District, be deemed to be conclusively proved and established by a certificate of the Fiscal Agent, and such certificate shall be full 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 seem reasonable.

Section 6.3 Employment of Agents by District. In order to perform their respective duties and obligations hereunder, the District and/or the Treasurer may employ such persons or entities as they deem necessary or advisable. The District and/or the Treasurer shall not be liable for any of the acts or omissions of such persons or entities employed by them in good faith hereunder, and shall be entitled to rely, and shall be fully protected in doing so, upon the opinions, calculations, determinations and directions of such persons or entities.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES OF BOND OWNERS

Section 7.1 Events of Default. The following events shall be Events of Default:

(a) Failure to pay any installment of principal of any Bonds when and as the same shall become due and payable whether at maturity as therein expressed, by proceedings for redemption or otherwise.

(b) Failure to pay any installment of interest on any Bonds when and as the same shall become due and payable.

(c) Failure by the District to observe and perform any of the other covenants, agreements or conditions on its part in this Agreement or in the Bonds contained, if such failure shall have continued for a period of 60 days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the District by the Owners of not less than 25% in aggregate principal amount of the Bonds at the time Outstanding; *provided, however*, if in the reasonable

opinion of the District the failure stated in the notice can be corrected, but not within such 60-day period, such failure shall not constitute an Event of Default if corrective action is instituted by the District within such 60-day period and the District shall thereafter diligently and in good faith cure such failure in a reasonable period of time.

(d) Commencement by the District of a voluntary case under Title 11 of the United States Code or any substitute or successor statute.

Section 7.2 Remedies of Bond Owners. Subject to the provisions of Section 7.8 hereof, 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 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.

Section 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 payment of reasonable fees, charges and expenses of the Fiscal Agent (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under this Agreement;

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

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

Second: To the payment to the Persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by call for redemption, with interest on the overdue principal at the rate borne by the respective Bonds on the date of maturity or redemption, and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the Persons entitled thereto, without any discrimination or preference; and

(c) Any remaining funds shall be transferred by the Fiscal Agent to the Special Tax Fund.

Section 7.4 Absolute Obligation of the District. Nothing in Section 7.7 or in any other provision of this Agreement or in the Bonds contained shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the principal of and interest on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon call for redemption, as herein provided, but only out of the 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.

Section 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 District, and the Bond Owners shall continue as though no such proceedings had been taken.

Section 7.6 Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

Section 7.7 No Waiver of Default. No delay or omission of any Owner of the Bonds to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein; and every power and remedy given by this Agreement to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient.

ARTICLE VIII

THE FISCAL AGENT

Section 8.1 Appointment of Fiscal Agent. MUFG Union Bank, N.A., is hereby appointed Fiscal Agent and paying agent for the Bonds. The Fiscal Agent undertakes to perform such duties, and only such duties, as are specifically set forth in this Agreement, and no implied covenants or obligations shall be read into this Agreement against the Fiscal Agent.

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

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.

Section 8.2 Liability of Fiscal Agent. The recitals of facts, covenants and agreements herein and in the Bonds contained shall be taken as statements, covenants and agreements of the District, and the Fiscal Agent assumes no responsibility for the correctness of the same, nor makes any representations as to the validity or sufficiency of this Agreement or of the Bonds, nor shall incur any responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Bonds assigned to or imposed upon it. The Fiscal Agent shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful default. The Fiscal Agent assumes no responsibility or liability for any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

In the absence of bad faith, the Fiscal Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Fiscal Agent and conforming to the 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 District herein or of any of the documents executed by the District in connection with the Bonds, or as to the existence of a default or event of default thereunder.

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

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

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

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

All indemnifications and releases from liability granted to the Fiscal Agent hereunder shall extend to the directors, officers and employees of the Fiscal Agent.

Section 8.3 Information. The Fiscal Agent shall provide to the District such information relating to the Bonds and the funds and accounts maintained by the Fiscal Agent hereunder as the District shall reasonably request, including, but not limited to, quarterly statements reporting funds held and transactions by the Fiscal Agent.

The Fiscal Agent shall furnish the District quarterly cash transaction statements which include detail for all investment transactions effected by the Fiscal Agent or brokers selected by the District. Upon the District's election, such statements will be delivered via the Fiscal Agent's online service and upon electing such service, paper statements will be provided only upon request. The District waives the right to receive brokerage confirmations of security transactions effected by the Fiscal Agent as they occur, to the extent permitted by law. The District further understands that trade confirmations for securities transactions effected by the Fiscal Agent will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker.

Section 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 seem reasonable.

Section 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 discharge of this Agreement.

ARTICLE IX

MODIFICATION OR AMENDMENT OF THIS AGREEMENT

Section 9.1 Amendments Permitted. This Agreement and the rights and obligations of the District and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Agreement pursuant to the affirmative vote, at a meeting of Owners, or with the written consent without a meeting, of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 9.4 hereof. No such modification or amendment shall (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the District to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation by the District of any pledge or lien upon the Special Taxes superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise permitted by the Act, the laws of the State of California or this Agreement), or (iii) reduce the percentage of Bonds required for the amendment hereof. Any such amendment may not modify any of the rights or obligations of the Fiscal Agent without its written consent.

This Agreement and the rights and obligations of the District and of the Owners may also be modified or amended at any time by a Supplemental Agreement, without the consent of any Owners, only to the extent permitted by law and only for anyone 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 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 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 Bonds.

Section 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.

Section 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 or of this Agreement or any Supplemental Agreement, to the extent that such amendment is permitted by Section 9.1 hereof, to take effect when and as provided in this Section. A copy of such Supplemental Agreement, together with a request to Owners for their consent thereto, shall be mailed by first-class mail by the Fiscal Agent to each Owner of Bonds Outstanding, but failure to mail copies of such Supplemental Agreement and request shall not affect the validity of the Supplemental Agreement when assented to as in this Section provided.

Such Supplemental Agreement shall not become effective unless there shall be filed with the Fiscal Agent the written consents of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in Section 9.4 hereof) and a notice shall have been mailed as hereinafter in this Section provided. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given, which proof shall be such as is permitted by Section 10.4 hereof. Any such consent shall be binding upon the Owner of the Bonds giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Fiscal Agent prior to the date when the notice hereinafter in this Section provided for has been mailed.

After the Owners of the required percentage of Bonds shall have filed their consents to the Supplemental Agreement, the District shall mail a notice to the Owners in the manner hereinbefore provided in this Section for the mailing of the Supplemental Agreement, stating in substance that the Supplemental Agreement has been consented to by the Owners of the required percentage of Bonds and will be effective as provided in this Section (but failure to mail copies of said notice shall not affect the validity of the Supplemental Agreement or consents thereto). Proof of the mailing of such notice shall be filed with the Fiscal Agent. A record, consisting of the papers required by this Section 9.3 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 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 60-day period.

Section 9.4 Disqualified Bonds. Bonds owned or held for the account of the District, excepting any pension or retirement fund, shall not be deemed Outstanding for the purpose of any vote, consent or other action or any calculation of Outstanding Bonds provided for in this Article IX, and shall not be entitled to vote upon, consent to, or take any other action provided for in this Article IX.

Section 9.5 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 Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such Supplemental Agreement shall be deemed to be part of the terms and conditions of this Agreement for any and all purposes.

Section 9.6 Endorsement or Replacement of Bonds Issued After Amendments. The District may determine that Bonds issued and delivered after the effective date of any action taken as provided in this Article IX shall bear a notation, by endorsement or otherwise, in form approved by the District, as to such action. In that case, upon demand of the Owner of any Bond Outstanding at such effective date and presentation of his Bond for that purpose at the 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. The District may determine that new Bonds, so modified as in the opinion of the District is necessary to conform to such Owners' action, shall be prepared, executed and delivered. In that case, upon demand of the Owner of any Bonds then Outstanding, such new Bonds shall be exchanged at the Corporate Trust Office of the Fiscal Agent, without cost to any Owner, for Bonds then Outstanding, upon surrender of such Bonds.

Section 9.7 Amendatory Endorsement of Bonds. The provisions of this Article IX shall not prevent any Owner from accepting any amendment as to the particular Bonds held by him, provided that due notation thereof is made on such Bonds.

Section 9.8 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

Section 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, the Fiscal Agent and the Owners, any right, remedy, or claim under or by reason of this Agreement. Any covenants, stipulations, promises or agreements in this Agreement contained by and on behalf of the District shall be for the sole and exclusive benefit of the Owners and the Fiscal Agent.

Section 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.

Section 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 Outstanding in any one or more of the following ways:

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

(b) by depositing with the Fiscal Agent, in trust, at or before maturity, money which, together with the amounts then on deposit in the funds and accounts established with the Fiscal Agent pursuant to this Agreement, is fully sufficient to pay such Bonds Outstanding, including all principal, interest and redemption premiums; or

(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 (including all principal, interest and redemption premiums) at or before their respective maturity dates.

If the District shall have taken any of the actions specified in (a), (b) or (c) above, and if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in this Agreement provided or provision satisfactory to the Fiscal Agent shall have been made for the giving of such notice, then, at the election of the District, and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Special Taxes and other funds provided for in this Agreement and all other obligations of the District under this Agreement with respect to such 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 not so surrendered and paid all sums due thereon and all amounts owing to the Fiscal Agent pursuant to Section 8.5 hereof, 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 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 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.

Notwithstanding the foregoing, the payment of Outstanding Bonds and the termination of the pledge of the Special Tax Revenues shall not prevent the District from issuing additional bonds secured by a pledge of the Special Tax Revenues.

Section 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 and the amount, maturity, number and date of holding the same shall be proved by the registry books.

Any request, declaration or other instrument or writing of the Owner of any Bond shall bind all future Owners of such Bond in respect of anything done or suffered to be done by the District or the Fiscal Agent in good faith and in accordance therewith.

Section 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; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

Section 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 may be given or served by being deposited postage prepaid in a post office letter box, via courier or overnight mail or by facsimile or other form of electronic communication, addressed as follows:

To the District: Community Facilities District No. 2005-1 (Bellevue Ranch West)
of the City of Merced
c/o City of Merced
678 West 18th Street
Merced, CA 95340
Attn: Finance Officer
Email: RodriguezV@cityofmerced.org

To the Fiscal Agent: MUFG Union Bank, N.A.
350 California Street, 11th Floor
San Francisco, California 94104
Attention: Corporate Trust Services
Fax: 415-273-2492
Email: AccountAdministration-CorporateTrust@unionbank.com
with a copy to: CashControlGroup-LosAngeles@unionbank.com

Section 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 pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this Agreement may be held illegal, invalid or unenforceable.

Section 10.8 Unclaimed Moneys. Anything contained herein to the contrary notwithstanding, any moneys held by the Fiscal Agent for the payment and discharge of the principal of, and the interest and any premium on, the Bonds which remains unclaimed for two (2) years after the date when the payments of such principal, interest and premium have become payable, if such 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.

Section 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.

Section 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.

Section 10.11 Conclusive Evidence of Regularity. Bonds issued pursuant to this Agreement shall constitute conclusive evidence of the regularity of all proceedings under the Act relative to their issuance and the levy of the Special Taxes.

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

Section 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 December 1, 2017.

COMMUNITY FACILITIES DISTRICT NO. 2005-1
(BELLEVUE RANCH WEST) OF THE CITY OF
MERCED

By: _____
Mayor of the City of Merced

ATTEST:
STEVE CARRIGAN, CITY CLERK

BY: _____
City Clerk of the City of Merced

MUFG UNION BANK, N.A.,
as Fiscal Agent

By: _____
Authorized Officer

EXHIBIT A
FORM OF BOND

No. _____

\$ _____

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF MERCED

COMMUNITY FACILITIES DISTRICT NO. 2005-1
(BELLEVUE RANCH WEST) OF THE CITY OF MERCED
2017 SPECIAL TAX REFUNDING BOND
(IMPROVEMENT AREA NO. 1)

INTEREST RATE

MATURITY DATE

DATED DATE

CUSIP NO.

September 1, ____

December __, 2017

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT:

DOLLARS

The Community Facilities District No. 2005-1 (Bellevue Ranch West) of the City of Merced (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 February 15, 2018, 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 March 1, 2018 (each an "Interest Payment Date"), at the interest rate set forth above, until the principal amount hereof is paid or made available for payment. The principal of 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 MUFG Union Bank, N.A. (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 refunding bonds in the aggregate principal amount of \$[principal amount] designated "Community Facilities District No. 2005-1 (Bellevue Ranch West) of the City of Merced, Special Tax Refunding Bonds (Improvement Area No. 1)," (the "Bonds"), for the purpose of refunding all of the \$7,410,000 Community Facilities District No. 2005-1 (Bellevue Ranch West) of the City of Merced, 2006 Special Tax Bonds (Improvement Area No. 1) (the "Prior Bonds"), currently outstanding in the amount of \$5,865,000, issued for the purpose of financing the acquisition,

rehabilitation and construction of certain facilities, as approved by the qualified electors of the District on November 21, 2005, pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, Section 53311 *et seq.*, of the California Government Code (the “Mello-Roos Act”). The creation of the Bonds and the terms and conditions thereof are provided for by the Fiscal Agent Agreement, dated as of December 1, 2017 (“Agreement”), by and between the District and the Fiscal Agent and this reference incorporates the Agreement herein, and by acceptance hereof the owner of this Bond assents to said terms and conditions.

Pursuant to the Mello-Roos Act and the Agreement, the principal of and interest on this Bond are payable solely from the annual special tax authorized under the Mello-Roos Act to be collected within the Improvement Area No. 1 of the District (the “Special Tax”) and certain funds held under the Agreement.

Any tax for the payment hereof shall be limited to the Special Tax, except to the extent that provision for payment has been made by the City of Merced (the “City”), as may be permitted by law. The Bonds do not constitute obligations of the City for which said City is obligated to levy or pledge, or has levied or pledged, general or special taxation other than described hereinabove. The District has covenanted for the benefit of the owners of the Bonds that it will order, and cause to be commenced as provided in the Agreement, and thereafter diligently prosecute to judgment, an action in the superior court to foreclose, 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, on any Interest Payment Date on or after September 1, 20__ as a whole or in part from such maturities as selected by the District and by lot within a maturity, at a redemption price (expressed as a percentage of the principal amount of the Bonds to be redeemed), together with accrued interest thereon to the date fixed for redemption, as follows:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
September 1, 20__, and each March 1 and September 1 through and including March 1, 20__	
September 1, 2027 and each March 1 and September 1 thereafter	

The Bonds shall also be subject to mandatory redemption on any Interest Payment Date on or after March 1, 2018 in whole or in part from such maturities as selected by the District and by lot within a maturity, from amounts constituting prepayments of Special Taxes 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 Dates</u>	<u>Redemption Prices</u>
March 1, 2018 and each March 1 and September 1 through and including March 1, 20__	
September 1, 20__ and each March 1 and September 1 thereafter	

The Bonds maturing on September 1, 20__ and September 1, 20__ shall be subject to mandatory sinking fund redemption in part, on September 1 in each year commencing September 1, 20__ and September 1, 20__, respectively, and on each September 1, thereafter to maturity, by lot, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date of redemption, without premium, and from sinking payments as follows:

Term Bonds Maturing September 1, 20__

<u>Year</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Year</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>
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*maturity

Term Bonds Maturing September 1, 20__

<u>Year</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Year</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>
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*maturity

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

This Bond shall be registered in the name of the owner hereof, as to both principal and interest.

Each registration and transfer of registration of this Bond shall be entered by the Fiscal Agent in books kept by it for this purpose and authenticated by its manual signature upon the certificate of authentication endorsed hereon.

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

Whenever any Bond or Bonds shall be surrendered for transfer, the District shall execute and the Fiscal Agent shall authenticate and deliver a new Bond or Bonds, for like aggregate principal amount.

No transfers or 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.

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.

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.

IN WITNESS WHEREOF, the Community Facilities District No. 2005-1 (Bellevue Ranch West) of the City of Merced has caused this Bond to be dated as of the date first above written and to be signed by the manual signature of the Mayor of the City of Merced and countersigned by the manual signature of the City Clerk of the City of Merced.

COMMUNITY FACILITIES DISTRICT NO. 2005-1
(BELLEVUE RANCH WEST) OF THE CITY OF
MERCED

By: _____
Mayor of the City of Merced

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 _____.

MUFG UNION BANK, N.A.,
as Fiscal Agent

BY: _____
Authorized Officer

ASSIGNMENT

For value received, the undersigned do(es) hereby sell, assign and transfer unto

(Name, Address and Tax Identification or Social Security Number of Assignee)

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

Dated:

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.