
TRUST INDENTURE

Between

**COMMUNITY FACILITIES DISTRICT NO. 2016-74 (MENIFEE TOWN CENTER)
OF EASTERN MUNICIPAL WATER DISTRICT**

And

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

**COMMUNITY FACILITIES DISTRICT NO. 2016-74 (MENIFEE TOWN CENTER)
OF EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT AREA C 2020 SPECIAL TAX BONDS**

Dated as of May 1, 2020

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TRUST INDENTURE

THIS TRUST INDENTURE, by and between Community Facilities District No. 2016-74 (Menifee Town Center) of Eastern Municipal Water District (the "District") and U.S. Bank National Association, as fiscal agent (the "Fiscal Agent"), dated as of May 1, 2020 (the "Indenture"), governs the terms of the Community Facilities District No. 2016-74 of Eastern Municipal Water District Improvement Area C 2020 Special Tax Bonds issued in accordance herewith from time to time.

RECITALS:

WHEREAS, the Board of Directors of Eastern Municipal Water District, located in Riverside County, California (hereinafter sometimes referred to as the "legislative body of the District"), has heretofore undertaken proceedings and declared the necessity to issue bonds on behalf of Improvement Area C of the District ("Improvement Area C") pursuant to the terms and provisions of the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2, Title 5, of the Government Code of the State of California (the "Act"); and

WHEREAS, based upon Resolution Nos. 2016-108 and 2016-109, adopted by the legislative body of the District on September 7, 2016, and Resolution No. 2018-115, adopted by the legislative body of the District on September 19, 2018, and elections held on September 7, 2016 and September 19, 2018 within Improvement Area C authorizing the levy of a special tax and the issuance of bonds by the District for Improvement Area C, the District is now authorized to issue bonds in an aggregate principal amount not to exceed \$5,000,000 for Improvement Area C; and

WHEREAS, the legislative body of the District now intends to finance certain public facilities through the issuance of bonds in an aggregate principal amount of \$_____ designated as the "Community Facilities District No. 2016-74 (Menifee Town Center) of Eastern Municipal Water District Improvement Area C 2020 Special Tax Bonds" (the "Bonds"), pursuant to this Indenture and Resolution No. 2020-_____ authorizing the issuance of the Bonds; and

WHEREAS, the District has determined that all requirements of the Act for the issuance of the Bonds have been satisfied;

NOW, THEREFORE, in order to establish the terms and conditions upon and subject to which the Bonds are to be issued, and in consideration of the premises and of the mutual covenants contained herein and of the purchase and acceptance of the Bonds by the Owners thereof, and for other valuable consideration, the receipt of which is hereby acknowledged, the District does hereby covenant and agree, for the benefit of the Owners of the Bonds (as defined herein) which may be issued hereunder from time to time, as follows:

ARTICLE I

DEFINITIONS

Section 1.1. Definitions. Unless the context otherwise requires, the following terms shall have the following meanings:

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

“Administrative Expense Fund” means the fund by that name established pursuant to Section 3.1.

“Administrative Expense Requirement” means \$30,000 for the initial Bond Year, provided that at its option, the District may establish the Administrative Expense Requirement for any Bond Year subsequent to the initial Bond Year at any amount larger than \$30,000 that is not in excess of the lesser of (a) 102% of the Administrative Expense Requirement applicable in the immediately preceding Bond Year or (b) the remainder of (i) the sum of the Maximum Special Tax applicable to each Parcel of Taxable Property in Improvement Area C in the Fiscal Year that ends in such Bond Year minus (ii) 110% of Annual Debt Service for such Bond Year.

“Administrative Expenses” means the administrative costs with respect to the calculation and collection of the Special Taxes, including all attorneys’ fees and other costs related thereto, the fees and expenses of the Fiscal Agent, any fees and related costs for credit enhancement for the Bonds or any Parity Bonds which are not otherwise paid as Costs of Issuance, any costs related to the District’s compliance with state and federal laws requiring continuing disclosure of information concerning the Bonds, the District, and any other costs otherwise incurred by the Water District on behalf of the District in order to carry out the purposes of the District as set forth in the Resolution of Formation and any obligation of the District hereunder.

“Annual Debt Service” means, for any Bond Year, the sum of (i) the interest payable on all Outstanding Bonds and Parity Bonds in such Bond Year, assuming that all Outstanding Bonds and Parity Bonds are retired as scheduled (including by reason of Sinking Fund Payment redemption in such Bond Year), and (ii) the principal amount of all Outstanding Bonds and Parity Bonds due in such Bond Year (including any Sinking Fund Payment redemptions due in such Bond Year).

“Assigned Special Taxes” has the meaning ascribed to it in the Rate and Method of Apportionment.

“Authorized Investments” means any of the following investments, if and to the extent the same are at the time legal for investment of the District’s funds (the Fiscal Agent is entitled to rely upon investment direction from the District as a certification that such investment is an Authorized Investment):

1. (a) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America (“United States Treasury Obligations”), (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (d) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

2. Federal Housing Administration debentures.

3. The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

- Federal Home Loan Mortgage Corporation (FHLMC)
Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)
Senior Debt obligations
- Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives)
Consolidated system-wide bonds and notes
- Federal Home Loan Banks (FHL Banks)
Consolidated debt obligations
- Federal National Mortgage Association (FNMA)
Senior debt obligations
Mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)
- Financing Corporation (FICO)
Debt obligations
- Resolution Funding Corporation (REFCORP)
Debt obligations

4. Unsecured certificates of deposit, time deposits, and bankers’ acceptances (having maturities of not more than 30 days) of any bank (including the Fiscal Agent and any affiliate) the short-term obligations of which are rated “A-1” or better by Standard & Poor’s.

5. Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks (including the Fiscal Agent and any affiliate) which have capital and surplus of at least \$5 million.

6. Commercial paper (having original maturities of not more than 270 days rated "A-1+" by Standard & Poor's and "Prime-1" by Moody's.

7. Money market funds rated "AAm" or "AAm-G" by Standard & Poor's, or better (including those of the Fiscal Agent or its affiliates).

8. "State Obligations," which means:

(a) Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated "A3" by Moody's and "A" by Standard & Poor's, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.

(b) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (A) above and rated "A-1+" by Standard & Poor's and "Prime-1" by Moody's.

(c) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (A) above and rated "AA" or better by Standard & Poor's and "Aa" or better by Moody's.

9. Pre-refunded municipal obligations rated "AAA" by Standard & Poor's and "Aaa" by Moody's meeting the following requirements:

(a) the municipal obligations are (1) not subject to redemption prior to maturity or (2) the paying agent for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

(b) the municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

(c) the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations ("Verification");

(d) the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or paying agent in trust for owners of the municipal obligations;

(e) no substitution of a United States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and

(f) the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the paying agent or escrow agent.

10. Repurchase agreements:

With (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least "A" by Standard & Poor's and Moody's; or (2) any broker-dealer with "retail customers" or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least "A" by Standard & Poor's and Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated "A" or better by Standard & Poor's and Moody's, provided that:

(a) The market value of the collateral is maintained at levels equal to 104% of the amount of cash transferred by the Fiscal Agent or the District to the provider of the repurchase agreement plus accrued interest with the collateral being valued weekly and marked-to-market at one current market price plus accrued interest;

(b) The Fiscal Agent or a third party acting solely as agent therefor or for the District (the "Holder of the Collateral") has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor's books);

(c) The repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

(d) The repurchase agreement shall provide that if during its term the provider's rating by either Moody's or Standard & Poor's is withdrawn or suspended or falls below "A-" by Standard & Poor's or "A3" by Moody's, as appropriate, the provider must, at the direction of Fiscal Agent or the District, within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the Fiscal Agent or the District.

Notwithstanding the above, if a repurchase agreement has a term of 270 days or less (with no evergreen provision), collateral levels need not be as specified in (a) above, so long as such collateral levels are 103% or better and the provider is rated at least "A" by Standard & Poor's and Moody's, respectively.

11. Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least "AA" by Standard & Poor's and "Aa" by Moody's; provided that, by the terms of the investment agreement:

(a) interest payments are to be made to the Fiscal Agent or the District at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the Improvement Fund, construction draws) on the Bonds and Parity Bonds;

(b) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice; the Fiscal Agent or the District hereby agrees to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

(c) the investment agreement shall state that is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof, or, in the case of a bank, that the obligation of the bank to make payments under the agreement ranks pari passu with the obligations of the bank to its other depositors and its other unsecured and unsubordinated creditors;

(d) the Fiscal Agent or the District receives the opinion of domestic counsel (which opinion shall be addressed to Fiscal Agent or the District) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, the Fiscal Agent or the District;

(e) the investment agreement shall provide that if during its term

(i) the provider's rating by either Standard & Poor's or Moody's falls below "AA-" or "Aa3", respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (y) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the District, the Fiscal Agent or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to Standard & Poor's and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (z) repay the principal of and accrued but unpaid interest on the investment; and

(ii) the provider's rating by either Standard & Poor's or Moody's is withdrawn or suspended or falls below "A-" or "A3", respectively, the provider must, at the direction of the Fiscal Agent or the District, within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Fiscal Agent or District; and

(f) the investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

(g) the investment agreement must provide that if during its term

(i) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Fiscal Agent or the District, be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Fiscal Agent or the District, and

(ii) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Fiscal Agent or the District.

12. The State of California Local Agency Investment Fund.

"Authorized Representative of the Water District" and/or "Community Facilities District" means the General Manager of the Water District, or his or her designee, any Deputy General Manager of the Water District, or his or her designee, the Chief Financial Officer of the Water District, or his or her designee, or any other person or persons designated by the Board of Directors of the Water District and authorized to act on behalf of the Water District by a written certificate signed on behalf of the Water District by the President of the Board of Directors of the Water District and containing the specimen signature of each such person.

"Average Annual Debt Service" means the average of the Annual Debt Service for all Bond Years, including the Bond Year in which the calculation is made.

"Board of Directors" means the Board of Directors of the Water District acting as the legislative body of the District.

“Bond Counsel” means an attorney at law or a firm of attorneys, selected by the District, of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on bonds issued by states and their political subdivisions duly admitted to the practice of law before the highest court of any state of the United States of America or the District of Columbia.

“Bond Register” means the books which the Fiscal Agent shall keep or cause to be kept on which the registration and transfer of the Bonds and any Parity Bonds shall be recorded.

“Bondowner” or “Owner” means, with respect to any Bond or Parity Bond, the Person or Persons in whose name or names such Bond or Parity Bond is registered, as shown on the Bond Register.

“Bonds” means the Community Facilities District No. 2016-74 (Menifee Town Center) of Eastern Municipal Water District Improvement Area C 2020 Special Tax Bonds, issued pursuant to this Indenture.

“Bond Year” means the twelve month period commencing on September 2 of each year and ending on September 1 of the following year, except that the first Bond Year for the Bonds shall begin on the Delivery Date thereof and end on the first September 1 which is not more than 12 months after the Delivery Date.

“Business Day” means a day which is not a Saturday or Sunday or a day of the year on which banks in New York, New York, Los Angeles, California, or the city where the corporate trust office of the Fiscal Agent is located, are not required or authorized to remain closed.

“Certificate of an Authorized Representative” means a written certificate or warrant request executed by an Authorized Representative of the Water District or Community Facilities District, a form of which is attached as Exhibit B.

“City of Menifee” means the City of Menifee, California.

“City of Menifee Account” means the account by that name established in the Improvement Fund pursuant to Section 3.1.

“City of Menifee JCFA” means the agreement entitled “Joint Community Facilities Agreement,” dated September 1, 2016, by and among the Water District, the City of Menifee and the Developer, as successor to Stark Menifee Land, LLC, as it may be amended.

“Code” means the Internal Revenue Code of 1986, as amended, and any Regulations, rulings, judicial decisions, and notices, announcements, and other releases of the United States Treasury Department or Internal Revenue Service interpreting and construing it.

“Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate executed and delivered by the District with respect to the Bonds.

“Costs of Issuance” means the costs and expenses incurred in connection with the formation of the District and the issuance and sale of the Bonds or any Parity Bonds, including the acceptance and initial annual fees and expenses of the Fiscal Agent, legal fees and expenses, costs of printing the Bonds or any Parity Bonds and the preliminary and final official statements for the Bonds or any Parity Bonds, fees of any appraiser, the Special Tax Consultant and financial consultants and all other related fees and expenses.

“Costs of Issuance Account” means the account by that name established in the Improvement Fund pursuant to Section 3.1.

“County” means the County of Riverside, California.

“Delivery Date” means, with respect to the Bonds and each issue of Parity Bonds, the date on which the bonds of such issue were issued and delivered to the initial purchasers thereof.

“Depository” means The Depository Trust Company, New York, New York, and its successors and assigns as securities depository for the Bonds, or any other securities depository acting as Depository under Article II.

“Developed Property” has the meaning ascribed to it in the Rate and Method of Apportionment.

“Developer” means Lennar Homes of California, Inc., a California corporation, and any successors in interest thereto with respect to its activities in Improvement Area C, except individual property owners.

“District” means Community Facilities District No. 2016-74 (Menifee Town Center) of Eastern Municipal Water District established pursuant to the Act and the Resolution of Formation.

“EMWD Capacity Account” means the account by that name established in the Improvement Fund pursuant to Section 3.1.

“EMWD Improvement Account” means that account by that name established in the Improvement Fund pursuant to Section 3.1

“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 U.S. Bank National Association, a national banking association duly organized and existing under the laws of the United States of America, at its principal corporate trust office in Los Angeles, California, and its successors or assigns, or any other bank or trust company which may at any time be substituted in its place as provided in Sections 7.2 or 7.3 and any successor thereto.

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next following June 30.

“Funding Agreement” means the agreement entitled “Community Facilities District No. 2016-74 (Menifee Town Center) of Eastern Municipal Water District Acquisition, Construction and Funding Agreement (Improvement Area C),” dated as of September 1, 2016, by and between the Water District and the Developer, as successor to Stark Menifee Land, LLC, as it may be amended.

“Gross Special Taxes” means the amount of all Special Taxes received by the District for Improvement Area C, together with the proceeds collected from the sale of property in Improvement Area C pursuant to the foreclosure provisions of this Indenture for the delinquency of such Special Taxes after payment of administrative costs and attorney’s fees payable from such proceeds to the extent not previously paid from the Administrative Expense Fund.

“Improvement Area C” means Improvement Area C of the District.

“Improvement Fund” means the fund by that name established pursuant to Section 3.1.

“Indenture” means this Trust Indenture dated as of May 1, 2020, by and between the District and the Fiscal Agent.

“Independent Financial Consultant” means a financial consultant or special tax consultant or firm of such consultants generally recognized to be well qualified in the financial consulting or special tax consulting field, appointed and paid by the District, who, or each of whom:

- (1) is in fact independent and not under the domination of the District or Water District;
- (2) does not have any substantial interest, direct or indirect, in the District or Water District; and
- (3) is not connected with the District as a member, officer or employee of the District or Water District, but who may be regularly retained to make annual or other reports to the District or Water District.

“Interest Account” means the account by that name in the Special Tax Fund.

“Interest Payment Date” means each March 1 and September 1, commencing September 1, 2020.

“Investment Agreement” means one or more agreements for the investment of funds of the District complying with the criteria therefor as set forth in Subsection (11) of the definition of Authorized Investments herein.

“Maximum Annual Debt Service” means, at any point in time, with respect to the Bonds and Parity Bonds then Outstanding, the greatest amount of Annual Debt Service on the Bonds and Parity Bonds in the then current or any succeeding Bond Year prior to the final maturity of the Bonds and Parity Bonds.

“Maximum Special Tax” has the meaning ascribed to it in the Rate and Method of Apportionment.

“Moody’s” means Moody’s Investors Service, its successors and assigns.

“Net Special Taxes” means Gross Special Taxes minus the amount (not in excess of the then applicable Administrative Expense Requirement) deposited in the Administrative Expense Fund pursuant to Section 3.2(a).

“Nominee” shall mean the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to Section 2.16.

“Ordinance” means Ordinance No. 2016-007, adopted by the legislative body of the District on September 7, 2016, providing for the levying of the Special Tax.

“Outstanding” or “Outstanding Bonds and Parity Bonds” means all Bonds and Parity Bonds issued by the District for Improvement Area C, except:

(1) Bonds theretofore cancelled or surrendered for cancellation in accordance with Section 10.1;

(2) Bonds and Parity Bonds for payment or redemption of which moneys shall have been theretofore deposited in trust (whether upon or prior to the maturity or the redemption date of such Bonds or Parity Bonds), provided that, if such Bonds or Parity Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in this Indenture or any applicable Supplemental Indenture for Parity Bonds; and

(3) Bonds and Parity Bonds which have been surrendered to the Fiscal Agent for transfer or exchange pursuant to Section 2.9 or for which a replacement has been issued pursuant to Section 2.10.

“Parcel” has the meaning ascribed to it in the Rate and Method of Apportionment.

“Parity Bonds” means all bonds, notes or other similar evidences of indebtedness thereafter issued, payable out of Net Special Taxes and which, as provided in this Indenture or any Supplemental Indenture, rank on a parity with the Bonds.

“Participant” means each of the broker-dealers, banks and other financial institutions from time to time for which the Depository holds Bonds or Parity Bonds as securities depository.

“Person” means natural persons, firms, corporations, partnerships, associations, joint ventures, trusts, public bodies and other entities.

“Prepayments” means any amounts paid by the District to the Fiscal Agent and designated by the District as a prepayment of Special Taxes for one or more Parcels in Improvement Area C made in accordance with the Rate and Method of Apportionment.

“Principal Account” means the account by that name in the Special Tax Fund.

“Principal Office of the Fiscal Agent” means the corporate trust office of the Fiscal Agent located in Los Angeles, California, provided that for purposes of redemption, payment, exchange, transfer or surrender of Bonds such term shall mean the corporate trust office of the Fiscal Agent located in St. Paul, Minnesota, or such other office or offices as the Fiscal Agent may designate from time to time, or the office of any successor Fiscal Agent where it principally conducts its corporate trust and agency business.

“Project” means those public facilities described in the Resolution of Formation which are to be acquired or constructed within and outside of Improvement Area C, including all engineering, planning and design services and other incidental expenses related to such facilities and other facilities, if any, authorized by the qualified electors within Improvement Area C from time to time.

“Project Costs” means the amounts necessary to finance the Project, to create and replenish any necessary reserve funds, to pay the initial and annual costs associated with the Bonds or any Parity Bonds, including, but not limited to, remarketing, credit enhancement, Fiscal Agent and other fees and expenses relating to the issuance of the Bonds or any Parity Bonds or the formation of the District and Improvement Area C, and to pay any other “incidental expenses” of the District, as such term is defined in the Act.

“Rate and Method of Apportionment” means that certain Amended Rate and Method of Apportionment of Special Tax for Improvement Area C approved on September 19, 2018 pursuant to the Resolution of Formation.

“Rebate Fund” means the fund by that name established pursuant to Section 3.1 in which there are established the accounts described in Section 3.1.

“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 preceding an Interest Payment Date, regardless of whether such day is a Business Day.

“Redemption Account” means the account by that name in the Special Tax Fund.

“Regulations” means the regulations adopted or proposed by the Department of Treasury from time to time with respect to obligations issued pursuant to Section 103 of the Code.

“Representation Letter” shall mean the Blanket Letter of Representations from the District to the Depository as described in Section 2.13.

“Reserve Account” means the account by that name in the Special Tax Fund.

“Reserve Requirement” means the amount as of any date of calculation that is equal to the least of (i) 10% of the initial principal amount of the Bonds and Parity Bonds, if any, (ii) Maximum Annual Debt Service on the then Outstanding Bonds and Parity Bonds, if any, (iii) 125% of Average Annual Debt Service on the then Outstanding Bonds and any Parity Bonds, or (iv) until such time that Parity Bonds are issued, \$_____, the initial Reserve Requirement for the Bonds.

“Resolution of Formation” means Resolution No. 2016-108 adopted by the Board of Directors of the Water District on September 7, 2016, pursuant to which the Water District formed the District and Improvement Area C, as modified by Resolution No. 2018-115, adopted by the Board of Directors of the Water District, acting as the legislative body of the District, on September 19, 2018.

“School District” means the Menifee Union School District.

“School Facilities Account” means the account by that name established in the Improvement Fund pursuant to Section 3.1.

“School Facilities Mitigation Agreement” means the agreement entitled “Joint Community Facilities and School Facilities Mitigation Agreement,” dated September 13, 2016, by and among the Water District, the School District and the Developer, as successor to Stark Menifee Land, LLC, as it may be amended.

“Sinking Fund Payment” means the annual payment to be deposited in the Principal Account to redeem a portion of the Term Bonds in accordance with the schedule set forth in Section 4.1(b) hereof and any annual sinking fund payment schedule to retire any Parity Bonds which are designated as Parity Bonds.

“Special Tax Administrator” means Webb Municipal Finance, LLC in its capacity as the consultant engaged by the District to administer the calculation and collection of the Special Taxes, or any successor or replacement entity acting in such capacity.

“Special Tax Fund” means the fund by that name created and established pursuant to Section 3.1.

“Special Tax Holding Fund” means the fund by that name created and established pursuant to Section 3.1.

“Special Taxes” means the taxes authorized to be levied by the District on property within Improvement Area C in accordance with the Ordinance, the Resolution of Formation, the Act and the voter approvals obtained at the September 7, 2016 and September 19, 2018 elections in Improvement Area C.

“Standard & Poor’s” means S&P Global Ratings, a Standard & Poor’s Financial Services LLC business, its successors and assigns.

“Supplemental Indenture” means any supplemental indenture amending or supplementing this Indenture.

“Tax Certificate” means the certificate by that name to be executed by the District on a Delivery Date to establish certain facts and expectations and which contains certain covenants relevant to compliance with the Code.

“Taxable Property” has the meaning ascribed to it in the Rate and Method of Apportionment.

“Term Bonds” means the 20__ Term Bonds, the 20__ Term Bonds and any term maturities of an issue of Parity Bonds as specified in a Supplemental Indenture.

“20__ Term Bonds” means the Bonds maturing on September 1, 20__.

“20__ Term Bonds” means the Bonds maturing on September 1, 20__.

“Water District” means Eastern Municipal Water District.

ARTICLE II

GENERAL AUTHORIZATION AND BOND TERMS

Section 2.1. Amount, Issuance, Purpose and Nature of Bonds. Under and pursuant to the Act, Bonds in the aggregate principal amount of \$_____ shall be issued for the purposes of financing the Project, funding the Reserve Account and paying Costs of Issuance, together with any Parity Bonds authorized by the legislative body in accordance with Section 2.17 hereof, provided that the aggregate principal amount of the Bonds and any Parity Bonds shall not exceed the total indebtedness authorized in accordance with the Act. The Bonds and any Parity Bonds shall be and are limited obligations of the District and shall be payable as to the principal thereof and interest thereon and any premiums upon the redemption thereof solely from the Net Special Taxes and the other amounts in the Special Tax

Fund, but not from amounts in the Administrative Expense Fund, the Improvement Fund, the Rebate Fund and the Special Tax Holding Fund.

Section 2.2. Type and Nature of Bonds. Neither the faith and credit nor the taxing power of the Water District, the State of California or any political subdivision thereof other than the District is pledged to the payment of the Bonds or any Parity Bonds. Except for the Net Special Taxes, no other taxes are pledged to the payment of the Bonds or any Parity Bonds. The Bonds and any Parity Bonds are not general or special obligations of the Water District nor general obligations of the District, but are limited obligations of the District payable solely from certain amounts deposited by the District in the Special Tax Fund, as more fully described herein. The District's limited obligation to pay the principal of, premium, if any, and interest on the Bonds and any Parity Bonds from amounts in the Special Tax Fund is absolute and unconditional, free of deductions and without any abatement, offset, recoupment, diminution or set-off whatsoever. No Owner of Bonds or any Parity Bonds may compel the exercise of the taxing power by the District (except as pertains to the Special Taxes) or the Water District or the forfeiture of any of their property. The principal of and interest on the Bonds and any Parity Bonds and premiums upon the redemption thereof, if any, are not a debt of the Water District, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory limitation or restriction. The Bonds and any Parity Bonds are not a legal or equitable pledge, charge, lien, or encumbrance upon any of the District's property, or upon any of its income, receipts or revenues, except the Net Special Taxes and other amounts in the Special Tax Fund which are, under the terms of this Indenture and the Act, set aside for the payment of the Bonds, any Parity Bonds and interest thereon and neither the members of the legislative body of the District nor any persons executing the Bonds or any Parity Bonds, are liable personally on the Bonds or any Parity Bonds by reason of their issuance.

Notwithstanding anything to the contrary contained in this Indenture, the District shall not be required to advance any money derived from any source of income other than the Net Special Taxes for the payment of the interest on or the principal of or premium on the Bonds or any Parity Bonds or for the performance of any covenants contained herein. The District may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose.

Section 2.3. Equality of Bonds and Parity Bonds and Pledge of Net Special Taxes. Subject only to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein, in order to secure the payment of the principal of and interest on the Bonds and any Parity Bonds in accordance with their terms, the provisions of this Indenture and the Act, the District hereby pledges to the Owners, and grants thereto a lien on and a security interest in, all of the Net Special Taxes and any other amounts held in the Special Tax Fund. Said pledge shall constitute a first lien on and security interest in such assets, which shall immediately attach to such assets and be effective, binding and enforceable against the District, its successors, purchasers of any of such assets, creditors and all others asserting rights therein, to the extent set forth in, and in accordance with, this Indenture, irrespective of whether those parties have notice of the pledge of, lien on and

security interest in such assets and without the need for any physical delivery, recordation, filing or further act. Pursuant to the Act and this Indenture, the Bonds and any Parity Bonds shall be equally payable from the Net Special Taxes and other amounts in the Special Tax Fund, without priority for number, date of the Bonds or any Parity Bonds, date of sale, date of execution, or date of delivery; and the payment of the interest on and principal of the Bonds and any Parity Bonds and any premiums upon the redemption thereof, shall be made exclusively from the Net Special Taxes and other amounts in the Special Tax Fund, which are hereby set aside for the payment of the Bonds and any Parity Bonds. Amounts in the Special Tax Fund shall constitute a trust fund held for the benefit of the Owners to be applied to the payment of the interest on and principal of the Bonds and any Parity Bonds and so long as any of the Bonds and any Parity Bonds or interest thereon remain Outstanding shall not be used for any other purpose, except as permitted by this Indenture or any Supplemental Indenture. Notwithstanding any provision contained in this Indenture to the contrary, Net Special Taxes deposited in the Rebate Fund shall no longer be considered to be pledged to the Bonds or any Parity Bonds; and none of the Rebate Fund, the Improvement Fund, the Administrative Expense Fund or the Special Tax Holding Fund shall be construed as a trust fund held for the benefit of the Owners.

Nothing in this Indenture or any Supplemental Indenture shall preclude, subject to the limitations contained hereunder, the redemption prior to maturity of any Bonds or Parity Bonds subject to call and redemption and payment of said Bonds or Parity Bonds from proceeds of refunding bonds issued under the Act as the same now exists or as hereafter amended, or under any other law of the State of California.

Section 2.4. Description of Bonds; Interest Rates. The Bonds shall be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof and shall be numbered as desired by the Fiscal Agent.

The Bonds shall be designated "COMMUNITY FACILITIES DISTRICT NO. 2016-74 (MENIFEE TOWN CENTER) OF EASTERN MUNICIPAL WATER DISTRICT IMPROVEMENT AREA C 2020 SPECIAL TAX BONDS." The Bonds shall be dated as of their Delivery Date and shall mature and be payable on September 1 in the years and in the aggregate principal amounts and shall bear interest at the rates set forth in the table below payable on each Interest Payment Date:

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

Principal Amount

Interest Rate

*Term Bonds

Interest shall be payable on each Bond and Parity Bond from the date established in accordance with Section 2.5 below on each Interest Payment Date until the principal sum of that Bond or Parity Bond has been paid; provided, however, that if at the maturity date of any Bond or Parity Bond (or if the same is redeemable and shall be duly called for redemption, then at the date fixed for redemption) funds are available for the payment or redemption thereof in full, in accordance with the terms of this Indenture, such Bonds and Parity Bonds shall then cease to bear interest. Interest due on the Bonds and Parity Bonds shall be calculated on the basis of a 360-day year comprised of twelve 30-day months.

Section 2.5. Place and Form of Payment. The Bonds and Parity Bonds shall be payable both as to principal and interest, and as to any premiums upon the redemption thereof, in lawful money of the United States of America. The principal of the Bonds and Parity Bonds and any premiums due upon the redemption thereof shall be payable upon presentation and surrender thereof at the Principal Office of the Fiscal Agent. Interest on any Bond or Parity Bond shall be payable from the Interest Payment Date next preceding the date of authentication of that Bond or Parity Bond, unless (i) such date of authentication is an Interest

Payment Date in which event interest shall be payable from such date of authentication, (ii) the date of authentication is after a Record Date but prior to the immediately succeeding Interest Payment Date, in which event interest shall be payable from the Interest Payment Date immediately succeeding the date of authentication, or (iii) the date of authentication is prior to the close of business on the first Record Date occurring after the issuance of such Bond or Parity Bond, in which event interest shall be payable from the dated date of such Bond or Parity Bond, provided, however, that if at the time of authentication of such Bond or Parity Bond, interest is in default, interest on that Bond or Parity Bond shall be payable from the last Interest Payment Date to which the interest has been paid or made available for payment or, if no interest has been paid or made available for payment on that Bond or Parity Bond, interest on that Bond or Parity Bond shall be payable from its dated date. Interest on any Bond or Parity Bond shall be paid to the Person whose name shall appear in the Bond Register as the Owner of such Bond or Parity Bond as of the close of business on the Record Date. Such interest shall be paid by check of the Fiscal Agent mailed by first class mail, postage prepaid, to such Bondowner at his or her address as it appears on the Bond Register. In addition, upon a request in writing received by the Fiscal Agent on or before the applicable Record Date from an Owner of \$1,000,000 or more in principal amount of the Bonds or of any issue of Parity Bonds, payment shall be made on the Interest Payment Date by wire transfer in immediately available funds to an account designated by such Owner.

Section 2.6. Form of Bonds and Parity Bonds. The Bonds and the certificate of authentication shall be substantially in the form attached hereto as Exhibit A, which form is hereby approved and adopted as the form of such Bonds and of the certificate of authentication. Notwithstanding any provision in this Indenture to the contrary, the District may, in its sole discretion, elect to issue the Bonds in book entry form. Each series of Parity Bonds and the certificate of authentication therefor shall be in the form provided in the Supplemental Indenture for such issue of Parity Bonds.

Section 2.7. Execution and Authentication. The Bonds and Parity Bonds shall be signed on behalf of the District by the manual or facsimile signature of the President of the Board of Directors and by the manual or facsimile signature of the Secretary of the Board of Directors, or any duly appointed deputy Secretary, in their capacity as officers of the District. In case any one or more of the officers who shall have signed or sealed any of the Bonds or Parity Bonds shall cease to be such officer before the Bonds or Parity Bonds so signed and sealed have been authenticated and delivered by the Fiscal Agent (including new Bonds or Parity Bonds delivered pursuant to the provisions hereof with reference to the transfer and exchange of Bonds or to lost, stolen, destroyed or mutilated Bonds), such Bonds and Parity Bonds shall nevertheless be valid and may be authenticated and delivered as herein provided, and may be issued as if the person who signed or sealed such Bonds or Parity Bonds had not ceased to hold such office.

Only the Bonds bearing thereon such certificate of authentication in the form set forth in Exhibit A attached hereto shall be entitled to any right or benefit under this Indenture, and

no Bond shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by the Fiscal Agent.

Section 2.8. Bond Register. The Fiscal Agent will keep or cause to be kept, at the Principal Office of the Fiscal Agent, sufficient books for the registration and transfer of the Bonds and any Parity Bonds which shall upon reasonable prior notice be open to inspection by the District during all regular business hours, and, subject to the limitations set forth in Section 2.9 below, upon presentation for such purpose, the Fiscal Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be transferred on said Bond Register, Bonds and any Parity Bonds as herein provided.

The District and the Fiscal Agent may treat the Person whose name appears on the Bond Register as the absolute Owner of that Bond for any and all purposes, and the District and the Fiscal Agent shall not be affected by any notice to the contrary. The District and the Fiscal Agent may rely on the address of the Bondowner as it appears in the Bond Register for any and all purposes. It shall be the duty of the Bondowner to give written notice to the Fiscal Agent of any change in the Bondowner's address so that the Bond Register may be revised accordingly.

Section 2.9. Registration of Exchange or Transfer. Subject to the limitations set forth in the following paragraph, the registration of any Bond or Parity Bond may, in accordance with its terms, be transferred upon the Bond Register by the Person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Bond or Parity Bond for cancellation at the Principal Office of the Fiscal Agent, accompanied by delivery of written instrument of transfer in a form acceptable to the Fiscal Agent and duly executed by the Bondowner or his or her duly authorized attorney.

Bonds or Parity Bonds may be exchanged at the Principal Office of the Fiscal Agent for a like aggregate principal amount of Bonds or Parity Bonds of other authorized denominations of the same maturity and issue. The Fiscal Agent shall not collect from the Owner any charge for any new Bond or Parity Bond issued upon any exchange or transfer, but shall require the Bondowner requesting such exchange or transfer to pay any tax or other governmental charge required to be paid with respect to such exchange or transfer. Whenever any Bonds or Parity Bonds shall be surrendered for registration of transfer or exchange, the District shall execute and the Fiscal Agent shall authenticate and deliver a new Bond or Bonds or a new Parity Bond or Parity Bonds of the same issue and maturity, for a like aggregate principal amount; provided that the Fiscal Agent shall not be required to register transfers or make exchanges of (i) Bonds or Parity Bonds for a period of 15 days next preceding any selection of the Bonds or Parity Bonds to be redeemed, or (ii) any Bonds or Parity Bonds chosen for redemption.

Section 2.10. Mutilated, Lost, Destroyed or Stolen Bonds or Parity Bonds. If any Bond or Parity Bond shall become mutilated, the District shall execute, and the Fiscal Agent shall authenticate and deliver, a new Bond or Parity Bond of like tenor, date, issue and maturity in exchange and substitution for the Bond or Parity Bond so mutilated, but only upon surrender to the Fiscal Agent of the Bond or Parity Bond so mutilated. Every mutilated Bond or Parity Bond so surrendered to the Fiscal Agent shall be cancelled by the Fiscal Agent pursuant to Section

10.1. If any Bond or Parity 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 is satisfactory to the Fiscal Agent and, if any indemnity satisfactory to the Fiscal Agent shall be given, the District shall execute and the Fiscal Agent shall authenticate and deliver, a new Bond or Parity Bond of like tenor, maturity and issue, numbered and dated as the Fiscal Agent shall determine in lieu of and in substitution for the Bond or Parity Bond so lost, destroyed or stolen. Any Bond or Parity Bond issued in lieu of any Bond or Parity Bond alleged to be mutilated, lost, destroyed or stolen, shall be equally and proportionately entitled to the benefits hereof with all other Bonds and Parity Bonds issued hereunder. The Fiscal Agent shall not treat both the original Bond or Parity Bond and any replacement Bond or Parity Bond as being Outstanding for the purpose of determining the principal amount of Bonds or Parity Bonds which may be executed, authenticated and delivered hereunder or for the purpose of determining any percentage of Bonds or Parity Bonds Outstanding hereunder, but both the original and replacement Bond or Parity Bond shall be treated as one and the same. Notwithstanding any other provision of this Section, in lieu of delivering a new Bond or Parity Bond to replace a Bond or Parity Bond which has been mutilated, lost, destroyed or stolen, and which has matured, the Fiscal Agent may make payment with respect to such Bond or Parity Bond upon receipt of indemnity satisfactory to the Fiscal Agent.

Section 2.11. Validity of Bonds. The validity of the authorization and issuance of the Bonds and any Parity Bonds shall not be affected in any way by any defect in any proceedings taken by the District for the financing of the Project, or by the invalidity, in whole or in part, of any contracts made by the District in connection therewith, and shall not be dependent upon the completion of the financing of the Project or upon the performance by any Person of his obligation with respect to the Project, and the recital contained in the Bonds or Parity Bonds or that the same are issued pursuant to the Act and other applicable laws of the State shall be conclusive evidence of their validity and of the regularity of their issuance.

Section 2.12. Book-Entry System. The Bonds shall be initially delivered in the form of a separate single fully registered Bond (which may be typewritten) for each maturity. Upon initial delivery, the ownership of each such Bond shall be registered in the Bond Register in the name of the Nominee as nominee of the Depository. Except as provided in Section 2.14, all of the Outstanding Bonds shall be registered in the Bond Register in the name of the Nominee. At the election of the District, any Parity Bonds may also be issued as book entry bonds registered in the name of the Nominee as provided herein, in which case the references in Sections 2.12 through 2.15 to "Bonds" shall be applicable to such Parity Bonds.

With respect to Bonds registered in the Bond Register in the name of the Nominee, the District and the Fiscal Agent shall have no responsibility or obligation to any Participant or to any Person on behalf of which such Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the District and the Fiscal Agent shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Participant or any other Person, other than an Owner as shown in the Bond

Register, of any notice with respect to the Bonds, including any notice of redemption, (iii) the selection by the Depository and its Participants of the beneficial interests in the Bonds to be redeemed in the event the Bonds are redeemed in part, or (iv) the payment to any Participant or any other Person, other than an Owner as shown in the Bond Register, of any amount with respect to principal of, premium, if any, or interest due with respect to the Bonds. The District and the Fiscal Agent may treat and consider the Person in whose name each Bond is registered in the Bond Register as the holder and absolute owner of such Bond for the purpose of payment of the principal of, premium, if any, and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Fiscal Agent shall pay all principal of, premium, if any, and interest due on the Bonds only to or upon the order of the respective Owner, as shown in the Bond Register, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to satisfy and discharge fully the District's obligations with respect to payment of the principal, premium, if any, and interest due on the Bonds to the extent of the sum or sums so paid. No Person other than an Owner, as shown in the Bond Register, shall receive a Bond evidencing the obligation of the District to make payments of principal, premium, if any, and interest pursuant to this Indenture. Upon delivery by the Depository to the Fiscal Agent and the District of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to Record Dates, the word Nominee in this Indenture shall refer to such new nominee of the Depository.

Section 2.13. Representation Letter. In order to qualify the Bonds and any Parity Bonds which the District elects to register in the name of the Nominee for the Depository's book-entry system, an authorized representative of the Fiscal Agent is hereby authorized to execute from time to time and deliver to such Depository the Representation Letter. The execution and delivery of the Representation Letter shall not in any way limit the provisions of Section 5.1 or in any other way impose upon the District or the Fiscal Agent any obligation whatsoever with respect to persons having interests in the Bonds other than the Owners, as shown in the Bond Register. The Fiscal Agent agrees to take all action necessary to continuously comply with all representations made by it in the Representation Letter. In addition to the execution and delivery of the Representation Letter, the President of the Board of Directors and the Authorized Representatives of the Water District are hereby authorized to take any other actions, not inconsistent with this Indenture, to qualify the Bonds for the Depository's book-entry program.

Section 2.14. Transfers Outside Book-Entry System. In the event (i) the Depository determines not to continue to act as securities depository for the Bonds or Parity Bonds, or (ii) the District determines that the Depository shall no longer so act, then the District will discontinue the book-entry system with the Depository. If the District fails to identify another qualified securities depository to replace the Depository then the Bonds and Parity Bonds so designated shall no longer be restricted to being registered in the Bond Register in the name of the Nominee, but shall be registered in whatever name or names Persons transferring or

exchanging Bonds and Parity Bonds shall designate, in accordance with the provisions of Section 2.9 hereof.

Section 2.15. Payments to the Nominee. Notwithstanding any other provisions of this Indenture to the contrary, so long as any Bond or Parity Bond is registered in the name of the Nominee, all payments with respect to principal, premium, if any, and interest due with respect to such Bond or Parity Bond and all notices with respect to such Bond or Parity Bond shall be made and given, respectively, as provided in the Representation Letter or as otherwise instructed by the Depository.

Section 2.16. Initial Depository and Nominee. The initial Depository under this Article shall be The Depository Trust Company, New York, New York. The initial Nominee shall be Cede & Co., as Nominee of The Depository Trust Company, New York, New York.

Section 2.17. Issuance of Additional Bonds for Refunding Purposes. The District may at any time after the issuance and delivery of the Bonds hereunder issue Parity Bonds payable from the Net Special Taxes and other amounts deposited in the Special Tax Fund and secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding Bonds and any other Parity Bonds theretofore issued hereunder or under any Supplemental Indenture; provided, however, that Parity Bonds may only be issued for the purpose of refunding all or a portion of the Bonds or any Parity Bonds then Outstanding. Parity Bonds issued to effect a partial refunding shall be issued to the following additional specific conditions, which are hereby made conditions precedent to the issuance of any such Parity Bonds:

(a) The District shall be in compliance with all covenants set forth in this Indenture and any Supplemental Indenture then in effect and a certificate of the District to that effect shall have been filed with the Fiscal Agent; provided, however, that Parity Bonds may be issued notwithstanding that the District is not in compliance with all such covenants so long as immediately following the issuance of such Parity Bonds the District will be in compliance with all such covenants.

(b) The issuance of such Parity Bonds shall have been duly authorized pursuant to the Act and all applicable laws, and the issuance of such Parity Bonds shall have been provided for by a Supplemental Indenture duly approved, executed and delivered by the District which shall specify the following:

(i) the purpose for which such Parity Bonds are to be issued and the fund or funds into which the proceeds thereof are to be deposited;

(ii) the authorized principal amount of such Parity Bonds;

(iii) the date, the interest payment dates, and the maturity date or dates of such Parity Bonds; provided that (i) each interest payment date shall fall on a March 1 or September 1 and (ii) each maturity date shall fall on a September 1;

(iv) the description of the Parity Bonds, the place of payment thereof and the procedure for execution and authentication;

(v) the denominations and method of numbering of such Parity Bonds;

(vi) the amount and due date of each mandatory Sinking Fund Payment, if any, for such Parity Bonds;

(vii) the amount, if any, to be deposited from the proceeds of such Parity Bonds in the Reserve Account of the Special Tax Fund to increase the amount therein to the Reserve Requirement, provided that if the interest on such Parity Bonds is intended by the District to be excluded from the gross income of the recipients thereof for federal income tax purposes, such amount shall not exceed the maximum amount of proceeds that, in the opinion of Bond Counsel, can be so deposited without causing the interest on such Parity Bonds to be included in the gross income of the recipients thereof for federal income tax;

(viii) the form of such Parity Bonds; and

(ix) such other provisions as are necessary or appropriate and not inconsistent with this Indenture.

(c) The Fiscal Agent shall have received the following documents, all dated or certified, as the case may be, as of the date of delivery of such Parity Bonds:

(i) an executed copy of the Supplemental Indenture in connection with the issuance of such Parity Bonds;

(ii) a written request of the District as to the delivery of such Parity Bonds;

(iii) an opinion of Bond Counsel and/or general counsel to the District to the effect that (1) the District has the right and power under the Act to adopt the Supplemental Indenture relating to such Parity Bonds, and the Supplemental Indenture has been duly and lawfully approved, executed and delivered by the District, is in full force and effect and is valid and binding upon the District and enforceable in accordance with its terms (subject to the usual and customary exceptions); (2) the Indenture creates the valid pledge which it purports to create of the Net Special Taxes and other amounts as provided in the Indenture, subject to the application thereof to the purposes and on the conditions permitted by the Indenture; and (3) such Parity Bonds are valid and binding limited obligations of the District, enforceable in accordance with their terms (subject to the usual and customary exceptions) and the terms of the Indenture and all Supplemental Indentures thereto and are entitled to the benefits of the Indenture and all such Supplemental Indentures, and such Parity Bonds have been duly and validly authorized and issued in accordance with the Act (or other applicable laws) and the Indenture and all such Supplemental Indentures; and a further opinion

of Bond Counsel to the effect that, assuming compliance by the District with certain tax covenants, the issuance of the Parity Bonds will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds and any Parity Bonds theretofore issued on a tax exempt basis, or the exemption from State of California personal income taxation of interest on any Outstanding Bonds and Parity Bonds theretofore issued;

(iv) a certificate of the District containing such statements as may be reasonably necessary to show compliance with the requirements of this Indenture;

(v) a certificate from an Independent Financial Consultant to the effect that Annual Debt Service after the issuance of such Parity Bonds will be no larger than Annual Debt Service would have been prior to the issuance of such Parity Bonds in each Fiscal Year in which Bonds or Parity Bonds (other than the refunding Parity Bonds) will remain Outstanding.

(vi) such further documents, money and securities as are required by the provisions of this Indenture and the Supplemental Indenture providing for the issuance of such Parity Bonds.

ARTICLE III

CREATION OF FUNDS; APPLICATION OF PROCEEDS; AND SPECIAL TAXES

Section 3.1. Creation of Funds and Application of Proceeds.

(a) There are hereby created and established and shall be maintained by the Fiscal Agent the following funds and accounts:

(1) The Community Facilities District No. 2016-74 (Menifee Town Center) Improvement Area C Special Tax Fund (the "Special Tax Fund"), in which there shall be established and created an Interest Account, a Principal Account, a Redemption Account and a Reserve Account; and

(2) The Community Facilities District No. 2016-74 (Menifee Town Center) Improvement Area C Rebate Fund (the "Rebate Fund"), in which there shall be established a Rebate Account.

(3) The Community Facilities District No. 2016-74 (Menifee Town Center) Improvement Area C Improvement Fund (the "Improvement Fund"), in which there shall be established the Costs of Issuance Account, the EMWD Capacity Account, the EMWD Improvement Account, the City of Menifee Account and the School Facilities Account;

(4) The Administrative Expense Fund; and

(5) The Community Facilities District No. 2016-74 (Menifee Town Center) Improvement Area C Special Tax Holding Fund (the "Special Tax Holding Fund").

In connection with the issuance of any Parity Bonds, the Fiscal Agent, at the direction of an Authorized Representative of the District, may create new funds, accounts or subaccounts, or may create additional accounts and subaccounts within any of the foregoing funds and accounts for the purpose of separately accounting for the proceeds of the Bonds and any Parity Bonds.

(b) The proceeds of the sale of the Bonds shall be received by the Fiscal Agent and deposited and transferred as follows:

(1) \$_____ shall be deposited in the Costs of Issuance Account of the Improvement Fund;

(2) \$_____ shall be deposited in the Reserve Account of the Special Tax Fund;

(3) \$_____ shall be deposited in the EMWD Capacity Account of the Improvement Fund;

(4) \$_____ shall be deposited in the EMWD Improvement Account of the Improvement Fund;

(5) \$_____ shall be deposited in the City of Menifee Account of the Improvement Fund;

(6) \$_____ shall be deposited in the School Facilities Account of the Improvement Fund; and

(7) \$_____, representing interest due on the Bonds through September 1, 2020, shall be deposited in the Interest Account of the Special Tax Fund.

The Fiscal Agent may, in its discretion, establish a temporary fund or account in its books and records to facilitate such deposits. The amounts on deposit in the foregoing funds and accounts shall be held by the Fiscal Agent and the Fiscal Agent shall invest and disburse the amounts in such funds and accounts in accordance with the provisions of this Article III and shall disburse investment earnings thereon in accordance with the provisions of Section 3.11 hereof.

Section 3.2. Special Taxes and Deposits to and Disbursements from Special Tax Fund.

(a) Except for the portion of any Prepayment to be deposited to the Redemption Account, the District shall, on each date on which the Special Taxes are received by the District, transfer the Special Taxes to the Fiscal Agent for deposit in the Special Tax Fund to be held in trust by the Fiscal Agent. The Fiscal Agent shall use the Special Taxes on deposit in the Special Tax Fund on the dates and in the amounts set forth in the following Sections, in the following order of priority, to:

(1) Deposit in the Administrative Expense Fund an amount equal to the Administrative Expense Requirement or, if the Fiscal Agent receives written direction from the District to transfer a lesser amount, then such lesser amount, provided that not more than one half of the Administrative Expense Requirement shall be so transferred in any Fiscal Year prior to the date on which the balance on deposit in the Interest Account of the Special Tax Fund is at least equal to the interest payable on the Bonds and Parity Bonds on March 1;

(2) Deposit in the Interest Account of the Special Tax Fund the amount necessary to cause the balance on deposit therein to equal the interest coming due on the Bonds and Parity Bonds on the next succeeding Interest Payment Date;

(3) Deposit in the Principal Account of the Special Tax Fund the amount necessary to cause the balance on deposit therein to be equal to the principal amount of the Bonds, Parity Bonds and/or the Sinking Fund Payment payable on the next succeeding September 1;

(4) Deposit in the Redemption Account of the Special Tax Fund the amount necessary to pay any optional redemption of the Bonds as provided in Section 4.1(a) or optional redemption of any Parity Bonds;

(5) Deposit in the Reserve Account of the Special Tax Fund the amount, if necessary, to cause the balance on deposit in the Reserve Account to equal the Reserve Requirement;

(6) Pay to the District any Administrative Expenses in excess of the Administrative Expense Requirement that the District has requested be paid or reimbursed to it;

(7) Deposit in the Rebate Account the amounts required to be deposited therein pursuant to Section 3.7; and

(8) Deposit in the Special Tax Holding Fund any amount remaining after all of the foregoing deposits and transfers and all of the deposits and transfers required under Section 3.9 hereof have been completed.

(b) The portion of any Prepayment received by the District that is the "Future Facilities Costs" thereof (as defined in the Rate and Method of Apportionment) shall be identified as such by the District and transferred to the Fiscal Agent for deposit in the Improvement Fund and in such accounts therein as shall be specified in a Certificate of an Authorized Representative of the District. The portion of any Prepayment received by the District that is to be applied to the redemption of Bonds or Parity Bonds shall be identified as such by the District and transferred to the Fiscal Agent for deposit in the Redemption Account.

At maturity of all of the Bonds and Parity Bonds and after all principal and interest then due on the Bonds and Parity Bonds then Outstanding has been paid or provided for, Special

Taxes held by the District and moneys in the Special Tax Fund and any accounts therein may be used by the District for any lawful purpose.

Section 3.3. Administrative Expense Fund. Amounts on deposit in the Administrative Expense Fund may be applied by the Fiscal Agent upon the written direction of the District from time to time to pay Administrative Expenses.

Section 3.4. Interest Account and Principal Account of the Special Tax Fund. The scheduled principal or Sinking Fund Payments of, and interest on, the Bonds and any Parity Bonds shall be paid by the Fiscal Agent from amounts transferred to the Interest Account and the Principal Account of the Special Tax Fund. For the purpose of assuring that the payment of principal or Sinking Fund Payment of, and interest on, the Bonds and any Parity Bonds will be made when due, after the deposit is made as required by Section 3.3, at least one Business Day prior to each Interest Payment Date, the Fiscal Agent shall make the following transfers first to the Interest Account and then to the Principal Account:

(a) To the Interest Account, an amount such that the balance in the Interest Account one (1) Business Day prior to each Interest Payment Date shall be equal to the installment of interest due on the Bonds and any Parity Bonds on said Interest Payment Date. Moneys in the Interest Account shall be used for the payment of interest on the Bonds and any Parity Bonds as the same become due.

(b) To the Principal Account, an amount such that the balance in the Principal Account one (1) Business Day prior to September 1 of each year, shall equal the principal payment and Sinking Fund Payment of the Bonds and any Parity Bonds due on such September 1. Moneys in the Principal Account shall be used for the payment of the principal and Sinking Fund Payment of the Bonds and any Parity Bonds as the same become due.

However, notwithstanding the above, to the extent that deposits have been made in the Interest Account or the Principal Account from the proceeds of the sale of the Bonds and any Parity Bonds, or otherwise, or to the extent that a transfer will be made from the Reserve Account to the Interest Account in accordance with the last paragraph of Section 3.6, the transfers from the Special Tax Fund described above shall be reduced by a like amount.

Section 3.5. Redemption Account of the Special Tax Fund.

(a) After making the transfers and deposits required by Sections 3.3 and 3.4 above, and in accordance with the District's election to call Bonds for optional redemption as set forth in Section 4.1(a), or to call Parity Bonds for optional redemption as set forth in any Supplemental Indenture for Parity Bonds, the Fiscal Agent shall transfer from the Special Tax Fund and deposit in the Redemption Account moneys available for the purpose and sufficient to pay the principal and the premiums, if any, payable on the Bonds or Parity Bonds called for optional redemption; provided, however, that amounts in the Special Tax Fund may be applied to optionally redeem Bonds or Parity Bonds only if immediately following such redemption the amount in the Reserve Account will equal the Reserve Requirement.

(b) Prepayments deposited to the Redemption Account shall be applied on the redemption date established pursuant to Section 4.1(c) for the use of such Prepayments to the payment of the principal of, premium, and interest on the Bonds and any Parity Bonds to be redeemed with such Prepayments.

(c) Moneys set aside in the Redemption Account shall be used solely for the purpose of redeeming Bonds and Parity Bonds and shall be applied on or after the redemption date to the payment of principal of and premium, if any, on the Bonds or Parity Bonds to be redeemed upon presentation and surrender of such Bonds or Parity Bonds and, in the case of an optional redemption or a special mandatory redemption from Prepayments, to pay the interest thereon; provided, however, that in lieu or partially in lieu of such call and redemption, moneys deposited in the Redemption Account, other than Prepayments (which shall be used to redeem Bonds and Parity Bonds on the redemption date established pursuant to Section 4.1(c)), may be used to purchase Outstanding Bonds or Parity Bonds in the manner hereinafter provided. Purchases of Outstanding Bonds or Parity Bonds may be made by the District at public or private sale as and when and at such prices as the District may in its discretion determine but only at prices (including brokerage or other expenses) not more than par plus accrued interest, plus, in the case of moneys set aside for an optional redemption, the premium applicable at the next following call date according to the premium schedule established pursuant to Section 4.1(a), or in the case of Parity Bonds the premium schedule established in any Supplemental Indenture. Any accrued interest payable upon the purchase of Bonds and any Parity Bonds may be paid from the amount reserved in the Special Tax Fund for the payment of interest on the next following Interest Payment Date.

Section 3.6. Reserve Account of the Special Tax Fund. Amounts in the Reserve Account shall be applied as follows:

(a) Moneys in the Reserve Account shall be used solely for the purpose of paying the principal of, including Sinking Fund Payments, and interest on the Bonds and any Parity Bonds when due or in the event that the balance on deposit in the Interest Account or the Principal Account, as the case may be, is insufficient for such purpose and for the purpose of making any required transfer to the Rebate Fund pursuant to Section 3.7 upon written direction from the District or any required transfer to the Redemption Account as described below. If the amounts in the Interest Account or Principal Account, as the case may be, are insufficient to pay the principal of, including Sinking Fund Payments, or interest on the Bonds and Parity Bonds when due, or amounts in the Special Tax Fund are insufficient to make transfers to the Rebate Fund when required, the Fiscal Agent shall withdraw from the Reserve Account for deposit in the Interest Account or the Principal Account, as the case may be, or the Rebate Fund, as applicable, moneys necessary for such purposes.

(b) Whenever moneys are withdrawn from the Reserve Account, after making the required transfers referred to in Sections 3.3, 3.4 and 3.5 above, the Fiscal Agent shall transfer to the Reserve Account from available moneys in the Special Tax Fund, or from any other legally available funds which the District elects to apply to such purpose, the amount

needed to restore the amount of the Reserve Account to the Reserve Requirement. If amounts in the Special Tax Fund together with any other amounts transferred to replenish the Reserve Account are inadequate to restore the Reserve Account to the Reserve Requirement, then the District shall include the amount necessary to fully restore the Reserve Account to the Reserve Requirement in the next annual Special Tax levy to the extent of the Maximum Special Taxes.

(c) In connection with a redemption of Bonds pursuant to Section 4.1(a) or (c) or Parity Bonds in accordance with this Indenture or any Supplemental Indenture or a partial defeasance of Bonds or Parity Bonds in accordance with Section 9.1 hereof, amounts in the Reserve Account may be applied to such redemption or partial defeasance if so provided in a Certificate of an Authorized Representative, so long as the amount on deposit in the Reserve Account following such optional redemption or partial defeasance equals the Reserve Requirement following such optional redemption or partial defeasance.

(d) To the extent that the amount on deposit in the Reserve Account as of the first day of the final Bond Year for the Bonds or an issue of Parity Bonds equals or exceeds Annual Debt Service for that Bond Year, amounts in the Reserve Account may be applied to pay the principal of and interest due on the Bonds and Parity Bonds, as applicable, in the final Bond Year for such issue, if so provided in a Certificate of an Authorized Representative.

(e) The Fiscal Agent shall withdraw from the Reserve Account moneys in excess of the Reserve Requirement not transferred in accordance with the preceding provisions of this Section one Business Day before each March 1 and September 1, and transfer such moneys to the Interest Account of the Special Tax Fund, unless prior to such date the Fiscal Agent is directed in a Certificate of an Authorized Representative to transfer such moneys to a different fund or account specified in such certificate.

Section 3.7. Rebate Fund.

(a) 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 Account 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 provisions of this Indenture 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 the Rebate Account:

(1) 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.

(2) 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 (1) of this Subsection (a)(i) 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.

(3) 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 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, or shall be made in such other manner as provided under the Code.

(b) Disposition of Unexpended Funds. Any funds remaining in the Rebate Account after redemption and payment of the Bonds or an issue of Parity Bonds and after making the payments described in Subsection (a)(1)(3) 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 Indenture 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 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.

Section 3.8. Surplus Money in the Special Tax Fund. After making the transfers required by Sections 3.2, 3.3, 3.4, 3.5, 3.6 and 3.7 hereof, as soon as practicable after each September 1, (i) prior to the earlier of (A) the third anniversary of the Delivery Date or (B) the date on which the Fiscal Agent receives a Certificate of an Authorized Representative stating that the Project has been acquired or constructed, the excess amounts in the Special Tax Fund shall be transferred as directed in a Certificate of an Authorized Representative, to one or more accounts in the Improvement Fund as specified in such Certificate of an Authorized Representative, and (ii) on and after the date described in clause (i), the excess amounts in the Special Tax Fund may, at the written direction of the District, be (a) retained in the Special Tax Fund to pay interest and principal on the Bonds and any Parity Bonds, (b) transferred to the Administrative Expense Fund if the amount therein is insufficient to pay Administrative Expenses, or (c) transferred to the Redemption Account. In the absence of any such written direction of the District, such excess amounts shall be transferred to the Special Tax Holding Fund.

Section 3.9. Special Tax Holding Fund. Moneys deposited in the Special Tax Holding Fund are not pledged to the repayment of the Bonds or Parity Bonds and may be used by the District for any lawful purpose and disbursed by the Fiscal Agent in accordance with the written direction of the District. In the event that the District reasonably expects to use any portion of the moneys in the Special Tax Holding Fund to pay debt service on any Outstanding Bonds and Parity Bonds, the District shall direct the Fiscal Agent, pursuant to a Certificate of an Authorized Representative, to segregate such amount into a separate subaccount; and the moneys on deposit in such subaccount of the Special Tax Holding Fund shall be invested in Authorized Investments the interest on which is excludable from gross income under Section 103 of the Code (other than bonds the interest on which is a tax preference item for purposes of computing the alternative minimum tax of individuals and corporations under the Code) or in

Authorized Investments at a Yield not in excess of the Yield on the Bonds or Parity Bonds, as applicable, unless, in the opinion of Bond Counsel, investment at a higher Yield will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds and Parity Bonds then Outstanding.

Section 3.10. Improvement Fund.

(a) The moneys in the Costs of Issuance Account in the Improvement Fund shall be disbursed by the Fiscal Agent at the written direction of the District for the payment of Costs of Issuance. Any balance remaining in the Costs of Issuance Account on [January 1, 2021] shall be transferred as directed in a Certificate of an Authorized Representative, to one or more other accounts or subaccounts in the Improvement Fund as specified in such Certificate of an Authorized Representative and the Costs of Issuance Account shall be closed.

(b) The moneys in the EMWD Capacity Account in the Improvement Fund shall be disbursed by the Fiscal Agent to the Water District from time to time upon the written direction of the District.

(c) The moneys in the EMWD Improvement Account in the Improvement Fund shall be disbursed by the Fiscal Agent to the Water District from time to time upon the written direction of the District.

(d) The moneys in the City of Menifee Account in the Improvement Fund shall be disbursed by the Fiscal Agent to the City of Menifee from time to time upon the written direction of the District pursuant to the City of Menifee JCFA.

(e) The moneys in the School Facilities Account in the Improvement Fund shall be disbursed by the Fiscal Agent to the School District from time to time upon the written direction of the District pursuant to the School Facilities Mitigation Agreement.

(f) Subject to any requirement of the Funding Agreement, the City of Menifee JCFA or the School Facilities Mitigation Agreement, if the District shall determine that all or a specified portion of the amount remaining in any account in the Improvement Fund is no longer needed to pay the costs otherwise payable from such account, the District may cause the transfer of all or such specified portion, as applicable, of the moneys remaining on deposit in such account to any other of such accounts and after all amounts to be paid from such accounts are satisfied for deposit in the Special Tax Fund.

Section 3.11. Investments. Moneys held in any of the funds, accounts and subaccounts under this Indenture shall be invested by the District or the Fiscal Agent, as applicable, in accordance with the limitations set forth below only in Authorized Investments which shall be deemed at all times to be a part of such funds, accounts and subaccounts. Any loss resulting from such Authorized Investments shall be credited or charged to the fund, account or subaccount from which such investment was made, and any investment earnings on all amounts deposited in the Improvement Fund, the Special Tax Fund and the Rebate Fund and

each account therein shall be deposited in those respective funds and accounts. Moneys in the funds, accounts and subaccounts held under this Indenture may be invested by the District or the Fiscal Agent as directed by the District, as applicable, from time to time, in Authorized Investments subject to the following restrictions:

(a) Moneys in the Improvement Fund shall be invested in Authorized Investments which will by their terms mature, or in the case of an Investment Agreement are available without penalty, as close as practicable to the date the District estimates the moneys represented by the particular investment will be needed for withdrawal from the Improvement Fund. Notwithstanding anything herein to the contrary, amounts in the Improvement Fund three years after the Delivery Date for the Bonds and the proceeds of each issue of Parity Bonds issued on a tax-exempt basis which are remaining on deposit in the Improvement Fund on the date which is three years following the date of issuance of such issue of Parity Bonds shall be invested by the District only in Authorized Investments the interest on which is excluded from gross income under Section 103 of the Code (other than bonds the interest on which is a tax preference item for purposes of computing the alternative minimum tax of individuals and corporations under the Code) or in Authorized Investments at a yield not in excess of the yield on the issue of Bonds or Parity Bonds from which such proceeds were derived, unless in the opinion of Bond Counsel such restriction is not necessary to prevent interest on the Bonds or any Parity Bonds which were issued on a tax-exempt basis for federal income tax purposes from being included in gross income for federal income tax purposes.

(b) Moneys in the Special Tax Fund and the Interest Account, the Principal Account and the Redemption Account of the Special Tax Fund shall be invested only in Authorized Investments which will by their terms mature, or in the case of an Investment Agreement, be available for withdrawal without penalty, on such dates so as to ensure the payment of principal of, premium, if any, and interest on the Bonds and any Parity Bonds as the same become due.

(c) Subject to the following sentence, moneys in the Reserve Account of the Special Tax Fund may be invested only in (i) Authorized Investments not less than 50% of which must mature within 6 months and all of which must mature within 1 year, (ii) Authorized Investments of the type defined in clause (7) of the definition of said term or (iii) one or more Investment Agreements. Moneys in the Reserve Account of the Special Tax Fund shall not be invested in Authorized Investments of the type described in clause (12) of the definition thereof.

(d) Moneys in the Rebate Fund shall be invested only in Authorized Investments of the type described in clause (1) of the definition thereof which by their terms will mature, as nearly as practicable, on the dates such amounts are needed to be paid to the United States Government pursuant to Section 3.7 hereof or in Authorized Investments of the type described in clause (7) of the definition thereof.

(e) In the absence of written direction from the District, the Fiscal Agent shall invest any money held by it in Authorized Investments of the type described in clause (7) of the definition thereof.

The District or the Fiscal Agent, as applicable, shall sell or present for redemption, any Authorized Investment whenever it may be necessary to do so in order to provide moneys to meet any payment or transfer to such funds and accounts or from such funds and accounts. For the purpose of determining at any given time the balance in any such funds and accounts, any such investments constituting a part of such funds and accounts shall be valued at their cost, except that amounts in the Reserve Account shall be valued at the market value thereof at least semiannually on or before each Interest Payment Date. In making any valuations hereunder, the District or the Fiscal Agent, as applicable, may utilize such computerized securities pricing services as may be available to it, including, without limitation, those available through its regular accounting system, and conclusively rely thereon. Notwithstanding anything herein to the contrary, the District or the Fiscal Agent, as applicable, shall not be responsible for any loss from investments, sales or transfers undertaken in accordance with the provisions of this Indenture.

The District or the Fiscal Agent, as applicable, may sell, or present for redemption any Authorized Investment so purchased 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 Authorized Investment is credited, and, subject to the provisions of Section 7.4, the District or the Fiscal Agent, as applicable, shall not be liable or responsible for any loss resulting from such investment. For investment purposes, the District or the Fiscal Agent, as applicable, may commingle the funds and accounts established hereunder, but shall account for each separately.

The District acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District or the Water District the right to receive brokerage confirmations of securities transactions as they occur, the District will not receive such confirmations to the extent permitted by law. The Fiscal Agent shall furnish the District periodic cash transaction statements which include detail for all investment transactions made by the Fiscal Agent hereunder. The Fiscal Agent and its affiliates may act as sponsor, advisor, depository, principal or agent in the holding, acquisition or disposition of any investment.

ARTICLE IV

REDEMPTION OF BONDS

Section 4.1. Redemption of Bonds.

(a) Optional Redemption. The Bonds may be redeemed prior to maturity, at the option of the District, from any source of funds other than Prepayments, [on any date] on and after September 1, 2027, in whole or in part (in such amounts and maturities as may be

designated by the District, with the particular Bonds of such maturities to be selected by the Fiscal Agent by lot), at the following redemption prices expressed as a percentage of the principal amount to be redeemed, together with accrued interest to the date of redemption:

<i>Redemption Dates</i>	<i>Redemption Prices</i>
[September 1, 2027 through August 31, 2028	103%
September 1, 2028 through August 31, 2029	102
September 1, 2029 through August 31, 2030	101
September 1, 2030 and any date thereafter]	100

In the event the District elects to redeem Bonds as provided above, the District shall give written notice to the Fiscal Agent of its election to so redeem, the redemption date and the maturity dates of the Bonds to be redeemed. The notice to the Fiscal Agent shall be given at least 45 but no more than 60 days prior to the redemption date, or by such later date as is acceptable to the Fiscal Agent, in its sole discretion.

(b) Mandatory Sinking Fund Redemption. The 20__ Term Bonds shall be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Principal Account, on September 1, 20__, and on each September 1 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The 20__ Term Bonds so called for redemption shall be selected by the Fiscal Agent by lot and shall be redeemed at a redemption price for each redeemed 20__ Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

BONDS MATURING SEPTEMBER 1, 20__

<i>Redemption Dates</i> <i>(September 1)</i>	<i>Principal Amount</i>
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(maturity)

The 20__ Term Bonds shall be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Principal Account, on September 1, 20__, and on each September 1 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The 20__ Term Bonds so called for redemption shall be selected by the Fiscal Agent by lot and shall be redeemed at a redemption price for each redeemed 20__ Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

BONDS MATURING SEPTEMBER 1, 20__

**Redemption Dates
(September 1)**

Principal Amount

(maturity)

If the District purchases Term Bonds and delivers them to the Fiscal Agent at least 45 days prior to an applicable redemption date, the principal amount of the Term Bonds so purchased shall be credited to reduce the Sinking Fund Payment due on such redemption date for the applicable maturity of the Term Bonds. All Term Bonds purchased by the District and delivered to the Fiscal Agent pursuant to this subsection shall be cancelled pursuant to Section 10.1.

In the event of a partial optional redemption or special mandatory redemption of Term Bonds, each of the remaining Sinking Fund Payments for such Term Bonds, as described above, will be reduced, as nearly as practicable, on a pro rata basis.

(c) Special Mandatory Redemption from Prepayments. The Bonds are subject to redemption as a whole, or in part on a pro rata basis among maturities, on any Interest Payment Date prior to maturity from the proceeds of the prepayment of the Special Taxes deposited in the Redemption Account pursuant to this Indenture and amounts transferred from the Reserve Account in connection with such prepayment. Such special mandatory redemption of the Bonds shall be at the following redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed), together with accrued interest thereon to the date of redemption:

Redemption Dates	Redemption Prices
September 1, 2020 through and including March 1, 2028	103%
September 1, 2028 and March 1, 2029	102
September 1, 2029 and March 1, 2030	101
September 1, 2030 and any Interest Payment Date thereafter	100

Prepayments and amounts released from the Reserve Account in connection with Prepayments will be allocated to the payment at maturity and redemption of Bonds and any Parity Bonds as nearly as practicable on a proportionate basis based on the outstanding principal amount of the Bonds and any Parity Bonds and such amounts shall be applied to redeem Bonds and Parity Bonds as nearly as practicable on a pro rata basis among maturities in increments of \$5,000.

Section 4.2. Selection of Bonds and Parity Bonds for Redemption. If less than all of the Bonds or Parity Bonds of a maturity are to be redeemed, the portion of any Bond or Parity Bond of a denomination of more than \$5,000 to be redeemed shall be in the principal amount of \$5,000 or an integral multiple thereof. In selecting portions of such Bonds or Parity Bonds for redemption, the Fiscal Agent shall treat such Bonds or Parity Bonds, as representing that number of Bonds or Parity Bonds of \$5,000 denominations which is obtained by dividing the principal amount of such Bonds or Parity Bonds to be redeemed in part by \$5,000. The Fiscal Agent shall promptly notify the District in writing of the Bonds or Parity Bonds, or portions thereof, selected for redemption.

Section 4.3. Notice of Redemption. When Bonds or Parity Bonds are to be redeemed under Section 4.1 above, or under another redemption provision set forth in a Supplemental Indenture relating to any Parity Bonds, the Fiscal Agent shall give notice, in the name of the District, of the redemption of such Bonds or Parity Bonds. Such notice of redemption shall (a) specify the CUSIP numbers (if any), the numbers and the maturity date or dates of the Bonds or Parity Bonds selected for redemption, except that where all of the Bonds or an issue of Parity Bonds are subject to redemption, or all the Bonds or Parity Bonds of one maturity, are to be redeemed, the bond numbers of such issue need not be specified; (b) state the date fixed for redemption and surrender of the Bonds or Parity Bonds to be redeemed; (c) state the redemption price; (d) state the place or places where the Bonds or Parity Bonds are to be redeemed; (e) in the case of Bonds or Parity Bonds to be redeemed only in part, state the portion of such Bond or Parity Bond which is to be redeemed; (f) state the date of issue of the Bonds or Parity Bonds as originally issued; (g) state the rate of interest borne by each Bond or Parity Bond being redeemed; and (h) state any other descriptive information needed to identify accurately the Bonds or Parity Bonds being redeemed as shall be specified by the District. Such notice shall further state that on the date fixed for redemption, there shall become due and payable on each Bond, Parity Bond or portion thereof called for redemption, the principal thereof, together with any premium, and interest accrued to the redemption date, and that from and after such date, interest thereon shall cease to accrue and be payable. At least 30 days but no more than 45 days prior to the redemption date, the Fiscal Agent shall mail a copy of such notice, by first class mail, postage prepaid, to the respective registered Owners thereof at their addresses appearing on the Bond Register, and to the original purchaser of the Bonds or Parity Bonds, as applicable. The actual receipt by the Owner of any Bond or Parity Bond or the original purchaser of any Bond of notice of such redemption shall not be a condition precedent to redemption, and neither the failure to receive nor any defect in such notice shall affect the validity of the proceedings for the redemption of such Bonds or Parity Bonds, or the cessation of interest on the redemption date. A certificate by the Fiscal Agent that notice of such redemption has been given as herein provided shall be conclusive as against all parties and the Owner shall not be entitled to show that he or she failed to receive notice of such redemption.

With respect to any notice of optional redemption of Bonds, such notice may state that such redemption shall be conditional upon the receipt by the Fiscal Agent on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any,

and interest on such Bonds to be redeemed and that, if such moneys shall not have been so received, said notice shall be of no force and effect and the Fiscal Agent shall not be required to redeem such Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made, and the Fiscal Agent shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

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

Section 4.4. Partial Redemption of Bonds or Parity Bonds. Upon surrender of any Bond or Parity Bond to be redeemed in part only, the District shall execute and the Fiscal Agent shall authenticate and deliver to the Bondowner, at the expense of the District, a new Bond or Bonds or a new Parity Bond or Parity Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered, with the same interest rate and the same maturity, or, in the case of surrender of a Parity Bond, a new Parity Bond or Parity Bonds subject to the foregoing limitations.

Section 4.5. Effect of Notice and Availability of Redemption Money. Notice of redemption having been duly given, as provided in Section 4.3, and the amount necessary for the redemption having been made available for that purpose and being available therefor on the date fixed for such redemption:

(a) The Bonds and Parity Bonds, or portions thereof, designated for redemption shall, on the date fixed for redemption, become due and payable at the redemption price thereof as provided in this Indenture, or in any Supplemental Indenture with respect to any Parity Bonds, anything in this Indenture or in the Bonds or the Parity Bonds to the contrary notwithstanding;

(b) Upon presentation and surrender thereof at the office of the Fiscal Agent, the redemption price of such Bonds and Parity Bonds shall be paid to the Owners thereof;

(c) As of the redemption date the Bonds or Parity Bonds, or portions thereof so designated for redemption shall be deemed to be no longer Outstanding and such Bonds or Parity Bonds, or portions thereof, shall cease to bear further interest; and

(d) As of the date fixed for redemption no Owner of any of the Bonds, Parity Bonds or portions thereof so designated for redemption shall be entitled to any of the benefits of this Indenture or any Supplemental Indenture, or to any other rights, except with respect to payment of the redemption price and interest accrued to the redemption date from the amounts so made available.

ARTICLE V

COVENANTS AND WARRANTY

Section 5.1. Warranty. The District shall preserve and protect the security pledged hereunder to the Bonds and any Parity Bonds against all claims and demands of all persons.

Section 5.2. Covenants. So long as any of the Bonds or Parity Bonds issued hereunder are Outstanding and unpaid, the District makes the following covenants with the Bondowners under the provisions of the Act and this Indenture (to be performed by the District or its proper officers, agents or employees), which covenants are necessary and desirable to secure the Bonds and Parity Bonds and tend to make them more marketable; provided, however, that said covenants do not require the District to expend any funds or moneys other than the Special Taxes and other amounts deposited to the Special Tax Fund or Administrative Expense Fund:

(a) Punctual Payment; Against Encumbrances. The District covenants that it will receive all Special Taxes in trust for the Owners (other than the Special Taxes to be deposited in the Administrative Expense Fund or other funds held by the District) and will deposit Special Taxes in the Special Tax Fund as provided herein, and the District shall have no beneficial right or interest in the amounts so deposited except as provided by this Indenture. All such Special Taxes shall be disbursed, allocated and applied solely to the uses and purposes set forth herein, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the District.

The District further covenants that, in connection with the delivery of any Prepayment to the Fiscal Agent, the District will also deliver to the Fiscal Agent a certificate of the Special Tax Administrator identifying with respect to the Prepayment: (i) the "Future Facilities Costs" (as defined in the Rate and Method of Apportionment), with instructions that said amount be deposited in an appropriate account of the Improvement Fund, (ii) the "Administrative Expenses" (as defined in the Rate and Method of Apportionment), with instructions that said amount shall be deposited in the Administrative Expense Fund, (iii) the amount that represents the Special Taxes levied in the current Fiscal Year on the subject Parcel which had not been paid, with instructions to deposit portions of said amount in the Interest Account and the Principal Account of the Special Tax Fund, (iv) the amount of the "Reserve Fund Credit" (as defined in the Rate and Method of Apportionment), with instructions to withdraw said amount from the Reserve Account and transfer it to the Redemption Account in connection with the redemption of Bonds or Parity Bonds, and (v) the amount to be deposited in the Redemption Account.

The District covenants that it will duly and punctually pay or cause to be paid the principal of and interest on every Bond and Parity Bond issued hereunder, together with the premium, if any, thereon on the date, at the place and in the manner set forth in the Bonds and Parity Bonds and in accordance with this Indenture to the extent that Net Special Taxes and other amounts pledged hereunder are available therefor, and that the payments into the funds and accounts created hereunder will be made, all in strict conformity with the terms of the

Bonds, the Parity Bonds and this Indenture, and that it will faithfully observe and perform all of the conditions, covenants and requirements of this Indenture and all Supplemental Indentures and of the Bonds and any Parity Bonds issued hereunder.

The District will not mortgage or otherwise encumber, pledge or place any charge upon any of the Net Special Taxes except as provided in this Indenture, and will not issue any obligation or security having a lien or charge upon the Net Special Taxes superior to or on a parity with the Bonds, other than Parity Bonds. Nothing herein shall prevent the District from issuing or incurring indebtedness which is payable from a pledge of Net Special Taxes which is subordinate in all respects to the pledge of Net Special Taxes to repay the Bonds and the Parity Bonds.

(b) Levy and Collection of Special Tax. On or before each August 1, commencing August 1, 2020, the District shall communicate with the Treasurer or other appropriate official of the County 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 District may retain an Independent Financial Consultant to assist in the levy of the Special Taxes each Fiscal Year in accordance with the Ordinance such that the computation of the levy is complete before the final date on which the Treasurer of the County will accept the transmission of the Special Tax amounts for the Parcels within Improvement Area C for inclusion on the next secured tax roll. Upon the completion of the computation of the amounts of the levy, and approval by the legislative body of the District, the District shall prepare or cause to be prepared, and shall transmit to the Treasurer of the County, such data as the Treasurer of the County requires to include the levy of the Special Taxes on the next secured tax roll.

The District shall fix and levy the amount of Special Taxes required for the payment of principal of and interest on Outstanding Bonds and Parity Bonds becoming due and payable during the ensuing year including any necessary replenishment or expenditure of the Reserve Account for the Bonds and Parity Bonds, an amount equal to the estimated Administrative Expenses and any additional amounts necessary for expenses incurred in connection with administration or enforcement of delinquent Special Taxes. The District further covenants, to the maximum extent permitted by law, that it will take no actions that would discontinue or cause the discontinuance of the Special Tax levy or the District's authority to levy the Special Tax for so long as the Bonds or Parity Bonds are Outstanding.

The Special Taxes shall be payable and collected in the same manner and at the same time and in the same installment as the general taxes on real property are payable, and have the same priority, become delinquent at the same times and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general taxes on real property; provided, the legislative body of the District may provide for direct collection of the Special Taxes in certain circumstances.

The fees and expenses of the Independent Financial Consultant retained by the District to assist in computing the levy of the Special Taxes hereunder and any reconciliation of amounts levied to amounts received, as well as the costs and expenses of the District (including a charge for District staff time) in conducting its duties hereunder, shall be an Administrative Expense hereunder.

(c) Commence Foreclosure Proceedings. Pursuant to Section 53356.1 of the Act, the District hereby covenants with and for the benefit of the Bondowners that it will order, and cause to be commenced, on or before October 1 of the Fiscal Year immediately following the Fiscal Year in which a delinquency in the payment of a Special Tax occurs, 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, provided that the District need not commence or pursue such proceedings with respect to any property owned by a single property owner who is delinquent in the payment of Special Taxes in an amount less than \$5,000 if both (i) the aggregate amount of such delinquent Special Taxes does not exceed 5% of the total Special Taxes due and payable for the Fiscal Year in question and (ii) the balance on deposit in the Reserve Account of the Special Tax Fund is not less than the Reserve Requirement.

Special Taxes collected as a result of a foreclosure proceeding shall be deposited in the Special Tax Fund and only inure to the benefit of the Bonds in the manner provided in Section 3.2.

(d) Payment of Claims. The District will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the Net Special Taxes or other funds in the Special Tax Fund or which might impair the security of the Bonds or any Parity Bonds then Outstanding; provided that nothing herein contained shall require the District to make any such payments so long as the District in good faith shall contest the validity of any such claims.

(e) Books and Accounts. The District will keep proper books of records and accounts, separate from all other records and accounts of the District, in which complete and correct entries shall be made of all transactions relating to the Project, the levy of the Special Tax and the deposits to the Special Tax Fund. Such books of records and accounts shall at all times during business hours be subject to the inspection by the Owners of not less than 10% of the principal amount of the Bonds then Outstanding or the Owners of not less than 10% of the principal amount of any issue of Parity Bonds then Outstanding or their representatives authorized in writing.

(f) Federal Tax Covenants. Notwithstanding any other provision of this Indenture, 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:

(1) Private Activity. The District will take no action or refrain from taking any action or make any use of the proceeds of the Bonds or any Parity 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;

(2) Arbitrage. The District will make no use of the proceeds of the Bonds or any Parity 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 or any Parity Bonds issued on a tax-exempt basis for federal income tax purposes to be “arbitrage bonds” within the meaning of Section 148 of the Code;

(3) Federal Guaranty. The District will make no use of the proceeds of the Bonds or any Parity Bonds issued on a tax-exempt basis for federal income tax purposes to be “federally guaranteed” within the meaning of Section 149(b) of the Code;

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

(5) Hedge Bonds. The District will make no use of the proceeds of the Bonds or 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 District 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;

(6) Miscellaneous. The District 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

(7) Other Tax Exempt Issues. The District will not use proceeds of other tax exempt securities to redeem any Bonds or Parity 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.

(g) Reduction of Maximum Special Taxes. The District hereby finds and determines that, historically, delinquencies in the payment of special taxes authorized pursuant to the Act in community facilities districts in Southern California have from time to time been at

levels requiring the levy of special taxes at the maximum authorized rates in order to make timely payment of principal of and interest on the outstanding indebtedness of such community facilities districts. For this reason, the District hereby determines that a reduction in the maximum Special Tax rates authorized to be levied on Parcels in Improvement Area C below the levels provided in this Section would interfere with the timely retirement of the Bonds and Parity Bonds. The District determines it to be necessary in order to preserve the security for the Bonds and Parity Bonds to covenant, and, to the maximum extent that the law permits it to do so, the District hereby does covenant, that it shall not initiate proceedings to reduce the maximum Special Tax rates for Improvement Area C, unless, in connection therewith, (i) the District receives a certification from one or more Independent Financial Consultants which, when taken together, concludes that, on the basis of the Parcels of land and improvements existing in Improvement Area C as of the July 1 preceding the reduction, the maximum amount of the Special Tax which may be levied on then existing Developed Property in each Bond Year for any Bonds and Parity Bonds Outstanding will equal at least 110% of the sum of the estimated Administrative Expenses and gross debt service in each Bond Year on all Bonds and Parity Bonds to remain Outstanding after the reduction is approved, (ii) the District finds that any reduction made under such conditions will not adversely affect the interests of the Owners of the Bonds or Parity Bonds, and (iii) the District is not delinquent in the payment of the principal of or interest on the Bonds or any Parity Bonds. For purposes of estimating Administrative Expenses for the foregoing calculation, the Independent Financial Consultants shall compute the Administrative Expenses for the current Fiscal Year and escalate that amount by two percent (2%) in each subsequent Fiscal Year. Notwithstanding the foregoing, under no circumstances shall maximum Special Taxes rates for the District be reduced until the District has determined that all Parity Bonds which the District intends to issue have been issued.

The District further covenants that in the event an ordinance is adopted by initiative pursuant to Section 3 of Article XIII C of the California Constitution, which purports to reduce or otherwise alter the maximum Special Tax rates, it will commence and pursue legal action seeking to preserve its ability to comply with its covenant contained in the preceding paragraph.

(h) Covenants to Defend. The District covenants that, in the event that any initiative is adopted by the qualified electors in Improvement Area C which purports to reduce the minimum or the maximum Special Tax below the levels specified in Section 5.2(g) above or to limit the power of the District to levy the Special Taxes for the purposes set forth in Section 5.2(b) above, it will commence and pursue legal action in order to preserve its ability to comply with such covenants.

(i) Limitation on Right to Tender Bonds. The District hereby covenants that it will not adopt any policy pursuant to Section 53341.1 of the Act permitting the tender of Bonds or Parity Bonds in full payment or partial payment of any Special Taxes unless the District shall have first received a certificate from an Independent Financial Consultant that the acceptance of such a tender will not result in the District having insufficient Special Tax revenues to pay the principal of and interest on the Bonds and Parity Bonds when due.

(j) Continuing Disclosure. The District hereby covenants and agrees that it will comply with and carry out all of its obligations under the Continuing Disclosure Certificate and with the terms of any agreement executed by the District with respect to any Parity Bonds to assist the Underwriter in complying with Rule 15(c)2-12 adopted by the Securities and Exchange Commission. Notwithstanding any other provision of this Indenture, failure of the District to comply with its obligations under the Continuing Disclosure Certificate shall not be considered an event of default hereunder, and the sole remedy, in the event of any failure of the District to comply with the Continuing Disclosure Certificate shall be an action to compel performance. Upon receipt of indemnification to its satisfaction, the Fiscal Agent shall at the request of any Participating Underwriter (as defined in the Continuing Disclosure Certificate) or any Bondowner or Beneficial Owner take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Section. For purposes of this Section, “Beneficial Owner” means any Person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds or Parity Bonds (including persons holding Bonds or Parity Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds or Parity Bonds for federal income tax purposes.

(k) Further Assurances. The District shall make, execute and deliver any and all such further agreements, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture and for the better assuring and confirming unto the Owners of the Bonds and any Parity Bonds of the rights and benefits provided herein.

(l) Opinions. In the event that an opinion is rendered by Bond Counsel as provided herein from a firm other than the firm which rendered the Bond Counsel opinion at closing, such subsequent opinion by Bond Counsel shall also include the conclusions set forth in the original Bond Counsel opinion relating to the exclusion of interest on the Bonds from gross income for federal income tax purposes.

ARTICLE VI

AMENDMENTS TO INDENTURE

Section 6.1. Supplemental Indentures or Orders Not Requiring Bondowner Consent. The District may from time to time, and at any time, without notice to or consent of any of the Bondowners, adopt Supplemental Indentures for any of the following purposes:

(a) to cure any ambiguity, to correct or supplement any provisions herein which may be inconsistent with any other provision herein, or to make any other provision with respect to matters or questions arising under this Indenture or in any Supplemental Indenture or order, provided that such action is not materially adverse to the interests of the Bondowners;

(b) to add to the covenants and agreements of and the limitations and the restrictions upon the District contained in this Indenture, other covenants, agreements, limitations and restrictions to be observed by the District which are not contrary to or inconsistent with this Indenture as theretofore in effect or which further secure Bond or Parity Bond payments;

(c) to provide for the issuance of any Parity Bonds, and to provide the terms and conditions under which such Parity Bonds may be issued, subject to and in accordance with the provisions of this Indenture;

(d) to modify, amend or supplement this Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, or to comply with the Code or regulations issued thereunder, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially adversely affect the interests of the Owners of the Bonds or any Parity Bonds then Outstanding;

(e) to modify, alter or amend the Rate and Method of Apportionment in any manner so long as such changes do not reduce the maximum Special Taxes that may be levied in each year to an amount which is less than 110% of the principal and interest due in each corresponding future Bond Year with respect to the Bonds and any Parity Bonds Outstanding as of the date of such amendment; or

(f) to modify, alter, amend or supplement this Indenture in any other respect which is not materially adverse to the Bondowners.

Notwithstanding the foregoing, no Supplemental Indenture may modify any of the duties or responsibilities of the Fiscal Agent without the written consent of the Fiscal Agent.

Section 6.2. Supplemental Indentures or Orders Requiring Bondowner Consent. Exclusive of the Supplemental Indentures described in Section 6.1, the Owners of not less than a majority in aggregate principal amount of the Bonds and Parity Bonds Outstanding shall have the right to consent to and approve the adoption by the District of such Supplemental Indentures as shall be deemed necessary or desirable by the District for the purpose of waiving, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Indenture; provided, however, that nothing herein shall permit, or be construed as permitting, (a) an extension of the maturity date of the principal, or the payment date of interest on, any Bond or Parity Bond, (b) a reduction in the principal amount of, or redemption premium on, any Bond or Parity Bond or the rate of interest thereon, (c) a preference or priority of any Bond or Parity Bond over any other Bond or Parity Bond, or (d) a reduction in the aggregate principal amount of the Bonds and Parity Bonds the Owners of which are required to consent to such Supplemental Indenture, without the consent of the Owners of all Bonds and Parity Bonds then Outstanding.

If at any time the District shall desire to adopt a Supplemental Indenture, which pursuant to the terms of this Section shall require the consent of the Bondowners, the District shall so notify the Fiscal Agent and shall deliver to the Fiscal Agent a copy of the proposed Supplemental Indenture. The Fiscal Agent shall, at the expense of the District, cause notice of the proposed Supplemental Indenture to be mailed, by first class mail, postage prepaid, to all Bondowners at their addresses as they appear in the Bond Register. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that a copy thereof is on file at the office of the Fiscal Agent for inspection by all Bondowners. The failure of any Bondowners to receive such notice shall not affect the validity of such Supplemental Indenture when consented to and approved by the Owners of not less than a majority in aggregate principal amount of the Bonds and Parity Bonds Outstanding if and as required by this Section. Whenever at any time within one year after the date of the first mailing of such notice, the Fiscal Agent shall receive an instrument or instruments purporting to be executed by the Owners of not less than a majority in aggregate principal amount of the Bonds and Parity Bonds Outstanding, which instrument or instruments shall refer to the proposed Supplemental Indenture described in such notice, and shall specifically consent to and approve the adoption thereof by the District substantially in the form of the copy referred to in such notice as on file with the Fiscal Agent, such proposed Supplemental Indenture, when duly adopted by the District, shall thereafter become a part of the proceedings for the issuance of the Bonds and any Parity Bonds. In determining whether the Owners of a majority of the aggregate principal amount of the Bonds and Parity Bonds have consented to the adoption of any Supplemental Indenture, Bonds or Parity Bonds which are owned by the District or by any Person directly or indirectly controlling or controlled by or under the direct or indirect common control with the District, shall be disregarded and shall be treated as though they were not Outstanding for the purpose of any such determination.

Upon the adoption of any Supplemental Indenture and the receipt of consent to any such Supplemental Indenture from the Owners of not less than a majority in aggregate principal amount of the Outstanding Bonds and Parity Bonds in instances where such consent is required pursuant to the provisions of this section, this Indenture shall be, and shall be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the District and all Owners of Outstanding Bonds and Parity Bonds shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such modifications and amendments.

Section 6.3. Notation of Bonds or Parity Bonds; Delivery of Amended Bonds or Parity Bonds. After the effective date of any action taken as hereinabove provided, the District may determine that the Bonds or Parity Bonds may bear a notation, by endorsement in form approved by the District, as to such action; and in that case, upon demand of the Owner of any Outstanding Bond or Parity Bond at such effective date and presentation of his Bond or Parity Bond for the purpose at the Principal Office of the Fiscal Agent or at such additional offices as the Fiscal Agent may select and designate for that purpose, a suitable notation as to such action shall be made on such Bonds or Parity Bonds. If the District shall so determine, new Bonds or Parity Bonds so modified as, in the opinion of the District, shall be necessary to conform to such

action shall be prepared and executed, and in that case upon demand of the Owner of any Outstanding Bond or Parity Bond at such effective date such new Bonds or Parity Bonds shall be exchanged at the Principal Office of the Fiscal Agent or at such additional offices as the Fiscal Agent may select and designate for that purpose, without cost to each Owner of Outstanding Bonds or Parity Bonds, upon surrender of such Outstanding Bonds or Parity Bonds.

ARTICLE VII

FISCAL AGENT

Section 7.1. Fiscal Agent. U.S. Bank National Association, having a corporate trust office in Los Angeles, California, is hereby appointed Fiscal Agent for the District for the purpose of receiving all money which the District is required to deposit with the Fiscal Agent hereunder and to allocate, use and apply the same as provided in this Indenture. In the event that the District fails to deposit with the Fiscal Agent any amount due hereunder when due, the Fiscal Agent shall provide telephonic notice to the District and shall confirm the amount of such shortfall in writing.

The Fiscal Agent is hereby authorized to and shall mail by first class mail, postage prepaid, interest payments to the Bondowners, to select Bonds and Parity Bonds for redemption, and to maintain the Bond Register. The Fiscal Agent is hereby authorized to pay the principal of and premium, if any, on the Bonds and Parity Bonds when the same are duly presented to it for payment at maturity or on call and redemption, to provide for the registration of transfer and exchange of Bonds and Parity Bonds presented to it for such purposes, to provide for the cancellation of Bonds and Parity Bonds all as provided in this Indenture, and to provide for the authentication of Bonds and Parity Bonds, and shall perform all other duties assigned to or imposed on it as provided in this Indenture. The Fiscal Agent shall keep accurate records of all funds administered by it and all Bonds and Parity Bonds paid, discharged and cancelled by it. The Fiscal Agent shall deliver to the District a monthly accounting of the funds and accounts it holds under this Indenture; provided, however, that the Fiscal Agent shall not be obligated to deliver such accounting for any fund or account that has a balance of zero. The Fiscal Agent may establish such funds and accounts as it deems necessary or appropriate to perform its obligations hereunder.

The Fiscal Agent is hereby authorized to redeem the Bonds and Parity Bonds when duly presented for payment at maturity, or on redemption prior to maturity. The Fiscal Agent shall cancel all Bonds and Parity Bonds upon payment thereof in accordance with the provisions of Section 10.1 hereof.

The District shall from time to time, subject to any agreement between the District and the Fiscal Agent then in force, pay to the Fiscal Agent compensation for its services, reimburse the Fiscal Agent for all its advances and expenditures, including, but not limited to, advances to and fees and expenses of independent accountants or counsel employed by it in the exercise and performance of its powers and duties hereunder, and indemnify and save the Fiscal Agent, its officers, directors, employees and agents, harmless against costs, claims, expenses and

liabilities not arising from its own negligence or willful misconduct which it may incur in the exercise and performance of its powers and duties hereunder. The obligations of the District under this Section shall survive the discharge of the Bonds and Parity Bonds and the resignation or removal of the Fiscal Agent.

Section 7.2. Removal of Fiscal Agent. The District may at any time at its sole discretion remove the Fiscal Agent initially appointed, and any successor thereto, by delivering to the Fiscal Agent a written notice of its decision to remove the Fiscal Agent and may appoint a successor or successors thereto; provided that any such successor shall be a bank or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least fifty million dollars (\$50,000,000), and subject to supervision or examination by federal or state authority. Any removal shall become effective only upon acceptance of appointment by the successor Fiscal Agent. If any bank or trust company appointed as a successor 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 the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

Section 7.3. Resignation of Fiscal Agent. The Fiscal Agent may at any time resign by giving written notice to the District and by giving to the Owners notice of such resignation, which notice shall be mailed to the Owners at their addresses appearing in the Bond Register. Upon receiving such notice of resignation, the District shall promptly appoint a successor Fiscal Agent by an instrument in writing. Any resignation or removal of the Fiscal Agent and appointment of a successor Fiscal Agent shall become effective only upon acceptance of appointment by the successor Fiscal Agent.

If no appointment of a successor Fiscal Agent shall be made pursuant to the foregoing provisions of this Section 7.3 or Section 7.2 within forty-five (45) days after the Fiscal Agent shall have received written notice from the District of its removal as Fiscal Agent or given to the District written notice of its resignation as Fiscal Agent, the Fiscal Agent, at the expense of the District, 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.

Section 7.4. Liability of Fiscal Agent. The recitals of fact and all promises, covenants and agreements contained herein and in the Bonds and any Parity Bonds shall be taken as statements, promises, covenants and agreements of the District, and the Fiscal Agent assumes no responsibility for the correctness of the same and makes no representations as to the validity or sufficiency of this Indenture, the Bonds, or any Parity Bonds and shall incur no responsibility in respect thereof, other than in connection with its duties or obligations specifically set forth herein, in the Bonds and any Parity Bonds, or in the certificate of authentication assigned to or imposed upon the Fiscal Agent. The Fiscal Agent shall be under no responsibility or duty with respect to the issuance of the Bonds or any Parity Bonds for

value. The Fiscal Agent shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct.

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

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

Whenever in the administration of its duties under this Indenture 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 bad faith on the part of the Fiscal Agent, be deemed to be conclusively proved and established by a written certificate of the District, and such certificate shall be full warrant to the Fiscal Agent for any action taken or suffered under the provisions of this Indenture 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.

The Fiscal Agent shall have no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds or Parity Bonds.

No provision of this Indenture or any other document related hereto shall require the Fiscal Agent to risk or advance its own funds or otherwise incur any financial liability in the performance of its duties or the exercise of its rights hereunder.

The immunities extended to the Fiscal Agent also extend to its directors, officers, employees and agents.

Section 7.5. Interested Transactions. The Fiscal Agent and its officers and employees may acquire and hold Bonds with the same effect as if it were not Fiscal Agent. The Fiscal Agent, either as principal or agent, may engage in or be interested in any financial or other transaction with the District.

Section 7.6. Agents. The Fiscal Agent may execute any of its trusts or powers or perform its duties through attorneys, agents or receivers and the Fiscal Agent shall not be answerable for the default or misconduct of any such attorney, agent or receiver selected by it with reasonable care.

ARTICLE VIII

EVENTS OF DEFAULT; REMEDIES

Section 8.1. Events of Default. Any one or more of the following events shall constitute an “event of default”:

(a) Default in the due and punctual payment of the principal of or redemption premium, if any, on any Bond or Parity Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;

(b) Default in the due and punctual payment of the interest on any Bond or Parity Bond when and as the same shall become due and payable; or

(c) Except as described in (a) or (b), default shall be made by the District in the observance of any of the agreements, conditions or covenants on its part contained in this Indenture, any Supplemental Indenture or the Bonds or any Parity Bonds, and such default shall have continued for a period of 30 days after the District shall have been given notice in writing of such default by the Fiscal Agent or the Owners of 25% in aggregate principal amount of the Outstanding Bonds and Parity Bonds.

Section 8.2. Remedies of Owners. Following the occurrence of an event of default, any Owner shall have the right for the equal benefit and protection of all Owners similarly situated:

(a) By mandamus or other suit or proceeding at law or in equity to enforce his rights against the District and any of the members, officers and employees of the District, and to compel the District or any such members, officers or employees to perform and carry out their duties under the Act and their agreements with the Owners as provided in this Indenture;

(b) By suit in equity to enjoin any actions or things which are unlawful or violate the rights of the Owners; or

(c) By a suit in equity to require the District and its members, officers and employees to account as the trustee of an express trust.

Nothing in this Article or in any other provision of this Indenture, in the Bonds or in any Parity Bonds shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the interest on and principal of the Bonds and any Parity Bonds to the respective Owners thereof at the respective dates of maturity, as herein provided, out of the Net Special Taxes pledged for such payment, or affect or impair the right of action, which is also absolute and unconditional, of such Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds, any Parity Bonds and in this Indenture. The principal of the Bonds and any Parity Bonds shall not be subject to acceleration hereunder.

A waiver of any default or breach of duty or contract by any Owner shall not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission by any Owner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy conferred upon the Owners by the Act or by this Article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners.

If any suit, action or proceeding to enforce any right or exercise any remedy is abandoned or determined adversely to the Owners, the District and the Owners shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

No remedy herein conferred upon or reserved to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

In case the moneys held by the Fiscal Agent after an event of default pursuant to Section 8.1(a) or (b) shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds and Parity Bonds, then all available amounts shall be applied in accordance with Section 8.3.

Section 8.3. Application of Revenues and Other Funds After Default. All amounts received by the District pursuant to any right given or action taken by the Owners under the provisions of this Indenture relating to the Bonds and Parity Bonds shall be applied by the District in the following order upon presentation of the Bonds and Parity Bonds:

First, to the payment of the fees, costs and expenses of the Owner in carrying out the provisions of this Article VIII, including reasonable compensation to its agents, attorneys and counsel, and to the payment of all other outstanding fees and expenses of the Owner; and

Second, to the payment of the whole amount of interest on and principal of the Bonds and Parity Bonds then due and unpaid, with interest on overdue installments of principal and interest to the extent permitted by law at the net effective rate of interest then borne by the Outstanding Bonds and Parity Bonds; provided, however, that in the event such amounts shall be insufficient to pay in full the full amount of such interest and principal, then such amounts shall be applied in the following order of priority:

(a) first to the payment of all installments of interest on the Bonds and Parity Bonds then due and unpaid on a pro rata basis based on the total amount then due and owing,

(b) second, to the payment of all installments of principal, including Sinking Fund Payments, of the Bonds and Parity Bonds then due and unpaid on a pro rata basis based on the total amount then due and owing, and

(c) third, to the payment of interest on overdue installments of principal and interest on the Bonds and Parity Bonds on a pro rata basis based on the total amount then due and owing.

Section 8.4. Non-Waiver. Nothing in this Article VIII or in any other provision of this Indenture, the Bonds or the Parity Bonds, shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the interest on and principal of the Bonds and Parity Bonds to the respective Owners of the Bonds and Parity Bonds at the respective dates of maturity, as herein provided, out of the Net Special Taxes and other moneys herein pledged for such payment.

A waiver of any default or breach of duty or contract by any Owners shall not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission of any Owner of any of the Bonds or Parity Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy conferred upon the Owners by the Act or by this Article VIII may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners, as the case may be.

ARTICLE IX

DEFEASANCE

Section 9.1. Defeasance. If the District shall pay or cause to be paid, or there shall otherwise be paid, to the Owner of an Outstanding Bond or Parity Bond the interest due thereon and the principal thereof, at the times and in the manner stipulated in this Indenture, then the Owner of such Bond or Parity Bond shall cease to be entitled to the pledge of Net Special Taxes, and, other than as set forth below, all covenants, agreements and other obligations of the District to the Owner of such Bond or Parity Bond under this Indenture shall thereupon cease, terminate and become void and be discharged and satisfied. In the event of a defeasance of all Outstanding Bonds and Parity Bonds pursuant to this Section, the Fiscal Agent shall execute and deliver to the District all such instruments as may be desirable to evidence such discharge and satisfaction, and the Fiscal Agent shall, after payment of amounts payable to the Fiscal Agent hereunder, pay over or deliver to the District's general fund all money or securities held by it pursuant to this Indenture which are not required for the payment of the interest due on and the principal of such Bonds and Parity Bonds.

Any Outstanding Bond or Parity Bond shall be deemed to have been paid within the meaning expressed in the first paragraph of this section if such Bond or Parity Bond is paid in any one or more of the following ways:

(a) by paying or causing to be paid the principal of, premium, if any, and interest on such Bond or Parity Bond, as and when the same become due and payable;

(b) by depositing with the Fiscal Agent, in trust, at or before maturity, money which, together with the amounts then on deposit in the Special Tax Fund is fully sufficient to pay the principal of, premium, if any, and interest on such Bond or Parity Bond, as and when the same shall become due and payable; or

(c) by depositing with the Fiscal Agent, or another escrow bank appointed by the District, in trust, direct, non-callable, non-prepayable Federal Securities, of the type defined in the definition thereof set forth in Section 1.1 hereof, in which the District may lawfully invest its money, in such amount as an Independent Financial Consultant shall determine will be sufficient, together with the interest to accrue thereon and moneys then on deposit in the Special Tax Fund, together with the interest to accrue thereon, to pay and discharge the principal of, premium, if any, and interest on such Bond or Parity Bond, as and when the same shall become due and payable;

then, at the election of the District, and notwithstanding that any Outstanding Bonds and Parity Bonds shall not have been surrendered for payment, all obligations of the District under this Indenture with respect to such Bond or Parity Bond shall cease and terminate, except for the obligation of the Fiscal Agent to pay or cause to be paid to the Owners of any such Bond or Parity Bond not so surrendered and paid, all sums due thereon and except for the covenants of the District contained in Section 5.2(f) relating to compliance with the Code. Notice of such election shall be filed with the Fiscal Agent not less than thirty (30) days prior to the proposed defeasance date. In connection with a defeasance under (b) or (c) above, there shall be provided to the Fiscal Agent a certificate of a certified public accountant stating its opinion as to the sufficiency of the moneys or securities deposited with the Fiscal Agent or the escrow bank to pay and discharge the principal of and interest on all Outstanding Bonds or Parity Bonds to be defeased in accordance with this Section, as and when the same shall become due and payable, and an opinion of Bond Counsel (which may rely upon the opinion of the certified public accountant) to the effect that the Bonds being defeased have been legally defeased in accordance with this Indenture and any applicable Supplemental Indenture. Upon a defeasance, the Fiscal Agent, upon request of the District, shall release the rights of the Owners of such Bonds and Parity Bonds which have been defeased under this Indenture and execute and deliver to the District all such instruments as may be desirable to evidence such release, discharge and satisfaction. The Fiscal Agent shall, at the written direction of the District, mail, first class, postage prepaid, a notice to the Bondowners whose Bonds or Parity Bonds have been defeased, in the form directed by the District, stating that the defeasance has occurred.

ARTICLE X

MISCELLANEOUS

Section 10.1. Cancellation of Bonds and Parity Bonds. All Bonds and Parity Bonds surrendered to the Fiscal Agent for payment upon maturity or for redemption shall be upon payment therefor, and any Bond and Parity Bond purchased by the District as authorized herein and delivered to the Fiscal Agent for such purpose shall be, cancelled forthwith and shall not be reissued. The Fiscal Agent shall destroy such Bonds and Parity Bonds, as provided by law, and, upon request of the District, furnish to the District a certificate of such destruction.

Section 10.2. Execution of Documents and Proof of Ownership. Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by this Indenture to be signed or executed by Bondowners may be in any number of concurrent instruments of similar tenor and may be signed or executed by such Owners in person or by their attorneys appointed by an instrument in writing for that purpose, or by the bank, trust company or other depository for such Bonds or Parity Bonds. Proof of the execution of any such instrument, or of any instrument appointing any such attorney, and of the ownership of Bonds or Parity Bonds shall be sufficient for the purposes of this Indenture (except as otherwise herein provided), if made in the following manner:

(a) The fact and date of the execution by any Owner or his or her attorney of any such instrument and of any instrument appointing any such attorney, may be proved by a signature guarantee of any bank or trust company located within the United States of America. Where any such instrument is executed by an officer of a corporation or association on behalf of such corporation or association or by a member of a partnership on behalf of such partnership, such signature guarantee shall also constitute sufficient proof of his authority.

(b) As to any Bond or Parity Bond, the Person in whose name the same shall be registered in the Bond Register shall be deemed and regarded as the absolute Owner thereof for all purposes, and payment of or on account of the principal of any such Bond or Parity Bond, and the interest thereon, shall be made only to or upon the order of the registered Owner thereof or his or her legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond or Parity Bond and the interest thereon to the extent of the sum or sums to be paid. Neither the District nor the Fiscal Agent shall be affected by any notice to the contrary.

Nothing contained in this Indenture shall be construed as limiting the Fiscal Agent or the District to such proof, it being intended that the Fiscal Agent or the District may accept any other evidence of the matters herein stated which the Fiscal Agent or the District may deem sufficient. Any request or consent of the Owner of any Bond or Parity Bond shall bind every future Owner of the same Bond or Parity Bond in respect of anything done or suffered to be done by the Fiscal Agent or the District in pursuance of such request or consent.

Section 10.3. Unclaimed Moneys. Anything in this Indenture to the contrary notwithstanding, any money held by the Fiscal Agent or the District in trust for the payment and discharge of any of the Outstanding Bonds and Parity Bonds which remain unclaimed for two years after the date when such Outstanding Bonds or Parity Bonds have become due and payable, if such money was held by the Fiscal Agent or the District at such date, or for two years after the date of deposit of such money if deposited with the Fiscal Agent or the District after the date when such Outstanding Bonds or Parity Bonds become due and payable, shall be repaid by the Fiscal Agent to the District or retained by the District, as its absolute property and free from trust, and the Fiscal Agent or the District shall thereupon be released and discharged with respect thereto and the Owners shall look only to the District for the payment of such Outstanding Bonds or Parity Bonds; provided, however, that, before being required to make any such payment to the District, the Fiscal Agent shall, upon the written request and at the expense of the District, cause to be mailed by first-class mail, postage prepaid, to the registered Owners of such Outstanding Bonds or Parity Bonds at their addresses as they appear in the Bond Register a notice that said money remains unclaimed and that, after a date named in said notice, which date shall not be less than 30 days after the date of the mailing of such notice, the balance of such money then unclaimed will be returned to the District.

Section 10.4. Provisions Constitute Contract. The provisions of this Indenture shall constitute a contract between the District and the Bondowners and the provisions hereof shall be construed in accordance with the laws of the State of California.

In case any suit, action or proceeding to enforce any right or exercise any remedy shall be brought or taken and, should said suit, action or proceeding be abandoned, or be determined adversely to the Bondowners or the Fiscal Agent, then the District, the Fiscal Agent and the Bondowners shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

After the issuance and delivery of the Bonds this Indenture shall be irrevocable, but shall be subject to modifications to the extent and in the manner provided in this Indenture, but to no greater extent and in no other manner.

Section 10.5. Future Contracts. Nothing herein contained shall be deemed to restrict or prohibit the District from making contracts or creating bonded or other indebtedness payable from a pledge of the Net Special Taxes which is subordinate to the pledge hereunder, or which is payable from the general fund of the District or from taxes or any source other than the Net Special Taxes and other amounts pledged hereunder.

Section 10.6. Further Assurances. The District will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture, and for the better assuring and confirming unto the Owners of the Bonds or Parity Bonds the rights and benefits provided in this Indenture.

Section 10.7. Severability. If any covenant, agreement or provision, or any portion thereof, contained in this Indenture, or the application thereof to any person or circumstance, is held to be unconstitutional, invalid or unenforceable, the remainder of this Indenture and the application of any such covenant, agreement or provision, or portion thereof, to other persons or circumstances, shall be deemed severable and shall not be affected thereby, and this Indenture and the Bonds and any Parity Bonds issued pursuant hereto shall remain valid and the Bondowners shall retain all valid rights and benefits accorded to them under the laws of the State of California.

Section 10.8. Notices. Any notices required to be given to the District with respect to the Bonds or this Indenture shall be emailed to specialfunding@emwd.org, or personally delivered to the Chief Financial Officer of Eastern Municipal Water District, 2270 Trumble Road, Perris, California 92570, and all notices to the Fiscal Agent in its capacity as Fiscal Agent shall be mailed, first class, postage prepaid, or personally delivered to the Fiscal Agent, U.S. Bank National Association, 633 West Fifth Street, 24th Floor, Los Angeles, California 90071 Attention: Global Corporate Trust.

IN WITNESS WHEREOF, the District and the Fiscal Agent have executed this Indenture, effective the date first written above.

COMMUNITY FACILITIES DISTRICT NO. 2016-74
(MENIFEE TOWN CENTER) OF EASTERN MUNICIPAL
WATER DISTRICT

By: _____
Its: President of the Board of Directors of Eastern
Municipal Water District, acting as the
legislative body of Community Facilities
District No. 2016-74 (Meniffee Town Center) of
Eastern Municipal Water District

ATTEST:

Secretary of the Board of Directors of
Eastern Municipal Water District, acting as
the legislative body of Community Facilities
District No. 2016-74 (Meniffee Town Center)
of Eastern Municipal Water District

[SEAL]

The terms of this Indenture relating to the Fiscal Agent are accepted by U.S. Bank National Association, as Fiscal Agent.

U.S. BANK NATIONAL ASSOCIATION, as Fiscal Agent

By: _____
Its: Authorized Officer

EXHIBIT A

FORM OF IMPROVEMENT AREA C 2020 SPECIAL TAX BOND

R-__

\$_____

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AS DEFINED IN THE INDENTURE IDENTIFIED HEREIN) TO THE FISCAL AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

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

**COMMUNITY FACILITIES DISTRICT NO. 2016-74 (MENIFEE TOWN CENTER)
OF EASTERN MUNICIPAL WATER DISTRICT
IMPROVEMENT AREA C 2020 SPECIAL TAX BOND**

INTEREST RATE: _____% **MATURITY DATE:** September 1, 20__ **DATED DATE:** _____, 2020 **CUSIP:** 27627M__

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____
AND NO/100 DOLLARS

COMMUNITY FACILITIES DISTRICT NO. 2016-74 (MENIFEE TOWN CENTER) OF EASTERN MUNICIPAL WATER DISTRICT (the "District"), situated in the County of Riverside, State of California, FOR VALUE RECEIVED, hereby promises to pay, solely from certain amounts held under the Indenture (as hereinafter defined), to the Registered Owner named above, or registered assigns, on the Maturity Date set forth above, unless redeemed prior thereto as hereinafter provided, the Principal Amount set forth above, and to pay interest on such Principal Amount from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication hereof, unless (i) the date of authentication is an Interest Payment Date

in which event interest shall be payable from such date of authentication, (ii) the date of authentication is after a Record Date (as hereinafter defined) but prior to the immediately succeeding Interest Payment Date, in which event interest shall be payable from the Interest Payment Date immediately succeeding the date of authentication, or (iii) the date of authentication is prior to the close of business on the first Record Date in which event interest shall be payable from the Dated Date set forth above. Notwithstanding the foregoing, if at the time of authentication of this Bond interest is in default, interest on this Bond shall be payable from the last Interest Payment Date to which the interest has been paid or made available for payment or, if no interest has been paid or made available for payment, interest on this Bond shall be payable from the Dated Date set forth above. Interest will be paid semiannually on March 1 and September 1 (each an "Interest Payment Date"), commencing September 1, 2020, at the Interest Rate set forth above, until the Principal Amount hereof is paid or made available for payment.

The principal of and premium, if any, on this Bond are 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 of the Fiscal Agent (as such term is defined in the Indenture), initially U.S. Bank National Association, (the "Fiscal Agent"). Interest on this Bond shall be paid by check of the Fiscal Agent mailed, by first class mail, postage prepaid, or in certain circumstances described in the Indenture by wire transfer to an account within the United States of America, to the Registered Owner hereof as of the close of business on the fifteenth day of the month preceding the month in which the Interest Payment Date occurs (the "Record Date") at such Registered Owner's address as it appears on the registration books maintained by the Fiscal Agent.

This Bond is one of a duly authorized issue of "Community Facilities District No. 2016-74 (Menifee Town Center) of Eastern Municipal Water District Improvement Area C 2020 Special Tax Bonds" (the "Bonds") issued in the aggregate principal amount of \$ _____ pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, being Sections 53311, et seq., of the California Government Code (the "Act") for the purpose of (i) financing certain public facilities, (ii) funding a reserve account, and (iii) paying certain costs related to the issuance of the Bonds. The issuance of the Bonds and the terms and conditions thereof are provided for by a resolution adopted by the Board of Directors of Eastern Municipal Water District, acting in its capacity as the legislative body of the District (the "Legislative Body") on April 15, 2020, Resolution No. 2020-____, and a Trust Indenture dated as of May 1, 2020 by and between the District and Fiscal Agent executed in connection therewith (the "Indenture"), and this reference incorporates the Indenture herein; and by acceptance hereof the Registered Owner of this Bond assents to said terms and conditions. The Resolution and the Indenture are adopted under and this Bond is issued under, and both are to be construed in accordance with, the laws of the State of California.

Pursuant to the Act and the Indenture, the principal of, premium, if any, and interest on this Bond are payable solely from the portion of the annual special taxes authorized under the Act to be levied and collected within Improvement Area C (the "Net Special Taxes") and certain

other amounts pledged to the repayment of the Bonds as set forth in the Indenture. Any amounts for the payment hereof shall be limited to the Net Special Taxes pledged and collected or foreclosure proceeds received following a default in payment of the Special Taxes and other amounts deposited to the Special Tax Fund established under the Indenture, except to the extent that other provision for payment has been made by the Legislative Body, as may be permitted by law. The District has covenanted for the benefit of the owners of the Bonds that under certain circumstances described in the Indenture it will commence and diligently pursue to completion appropriate foreclosure proceedings in the event of delinquencies of Special Tax installments levied for payment of principal and interest on the Bonds.

The Bonds may be redeemed prior to maturity, at the option of the District, from any source of funds other than Prepayments, [on any date] on and after September 1, 20__, in whole or in part (in such amounts and maturities as may be designated by the District, with the particular Bonds of such maturities to be selected by the Fiscal Agent by lot), at the following redemption prices expressed as a percentage of the principal amount to be redeemed, together with accrued interest to the date of redemption:

<i>Redemption Dates</i>	<i>Redemption Prices</i>
[September 1, 2027 through August 31, 2028	103%
September 1, 2028 through August 31, 2029	102
September 1, 2029 through August 31, 2030	101
September 1, 2030 and any date thereafter]	100

The Term Bonds maturing on September 1, 20__ shall be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Principal Account, on September 1, 20__, and on each September 1 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth in the Indenture. The Term Bonds so called for redemption shall be selected by the Fiscal Agent by lot and shall be redeemed at a redemption price for each redeemed Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium.

The Term Bonds maturing on September 1, 20__ shall be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Principal Account, on September 1, 20__, and on each September 1 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth in the Indenture. The Term Bonds so called for redemption shall be selected by the Fiscal Agent by lot and shall be redeemed at a redemption price for each redeemed Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium.

The Bonds are subject to redemption as a whole, or in part on a pro rata basis among maturities, on any Interest Payment Date prior to maturity from the proceeds of the prepayment of the Special Taxes deposited in the Redemption Account pursuant to the Indenture and amounts transferred from the Reserve Account in connection with such

prepayment. Such special mandatory redemption of the Bonds shall be at the following redemption prices (expressed as percentages of the principal amount of the Bonds to be redeemed), together with accrued interest thereon to the date of redemption:

<i>Redemption Dates</i>	<i>Redemption Prices</i>
September 1, 2020 through and including March 1, 2028	103%
September 1, 2028 and March 1, 2029	102
September 1, 2029 and March 1, 2030	101
September 1, 2030 and any Interest Payment Date thereafter	100

Notice of redemption with respect to the Bonds to be redeemed shall be mailed to the registered owners thereof not less than 30 nor more than 45 days prior to the redemption date by first class mail, postage prepaid, to the addresses set forth in the registration books. Neither a failure of the Registered Owner hereof to receive such notice nor any defect therein will affect the validity of the proceedings for redemption. All Bonds or portions thereof so called for redemption will cease to accrue interest on the specified redemption date; provided that funds for the redemption are on deposit with the Fiscal Agent on the redemption date. Thereafter, the registered owners of such Bonds shall have no rights except to receive payment of the redemption price upon the surrender of the Bonds.

This Bond shall be registered in the name of the Registered Owner hereof, as to both principal and interest, and the District and the Fiscal Agent may treat the Registered Owner hereof as the absolute owner for all purposes and shall not be affected by any notice to the contrary.

The Bonds are issuable only in fully registered form in the denomination of \$5,000 or any integral multiple thereof and may be exchanged for a like aggregate principal amount of Bonds of other authorized denominations of the same issue and maturity, all as more fully set forth in the Indenture. This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at the Principal Office of the Fiscal Agent, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, upon surrender and cancellation of this Bond. Upon such transfer, a new registered Bond of authorized denomination or denominations for the same aggregate principal amount of the same issue and maturity will be issued to the transferee in exchange therefor.

The Fiscal Agent shall not be required to register transfers or make exchanges of (i) any Bonds for a period of 15 days next preceding any selection of the Bonds to be redeemed, or (ii) any Bonds chosen for redemption.

The rights and obligations of the District and of the registered owners of the Bonds may be amended at any time, and in certain cases without notice to or the consent of the registered owners, to the extent and upon the terms provided in the Indenture.

THE BONDS DO NOT CONSTITUTE OBLIGATIONS OF EASTERN MUNICIPAL WATER DISTRICT OR OF THE DISTRICT FOR WHICH EASTERN MUNICIPAL WATER DISTRICT OR THE DISTRICT IS OBLIGATED TO LEVY OR PLEDGE, OR HAS LEVIED OR PLEDGED, GENERAL OR NET SPECIAL TAXES, OTHER THAN THE NET SPECIAL TAXES REFERENCED HEREIN. THE BONDS ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE FROM THE PORTION OF THE NET SPECIAL TAXES AND OTHER AMOUNTS PLEDGED UNDER THE INDENTURE BUT ARE NOT A DEBT OF EASTERN MUNICIPAL WATER DISTRICT, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OR RESTRICTION.

This Bond shall not become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been dated and signed by the Fiscal Agent.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by law to exist, happen and be performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other indebtedness of the District, does not exceed any debt limit prescribed by the laws or Constitution of the State of California.

IN WITNESS WHEREOF, Community Facilities District No. 2016-74 (Menifee Town Center) of Eastern Municipal Water District has caused this Bond to be dated as of _____, 2020, to be signed on behalf of the District by the President of the Board of Directors of Eastern Municipal Water District by his facsimile signature and attested by the facsimile signature of the Secretary of the Board of Directors hereon.

President of the Board of Directors of Eastern Municipal Water District, acting as the legislative body of Community Facilities District No. 2016-74 (Menifee Town Center) of Eastern Municipal Water District

ATTEST:

Secretary of the Board of Directors of Eastern Municipal Water District, acting as the legislative body of Community Facilities District No. 2016-74 (Menifee Town Center) of Eastern Municipal Water District

**[FORM OF FISCAL AGENT'S CERTIFICATE
OF AUTHENTICATION AND REGISTRATION]**

This is one of the Bonds described in the within-defined Indenture.

Dated: May __, 2020

U.S. BANK NATIONAL ASSOCIATION, as Fiscal Agent

By: _____
Its: Authorized Officer

[FORM OF LEGAL OPINION]

The following is a true copy of the opinion rendered by Stradling Yocca Carlson & Rauth, a Professional Corporation, in connection with the issuance of, and dated as of the date of the original delivery of, the Bonds. A signed copy is on file in my office.

Secretary of the Board of Directors of Eastern
Municipal Water District, acting in its capacity as
the legislative body of Community Facilities District
No. 2016-74 (Menifee Town Center) of Eastern
Municipal Water District

[FORM OF ASSIGNMENT]

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

whose tax identification number is _____,
the within-mentioned registered Bond and hereby irrevocably constitute(s) and appoint(s)

attorney to transfer the same on the books of the Fiscal Agent with full power of substitution in
the premises.

Dated: _____

Signature guaranteed:

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

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

EXHIBIT B
FORM OF
CERTIFICATE OF AN AUTHORIZED REPRESENTATIVE

COMMUNITY FACILITIES DISTRICT NO. 2016-74 (MENIFEE TOWN CENTER) OF
EASTERN MUNICIPAL WATER DISTRICT

AUTHORIZED REPRESENTATIVE'S CERTIFICATE NO. ____
REQUESTING DISBURSEMENT FROM THE [INSERT ACCOUNT NAME] FUND

The undersigned hereby states and certifies that

(i) He or she is the duly appointed, qualified and acting Chief Financial Officer of Eastern Municipal Water District (the "District"), a municipal water district duly organized and existing in accordance with the Municipal Water District Law, Division 20 of the Water Code of the State of California, as amended, and, as such, is familiar with the facts herein certified and is authorized to certify the same.

(ii) Pursuant to Section ____ of the Trust Indenture dated as of May 1, 2020 (the "Indenture"), by and between the District and U.S. Bank National Association, as fiscal agent (the "Fiscal Agent"), the undersigned hereby requests the Fiscal Agent to [disburse][transfer] from the [insert account name] established under the Indenture to [the [insert account name] established under the Indenture] [each payee designated on Exhibit A attached hereto and by this reference incorporated herein, the amount opposite such payee for payment of a Project (as defined in the Indenture) cost or to reimburse expenditures of the District, the [insert name] or any other party for Project costs previously paid (as defined in the Indenture), and as described on attached Exhibit A]; and

(iii) that the disbursements described on the attached Exhibit A are properly chargeable to the [insert account name] and have not been the basis of any previous disbursement pursuant to Section ____ of the Indenture.

EASTERN MUNICIPAL WATER DISTRICT

Reviewed by: _____

Date: _____

Date: _____

By: _____

Charles Turner
Chief Financial Officer

EXHIBIT A

AUTHORIZED REPRESENTATIVE'S CERTIFICATE NO. ____
[insert account name]

Payee Name and Address	Purpose of Obligation	Amount