

**FISCAL AGENT AGREEMENT**

**by and between the**

**TEMECULA PUBLIC FINANCING AUTHORITY**

**and**

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

**dated as of October 1, 2025**

**relating to:**

**\$ \_\_\_\_\_**

**Temecula Public Financing Authority  
Community Facilities District No. 23-02  
(Prado)  
2025 Special Tax Bonds**

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EXHIBIT A – FORM OF 2025 BOND

## **FISCAL AGENT AGREEMENT**

**Temecula Public Financing Authority  
Community Facilities District No. 23-02  
(Prado)  
2025 Special Tax Bonds**

THIS FISCAL AGENT AGREEMENT (the “Agreement”), dated as of October 1, 2025, is by and between the Temecula Public Financing Authority, a joint exercise of powers authority organized and existing under and by virtue of the laws of the State of California (the “Authority”) for and on behalf of the Temecula Public Financing Authority Community Facilities District No. 23-02 (Prado) (the “District”), and U.S. Bank Trust Company, National Association, a national banking association duly organized and existing under the laws of the United States of America, as fiscal agent (the “Fiscal Agent”).

### **RECITALS:**

**WHEREAS**, the Board of Directors of the Authority 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. TPFA 2024-06 of the Board of Directors of the Authority adopted on February 27, 2024 (the “Resolution of Formation”);

**WHEREAS**, the Board of Directors of the Authority, as the legislative body for the District, is authorized under the Act to levy special taxes to pay for the costs of the District and to authorize the issuance of bonds secured by said special taxes under the Act;

**WHEREAS**, under the provisions of the Act, on September 23, 2025 the Board of Directors of the Authority adopted its Resolution No. TPFA 2025-\_\_ (the “Resolution”), which resolution authorized the issuance and sale of the Temecula Public Financing Authority Community Facilities District No. 23-02 (Prado) 2025 Special Tax Bonds (the “2025 Bonds”) and authorized the execution of this Agreement;

**WHEREAS**, it is in the public interest and for the benefit of the Authority, the District, the persons responsible for the payment of special taxes to be levied in the District and the owners of the 2025 Bonds that the Authority enter into this Agreement to provide for the issuance of the 2025 Bonds, the disbursement of proceeds of the 2025 Bonds, the disposition of the special taxes securing the 2025 Bonds and the administration and payment of the 2025 Bonds; and

**WHEREAS**, the Authority has determined that all things necessary to cause the 2025 Bonds, when executed by the Authority for and on behalf of the District and issued as in the Act, the Resolution and this Agreement provided, to be legal, valid and binding and special obligations of the Authority for and on behalf of the District in accordance with their terms, and all things necessary to cause the creation, authorization, execution and delivery of this Agreement and the creation, authorization, execution and issuance of the 2025 Bonds, subject to the terms hereof, have in all respects been duly authorized.

## **AGREEMENT:**

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

### **ARTICLE I STATUTORY AUTHORITY AND DEFINITIONS**

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

**Section 1.02. Agreement for Benefit of Owners of the Bonds.** The provisions, covenants and agreements herein set forth to be performed by or on behalf of the Authority shall be for the equal benefit, protection and security of the Owners of the Bonds. 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. Any action by any Owner to enforce the provisions of this Agreement shall be for the equal benefit and protection of all Owners of the Bonds.

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

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

“Acquisition Account” means the account by that name established by Section 4.02(A) within the Improvement Fund.

“Acquisition Agreement” means the Acquisition Agreement, dated as of January 23, 2024, between the Authority and the Developer, as amended by the First Amendment to Acquisition Agreement, dated as of October 1, 2025, between the Authority and the Developer, and as it may be further amended from time to time in accordance with its terms.

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

“Administrative Expenses” means costs directly related to the administration of the District consisting of the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the Treasurer or designee thereof or both) and the costs of collecting the Special Taxes (whether by the County or otherwise); the costs of remitting the Special Taxes to the Fiscal Agent; fees and costs of the Fiscal Agent (including its legal counsel) in the discharge of the duties required of it under this Agreement; the costs of the Authority, the City or any designee of either the Authority or the City of complying with the disclosure provisions of the Act, the Continuing Disclosure

Agreement and this Agreement, including those related to public inquiries regarding the Special Tax and disclosures to Bondowners and the Original Purchaser; the costs of the Authority, the City or any designee of either the Authority or the City related to an appeal of the Special Tax; any amounts required to be rebated to the federal government in order for the Authority to comply with Section 4.08; an allocable share of the salaries of the City staff directly related to the foregoing and a proportionate amount of City general administrative overhead related thereto. Administrative Expenses shall also include amounts advanced by the Authority or the City for any administrative purpose of the District, including costs related to prepayments of Special Taxes, recordings related to such prepayments and satisfaction of Special Taxes, amounts advanced to ensure compliance with Section 4.08, administrative costs related to the administration of any joint community facilities agreement regarding the District, and the costs of commencing and pursuing foreclosure of delinquent Special Taxes. Administrative Expenses shall include any such expenses incurred in prior years but not yet paid.

“Administrative Expense Fund” means the fund by that name established by Section 4.07(A) hereof.

“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 (including by reason of the provisions of Section 2.03(A)(ii) providing for mandatory sinking payments), and (ii) the principal amount of the Outstanding Bonds due in such Bond Year (including any mandatory sinking payment due in such Bond Year pursuant to Section 2.03(A)(ii)).

“Auditor” means the auditor/controller of the County, or such other official at the County who is responsible for preparing property tax bills.

“Authority” means the Temecula Public Financing Authority and any successor thereto.

“Authority Attorney” means any attorney or firm of attorneys employed by the Authority or the City in the capacity of general counsel to the Authority.

“Authorized Denominations” means \$5,000 and integral multiples thereof.

“Authorized Officer” means the Chair, Executive Director, Treasurer or Secretary of the Authority, or any other officer or employee of the Authority or the City authorized by the Board of Directors of the Authority or by an Authorized Officer to undertake the action referenced in this Agreement as required to be undertaken by an Authorized Officer.

“Beneficial Owner” has the meaning given to such term in Section 2.13 hereof.

“Bond Counsel” means any other attorney or firm of attorneys acceptable to the Authority 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 4.05(A) hereof.

“Bond Register” means the books for the registration and transfer of Bonds maintained by the Fiscal Agent under Section 2.08 hereof.

“Bond Year” means the one-year period beginning on September 2nd in each year and ending on September 1st in the following year, except that the first Bond Year shall begin on the Closing Date and end on September 1, 2026.

“Bonds” means the 2025 Bonds, and, if the context requires, any Parity Bonds, at any time Outstanding under this Agreement or any Supplemental Agreement.

“Business Day” means any day other than (i) a Saturday or a Sunday, or (ii) a day on which banking institutions in the state in which the Fiscal Agent has its principal corporate trust office are authorized or obligated by law or executive order to be closed.

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

“Capitalized Interest Account” means the account by that name established within the Bond Fund by Section 4.05(A) hereof.

“City” means the City of Temecula, California.

“City Account” means the account by that name established by Section 4.02(A) within the Improvement Fund.

“Closing Date” means October \_\_, 2025, being the date upon which there is a physical delivery of the 2025 Bonds in exchange for the amount representing the purchase price of the 2025 Bonds by the Original Purchaser.

“Code” means the Internal Revenue Code of 1986 as in effect on the date of issuance of the 2025 Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the 2025 Bonds, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

“Continuing Disclosure Agreement” means that certain Continuing Disclosure Agreement pertaining to the 2025 Bonds, dated as of October 1, 2025, between the Authority and Webb Municipal Finance, LLC as dissemination agent, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Costs of Issuance” means items of expense payable or reimbursable directly or indirectly by the Authority or the City and related to the authorization, sale and issuance of the 2025 Bonds, which items of expense shall include, but not be limited to, printing costs, costs of reproducing and binding documents, closing costs, filing and recording fees, initial fees and charges of the Fiscal Agent including its first annual administration fee, fees and expenses of Fiscal Agent’s counsel, expenses incurred by the City or the Authority in connection with the issuance of the 2025 Bonds, special tax consultant fees and expenses, Bond (underwriter’s) discount, legal fees and charges, including bond counsel and disclosure counsel, municipal advisor’s fees, appraisal fees, charges for execution, transportation and safekeeping of the 2025 Bonds, and other costs, charges and fees in connection with the foregoing.

“Costs of Issuance Fund” means the fund by that name established by Section 4.03(A) hereof.

“County” means the County of Riverside, California.



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

“Debt Service” means the scheduled amount of interest and amortization of principal (including principal payable by reason of Section 2.03(A)(ii)) on the Bonds and the scheduled amount of interest and amortization of principal payable on any Parity 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.

“Depository” means (i) initially, DTC, and (ii) any other Securities Depository acting as Depository pursuant to Section 2.13.

“Developer” means Meritage Homes of California, Inc.

“District” means the Temecula Public Financing Authority Community Facilities District No. 23-02 (Prado), formed by the Authority under the Act and the Resolution of Formation.

“EMWD” means the Eastern Municipal Water District.

“EMWD Account” means the account by that name established by Section 4.02(A) within the Improvement Fund.

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

“Federal Securities” means, subject to applicable law, United States Treasury notes, bonds, bills or certificates of indebtedness, including United States Treasury Obligations, State and Local Government Series (“SLGS”) or other direct obligations issued by the United States Treasury for which the faith and credit of the United States are pledged for the payment of principal and interest; and obligations issued by banks for cooperatives, federal land banks, federal intermediate credit banks, federal home loan banks, the Federal Home Loan Bank Board, the Tennessee Valley Authority, or other federal agencies or United States Government-sponsored enterprises.

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

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

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

“Improvement Fund” means the fund by that name created by and held by the Fiscal Agent pursuant to Section 4.02(A) hereof.

“Independent Financial Consultant” means any consultant or firm of such consultants appointed by the Authority, the City or the Treasurer, and who, or each of whom: (i) is judged by the person or entity that approved them to have experience in matters relating to the issuance and/or administration of bonds under the Act; (ii) is in fact independent and not under the domination of the Authority; (iii) does not have any substantial interest, direct or indirect, with or in the Authority, or any owner of real property in the District, or any real property in the District; and (iv) is not connected with the City or the Authority as an officer or employee of the City or the Authority, but who may be regularly retained to make reports to the City or the Authority.

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

“Interest Payment Dates” means March 1 and September 1 of each year, commencing [March 1, 2026].

“Joint Community Facilities Agreement – EMWD” means the Joint Community Facilities Agreement – EMWD, dated as of January 23, 2024, among the Authority, EMWD and the Developer, as it may be amended from time to time.

“Joint Community Facilities Agreement – School District” means the Joint Community Facilities Agreement – School District, dated as of January 23, 2024, among the Authority, the School District and the Developer, as it may be amended from time to time.

“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.

“Moody’s” means Moody’s Investors Service, and any successor thereto.

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

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

“Original Purchaser” means Stifel, Nicolaus & Company, Incorporated, the first purchaser of the 2025 Bonds from the Authority.

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 8.04) all Bonds except: (i) Bonds theretofore canceled by the Fiscal Agent or

surrendered to the Fiscal Agent for cancellation; (ii) Bonds paid or deemed to have been paid within the meaning of Section 9.03; and (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the Authority pursuant to this Agreement or any Supplemental Agreement.

“Owner” or “Bondowner” means any person who is the registered owner of any particular Outstanding Bond.

“Parity Bonds” means bonds issued by the Authority for the District and secured on a parity with any then Outstanding Bonds pursuant to Section 2.14 hereof.

“Participating Underwriter” shall have the meaning ascribed thereto in the Continuing Disclosure Agreement.

“Permitted Investments” means any of the following, but only to the extent that the same are acquired at Fair Market Value:

- (a) Federal Securities.
- (b) Registered state warrants or treasury notes or bonds of the State of California (the “State”), including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the State or by a department, board, agency, or authority of the State, which are rated in one of the two highest short-term or long-term rating categories by either Moody’s or S&P, and which have a maximum term to maturity not to exceed three years.
- (c) Unsecured certificates of deposit, time deposits and bankers’ acceptance of any bank the short-term obligations of which are rated on the date of purchase “A-1+” or better by S&P and “P-1” by Moody’s and or certificates of deposit (including those of the Fiscal Agent, its parent and its affiliates) secured at all times by collateral that may be used by a national bank for purposes of satisfying its obligations to collateralize pursuant to federal law which are issued by commercial banks, savings and loan associations or mutual savings bank whose short-term obligations are rated on the date of purchase A-1 (or its equivalent) or better by S&P or Moody’s.
- (d) Commercial paper which at the time of purchase is of “prime” quality of the highest ranking or of the highest letter and numerical rating as provided by either Moody’s or S&P, which commercial paper is limited to issuing corporations that are organized and operating within the United States of America and that have total assets in excess of five hundred million dollars (\$500,000,000) and that have an “A” or higher rating for the issuer’s debentures, other than commercial paper, by either Moody’s or S&P, provided that purchases of eligible commercial paper may not exceed 180 days’ maturity nor represent more than 10 percent of the outstanding commercial paper of an issuing corporation. Purchases of commercial paper may not exceed 20 percent of the total amount invested pursuant to this definition of Permitted Investments.
- (e) A repurchase agreement with a state or nationally chartered bank or trust company or a national banking association or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, provided that all of the following conditions are satisfied: (1) the agreement is secured by any one or more of the securities described in subdivision (a) of this definition of Permitted Investments, (2) the underlying securities are required by the repurchase agreement to be held by a bank, trust company, or primary dealer having a combined

capital and surplus of at least one hundred million dollars (\$100,000,000) and which is independent of the issuer of the repurchase agreement, and (3) the underlying securities are maintained at a market value, as determined on a marked-to-market basis calculated at least weekly, of not less than 103 percent of the amount so invested.

(f) An investment agreement or guaranteed investment contract with, or guaranteed by, a financial institution the long-term unsecured obligations of which are rated Aa2 and “AA” or better, respectively, by Moody’s and S&P at the time of initial investment. The investment agreement shall be subject to a downgrade provision with at least the following requirements: (1) the agreement shall provide that within five business days after the financial institution’s long-term unsecured credit rating has been withdrawn, suspended, other than because of general withdrawal or suspension by Moody’s or S&P from the practice of rating that debt, or reduced below “AA-” by S&P or below “Aa3” by Moody’s (these events are called “rating downgrades”) the financial institution shall give notice to the Authority and, within the five-day period, and for as long as the rating downgrade is in effect, shall deliver in the name of the Authority or the Fiscal Agent to the Authority or the Fiscal Agent Federal Securities allowed as investments under subdivision (a) of this definition of Permitted Investments with aggregate current market value equal to at least 105 percent of the principal amount of the investment agreement invested with the financial institution at that time, and shall deliver additional allowed federal securities as needed to maintain an aggregate current market value equal to at least 105 percent of the principal amount of the investment agreement within three days after each evaluation date, which shall be at least weekly, and (2) the agreement shall provide that, if the financial institution’s long-term unsecured credit rating is reduced below “A3” by Moody’s or below “A-” by S&P, the Fiscal Agent or the Authority may, upon not more than five business days’ written notice to the financial institution, withdraw the investment agreement, with accrued but unpaid interest thereon to the date, and terminate the agreement.

(g) The Local Agency Investment Fund of the State of California.

(h) Investments in a money market fund (including any funds of the Fiscal Agent or its affiliates and including any funds for which the Fiscal Agent or its affiliates provides investment advisory or other management services) rated in the highest rating category (without regard to plus (+) or minus (-) designations) by Moody’s or S&P.

(i) Any other lawful investment for City funds.

“Principal Office” means the corporate trust office of the Fiscal Agent set forth in Section 9.06, except for the purpose of maintenance of the Bond Register and presentation of Bonds for payment, transfer or exchange, such term shall mean the office at which the Fiscal Agent conducts its corporate agency business, or such other or additional offices as may be designated by the Fiscal Agent.

“Priority Administrative Expenses Amount” means (i) for Fiscal Year 2026-27, the amount of \$30,000 and (ii) for each succeeding Fiscal Year, the sum of (A) the Priority Administrative Expenses Amount for the preceding Fiscal Year plus (B) 2% of the Priority Administrative Expenses Amount for the preceding Fiscal Year. Notwithstanding the foregoing, the “Priority Administrative Expenses Amount” is subject to increase each time that any Parity Bonds are issued, at the discretion of the City and as set forth in the Supplemental Agreement pursuant to which the Parity Bonds are issued, so long as the Priority Administrative Expenses Amount, following such increase, is not greater in any Fiscal Year than 10% of the debt service due on the Bonds in each such respective Fiscal Year.

“Project” means the facilities eligible to be funded by the District, as more particularly described in the Resolution of Formation.

“Rate and Method of Apportionment of Special Taxes” means the rate and method of apportionment of special taxes for the District, as approved pursuant to the Resolution of Formation, and as it may be modified from time to time in accordance with the Act.

“Rebate Fund” means the fund by that name established pursuant to Section 4.08 in which there are established the accounts described in Section 4.08.

“Rebate Regulations” means any final, temporary or proposed Regulations promulgated under Section 148(f) of the Code.

“Record Date” means the fifteenth day of the month next preceding the month of the applicable Interest Payment Date, whether or not such day is a Business Day.

“Refunding Bonds” means bonds issued by the Authority for the District the net proceeds of which are used to refund all or a portion of the then Outstanding Bonds; provided that the debt service on the Refunding Bonds in any Bond Year is not in excess of the debt service on the Bonds being refunded and the final maturity of the Refunding Bonds is not later than the final maturity of the Bonds being refunded.

“Reserve Fund” means the fund by that name established pursuant to Section 4.04(A) hereof.

“Reserve Requirement” means, as of any date of calculation, an amount equal to the least of (i) the then Maximum Annual Debt Service, (ii) one hundred twenty-five percent (125%) of the then average Annual Debt Service, or (iii) ten percent (10%) of the then principal amount of the Outstanding Bonds. The Reserve Requirement as of the Closing Date is \$\_\_\_\_\_.

“Resolution” means Resolution No. TPFA 2025-\_\_, adopted by the Board of Directors of the Authority on September 23, 2025.

“Resolution of Formation” means Resolution No. TPFA 2024-06, adopted by the Board of Directors of the Authority on February 27, 2024.

“S&P” means S&P Global Ratings, and any successor thereto.

“School District” means the Temecula Valley Unified School District.

“School District Account” means the account by that name established by Section 4.02(A) within the Improvement Fund.

“Securities Depositories” means The Depository Trust Company, 55 Water Street, New York, New York 10041-0099, Fax (212) 855-7232; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Authority may designate in an Officer’s Certificate delivered to the Fiscal Agent.

“Special Tax A” has the meaning given such term in the Rate and Method of Apportionment of Special Taxes.

“Special Tax B” has the meaning given such term in the Rate and Method of Apportionment of Special Taxes.

“Special Tax C” has the meaning given such term in the Rate and Method of Apportionment of Special Taxes.

“Special Tax Fund” means the fund by that name established by Section 4.06(A) hereof.

“Special Tax Prepayments” means the proceeds of any prepayments of Special Tax A received by the Authority, as calculated pursuant to the Rate and Method of Apportionment of the Special Taxes, less any administrative fees or penalties collected as part of any such prepayment.

“Special Tax Prepayments Account” means the account by that name established within the Bond Fund by Section 4.05(A) hereof.

“Special Tax Revenues” means the proceeds of the Special Taxes received by the Authority, including any scheduled payments and any prepayments thereof, interest thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and interest thereon. “Special Tax Revenues” does not include any penalties collected in connection with delinquent Special Taxes, which amounts may be deposited to the Administrative Expense Fund or otherwise disposed of as determined by the Treasurer consistent with any applicable provisions of the Act.

“Special Taxes” means the Special Tax A levied within the District pursuant to the Act, the Ordinance, the Rate and Method of Apportionment of Special Taxes and this Agreement. Special Tax B and Special Tax C are not included in “Special Taxes” for purposes of this Agreement.

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

“Tax Consultant” means any independent financial or tax consultant retained by the Authority or the City for the purpose of computing the Special Taxes.

“Treasurer” means the Treasurer of the Authority or such other officer or employee of the Authority performing the functions of the chief financial officer of the Authority.

“2025 Bonds” means the Bonds so designated and authorized to be issued under Section 2.01 hereof.

## **ARTICLE II THE BONDS**

**Section 2.01. Principal Amount; Designation.** 2025 Bonds in the aggregate principal amount of \_\_\_\_\_ Dollars (\$\_\_\_\_\_) are authorized to be issued by the Authority for and on behalf of the District under and subject to the terms of the Resolution and this Agreement, the Act and other applicable laws of the State of California. The 2025 Bonds are hereby designated as the “Temecula Public Financing Authority Community Facilities District No. 23-02 (Prado) 2025 Special Tax Bonds.”

**Section 2.02. Terms of the 2025 Bonds.**

(A) Form; Denominations. The 2025 Bonds shall be issued in fully registered form without coupons in Authorized Denominations. The 2025 Bonds shall be lettered and numbered in a customary manner as determined by the Fiscal Agent.

(B) Date of 2025 Bonds. The 2025 Bonds shall be dated the Closing Date.

(C) CUSIP Identification Numbers. “CUSIP” identification numbers shall be imprinted on the 2025 Bonds, but such numbers shall not constitute a part of the contract evidenced by the 2025 Bonds and any error or omission with respect thereto shall not constitute cause for refusal of any purchaser to accept delivery of and pay for the 2025 Bonds. In addition, failure on the part of the Authority or the Fiscal Agent to use such CUSIP numbers in any notice to Owners shall not constitute an event of default or any violation of the Authority’s contract with such Owners and shall not impair the effectiveness of any such notice.

(D) Maturities, Interest Rates. The 2025 Bonds shall mature and become payable on September 1 in each of the years, and shall bear interest at the rates per annum as follows:

<i><b>Maturity Date (September 1)</b></i>	<i><b>Principal Amount</b></i>	<i><b>Interest Rate</b></i>
2026	\$	%
2027		
2028		
2029		
2030		
2031		
2032		
2033		
2034		
2035		
2036		
2037		
2038		
2039		
2040		
2041		
2042		
2043		
2044		
2045		
2046		
2047		
2048		
2049		
2050		
2051		
2052		
2053		
2054		
2055		

(E) Interest. The 2025 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 2025 Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated on an Interest Payment Date, in which event it shall bear interest from such date of authentication, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (iii) it is authenticated prior to the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from the Closing Date; provided, however, that if at the time of authentication of a 2025 Bond, interest is in default thereon, such 2025 Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.



(F) Method of Payment. Interest on the 2025 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 Bond Register maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer (i) to the Depository (so long as the Bonds are in book-entry form pursuant to Section 2.13), or (ii) to an account within the United States made on such Interest Payment Date upon written instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds received before the applicable Record Date, which instructions shall continue in effect until revoked in writing, or until such Bonds are transferred to a new Owner. The principal of the 2025 Bonds and any premium on the 2025 Bonds are payable by check in lawful money of the United States of America upon surrender of the 2025 Bonds at the Principal Office of the Fiscal Agent. All 2025 Bonds paid by the Fiscal Agent pursuant to this Section shall be canceled by the Fiscal Agent. The Fiscal Agent shall destroy the canceled 2025 Bonds and issue a certificate of destruction thereof to the Authority upon the Authority's request.

### **Section 2.03. Redemption.**

#### **(A) Redemption Dates.**

(i) Optional Redemption. The 2025 Bonds maturing on or after September 1, 20\_\_ are subject to optional redemption prior to their stated maturity on any Interest Payment Date occurring on or after September 1, 20\_\_, as a whole, or in part in an amount equal to \$5,000 or any integral multiple thereof and among maturities so as to maintain substantially level debt service on the Bonds, and by lot within a maturity, at a redemption price (expressed as a percentage of the principal amount of the 2025 Bonds to be redeemed), as set forth below, together with accrued interest thereon to the date fixed for redemption:

<i><b>Redemption Dates</b></i>	<i><b>Redemption Prices</b></i>
September 1, 20__ and March 1, 20__	103%
September 1, 20__ and March 1, 20__	102
September 1, 20__ and March 1, 20__	101
September 1, 20__ and any Interest Payment Date thereafter	100

(ii) Mandatory Sinking Payment Redemption. The 2025 Bonds maturing on September 1, 20\_\_, are subject to mandatory sinking payment redemption in part on September 1, 20\_\_, 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 fixed for redemption, without premium, from sinking payments as follows:

<i><b>Redemption Date (September 1)</b></i>	<i><b>Sinking Payments</b></i>
	\$

(maturity)

The 2025 Bonds maturing on September 1, 20\_\_, are subject to mandatory sinking payment redemption in part on September 1, 20\_\_, 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 fixed for redemption, without premium, from sinking payments as follows:

***Redemption Date***  
***(September 1)***

***Sinking Payments***

\$

(maturity)

The 2025 Bonds maturing on September 1, 20\_\_, are subject to mandatory sinking payment redemption in part on September 1, 20\_\_, 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 fixed for redemption, without premium, from sinking payments as follows:

***Redemption Date***  
***(September 1)***

***Sinking Payments***

\$

(maturity)

The 2025 Bonds maturing on September 1, 20\_\_, are subject to mandatory sinking payment redemption in part on September 1, 20\_\_, 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 fixed for redemption, without premium, from sinking payments as follows:

***Redemption Date***  
***(September 1)***

***Sinking Payments***

\$

(maturity)

The amounts in the foregoing tables shall be reduced to the extent practicable so as to maintain level debt service on the 2025 Bonds, as a result of any prior partial redemption of the 2025 Bonds pursuant to Section 2.03(A)(i) above or Section 2.03(A)(iii) below, as specified in writing by the Treasurer to the Fiscal Agent.

(iii) Redemption From Special Tax Prepayments. Special Tax Prepayments and any corresponding transfers from the Reserve Fund pursuant to Section 4.05(B)(ii) and Section 4.04(F), respectively, shall be used to redeem 2025 Bonds in whole, or in part in an amount equal to \$5,000 or any integral multiple thereof, on the next Interest Payment Date for which notice of redemption can timely be given under Section 2.03(D), by lot within a maturity and allocated among maturities of the 2025 Bonds so as to maintain substantially level debt

service on the Bonds, at a redemption price (expressed as a percentage of the principal amount of the 2025 Bonds to be redeemed), as set forth below, together with accrued interest to the date fixed for redemption:

<i><b>Redemption Dates</b></i>	<i><b>Redemption Prices</b></i>
any Interest Payment Date from September 1, 2026	
to and including March 1, 20__	103%
September 1, 20__ and March 1, 20__	102
September 1, 20__ and March 1, 20__	101
September 1, 20__ and any Interest Payment Date thereafter	100

(B) Notice to Fiscal Agent. The Authority shall give the Fiscal Agent written notice of its intention to redeem 2025 Bonds pursuant to subsection (A)(i) or (A)(iii) not less than forty-five (45) days prior to the applicable redemption date, or such lesser number of days as the Fiscal Agent shall allow. Notwithstanding the foregoing, no notice need be given by the Authority to the Fiscal Agent in connection with a redemption of the Bonds pursuant to Section (A)(ii) by reason of mandatory sinking payments.

(C) Purchase of Bonds in Lieu of Redemption. In lieu of redemption under Section 2.03(A), moneys in the Bond Fund may be used and withdrawn by the Fiscal Agent for purchase of Outstanding 2025 Bonds, upon the filing with the Fiscal Agent of an Officer's Certificate requesting such purchase prior to the selection of 2025 Bonds for redemption, 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 2025 Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase and any premium which would otherwise be due if such 2025 Bonds were to be redeemed in accordance with this Agreement.

(D) Redemption Procedure by Fiscal Agent. The Fiscal Agent shall cause notice of any redemption to be mailed by first class mail, postage prepaid, or by such other means as is acceptable to the recipient thereof, at least twenty (20) days but not more than sixty (60) days prior to the date fixed for redemption, to the Securities Depositories, to one or more Information Services (or by such other means as permitted by such services), and to the respective registered Owners of any 2025 Bonds designated for redemption, at their addresses appearing on the Bond Register; 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 2025 Bonds.

Such notice shall state the redemption date and the redemption price and, if less than all of the then Outstanding 2025 Bonds are to be called for redemption, shall designate the CUSIP numbers and, if applicable, Bond numbers of the 2025 Bonds to be redeemed by giving the individual CUSIP number and, if applicable, Bond number of each 2025 Bond to be redeemed or if Bond numbers have been assigned by the Fiscal Agent to the 2025 Bonds shall state that all 2025 Bonds between two stated Bond numbers, both inclusive, are to be redeemed or that all of the 2025 Bonds of one or more maturities have been called for redemption, shall state as to any 2025 Bond called in part the principal amount thereof to be redeemed, and shall require that such 2025 Bonds be then surrendered at the Principal Office of the Fiscal Agent for redemption at the said redemption price, and shall state that further interest on such 2025 Bonds will not accrue from and after the redemption date.

Notwithstanding the foregoing, in the case of any redemption of the 2025 Bonds under Section 2.03(A)(i) above, the notice of redemption may state that the redemption is conditioned upon receipt by the Fiscal Agent of sufficient moneys to redeem the 2025 Bonds on the anticipated redemption date, and that the redemption shall not occur if by no later than the scheduled redemption date sufficient moneys to redeem the 2025 Bonds have not been deposited with the Fiscal Agent. In the event that the Fiscal Agent does not receive sufficient funds by the scheduled redemption date to so redeem the 2025 Bonds to be redeemed, the Fiscal Agent shall send written notice to the owners of the 2025 Bonds, to the Securities Depositories and to one or more of the Information Services to the effect that the redemption did not occur as anticipated, and the 2025 Bonds for which notice of redemption was given shall remain Outstanding for all purposes of this Agreement.

Upon the payment of the redemption price of 2025 Bonds being redeemed, each check or other transfer of funds issued for such purpose shall, to the extent practicable, bear the CUSIP number identifying, by issue and maturity, the 2025 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 2025 Bonds (other than a redemption pursuant to Section 2.03(A)(ii)), the Fiscal Agent shall select the 2025 Bonds to be redeemed, from all 2025 Bonds or such given portion thereof not previously called for redemption, among maturities as directed in writing by the Treasurer (who shall specify 2025 Bonds to be redeemed so as to maintain substantially level debt service on the Bonds), and by lot within a maturity in any manner which the Fiscal Agent deems appropriate.

Upon surrender of 2025 Bonds redeemed in part only, the Authority shall execute and the Fiscal Agent shall authenticate and deliver to the Owner, at the expense of the Authority, a new 2025 Bond or 2025 Bonds, of the same series and maturity, of Authorized Denominations in aggregate principal amount equal to the unredeemed portion of the 2025 Bond or 2025 Bonds.

(E) Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of, and interest and any premium on, the 2025 Bonds so called for redemption shall have been deposited in the Bond Fund, such 2025 Bonds so called shall cease to be entitled to any benefit under this Agreement other than the right to receive payment of the redemption price, and no interest shall accrue thereon on or after the redemption date specified in such notice.

(F) Redemption of Parity Bonds. Redemption provisions, if any, pertaining to any Parity Bonds shall be set forth in the Supplemental Agreement providing for such Parity Bonds.

**Section 2.04. Form of Bonds.** The 2025 Bonds, the form of Fiscal Agent's certificate of authentication and the form of assignment, to appear thereon, shall be substantially in the forms, respectively, set forth in Exhibit A attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Agreement, the Resolution and the Act.

**Section 2.05. Execution of Bonds.** The Bonds shall be executed on behalf of the Authority by the manual or facsimile signatures of its Chair and Secretary. 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 Authority by such persons as at the

actual date of the execution of such Bond shall be the proper officers of the Authority although at the nominal date of such Bond any such person shall not have been such officer of the Authority.

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

**Section 2.06. Transfer of Bonds.** Any Bond may, in accordance with its terms, be transferred in Authorized Denominations, upon the Bond Register by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form acceptable to the Fiscal Agent. The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such transfer shall be paid by the Authority. 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 Authority shall execute and the Fiscal Agent shall authenticate and deliver a new Bond or Bonds, for like aggregate principal amount of the same series and maturity of Authorized Denomination(s).

No transfers of Bonds shall be required to be made (i) fifteen 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 a Record Date and the succeeding Interest Payment Date.

**Section 2.07. Exchange of Bonds.** Bonds may be exchanged at the Principal Office of the Fiscal Agent for a like aggregate principal amount of Bonds of Authorized Denominations and of the same series and 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 Authority. 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 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 a Record Date and the succeeding Interest Payment Date.

**Section 2.08. Bond Register.** The Fiscal Agent will keep or cause to be kept, at its Principal Office sufficient books for the registration and transfer of the Bonds, 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 Authority 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 Authority 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 Authority and

the Fiscal Agent shall not be affected by any notice to the contrary. The Authority and the Fiscal Agent may rely on the address of the Bondowner as it appears in the Bond Register for any and all purposes.

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

**Section 2.10. Bonds Mutilated, Lost, Destroyed or Stolen.** If any Bond shall become mutilated, the Authority, 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 Authority.

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 the Fiscal Agent and indemnity for the Authority and the Fiscal Agent satisfactory to the Fiscal Agent shall be given, the Authority, 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 Authority 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 Authority 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 Authority whether or not the Bond so alleged to be lost, destroyed or stolen is at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Agreement with all other Bonds issued pursuant to this Agreement.

**Section 2.11. Limited Obligation.** All obligations of the Authority under this Agreement and the Bonds shall be special obligations of the Authority, payable solely from the Special Tax Revenues and the funds pledged therefore hereunder. Neither the faith and credit nor the taxing power of the Authority (except with respect to the levy of Special Taxes in the District, 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. The City has no obligations whatsoever under this Agreement or otherwise with respect to the Bonds.

**Section 2.12. No Acceleration.** The principal of the Bonds shall not be subject to acceleration hereunder. Nothing in this Section shall in any way prohibit the redemption of Bonds

under Section 2.03 hereof, or the defeasance of the Bonds and discharge of this Agreement under Section 9.03 hereof.

**Section 2.13. Book-Entry System.** DTC shall act as the initial Depository for the 2025 Bonds. One 2025 Bond for each maturity of the 2025 Bonds shall be initially executed, authenticated, and delivered as set forth herein with a separate fully registered certificate (in print or typewritten form). Upon initial execution, authentication, and delivery, the ownership of the 2025 Bonds shall be registered in the Bond Register in the name of Cede & Co., as nominee of DTC or such nominee as DTC shall appoint in writing.

The representatives of the Authority and the Fiscal Agent are hereby authorized to take any and all actions as may be necessary and not inconsistent with this Agreement to qualify the Bonds for the Depository's book-entry system, including the execution of the Depository's required representation letter.

With respect to Bonds registered in the Bond Register in the name of Cede & Co., as nominee of DTC, neither the Authority nor the Fiscal Agent shall have any responsibility or obligation to any broker-dealer, bank, or other financial institution for which DTC holds Bonds as Depository from time to time (the "DTC Participants") or to any person for which a DTC Participant acquires an interest in the Bonds (the "Beneficial Owners"). Without limiting the immediately preceding sentence, neither the Authority nor the Fiscal Agent shall have any responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co., or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant, any Beneficial Owner, or any other person, other than DTC, of any notice with respect to the Bonds, including any notice of redemption, (iii) the selection by the Depository of the beneficial interests in the Bonds to be redeemed in the event the Authority elects to redeem the Bonds in part, (iv) the payment to any DTC Participant, any Beneficial Owner, or any other person, other than DTC, of any amount with respect to the principal of or interest on the Bonds, or (v) any consent given or other action taken by the Depository as Owner of the Bonds.

Except as set forth above, the Fiscal Agent may treat as and deem DTC to be the absolute Owner of each Bond for which DTC is acting as Depository for the purpose of payment of the principal of and interest on such Bonds, for the purpose of giving notices of redemption and other matters with respect to such Bonds, for the purpose of registering transfers with respect to such Bonds, and for all purposes whatsoever. The Fiscal Agent shall pay all principal of and interest on the Bonds only to or upon the order of the Owners as shown on the Bond Register, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to the principal of and interest on the Bonds to the extent of the amounts so paid.

No person other than an Owner, as shown on the Bond Register, shall receive a physical Bond. Upon delivery by DTC to the Fiscal Agent of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the transfer provisions in Section 2.06 hereof, references to "Cede & Co." in this Section 2.13 shall refer to such new nominee of DTC.

DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving written notice to the Fiscal Agent during any time that the Bonds are Outstanding, and discharging its responsibilities with respect thereto under applicable law. The Authority may terminate the services of DTC with respect to the Bonds if it determines that DTC is unable to discharge its responsibilities with respect to the Bonds or that continuation of the system of book-entry transfers

through DTC is not in the best interest of the Beneficial Owners, and the Authority shall mail notice of such termination to the Fiscal Agent.

Upon the termination of the services of DTC as provided in the previous paragraph, and if no substitute Depository willing to undertake the functions hereunder can be found which is willing and able to undertake such functions upon reasonable or customary terms, or if the Authority determines that it is in the best interest of the Beneficial Owners of the 2025 Bonds that they be able to obtain certificated 2025 Bonds, the 2025 Bonds shall no longer be restricted to being registered in the Bond Register in the name of Cede & Co., as nominee of DTC, but may be registered in whatever name or names the Owners shall designate at that time, in accordance with Section 2.06.

To the extent that the Beneficial Owners are designated as the transferee by the Owners, in accordance with Section 2.06, the 2025 Bonds will be delivered to such Beneficial Owners as soon as practicable.

**Section 2.14. Issuance of Parity Bonds.** The Authority may issue one or more series of Parity Bonds, in addition to the 2025 Bonds authorized under Section 2.01 hereof, by means of a Supplemental Agreement and without the consent of any Bondowners, upon compliance with the provisions of this Section 2.14. Only bonds that comply with the requirements of this Section 2.14 shall be Parity Bonds, and such Parity Bonds shall constitute Bonds hereunder and shall be secured by a lien on the Special Tax Revenues and funds pledged for the payment of the Bonds hereunder on a parity with all other Bonds Outstanding hereunder.

The Authority may issue Parity Bonds subject to the following specific conditions precedent:

(A) Current Compliance. The Authority shall be in compliance in all material respects on the date of issuance of the Parity Bonds with all covenants set forth in this Agreement and all Supplemental Agreements, and the principal amount of the Parity Bonds shall not cause the Authority to exceed the maximum authorized indebtedness of the District under the provisions of the Act.

(B) Payment Dates. The Supplemental Agreement providing for the issuance of such Parity Bonds shall provide that interest thereon shall be payable on March 1 and September 1, and principal thereof shall be payable on September 1 in any year in which principal is payable (provided that there shall be no requirement that any Parity Bonds pay interest on a current basis).

(C) Funds and Accounts; Reserve Fund Deposit. The Supplemental Agreement providing for the issuance of such Parity Bonds may provide for the establishment of separate funds and accounts, and shall provide for a deposit to the Reserve Fund (or to a separate account created for such purpose) in an amount necessary so that the amount on deposit in the Reserve Fund (together with the amount in any such separate account), following the issuance of such Parity Bonds, is at least equal to the Reserve Requirement.

(D) Refunding Bonds. The Parity Bonds must be Refunding Bonds.

(E) Coverage. For each Fiscal Year after issuance of the Parity Bonds, the maximum amount of the Special Taxes that may be levied for such Fiscal Year under the Ordinance, the Agreement and any Supplemental Agreement less the Priority Administrative Expense Amount for each respective Fiscal Year, shall be at least 110% of the total Annual Debt Service of the then



Outstanding Bonds and the proposed Parity Bonds for each Bond Year that commences in each such Fiscal Year, and the aggregate Special Tax Prepayments that could occur after the issuance of the Parity Bonds shall be not less than the principal amount of the Outstanding Bonds and the proposed Parity Bonds.

(F) Officer's Certificate. The Authority shall deliver to the Fiscal Agent an Officer's Certificate certifying that the conditions precedent to the issuance of such Parity Bonds set forth in subsections (A), (B), (C), (D) and (E) of this Section 2.14 have been satisfied. In delivering such Officer's Certificate, the Authorized Officer that executes the same may conclusively rely upon such certificates of the Fiscal Agent, the Tax Consultant and others selected with due care, without the need for independent inquiry or certification.

Notwithstanding the foregoing, the Authority may issue Refunding Bonds as Parity Bonds without the need to satisfy the requirements of clause (E) above, and, in connection therewith, the Officer's Certificate in clause (F) above need not make reference to said clause (E).

Nothing in this Section 2.14 shall prohibit the Authority from issuing bonds or otherwise incurring debt secured by a pledge of Special Tax Revenues subordinate to the pledge thereof under Section 3.02 of this Agreement.

### **ARTICLE III ISSUANCE OF 2025 BONDS**

**Section 3.01. Issuance and Delivery of 2025 Bonds.** At any time after the execution of this Agreement, the Authority may issue the 2025 Bonds for the District in the aggregate principal amount set forth in Section 2.01 and deliver the 2025 Bonds to the Original Purchaser. The Authorized Officers of the Authority are hereby authorized and directed to deliver any and all documents and instruments necessary to cause the issuance of the 2025 Bonds in accordance with the provisions of the Act, the Resolution and this Agreement, to authorize the payment of Costs of Issuance from the proceeds of the 2025 Bonds, to authorize withdrawals from the accounts within the Improvement Fund, and to do and cause to be done any and all acts and things necessary or convenient for delivery of the 2025 Bonds to the Original Purchaser.

**Section 3.02. Pledge of Special Tax Revenues.** The Bonds shall be secured by a first pledge of all of the Special Tax Revenues (other than the Special Tax Revenues to be deposited to the Administrative Expense Fund pursuant to clause (i) of the second paragraph of Section 4.06(A) or the Rebate Fund pursuant to Section 4.08) and all moneys deposited in the Bond Fund (including the Special Tax Prepayments Account and the Capitalized Interest Account therein), the Reserve Fund and, until disbursed as provided herein, in the Special Tax Fund. The Special Tax Revenues and all moneys deposited into said funds (except as otherwise provided in the following paragraph) 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 9.03.

Amounts in the Administrative Expense Fund, the accounts within the Improvement Fund, the Costs of Issuance Fund, the Rebate Fund, and the Special Tax Revenues to be deposited to the Administrative Expense Fund pursuant to clause (i) of the second paragraph of Section 4.06(A), are not pledged to the repayment of the Bonds. Special Tax B and Special Tax C are not pledged to the repayment of the Bonds. The Project is not in any way pledged to pay the Debt Service on the Bonds.

Any proceeds of condemnation or destruction of any portion of the Project are not pledged to pay the Debt Service on the Bonds and are free and clear of any lien or obligation imposed hereunder.

**Section 3.03. Validity of Bonds.** The validity of the authorization and issuance of the Bonds shall not be dependent upon the performance by any person of such persons obligation(s) with respect to the Project.

#### **ARTICLE IV FUNDS AND ACCOUNTS**

**Section 4.01. Application of Proceeds of Sale of 2025 Bonds and Other Moneys.** The proceeds of the purchase of the 2025 Bonds by the Original Purchaser (being \$\_\_\_\_\_) shall be paid to the Fiscal Agent, who shall forthwith set aside, pay over and deposit such proceeds on the Closing Date as follows:

- (A) deposit \$\_\_\_\_\_ in the Costs of Issuance Fund;
- (B) deposit \$\_\_\_\_\_ in the Reserve Fund (being an amount equal to the initial Reserve Requirement);
- (C) deposit \$\_\_\_\_\_ in the Acquisition Account within the Improvement Fund;
- (D) deposit \$\_\_\_\_\_ in the City Account within the Improvement Fund;
- (E) deposit \$\_\_\_\_\_ in the EMWD Account within the Improvement Fund;
- (F) deposit \$\_\_\_\_\_ in the School District Account within the Improvement Fund; and
- (G) deposit \$\_\_\_\_\_ in the Capitalized Interest Account.

The Fiscal Agent may establish a temporary fund or account in its records to facilitate any of the deposits or transfers referred to in this Section 4.01.

#### **Section 4.02. Improvement Fund.**

(A) Establishment of Improvement Fund. There is hereby established as a separate fund to be held by the Fiscal Agent, the Temecula Public Financing Authority Community Facilities District No. 23-02 (Prado) 2025 Improvement Fund (the "Improvement Fund"), and within the Improvement Fund a City Account, an EMWD Account, a School District Account and an Acquisition Account. Deposits shall be made to the accounts within the Improvement Fund as required by clauses (C), (D), (E), (F) of the first paragraph of Section 4.01, the second paragraph of Section 4.01, Section 4.03(B), and clause (iv) of the second paragraph of Section 4.06(A). Moneys in the accounts within the Improvement Fund shall be held by the Fiscal Agent for the benefit of the Authority, and shall be disbursed for the payment or reimbursement of costs of the Project.

(B) Procedure for Disbursement. Disbursements from the Acquisition Account of the Improvement Fund shall be made by the Fiscal Agent upon receipt of an Officer's Certificate, which shall: (a) set forth the amount required to be disbursed, the purpose for which the disbursement

is to be made (which shall be for amounts owed by the Authority under the Acquisition Agreement in respect of Project costs, or otherwise to pay Project costs incurred by any other entity that constructs portions of the Project), that the disbursement is a proper expenditure from the Improvement Fund, and the person to which the disbursement is to be paid; and (b) certify that no portion of the amount then being requested to be disbursed was set forth in any Officer's Certificate previously filed requesting a disbursement. In making disbursements from the Acquisition Account of the Improvement Fund, the Fiscal Agent shall use amounts deposited thereto pursuant to clause (C) of the first paragraph of Section 4.01 and any proceeds of any Parity Bonds deposited thereto, and any investment earnings on such amounts, before using any amounts deposited to the Acquisition Account of the Improvement Fund pursuant to the second paragraph of Section 4.01 or clause (iv) of the second paragraph of Section 4.06(A) and any investment earnings thereon.

Disbursements from the City Account of the Improvement Fund shall be made by the Fiscal Agent upon receipt of an Officer's Certificate which shall: (i) set forth the amount required to be disbursed, the purpose for which the disbursement is to be made (which shall be for payment of a Project cost or to reimburse expenditures of the Authority, the City or any other party for Project costs previously paid), that the disbursement is a proper expenditure from the City Account of the Improvement Fund, and the person to which the disbursement is to be paid; and (ii) certify that no portion of the amount then being requested to be disbursed was set forth in any Officer's Certificate previously filed requesting a disbursement.

Disbursements from the EMWD Account of the Improvement Fund shall be made by the Fiscal Agent upon receipt of a certificate executed by the Developer and EMWD in the form of Exhibit C to the Joint Community Facilities Agreement – EMWD which shall set forth the amount required to be disbursed.

Disbursements from the School District Account of the Improvement Fund shall be made by the Fiscal Agent upon receipt of a certificate executed by the Developer and the School District in the form of Exhibit C to the Joint Community Facilities Agreement – School District which shall set forth the amount required to be disbursed.

Each such Officer's Certificate or other certificate submitted to the Fiscal Agent as described in this Section 4.02(B) shall be sufficient evidence to the Fiscal Agent of the facts stated therein, and the Fiscal Agent shall have no duty to confirm the accuracy of such facts.

(C) Investment. Moneys in the accounts within the Improvement Fund shall be invested and deposited in accordance with Section 6.01. Interest earnings and profits from the investment and deposit of amounts in the City Account and the Acquisition Account of the Improvement Fund shall be retained in those accounts of the Improvement Fund, respectively, to be used for the purposes of the respective account. Interest earnings and profits from the investment and deposit of amounts in the EMWD Account and the School District Account of the Improvement Fund shall be transferred on each Interest Payment Date or on any other date upon receipt by the Fiscal Agent of an Officer's Certificate requesting such transfers to the City Account of the Improvement Fund to be used for the purposes of the City Account of the Improvement Fund.

(D) Transfers Between and Closing of Accounts in the Improvement Fund. Upon the filing of an Officer's Certificate (a) stating that the Developer has requested amounts in an account of the Improvement Fund to be transferred to a different account within the Improvement Fund, and

(b) directing the Fiscal Agent to make such transfers, the Fiscal Agent shall transfer amounts in accordance with such Officer's Certificate.

On the earlier of (i) the date of receipt by the Fiscal Agent of an Officer's Certificate to the effect that the Developer has notified the Authority in writing that no further disbursements will be made from the EMWD Account, or (ii) [Month of Closing] 1, 2028, the Fiscal Agent shall transfer all amounts then on deposit in the EMWD Account to the Acquisition Account to be used for the purposes of such account, or, if the Acquisition Account has theretofore been closed, to the Bond Fund to be used to pay Debt Service on the Bonds on the next Interest Payment Date, and following such transfer the EMWD Account shall be closed.

On the earlier of (i) the date of receipt by the Fiscal Agent of an Officer's Certificate to the effect that the Developer has notified the Authority in writing that no further disbursements will be made from the School District Account, or (ii) [Month of Closing] 1, 2028, the Fiscal Agent shall transfer all amounts then on deposit in the School District Account to the Acquisition Account to be used for the purposes of such account, or, if the Acquisition Account has theretofore been closed, to the Bond Fund to be used to pay Debt Service on the Bonds on the next Interest Payment Date, and following such transfer the School District Account shall be closed.

Upon receipt by the Fiscal Agent of an Officer's Certificate to the effect that all improvements to be funded from the City Account have been completed or that no further withdrawals will be made from the City Account, any amounts remaining on deposit in the City Account shall be transferred by the Fiscal Agent to the Acquisition Account, or, if the Acquisition Account has theretofore been closed, to the Bond Fund to be used to pay Debt Service on the Bonds on the next Interest Payment Date, and when no amounts remain on deposit in the Acquisition Account the Acquisition Account shall be closed.

Upon the filing of an Officer's Certificate stating that the Project has been completed and that all costs of the Project have been paid, or that any such costs are not required to be paid from the Acquisition Account, the Fiscal Agent shall transfer the amount, if any, remaining in the Acquisition Account to the Bond Fund to be used to pay Debt Service on the Bonds on the next Interest Payment Date, and when no amounts remain on deposit in the Acquisition Account the Acquisition Account shall be closed.

#### **Section 4.03. Costs of Issuance Fund.**

(A) Establishment of Costs of Issuance Fund. There is hereby established as a separate fund to be held by the Fiscal Agent, the Temecula Public Financing Authority Community Facilities District No. 23-02 (Prado) 2025 Costs of Issuance Fund (the "Costs of Issuance Fund"), to the credit of which a deposit shall be made as required by Section 4.01(A). Moneys in the Costs of Issuance Fund shall be held by the Fiscal Agent and shall be disbursed as provided in subsection (B) of this Section for the payment or reimbursement of Costs of Issuance.

(B) Disbursement. Amounts in the Costs of Issuance Fund shall be disbursed from time to time to pay Costs of Issuance, as set forth in a requisition containing respective amounts to be paid to the designated payees, signed by the Treasurer and delivered to the Fiscal Agent on the Closing Date, or otherwise in an Officer's Certificate delivered to the Fiscal Agent after the Closing Date. The Fiscal Agent shall pay all Costs of Issuance after receipt of an invoice from any such payee which requests payment in an amount which is less than or equal to the amount set forth with respect to such

payee pursuant to an Officer's Certificate requesting payment of Costs of Issuance. The Fiscal Agent shall maintain the Costs of Issuance Fund for a period of 90 days from the date of delivery of the 2025 Bonds and then shall transfer any moneys remaining therein, including any investment earnings thereon, to the Acquisition Account of the Improvement Fund.

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

#### **Section 4.04. Reserve Fund.**

(A) Establishment of Fund. There is hereby established as a separate fund to be held by the Fiscal Agent the Temecula Public Financing Authority Community Facilities District No. 23-02 (Prado) Reserve Fund (the "Reserve Fund"), to the credit of which a deposit shall be made as required by Section 4.01(B) equal to the Reserve Requirement as of the Closing Date for the 2025 Bonds, and deposits shall be made as provided in clause (ii) of the second paragraph of Section 4.06(A) and clause (ii) of Section 4.06(B). Moneys in the Reserve Fund shall be held by the Fiscal Agent for the benefit of the Owners of the Bonds as a reserve for the payment of principal of, and interest and any premium on, the Bonds and shall be subject to a lien in favor of the Owners of the Bonds.

(B) Use of Reserve Fund. Except as otherwise provided in this Section, all amounts deposited in the Reserve Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of, and interest and any premium on, the Bonds or, in accordance with the provisions of this Section, for the purpose of redeeming Bonds from the Bond Fund, or transfers to the Rebate Fund as required by Section 4.08.

(C) Transfer Due to Deficiency in Bond Fund. Whenever transfer is made from the Reserve Fund to the Bond Fund due to a deficiency in the Bond Fund, the Fiscal Agent shall provide written notice thereof to the Treasurer, specifying the amount withdrawn.

(D) Transfer of Excess of Reserve Requirement. Whenever, on the Business Day prior to any September 1 occurring on or after September 1, 2026, or on any other date at the request of the Treasurer, the amount in the Reserve Fund exceeds the Reserve Requirement, the Fiscal Agent shall provide written notice to the Treasurer of the amount of the excess and shall transfer an amount equal to the excess from the Reserve Fund to the Bond Fund to be used for the payment of interest on the Bonds on the next Interest Payment Date in accordance with Section 4.05, unless amounts are required to be paid to the federal government pursuant to Section 4.08, in which case such excess amounts in the Reserve Fund shall be transferred to the Rebate Fund to the extent required by Section 4.08.

(E) Transfer When Balance Exceeds Outstanding Bonds. Whenever the balance in the Reserve Fund equals 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 the written direction of the Treasurer transfer the amount in the Reserve Fund to the Bond Fund to be applied, on the next succeeding Interest Payment Date to the payment and redemption, in accordance with Section 2.03 and 4.05, as applicable, of all of the

Outstanding Bonds. In the event that the amount so transferred from the Reserve Fund to the Bond Fund exceeds the amount required to pay and redeem the Outstanding Bonds, the balance in the Reserve Fund shall be transferred to the Authority to be used for any lawful purpose under the Act.

Notwithstanding the foregoing, no amounts shall be transferred from the Reserve Fund pursuant to this Section 4.04(E) until after (i) the calculation of any amounts due to the federal government pursuant to the Rebate Regulations and Section 4.08 following payment of the Bonds and withdrawal of any such amount from the Reserve Fund for deposit to the Rebate Account of the Rebate Fund, and (ii) payment of any fees and expenses due to the Fiscal Agent.

(F) Transfer Upon Special Tax Prepayment. Whenever Special Taxes are prepaid and Bonds are to be redeemed with the proceeds of such prepayment pursuant to Section 2.03(A)(iii) and 4.05(B)(ii), funds in the Reserve Fund in the amount of any applicable “Reserve Fund Credit,” as such term is defined in and otherwise determined in accordance with Section G (or H, for partial prepayments) of the Rate and Method of Apportionment of Special Taxes, shall be transferred on the Business Day prior to the redemption date by the Fiscal Agent to the Bond Fund to be applied to the redemption of the Bonds pursuant to Section 2.03(A)(iii). The Treasurer shall deliver to the Fiscal Agent an Officer’s Certificate specifying any amount to be so transferred, and the Fiscal Agent may rely on any such Officer’s Certificate.

(G) Transfer to Pay Rebate. Amounts in the Reserve Fund shall be withdrawn, at the written request of an Authorized Officer, for purposes of paying any rebate liability under Section 4.08.

(H) Investment. Moneys in the Reserve Fund shall be invested in accordance with Section 6.01. Interest earnings and profits resulting from said investment shall be retained by the Fiscal Agent in the Reserve Fund to be used for the purposes of such fund, including any of the purposes specified in this Section 4.04.

#### **Section 4.05. Bond Fund.**

(A) Establishment of Bond Fund, Capitalized Interest Account and Special Tax Prepayments Account. There is hereby established as a separate fund to be held by the Fiscal Agent, the Temecula Public Financing Authority Community Facilities District No. 23-02 (Prado) Bond Fund (the “Bond Fund”), to the credit of which deposits shall be made as required by Section 4.01(G), Section 4.04, clause (ii) of the second paragraph of Section 4.06(A) and Section 4.06(B), and any other amounts required to be deposited therein by this Agreement or the Act. There is also hereby created in the Bond Fund a separate account held by the Fiscal Agent, the Special Tax Prepayments Account, to the credit of which deposits shall be made as provided in clause (iii) of the second paragraph of Section 4.06(A). There is also hereby created in the Bond Fund, a separate account held by the Fiscal Agent, the Capitalized Interest Account, to the credit of which a deposit shall be made as provided in Section 4.01(F).

Moneys in the Bond Fund and the account therein 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, and interest and any premium on, the Bonds as provided below, and, pending such disbursement, shall be subject to a lien in favor of the Owners of the Bonds. Notwithstanding the foregoing, amounts in the Bond Fund may be used for the purposes set forth in Section 2.03(C).

(B) Disbursements.

(i) **Bond Fund Disbursements.** On each Interest Payment Date, the Fiscal Agent shall withdraw from the Bond Fund and pay to the Owners of the Bonds the principal, and interest and any premium, then due and payable on the Bonds, including any amounts due on the Bonds by reason of the sinking payments set forth in Section 2.03(A)(ii), or a redemption of the Bonds required by Section 2.03(A)(i) or (iii), such payments to be made in the priority listed in the second succeeding paragraph. Notwithstanding the foregoing, (a) amounts in the Bond Fund as a result of a transfer pursuant to Section 4.02(D) shall be used to pay the principal of and interest on the Bonds prior to the use of any other amounts in the Bond Fund for such purpose; and (b) amounts in the Bond Fund as a result of a transfer pursuant to clause (ii) of the second paragraph of Section 4.06(A) shall be immediately disbursed by the Fiscal Agent to pay past due amounts owing on the Bonds.

In the event that amounts in the Bond Fund are insufficient for the purposes set forth in the preceding paragraph, the Fiscal Agent shall withdraw from the Reserve Fund to the extent of any funds therein amounts to cover the amount of such Bond Fund insufficiency. Amounts so withdrawn from the Reserve Fund shall be deposited in the Bond Fund.

If, after the foregoing transfers, there are insufficient funds in the Bond Fund to make the payments provided for in the first sentence of the first paragraph of this Section 4.05(B)(i), the Fiscal Agent shall apply the available funds first to the payment of interest on the Bonds, then to the payment of principal due on the Bonds other than by reason of sinking payments, and then to payment of principal due on the Bonds by reason of sinking payments. Each such payment shall be made ratably to the Owners of the Bonds based on the then Outstanding principal amount of the Bonds, if there are insufficient funds to make the corresponding payment for all of the then Outstanding Bonds. Any sinking payment not made as scheduled shall be added to the sinking payment to be made on the next sinking payment date.

(ii) **Special Tax Prepayments Account Disbursements.** Moneys in the Special Tax Prepayments Account shall be transferred by the Fiscal Agent to the Bond Fund on the next date for which notice of redemption of Bonds can timely be given under Section 2.03(A)(iii), and notice to the Fiscal Agent can timely be given under Section 2.03(B), and shall be used (together with any amounts transferred pursuant to Section 4.04(F)) to redeem Bonds on the redemption date selected in accordance with Section 2.03.

(iii) **Capitalized Interest Account Disbursements.** Moneys in the Capitalized Interest Account shall be transferred to the Bond Fund on the Business Day prior to the Interest Payment Dates and in the amounts set forth in the below table. Following the last of such transfers, any remaining amounts on deposit in the Capitalized Interest Account shall be transferred to the Bond Fund and the Capitalized Interest Account shall be closed.

<i><b>Date</b></i>	<i><b>Amount</b></i>
March 1, 2026	\$
September 1, 2026	
March 1, 2027	

(C) Investment. Moneys in the Bond Fund, the Special Tax Prepayments Account and the Capitalized Interest Account shall be invested and deposited in accordance with Section 6.01. Interest earnings and profits resulting from the investment and deposit of amounts in the Bond Fund, the Special Tax Prepayments Account and the Capitalized Interest Account shall be retained in the Bond Fund, the Special Tax Prepayments Account and the Capitalized Interest Account, respectively, to be used for purposes of such fund and accounts.

#### **Section 4.06. Special Tax Fund.**

(A) Establishment of Special Tax Fund. There is hereby established as a separate fund to be held by the Fiscal Agent, the Temecula Public Financing Authority Community Facilities District No. 23-02 (Prado) Special Tax Fund (the "Special Tax Fund"). The Authority shall transfer or cause to be transferred to the Fiscal Agent, as soon as practicable following receipt, all Special Tax Revenues received by the Authority, which amounts shall be deposited by the Fiscal Agent to the Special Tax Fund. In addition, the Fiscal Agent shall deposit in the Special Tax Fund amounts to be transferred thereto pursuant to Section 4.07(B) hereof.

Notwithstanding the foregoing,

(i) the first Special Tax Revenues collected by the Authority in any Fiscal Year, in an amount equal to the portion of such Fiscal Year's Special Tax levy for Administrative Expenses (but not to exceed, the Priority Administrative Expenses Amount for such Fiscal Year) shall be separately identified by the Treasurer and, shall be deposited by the Treasurer in the Administrative Expense Fund;

(ii) any Special Tax Revenues constituting the collection of delinquencies in payment of Special Taxes shall be separately identified by the Treasurer and shall be deposited by the Fiscal Agent first, in the Bond Fund to the extent needed to pay any past due debt service on the Bonds; second, to the Reserve Fund to the extent needed to increase the amount then on deposit in the Reserve Fund up to the then Reserve Requirement, and third, to the Special Tax Fund for use as described in Section 4.06(B) below;

(iii) any proceeds of Special Tax Prepayments shall be transferred by the Treasurer to the Fiscal Agent for deposit by the Fiscal Agent (as specified in writing by the Treasurer to the Fiscal Agent) directly in the Special Tax Prepayments Account established pursuant to Section 4.05(A);

(iv) any Special Tax Revenues constituting the portion, if any, of the Special Tax A Requirement (as defined in the Rate and Method of Apportionment), that is to pay directly for the acquisition or construction of any portion of the Project shall be separately identified by the Authority and shall be deposited by the Fiscal Agent in the Acquisition Account of the Improvement Fund so long as the Acquisition Account of the Improvement Fund has not theretofore been closed pursuant to Section 4.02(D), and if the Acquisition Account of the Improvement Fund has been closed, then such amount shall be retained by the Authority to be used to pay Project costs; and

(v) from time to time amounts may be transferred from the Special Tax Fund to the Rebate Account to satisfy the Authority's obligations under Section 4.08.



Moneys in the Special Tax Fund shall be held by the Fiscal Agent for the benefit of the Authority and the Owners of the Bonds, shall be disbursed as provided below and, pending disbursement, shall be subject to a lien in favor of the Owners of the Bonds and the Authority.

(B) Disbursements. On each Interest Payment Date, the Fiscal Agent shall withdraw from the Special Tax Fund and transfer the following amounts in the following order of priority (i) to the Bond Fund an amount, taking into account any amounts then on deposit in the Bond Fund and any expected transfers from the Capitalized Interest Account, the accounts within the Improvement Fund, the Reserve Fund and the Special Tax Prepayments Account to the Bond Fund pursuant to Sections 4.02(D), 4.04(D), (E), and (F), and 4.05(B)(ii) and (iii), such that the amount in the Bond Fund equals the principal (including any sinking payment), premium, if any, and interest due on the Bonds on such Interest Payment Date, and (ii) to the Reserve Fund an amount, taking into account amounts then on deposit in the Reserve Fund, such that the amount in the Reserve Fund is equal to the Reserve Requirement.

In addition to the foregoing, if in any Fiscal Year there are sufficient funds in the Special Tax Fund to make the foregoing transfers to the Bond Fund and the Reserve Fund in respect of the Interest Payment Dates occurring in the Bond Year that commences in such Fiscal Year, the Treasurer may transfer any amount in the Special Tax Fund in excess of the amount needed to make such transfers to the Bond Fund and the Reserve Fund (i) to the Administrative Expense Fund, from time to time, if monies are needed to pay Administrative Expenses in excess of the amount then on deposit in the Administrative Expense Fund; (ii) to such other fund or account established to pay debt service on or administrative expenses with respect to any bonds or other debt secured by a pledge of Special Tax Revenues subordinate to the pledge thereof under Section 3.02 of this Agreement; or (iii) to such other fund or account established by the Authority to be used for any lawful purpose under the Act and otherwise in accordance with the provisions of the Rate and Method of Apportionment of Special Taxes.

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

#### **Section 4.07. Administrative Expense Fund.**

(A) Establishment of Administrative Expense Fund. There is hereby established as a separate fund to be held by the Treasurer, the Temecula Public Financing Authority Community Facilities District No. 23-02 (Prado) Administrative Expense Fund (the “Administrative Expense Fund”), to the credit of which deposits shall be made as required by Sections 4.01(C) and 4.03(B), Section 4.06(A)(ii), and clause (i) of the second paragraph of Section 4.06(B). Moneys in the Administrative Expense Fund shall be held by the Treasurer for the benefit of the Authority, and shall be disbursed as provided below.

(B) Disbursement. Amounts in the Administrative Expense Fund shall be withdrawn by the Treasurer and paid to the Authority or its order upon receipt by the Treasurer of an Officer’s Certificate stating the amount to be withdrawn, that such amount is to be used to pay an Administrative Expense or Costs of Issuance, and the nature of such Administrative Expense or Costs of Issuance. Amounts transferred from the Costs of Issuance Fund to the Administrative Expense Fund pursuant to Section 4.03(B) shall be separately identified at all times, and shall be expended for

purposes of the Administrative Expense Fund prior to the use of amounts transferred to the Administrative Expense Fund from the Special Tax Fund pursuant to Section 4.06(B).

Annually, on the last day of each Fiscal Year, the Treasurer shall withdraw any amounts then remaining in the Administrative Expense Fund in excess of \$30,000.00 that have not otherwise been allocated to pay Administrative Expenses incurred but not yet paid, and which are not otherwise encumbered, and transfer such amounts to the Fiscal Agent for deposit by the Fiscal Agent in the Special Tax Fund.

(C) Investment. Moneys in the Administrative Expense Fund shall be invested and deposited in accordance with Section 6.01. Interest earnings and profits resulting from said investment shall be retained by the Treasurer in the Administrative Expense Fund to be used for the purposes thereof.

#### **Section 4.08. Rebate Fund.**

(A) Establishment of Rebate Fund and Rebate Account. There is hereby established as a separate fund to be held by the Fiscal Agent the Temecula Public Financing Authority Community Facilities District No. 23-02 (Prado) Rebate Fund (the “Rebate Fund”) and an account referred to as the “Rebate Account” to be maintained therein. All money at any time deposited in the Rebate Account of the Rebate Fund shall be held by the Fiscal Agent in trust, for payment to the United States Treasury. All amounts on deposit in the Rebate Fund with respect to the Bonds or an issue of Parity Bonds shall be governed by this Section and the Tax Certificate, unless the District delivers to the Fiscal Agent an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest payments on the Bonds and Parity Bonds will not be adversely affected if such requirements are not satisfied. The Fiscal Agent shall not be responsible for calculating rebatable arbitrage or for the adequacy or correctness or any rebate report or rebate calculations. The Fiscal Agent shall be deemed conclusively to have complied with the Tax Certificate and the provisions of this Fiscal Agent Agreement regarding calculation and payment of the rebatable arbitrage if the Fiscal Agent follows the directions of the District and the Fiscal Agent shall have no independent duty to review such calculations or enforce the compliance with such rebate requirements.

(I) Rebate Account. The following requirements shall be satisfied with respect to each subaccount of the Rebate Account:

(i) Annual Computation. Within 55 days of the end of each Bond Year, the District shall calculate or cause to be calculated the amount of rebatable arbitrage for the Bonds and each issue of Parity Bonds in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Rebate Regulations (taking into account any applicable exceptions with respect to the computation of the rebatable arbitrage described in the Tax Certificate for each issue (e.g., the temporary investments exceptions of Section 148(f)(4)(B) and (C) of the Code), and taking into account whether the election pursuant to Section 148(f)(4)(C)(vii) of the Code (the “1½% Penalty”) has been made), for this purpose treating the last day of the applicable Bond Year as a computation date, within the meaning of Section 1.148-1(b) of the Rebate Regulations (the “Rebatable Arbitrage”). The District shall obtain expert advice as to the amount of the Rebatable Arbitrage to comply with this Section.

(ii) Annual Transfer. Within 55 days of the end of each Bond Year for which Rebatable Arbitrage must be calculated as required by the Tax Certificate the

District shall transfer to the Fiscal Agent an amount to be deposited in the Rebate Account if and to the extent required, so that the balance in the Rebate Account shall equal the amount of Rebatable Arbitrage so calculated by or on behalf of the District in accordance with (i) of this Subsection (A)(1) with respect to the Bonds and each issue of Parity Bonds to which this Section is applicable. In the event that immediately following any transfer required by the previous sentence, or the date on which the District determines that no transfer is required for such Bond Year, the amount then on deposit in the Rebate Account exceeds the amount required to be on deposit therein, the Fiscal Agent shall withdraw the excess from the Rebate Account and then credit the excess to the Administrative Expense Fund.

(iii) Payment to the Treasury. The District shall direct the Fiscal Agent to pay to the United States Treasury out of amounts in the Rebate Account,

(X) Not later than 60 days after the end of (A) the fifth Bond Year for the Bonds and each issue of Parity Bonds to which this Section is applicable, and (B) each applicable fifth Bond Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Bond Year for the Bonds and each issue of Parity Bonds; and

(Y) Not later than 60 days after the payment or redemption of all of the Bonds or an issue of Parity Bonds, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such applicable Bond Year, and any income attributable to the Rebatable Arbitrage, computed in accordance with Section 148(f) of the Code.

In the event that, prior to the time of any payment required to be made from the Rebate Account, the amount in the Rebate Account is not sufficient to make such payment when such payment is due, the District shall calculate or cause to be calculated the amount of such deficiency and deposit an amount received from any legally available source equal to such deficiency prior to the time such payment is due. Each payment required to be made pursuant to this Subsection (A)(1) shall be made to the Internal Revenue Service Center, Ogden, Utah 84201 on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T, as completed and signed by the District and delivered to the Fiscal Agent, or shall be made in such other manner as provided under the Code.

(B) Disposition of Unexpended Funds. Any funds remaining in the accounts of the Rebate Fund after redemption and payment of the Bonds or an issue of Parity Bonds and after making the payments described in Subsection (A)(1)(iii) may be withdrawn by the District and utilized in any manner by the District.

(C) Survival of Defeasance and Final Payment. Notwithstanding anything in this Section or this Fiscal Agent Agreement to the contrary, the obligation to comply with the requirements of this Section shall survive the defeasance and final payment of the Bonds and any Parity Bonds with respect to which an account has been created in the Rebate Fund.

(D) Amendment Without Consent of Owners. This Section may be deleted or amended in any manner without the consent of the Owners, provided that prior to such event there is delivered to the District and the Fiscal Agent an opinion of Bond Counsel to the effect that such deletion or amendment will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds and any issue of Parity Bonds issued on a tax-exempt basis.

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

## **ARTICLE V OTHER COVENANTS OF THE AUTHORITY**

**Section 5.01. Punctual Payment.** The Authority will punctually pay or cause to be paid the principal of, and interest and any premium on, the Bonds when and as due in strict conformity with the terms of this Agreement and 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 5.02. Limited Obligation.** The Bonds are limited obligations of the Authority on behalf of the District and are payable solely from and secured solely by the Special Tax Revenues and the amounts in the Bond Fund (including the Capitalized Interest Account and the Special Tax Prepayments Account therein), the Reserve Fund and, until disbursed as provided herein, the Special Tax Fund.

**Section 5.03. Extension of Time for Payment.** In order to prevent any accumulation of claims for interest after maturity, the Authority 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 Authority, 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 so extended or funded.

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

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

**Section 5.06. Protection of Security and Rights of Owners.** The Authority 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 Authority, the Bonds shall be incontestable by the Authority.

**Section 5.07. Compliance with Act.** The Authority will comply with all applicable provisions of the Act and law in administering the District; provided that the Authority shall have no

obligation to advance any of its own funds for any purpose whatsoever under this Agreement or otherwise with respect to the Bonds.

**Section 5.08. Collection of Special Tax Revenues.** The Authority shall comply with all requirements of the Act so as to assure the timely collection of Special Tax Revenues, including without limitation, the enforcement of delinquent Special Taxes.

On or within five (5) Business Days of each June 1, the Fiscal Agent shall provide the Treasurer with a notice stating the amount then on deposit in the Bond Fund (including any amounts in the Capitalized Interest Account or the Special Tax Prepayments Account therein) and the Reserve Fund, and informing the Authority that the Special Taxes may need to be levied pursuant to the Ordinance as necessary to provide for the debt service to become due on the Bonds in the calendar year that commences in the Fiscal Year for which the levy is to be made, and Administrative Expenses and replenishment (if necessary) of the Reserve Fund so that the balance therein equals the Reserve Requirement. The receipt of or failure to receive such notice by the Treasurer shall in no way affect the obligations of the Treasurer under the following two paragraphs. Upon receipt of such notice, the Treasurer shall communicate with the Auditor to ascertain the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits during the preceding and then current year.

The Treasurer shall effect the levy of the Special Taxes each Fiscal Year in accordance with the Ordinance by each July 15 that the Bonds are outstanding, or otherwise such that the computation of the levy is complete before the final date on which the Auditor will accept the transmission of the Special Tax amounts for the parcels within the District for inclusion on the next real property 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 real property tax roll.

The Treasurer shall fix and levy the amount of Special Taxes within the District required for the payment of principal of and interest on any outstanding Bonds of the District becoming due and payable during the ensuing year, including any necessary replenishment or expenditure of the Reserve Fund for the Bonds and an amount estimated to be sufficient to pay the Administrative Expenses (including amounts necessary to discharge any obligation under Section 4.08) during such year, taking into account the balances in such funds and in the Special Tax Fund. The Special Taxes so levied shall not exceed the maximum amounts as provided in the Rate and Method of Apportionment of Special Taxes.

The Special Taxes, when 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 ad valorem taxes on real property; provided that, pursuant to and in accordance with the Ordinance, the Special Taxes may be collected by means of direct billing of the property owners within the District, in which event the Special Taxes shall become delinquent if not paid when due pursuant to said billing.

**Section 5.09. Covenant to Foreclose.** Pursuant to Section 53356.1 of the Act, the Authority hereby covenants with and for the benefit of the Owners of the Bonds that it will order, and cause to be commenced as hereinafter provided, and thereafter diligently prosecute to judgment (unless such delinquency is theretofore brought current), an action in the superior court to foreclose the lien of any Special Tax or installment thereof not paid when due as provided in the following paragraph. The

Treasurer shall notify the Authority Attorney of any such delinquency of which the Treasurer is aware, and the Authority Attorney shall commence, or cause to be commenced, such proceedings.

On or about June 15 of each Fiscal Year, the Treasurer shall compare the amount of Special Taxes theretofore levied in the District to the amount of Special Tax Revenues theretofore received by the Authority, and:

(A) Individual Delinquencies. If, as of any June 15, the Treasurer determines that any single parcel subject to the Special Tax A in the District is delinquent in the payment of Special Taxes in the aggregate amount of \$7,500.00 or more, then the Treasurer shall promptly send or cause to be sent a notice of delinquency (and a demand for immediate payment thereof) to the property owner, and (if the delinquency remains uncured) foreclosure proceedings shall be commenced by the Authority within 90 days after the notice of delinquency has been sent.

(B) Aggregate Delinquencies. If the Treasurer determines that, as of any June 15, the total amount of delinquent Special Tax for the then current Fiscal Year for the entire District (including the total of delinquencies under subsection (A) above), exceeds 5% of the total Special Tax due and payable for the then current Fiscal Year, the Treasurer shall promptly notify or cause to be notified property owners who are then delinquent in the payment of Special Tax A (and demand immediate payment of the delinquency), and the Authority shall commence foreclosure proceedings within 90 days after the notices of delinquency have been sent.

Notwithstanding the foregoing, the Treasurer may defer any mailing of notices of delinquency or foreclosure action if (i) the amount in the Reserve Fund is at least equal to the Reserve Requirement, and (ii) the amounts then on deposit in the Special Tax Fund and the Bond Fund are sufficient to pay the scheduled debt service due on the Bonds on the succeeding September 1 and March 1 without the need for any draw on the Reserve Fund.

The Treasurer and the Authority Attorney, as applicable, are hereby authorized to employ counsel to conduct any such foreclosure proceedings. The fees and expenses of any such counsel (including a charge for Authority staff time) in conducting foreclosure proceedings shall be an Administrative Expense hereunder.

**Section 5.10. Further Assurances.** The Authority will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Agreement, and for the better assuring and confirming unto the Owners of the rights and benefits provided in this Agreement.

**Section 5.11. Continuing Disclosure to Owners.** In addition to its obligations under Section 9.07, the Authority hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of this Agreement, failure of the Authority to comply with the Continuing Disclosure Agreement shall not be considered a default hereunder; however, any Participating Underwriter or any holder or Beneficial Owner (as defined in Section 2.13) of the Bonds may take such actions as may be necessary and appropriate to compel performance by the Authority of its obligations thereunder, including seeking mandate or specific performance by court order.

**Section 5.12. Federal Tax Covenants.** Notwithstanding any other provision of this Fiscal Agent Agreement, absent an opinion of Bond Counsel that the exclusion from gross income of interest

on the Bonds and any Parity Bonds issued on a tax-exempt basis for federal income tax purposes will not be adversely affected for federal income tax purposes, the District covenants to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and specifically covenants, without limiting the generality of the foregoing, as follows:

(A) Private Activity. The Authority will take no action or refrain from taking any action or make any use of the proceeds of the Bonds or of any other moneys or property which would cause the Bonds and any Parity Bonds issued on a tax-exempt basis for federal income tax purposes to be “private activity bonds” within the meaning of Section 141 of the Code;

(B) Arbitrage. The Authority will make no use of the proceeds of the Bonds or of any other amounts or property, regardless of the source, or take any action or refrain from taking any action which will cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code;

(C) Federal Guaranty. The Authority will make no use of the proceeds of the Bonds or any Parity Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code;

(D) Information Reporting. The Authority will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code;

(E) Hedge Bonds. The Authority will make no use of the proceeds of the Bonds or any Parity Bonds or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause the Bonds or any Parity Bonds to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the Authority takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds and any applicable Parity Bonds;

(F) Miscellaneous. The Authority will take no action or refrain from taking any action inconsistent with the expectations stated in the Tax Certificate in connection with the Bonds and any issue of Parity Bonds and will comply with the covenants and requirements stated therein and incorporated by reference herein; and

(G) Other Tax-Exempt Issues. The Authority will not use proceeds of other tax exempt securities to redeem any Bonds without first obtaining the written opinion of Bond Counsel that doing so will not impair the exclusion from gross income for federal income tax purposes of interest on the Bonds and any Parity Bonds issued on a tax-exempt basis..

**Section 5.13. Reduction of Special Taxes.** The Authority covenants and agrees to not consent or conduct proceedings with respect to a reduction in the maximum Special Taxes that may be levied in the District on Developed Property (as defined in the Rate and Method of Apportionment of Special Taxes) below an amount, for any Fiscal Year, equal to 110% of the aggregate of the Debt Service due on the Bonds in such Fiscal Year, plus a reasonable estimate of Administrative Expenses for such Fiscal Year. It is hereby acknowledged that Bondowners are purchasing the Bonds in reliance on the foregoing covenant, and that said covenant is necessary to assure the full and timely payment of the Bonds.

**Section 5.14. Limits on Special Tax Waivers and Bond Tenders.** The Authority covenants not to exercise its rights under the Act to waive delinquency and redemption penalties related to the Special Taxes or to declare any Special Tax penalties amnesty program if to do so would materially and adversely affect the interests of the owners of the Bonds and further covenants not to 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 Authority having insufficient Special Tax Revenues to pay the principal of and interest on the Bonds remaining Outstanding following such tender.

**Section 5.15. No Additional Bonds.** Except as expressly permitted by Section 2.14 hereof, the Authority shall not issue any additional bonds secured by (A) a pledge of Special Taxes on a parity with or senior to the pledge thereof under Section 3.02 hereof; or (B) any amounts in any funds or accounts established hereunder.

**Section 5.16. Authority Bid at Foreclosure Sale.** The Authority will not bid at a foreclosure sale of property in respect of delinquent Special Taxes unless it expressly agrees to take the property subject to the lien for Special Taxes imposed by the District and that the Special Taxes levied on the property are payable while the Authority owns the property.

## **ARTICLE VI INVESTMENTS, DISPOSITION OF INVESTMENT PROCEEDS, LIABILITY OF THE AUTHORITY**

**Section 6.01. Deposit and Investment of Moneys in Funds.** Moneys in any fund or account created or established by this Agreement and held by the Fiscal Agent shall be invested by the Fiscal Agent in Permitted Investments, as directed pursuant to an Officer's Certificate filed with the Fiscal Agent at least two (2) Business Days in advance of the making of such investments. In the absence of any such Officer's Certificate, the Fiscal Agent shall invest, to the extent reasonably practicable, any such moneys in Permitted Investments described in clause (h) of the definition thereof in Section 1.03; 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 an Officer's Certificate specifying a specific money market fund into which the funds shall be invested and, if no such Officer's Certificate 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 4.08.

Moneys in any fund or account created or established by this Agreement and held by the Treasurer shall be invested by the Treasurer in any Permitted Investment, which in any event by its terms matures 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 Authority to the Fiscal Agent, such transfer may be accomplished by transferring a like amount of Permitted Investments.

The Fiscal Agent and its affiliates or the Treasurer may act as sponsor, advisor, depository, principal or agent in the acquisition or disposition of any investment. Neither the Fiscal Agent nor the Treasurer shall incur any liability for losses arising from any investments made pursuant to this Section. The Fiscal Agent shall not be required to determine the legality of any investments.



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. The Fiscal Agent shall have no duty in connection with the determination of Fair Market Value other than to follow the investment direction of an Authorized Officer in any written direction of any Authorized Officer. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under the applicable provisions of the Code and (unless valuation is undertaken at least annually) investments in the subaccounts within the Reserve Fund 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 Fair Market Value, or present for redemption, any investment security whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such investment security is credited and neither the Fiscal Agent nor the Treasurer shall be liable or responsible for any loss resulting from the acquisition or disposition of such investment security in accordance herewith.

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

**Section 6.02. Limited Obligation.** The Authority's obligations hereunder are limited obligations of the Authority on behalf of the District and are payable solely from and secured solely by the Special Tax Revenues and the amounts in the Special Tax Fund, the Bond Fund (including the Capitalized Interest Account and the Special Tax Prepayments Account therein) and the Reserve Fund created hereunder.

**Section 6.03. Liability of Authority.** The Authority 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 Authority shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful default. The Authority 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 Authority, 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 Authority and conforming to the requirements of this Agreement. The Authority, 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 Authority 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 Authority and the Treasurer 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 Authority may consult with counsel, who may be the Authority 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 Authority 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 Authority or the Treasurer 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 Authority, be deemed to be conclusively proved and established by a certificate of the Fiscal Agent, an Independent Financial Consultant or a Tax Consultant, and such certificate shall be full warrant to the Authority and the Treasurer 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 Authority or the Treasurer may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

**Section 6.04. Employment of Agents by Authority.** In order to perform its duties and obligations hereunder, the Authority and/or the Treasurer may employ such persons or entities as it deems necessary or advisable. The Authority shall not be liable for any of the acts or omissions of such persons or entities employed by it 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 THE FISCAL AGENT**

**Section 7.01. Appointment of Fiscal Agent.** U.S. Bank Trust Company, National Association 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. The permissive rights of the Fiscal Agent to do things enumerated in this Agreement shall not be

construed as a duty and, with respect to such permissive rights, the Fiscal Agent shall not be answerable for other than its negligence or willful misconduct.

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

The Authority may at any time 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, corporation 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, corporation or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section 7.01, combined capital and surplus of such bank 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 Authority and by giving to the Owners notice by mail of such resignation. Upon receiving notice of such resignation, the Authority 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. Upon such acceptance, the successor Fiscal Agent shall be vested with all rights and powers of its predecessor hereunder without any further act.

If no appointment of a successor Fiscal Agent shall be made pursuant to the foregoing provisions of this Section within forty-five (45) days after the Fiscal Agent shall have given to the Authority 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 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, or reasonable agency, 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 Authority in trust for the benefit of the Owners. The Authority covenants for the direct benefit of the Owners that its 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. In such event, the Treasurer may designate a successor Fiscal Agent qualified to act as Fiscal Agent hereunder.

**Section 7.02. Liability of Fiscal Agent.** The recitals of facts, covenants and agreements herein and in the Bonds contained shall be taken as statements, covenants and agreements of the Authority, and the Fiscal Agent assumes no responsibility for the correctness of the same, or makes any representations as to the validity or sufficiency of this Agreement or of the Bonds, or shall incur any responsibility in respect thereof, other than in connection with the duties or obligations herein or

in the Bonds assigned to or imposed upon it. The Fiscal Agent shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful default. The Fiscal Agent assumes no responsibility or liability for any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

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

The Fiscal Agent shall not be liable for any error of judgment made in good faith 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.

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.

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

The Fiscal Agent may consult with counsel, who may be counsel of or to the Authority, 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.

In order to perform its duties and obligations hereunder, the Fiscal Agent may employ such persons or entities as it deems necessary or advisable. The Fiscal Agent shall not be liable for any of the acts or omissions of such persons or entities employed by it 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.

Whether or not herein expressly provided, every provision of this Agreement relating to the conduct or affecting the liability of or affording protection to the Fiscal Agent shall be subject to the provisions of this Section 7.02, and extend to the directors, officers and employees of the Fiscal Agent.

The Fiscal Agent shall not be required to give any bonds or surety in respect of the execution of the duties created hereby or the powers granted hereunder.

The Fiscal Agent agrees to accept and act upon instructions or directions pursuant to this Agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods; provided, however, that the Fiscal Agent shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the Authority elects to give the Fiscal Agent e-mail or facsimile instructions (or instructions by a similar electronic method) and the Fiscal Agent in its discretion elects to act upon such instructions, the Fiscal Agent's reasonable understanding of such instructions shall be deemed controlling. The Fiscal Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Fiscal Agent's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Authority agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Fiscal Agent, including without limitation the risk of interception and misuse by third parties.

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

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

The Fiscal Agent will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Fiscal Agent, in which complete and correct entries shall be made of all transactions relating to the expenditure of amounts disbursed from the Bond Fund (including the Capitalized Interest Account and the Special Tax Prepayments Account therein), the Reserve Fund, the Special Tax Fund, the accounts within the Improvement Fund and the Costs of Issuance Fund. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Authority 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 upon reasonable prior notice.

**Section 7.04. 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 in good faith by it to be genuine and to have been signed or presented by the proper party or proper parties.

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 an Officer's Certificate, and such certificate shall be full warrant to the Fiscal Agent for any action taken or suffered under the provisions of this Agreement or any Supplemental Agreement upon the faith thereof, but in its discretion the Fiscal Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

**Section 7.05. Compensation, Indemnification.** The Authority 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 Authority further agrees, to the extent permitted by applicable law, to indemnify and save the Fiscal Agent, its officers, employees, directors and agents harmless against any costs, expenses, claims or liabilities whatsoever, including without limitation fees and expenses of its attorneys, which it may incur in the exercise and performance of its powers and duties hereunder which are not due to its negligence or willful misconduct. The obligation of the Authority 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, but any monetary obligation of the Authority arising under this Section shall be limited solely to amounts on deposit in the Administrative Expense Fund.

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

**Section 8.01. Amendments Permitted.** This Agreement and the rights and obligations of the Authority and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Agreement pursuant to the affirmative vote at a meeting of Owners, or with the written consent without a meeting, of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 8.04. No such modification or amendment shall (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the Authority 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 Authority 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 Owners 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 Authority and of the Owners may also be modified or amended at any time by a Supplemental Agreement, without the consent of any Owners, only to the extent permitted by law and only for any one or more of the following purposes:

(A) to add to the covenants and agreements of the Authority 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 Authority;

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

(C) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in this Agreement, or in regard to questions arising under this Agreement, as the Authority or 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;

(D) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from gross federal income taxation of interest on the Bonds; and

(E) in connection with the issuance of Parity Bonds under and pursuant to Section 2.14.

The Fiscal Agent may in its discretion, but shall not be obligated to, enter into any such Supplemental Agreement authorized by this Section which materially adversely affects the Fiscal Agent's own rights, duties or immunities under this Fiscal Agent Agreement or otherwise with respect to the Bonds or any agreements related thereto.

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

**Section 8.03. Procedure for Amendment with Written Consent of Owners.** The Authority 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 8.01, to take effect when and as provided in this Section. A copy of such Supplemental Agreement, together with a request to Owners for their consent thereto, 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 8.04) and a notice shall have been mailed as hereinafter in this Section provided. Each such consent shall

be effective only if accompanied by proof of ownership of the Bonds for which such consent is given, which proof shall be such as is permitted by Section 9.04. Any such consent shall be binding upon the Owner of the Bonds giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Fiscal Agent prior to the date when the notice hereinafter in this Section provided for has been mailed.

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

**Section 8.04. Disqualified Bonds.** Bonds owned or held for the account of the Authority, excepting any pension or retirement fund, shall not be deemed Outstanding for the purpose of any vote, consent or other action or any calculation of Outstanding Bonds provided for in this Article VIII, and shall not be entitled to vote upon, consent to, or take any other action provided for in this Article VIII; provided, however, that the Fiscal Agent shall not be deemed to have knowledge that any Bond is owned or held by the Authority unless the Authority is the registered Owner or the Fiscal Agent has received written notice that any other registered Owner is an Owner for the account of the Authority.

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

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



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

## **ARTICLE IX MISCELLANEOUS**

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

**Section 9.02. Successor is Deemed Included in All References to Predecessor.** Whenever in this Agreement or any Supplemental Agreement either the Authority 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 Authority or the Fiscal Agent shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

**Section 9.03. Discharge of Agreement.** The Authority 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, at or before maturity, money which, together with the amounts then on deposit in the funds and accounts provided for in Sections 4.04 and 4.05 is fully sufficient to pay such Bonds Outstanding, including all principal, interest and redemption premiums; or

(C) by irrevocably depositing with the Fiscal Agent cash and Federal Securities in such amount as the Authority shall determine as confirmed by an independent certified public accountant will, together with the interest to accrue thereon and moneys then on deposit in the funds and accounts provided for in Sections 4.04 and 4.05, 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 Authority 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 Authority, 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 Authority 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 Authority to pay or cause to be paid to the Owners of the Bonds not so surrendered and paid all sums due thereon, all amounts owing to the Fiscal Agent pursuant to Section 7.05, 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 Authority 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 Authority and any Special Taxes thereafter received by the Authority shall not be remitted to the Fiscal Agent but shall be retained by the Authority to be used for any purpose permitted under the Act.

**Section 9.04. Execution of Documents and Proof of Ownership by Owners.** Any request, declaration or other instrument which this Agreement may require or permit to be executed by Owners may be in one or more instruments of similar tenor, and shall be executed by Owners in person or by their attorneys appointed in writing.

Except as otherwise herein expressly provided, the fact and date of the execution by any Owner or his attorney of such request, 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 Authority or the Fiscal Agent in good faith and in accordance therewith.

**Section 9.05. Waiver of Personal Liability.** No Boardmember, Councilmember, officer, official, agent or employee of the Authority, the City or the District 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 Boardmember, Councilmember, officer, official, agent or employee from the performance of any official duty provided by law.

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

Temecula Public Financing Authority  
c/o City of Temecula  
41000 Main Street  
Temecula, CA 92590  
Attn: Director of Finance

Any notice or demand which by any provision of this Agreement is required or permitted to be given or served by the Authority to or on the Fiscal Agent may be given or served by being deposited

postage prepaid in a post office letter box addressed (until another address is filed by the Fiscal Agent with the Authority) as follows (provided that any such notice shall not be effective until actually received by the Fiscal Agent):

U.S. Bank Trust Company, National Association  
633 W. Fifth Street, 24th Floor  
Los Angeles, CA 90071  
Attention: Corporate Trust Services  
Reference: Temecula CFD 23-02 (Prado)

**Section 9.07. State Reporting Requirements.** The following requirements shall apply to the Bonds, in addition to those requirements under Section 5.11:

(A) Annual Reporting. Not later than October 30 of each calendar year, beginning with the October 30, 2026, and in each calendar year thereafter until the October 30 following the final maturity of the 2025 Bonds, the Treasurer shall cause the information required by California Government Code Section 53359.5(b) to be supplied to CDIAC. The annual reporting shall be made using such form or forms as may be prescribed by CDIAC.

No later than January 31 of each calendar year, the City agrees to provide to CDIAC the annual report information required by Section 8855(k)(1) of the California Government Code. Such annual report shall be made using such form or forms as may be prescribed by CDIAC.

Additionally, no later than January 31 of each calendar year, the City agrees to provide to the California State Controller, Division of Accounting and Reporting, the annual report information required by Section 12463.2 of the California Government Code.

(B) Other Reporting. If at any time the Fiscal Agent fails to pay principal and interest due on any scheduled payment date for the Bonds, or if funds are withdrawn from the Reserve Fund to pay principal and interest on the Bonds, the Fiscal Agent shall notify the Treasurer of such failure or withdrawal in writing. The Treasurer shall notify CDIAC and the Original Purchaser of such failure or withdrawal within 10 days of such failure or withdrawal, and the Authority shall provide notice under the Continuing Disclosure Agreement of such event as required thereunder.

(C) Special Tax Reporting. The Treasurer shall file a report with the Authority no later than January 1, 2026, and at least once each year thereafter, which annual report shall contain: (i) the amount of Special Taxes collected and expended with respect to the District, (ii) the amount of Bond proceeds collected and expended with respect to the District, and (iii) the status of the Project. It is acknowledged that the Special Tax Fund and the Special Tax Prepayments Account are the accounts into which Special Taxes collected on the District will be deposited for purposes of Section 50075.1(c) of the California Government Code, and the funds and accounts listed in Section 4.01 are the funds and accounts into which Bond proceeds will be deposited for purposes of Section 53410(c) of the California Government Code, and the annual report described in the preceding sentence is intended to satisfy the requirements of Sections 50075.1(d), 50075.3 and 53411 of the California Government Code.

(D) Amendment. The reporting requirements of this Section 9.07 shall be amended from time to time, without action by the Authority or the Fiscal Agent (i) with respect to subparagraphs (A) and (B) above, to reflect any amendments to Section 53359.5(b) or Section 53359.5(c) of the Act,

and (ii) with respect to subparagraph (C) above, to reflect any amendments to Section 50075.1, 50075.3, 53410 or 53411 of the California Government Code. Notwithstanding the foregoing, any such amendment shall not, in itself, affect the Authority's obligations under the Continuing Disclosure Agreement. The Authority shall notify the Fiscal Agent in writing of any such amendments which affect the reporting obligations of the Fiscal Agent under this Agreement.

(E) **No Liability.** None of the Authority and its officers, agents and employees, the Treasurer or the Fiscal Agent shall be liable for any inadvertent error in reporting the information required by this Section 9.07.

The Treasurer shall provide copies of any of such reports to any Bondowner upon the written request of a Bondowner and payment by the person requesting the information of the cost of the Authority to produce such information and pay any postage or other delivery cost to provide the same, as determined by the Treasurer. The term "Bondowner" for purposes of this Section 9.07 shall include any Beneficial Owner (as defined in Section 2.13) of the Bonds.

**Section 9.08. 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 Authority hereby declares that it would have adopted this Agreement and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issue of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this Agreement may be held illegal, invalid or unenforceable.

**Section 9.09. Unclaimed Moneys.** Anything contained herein to the contrary notwithstanding, any moneys held by the Fiscal Agent in trust for the payment and discharge of the principal of, and the interest and any premium on, the Bonds which remains unclaimed for two (2) years after the date when the payments of such principal, interest and premium have become payable, if such moneys was held by the Fiscal Agent at such date, shall be repaid by the Fiscal Agent to the Authority as its absolute property free from any pledge or lien under this Agreement, and the Fiscal Agent shall thereupon be released and discharged with respect thereto and the Owners shall look only to the Authority for the payment of the principal of, and interest and any premium on, such Bonds. Any right of any Owner to look to the Authority for such payment shall survive only so long as required under applicable law.

**Section 9.10. Applicable Law.** This Agreement shall be governed by and enforced in accordance with the laws of the State of California applicable to contracts made and performed in the State of California.

**Section 9.11. Conflict with Act.** In the event of a conflict between any provision of this Agreement with any provision of the Act as in effect on the Closing Date, the provision of the Act shall prevail over the conflicting provision of this Agreement.

**Section 9.12. Conclusive Evidence of Regularity.** Bonds issued pursuant to this Agreement shall constitute conclusive evidence of the regularity of all proceedings under the Act relative to their issuance and the levy of the Special Taxes.

**Section 9.13. Payment on Business Day.** In any case where the date of the maturity of interest or of principal (and premium, if any) of the Bonds or the date fixed for redemption of any

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

**Section 9.14. Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original.

**Section 9.15. Electronic Transactions.** The transactions described in this Agreement may be conducted and the related documents may be stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

IN WITNESS WHEREOF, the Authority caused this Fiscal Agent Agreement to be executed all as of October 1, 2025.

TEMECULA PUBLIC FINANCING  
AUTHORITY, for and on behalf of  
TEMECULA PUBLIC FINANCING  
AUTHORITY COMMUNITY FACILITIES  
DISTRICT NO. 23-02 (PRADO)

By: \_\_\_\_\_  
Aaron Adams,  
Executive Director

Attest:

By: \_\_\_\_\_  
Randi Johl,  
Secretary

[Signature page to Fiscal Agent Agreement – CFD 23-02 (Prado)]

U.S. BANK TRUST COMPANY,  
NATIONAL ASSOCIATION,  
as Fiscal Agent

By: \_\_\_\_\_  
Lauren Costales,  
Vice President

[Signature page to Fiscal Agent Agreement – CFD 23-02 (Prado)]

**EXHIBIT A**

**FORM OF 2025 Bond**

**UNITED STATES OF AMERICA  
STATE OF CALIFORNIA  
COUNTY OF RIVERSIDE**

No. \_\_\_\_\_

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

**TEMECULA PUBLIC FINANCING AUTHORITY  
COMMUNITY FACILITIES DISTRICT NO. 23-02  
(PRADO)  
2025 SPECIAL TAX BOND**

INTEREST RATE  
\_\_\_\_\_%

MATURITY DATE  
September 1, \_\_\_\_

BOND DATE  
October \_\_, 2025

CUSIP  
87972Y \_\_\_\_

REGISTERED OWNER:

PRINCIPAL AMOUNT:

DOLLARS

The Temecula Public Financing Authority (the “Authority”) for and on behalf of the Temecula Public Financing Authority Community Facilities District No. 23-02 (Prado) (the “District”), for value received, hereby promises to pay solely from the Special Tax (as hereinafter defined) to be collected in the District or amounts in certain of 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 Bond Date set forth above, or from the most recent interest payment date to which interest has been or duly provided for, semiannually on March 1 and September 1, commencing [March 1, 2026], 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 Principal Office (as defined in the Agreement referred to below) of U.S. Bank Trust Company, National Association (the “Fiscal Agent”). Interest on this Bond shall be paid by check of the Fiscal Agent mailed on each interest payment date to the registered owner hereof as of the close of business on the 15th 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, or (i) if the Bonds are in book-entry-only form, or (ii) otherwise upon written request filed with the Fiscal Agent prior to any Record Date by a registered owner of at least \$1,000,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to the depository for the Bonds or to an account in the United States designated by such registered owner in such written request, respectively.

This Bond is one of a duly authorized issue of bonds in the aggregate principal amount of \$\_\_\_\_\_ approved by Resolution No. TPFA 2025-\_\_ of the Board of Directors of the Authority adopted on September 23, 2025 (the “Resolution”), and being issued pursuant to the provisions of Section 53311 et seq. of the California Government Code (the “Act”), for the purpose of financing



certain public facilities within and in the vicinity of the District (the “Project”), and is one of such bonds designated “Temecula Public Financing Authority Community Facilities District No. 23-02 (Prado) 2025 Special Tax Bonds” (the “Bonds”). The creation of the Bonds and the terms and conditions thereof are provided for in the Fiscal Agent Agreement, dated as of October 1, 2025, between the Authority and the Fiscal Agent (the “Agreement”) and this reference incorporates the Resolution and the Agreement herein, and by acceptance hereof the owner of this Bond assents to said terms and conditions. Pursuant to and as more particularly provided in the Resolution and in the Agreement, additional bonds may be issued by the Authority from time to time secured by a lien on funds held under the Agreement on a parity with the lien securing the Bonds. The Resolution is adopted and the Agreement is entered into under and this Bond is issued under, and all are to be construed in accordance with, the laws of the State of California.

Pursuant to the Act, the Agreement and the Resolution, the principal of and interest on this Bond are payable solely from the annual Special Tax A authorized under the Act to be collected within the District (the “Special Tax”) and certain funds held under the Agreement. The Authority is also authorized to levy a Special Tax B and a Special Tax C on property in the District, which Special Tax B and Special Tax C are not pledged, and will not be used, to pay the debt service on the Bonds.

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

Any tax for the payment hereof shall be limited to the Special Tax, except to the extent that provision for payment has been made by the Authority, as may be permitted by law. The Bonds do not constitute obligations of the Authority for which the Authority is obligated to levy or pledge, or has levied or pledged, general or special taxation other than described hereinabove. The City of Temecula has no liability or obligations whatsoever with respect to the District, the Bonds or the Agreement.

The Bonds maturing on or after September 1, 20\_\_ are subject to redemption prior to their stated maturity on any interest payment date occurring on or after September 1, 20\_\_, as a whole, or in part in an amount equal to \$5,000 or any integral multiple thereof and among maturities as provided in the Agreement, and by lot within a maturity, at a redemption price (expressed as a percentage of the principal amount of the Bonds to be redeemed), as set forth below, together with accrued interest thereon to the date fixed for redemption:

<i><b>Redemption Dates</b></i>	<i><b>Redemption Prices</b></i>
September 1, 20__ and March 1, 20__	103%
September 1, 20__ and March 1, 20__	102
September 1, 20__ and March 1, 20__	101
September 1, 20__ and any Interest Payment Date thereafter	100

The Bonds maturing on September 1, 20\_\_, are subject to mandatory sinking payment redemption in part on September 1, 20\_\_ 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 fixed for redemption, without premium, from sinking payments as follows:

***Redemption Date***  
***(September 1)***

***Sinking Payments***

\$

(maturity)

The Bonds maturing on September 1, 20\_\_, are subject to mandatory sinking payment redemption in part on September 1, 20\_\_ 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 fixed for redemption, without premium, from sinking payments as follows:

***Redemption Date***  
***(September 1)***

***Sinking Payments***

\$

(maturity)

The Bonds maturing on September 1, 20\_\_, are subject to mandatory sinking payment redemption in part on September 1, 20\_\_ 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 fixed for redemption, without premium, from sinking payments as follows:

***Redemption Date***  
***(September 1)***

***Sinking Payments***

\$

(maturity)

The Bonds maturing on September 1, 20\_\_, are subject to mandatory sinking payment redemption in part on September 1, 20\_\_ 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 fixed for redemption, without premium, from sinking payments as follows:

***Redemption Date  
(September 1)***

***Sinking Payments***

\$

(maturity)

The Bonds are also subject to redemption from the proceeds of Special Tax Prepayments and any corresponding transfers from the Reserve Fund pursuant to the Agreement, on any Interest Payment Date, in whole, or in part in any amount equal to \$5,000 or any integral multiple thereof and among maturities as specified in the Agreement, and by lot within a maturity, at a redemption price (expressed as a percentage at the principal amount of the Bonds to be redeemed), as set forth below, together with accrued interest to the date fixed for redemption:

***Redemption Dates***

***Redemption Prices***

any Interest Payment Date from March 1, 2026	
to and including March 1, 2031	103%
September 1, 20__ and March 1, 20__	102
September 1, 20__ and March 1, 20__	101
Date thereafter	100

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. Notices of optional redemption may be conditioned upon receipt by the Fiscal Agent of sufficient moneys to redeem the Bonds on the anticipated redemption date, and if the Fiscal Agent does not receive sufficient funds by the scheduled redemption date the redemption shall not occur and the Bonds for which notice of redemption was given shall remain outstanding for all purposes of the Agreement.

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

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

No transfer or exchange hereof shall be valid for any purpose unless made by the registered owner, by execution of the form of assignment endorsed hereon, and authenticated as herein provided, and the principal hereof, interest hereon and any redemption premium shall be payable only to the registered owner or to such owner's order. The Fiscal Agent shall require the registered owner requesting transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange. No transfer or exchange hereof shall be required to be made (i) fifteen 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 a Record Date and the succeeding interest payment date. Exchanges may only be made for Bonds in authorized denominations, as provided in the Agreement.

The Agreement and the rights and obligations of the Authority thereunder may be modified or amended as set forth therein. The Agreement contains provisions permitting the Authority to make

provision for the payment of the interest on, and the principal and premium, if any, of the Bonds so that such Bonds shall no longer be deemed to be outstanding under the terms of the Agreement.

The Bonds are not general obligations of the Authority, but are limited obligations payable solely from the revenues and funds pledged therefor under the Agreement. Neither the faith and credit of the Authority or the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

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.

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

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, Temecula Public Financing Authority has caused this Bond to be dated the Bond Date set forth above, to be signed by the facsimile signature of its Chair and countersigned by the facsimile signature of its Secretary.

TEMECULA PUBLIC FINANCING AUTHORITY

By: \_\_\_\_\_  
Brenden Kalfus,  
Chair

ATTEST:

By: \_\_\_\_\_  
Randi Johl,  
Secretary

**FISCAL AGENT'S CERTIFICATE OF AUTHENTICATION**

This is one of the Bonds described in the Resolution and in the Agreement which has been authenticated on \_\_\_\_\_, 2025.

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

By: \_\_\_\_\_  
Authorized Signatory

## ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto

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

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

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

Signature Guaranteed:

Signature:

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Note: Signature(s) must be guaranteed by an eligible guarantor.

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