ITEM NO. 8

STAFF REPORT

CITY OF OCEANSIDE

DATE: January 22, 2014

TO: Honorable Mayor and City Councilmembers

FROM: City Treasurer's Office

SUBJECT: **ADOPTION OF RESOLUTIONS OF THE CITY ACTING AS THE LEGISLATIVE BODY OF COMMUNITY FACILITIES DISTRICT NO. 2001-1 AND ITS IMPROVEMENT AREA NO. 1 (MORRO HILLS DEVELOPMENT) AUTHORIZING THE ISSUANCE OF SPECIAL TAX REFUNDING BONDS**

SYNOPSIS

Staff recommends that the City Council, acting as the legislative body of Community Facilities District No. 2001-1 of the City of Oceanside (Morro Hills Development), adopt a resolution authorizing the issuance of Community Facilities District No. 2001-1 Improvement Area No.1 Special Tax Refunding Bonds Series 2014A in a principal amount not to exceed $8,000,000; adopt a resolution authorizing the issuance of Special Tax Refunding Bonds Series 2014A in a principal amount not to exceed $12,000,000; and approving certain documents and taking certain other actions in connection therewith.

Staff is requesting authorization to issue bonds for the purpose of refunding the existing Community Facilities District (CFD) 2001-1 (Morro Hills Development) Improvement Area Special Tax Bonds Series 2004A, and if market conditions permit, advance refund the existing CFD 2001-1 (Morro Hills Development) Special Tax Bonds Series 2004A. By refinancing the bonds at a lower interest rate, debt service payments will decline, providing special tax savings for property owners within the District. The anticipated net present value savings over the life of the bonds for Improvement Area No. 1 are estimated at $622,000 or 8.47 percent. The anticipated net present value savings over the life of the bonds for the CFD are estimated at $507,000 or 4.50 percent.

The following documents pertaining to the sale of the bonds, in substantially the same form as attached, will be approved as part of the resolutions: Escrow Agreements, Indenture of Trust (Improvement Area No. 1) and Third Supplemental Bond Indenture (CFD 2001-1).

BACKGROUND

A Community Facilities District (also known as Mello-Roos District) is an area where a special property tax, in addition to the normal property tax, is levied on property owners within that district. The districts finance certain public improvements and services in

newly developing areas through the sale of bonds. The taxes collected from the property owners are used to make the payments of principal and interest on the bonds. The City is under no obligation to make payments on the bonds.

One of three districts within the City is the Morro Hills Development, CFD 2001-1 (the District) located in northeastern Oceanside is just south of the intersection of Vandegrift Road and Douglas Drive. The master planned community included one thousand and seven (1,007) residential units to be developed around an 18-hole championship public golf course. The master plan also included a public park, elementary school, village center, a country store, church and daycare center. Within the District, an improvement area (Improvement Area No. 1 or IA1) was formed to facilitate the construction of the elementary school.

The City, on behalf of the District and IA1, issued bonds in 2002 and 2004 to fund certain infrastructure improvements within the District. The District issued $9.915 million in bonds in 2002, and $16.1 million in bonds in 2004. The 2002 bonds were refinanced in 2013. The IA1 issued $11 million in bonds in 2004. Details for the 2004 bond issues are highlighted below.

<u>CFD 2001-1 (Morro Hills Development) Improvement Area Special Tax Bonds Series 2004A</u>

- Issue Date: February 5, 2004
- Par Amount: $11,000,000
- Purpose: Finance elementary school construction
- Maturity date: September 1, 2033
- Call Date: March 1, 2014
- All-In Interest Rate: 5.79%
- Outstanding Principal: $7,345,000 (as of 9/1/13)
- Avg. Annual Payments: $615,000/year

<u>CFD 2001-1 (Morro Hills Development) Special Tax Bonds Series 2004A</u>

- Issue Date: December 22, 2004
- Par Amount: $16,085,000
- Purpose: Complete infrastructure
- Maturity date: September 1, 2034
- Call Date: September 1, 2014
- All-In Interest Rate: 5.52%
- Outstanding Principal: $11,240,000 (as of 9/1/13)
- Avg. Annual Payments: $925,000/year

million and $12 million respectively. The resolutions also authorize the execution and delivery of bond documents related to the sale of the Bonds which will be finalized and executed at bond closing in February 2014.

FISCAL IMPACT

The debt service on the IA1 and CFD Special Tax Refunding Bonds Series 2014A is paid through special taxes levied by the District on individual property owners through the County property tax rolls. At no time is the City responsible for the payment of the bonds.

The net present value savings over the life of the refunded IA1 Series 2004A Bonds, is estimated at $622,000, or 8.47 percent, exceeding the standard 3 percent NPV savings threshold by 5.47 percent. The average annual debt service savings is estimated to be $53,000 per year. The estimates are based on current market conditions. The final savings will be determined at the time of bond pricing.

If the CFD Series 2004A Bonds meet the 3 percent NPV savings threshold, they will be refinanced in conjunction with the IA1Series 2004A Bonds. Based on current market conditions, approximately $507,000 in NPV savings over the life of those bonds would be achieved.

The bond issuance costs are paid using bond proceeds and have been factored into the estimated savings from the refunding.

Debt Service on the Bonds is payable from special tax revenues levied annually against property owners within the District. The debt service payments on the Special Tax Refunding Bonds Series 2014A is budgeted in Fund 455 – Morro Hills CFD Fund.

COMMISSION OR COMMITTEE REPORT

Does not apply.

CITY ATTORNEY'S ANALYSIS

The referenced documents have been reviewed by the City Attorney and approved as to form.

ANALYSIS

Staff, with the assistance of the financing team (comprised of the financial advisement firm CSG Advisors, placement agent Piper Jaffray & Co., bond counsel Stradling, Yocca, Carlson & Rauth, and special tax consultants David Taussig and Associates) began evaluating the potential refinancing of the IA1 Series 2004A and CFD Series 2004A Special Tax Bonds to achieve debt service savings for the property owners within the District. The financing team determined that there were sufficient savings due to the current low interest rate environment to warrant pursuing a bond refinancing on a private placement basis.

Staff is recommending refinancing the IA1 Series 2004A Bonds which are eligible to be called on March 1, 2014, on a private placement basis with Western Alliance Bank of Arizona (the Bank). The Bank has been actively financing land secured bond issues during the past year, and has proposed terms that would produce savings superior to issuing bonds on a publically offered basis. On November 13, 2013, the Bank submitted two options for consideration. The terms in Option 1 included a make whole call (the lender retains the right to call the bonds) at an interest rate of 4.14 percent. Option 2 included a 10-year call option at the City's discretion at an interest rate of 4.29 percent. The financing team decided it was in the best interest of the District to retain the call rights on the bonds and selected Option 2. The interest rate of 4.29 percent (subject to change depending on market conditions) is indexed to 65 percent of the sum of the 20-year London Interbank Offered Rate (LIBOR) and 2.93 percent, which will be locked following Council approval of bond issuance. If the bonds were issued at 4.29 percent, the net present value savings would be approximately $622,000, or 8.47 percent. Annual average cash flow savings are estimated at $53,000. The new bonds (IA1 Special Tax Refunding Bonds Series 2014A) would have an estimated par amount of $7.325 million with a September 1, 2033, maturity date and a 10-year call provision. The estimated all-in interest rate (includes issuance costs estimated at $175,000) on the bonds is 4.57 percent. Average annual debt service payments would be approximately $570,000. The final savings will be determined at bond pricing.

The CFD Series 2004A Bonds are not eligible to be called until September 1, 2014; however, the bonds can be refunded in advance of their established call date. Staff is considering advance refunding the CFD Series 2004A to take advantage of current market interest rates in a rising interest rate environment. In order for the advanced refunding to make sense, the standard NPV savings threshold of 3 percent must be met before the CFD Series 2004A bonds will be refinanced. If the 3 percent savings level is met at the time of rate lock, the bonds will be refinanced. According to the interest rate provided in the November 13, 2013, term sheet (4.35% which is indexed at 65 percent of the sum of the 20-year London Interbank Offered Rate (LIBOR) and 3.00 percent), the NPV savings on the CFD Series 2004A bonds (estimated $11 million par value) is approximately 4.5 percent ($507,000 NPV savings over the remaining life of the bonds).

City Council is being asked to adopt resolutions that authorize the issuance of both the IA1 Series 2014 Bonds and CFD Series 2014 Bonds, in par amounts not to exceed $8

RECOMMENDATION

Staff recommends that the City Council, acting as the legislative body of Community Facilities District No. 2001-1 of the City of Oceanside (Morro Hills Development), adopt a resolution authorizing the issuance of Community Facilities District No. 2001-1 Improvement Area No.1 Special Tax Refunding Bonds Series 2014A in a principal amount not to exceed $8,000,000; adopt a resolution authorizing the issuance of Special Tax Refunding Bonds Series 2014A in a principal amount not to exceed $12,000,000; and approving certain documents and taking certain other actions in connection therewith.

PREPARED BY:

Michele C. Lund
Treasury Manager

SUBMITTED BY:

Steven R. Jepsen
City Manager

REVIEWED BY:

Michelle Skaggs Lawrence, Deputy City Manager
Gary Ernst, City Treasurer
James R. Riley, Director of Financial Services

Attachments

1. Resolution of the City Council of the City of Oceanside acting as the legislative body of Community Facilities District No. 2001-1 of the City of Oceanside (Morro Hills Development) authorizing the issuance of its Special Tax Refunding Bonds Series 2014A in a principal amount not to exceed twelve million dollars ($12,000,000) and approving certain documents and taking certain other actions in connection therewith

2. Resolution of the City Council of the City Of Oceanside acting as the legislative body of Community Facilities District No. 2001-1 of the City of Oceanside (Morro Hills Development) authorizing the issuance of its Improvement Area No. 1 Special Tax Refunding Bonds Series 2014A in a principal amount not to exceed eight million dollars ($8,000,000) and approving certain documents and taking certain other actions in connection therewith

3. Third Supplemental Bond Indenture between the Community Facilities District No. 2001-1 of the City of Oceanside (Morro Hills Development) and The Bank of New York Mellon Trust Company, N.A., as Trustee

4. Bond Indenture between the Community Facilities District No. 2001-1 of the City of Oceanside (Morro Hills Development) and The Bank of New York Mellon Trust Company, N.A., as Trustee

5. 2004 Escrow Agreement between the City of Oceanside and The Bank of New York Mellon Trust Company, N.A., as Escrow Agent

6. 2004 Escrow Agreement between the City of Oceanside and The Bank of New York Mellon Trust Company, N.A., as Escrow Agent (Improvement Area No.1)

7. Western Alliance Bank Term Sheets

RESOLUTION NO. _____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OCEANSIDE ACTING AS THE LEGISLATIVE BODY OF COMMUNITY FACILITIES DISTRICT NO. 2001-1 OF THE CITY OF OCEANSIDE (MORRO HILLS DEVELOPMENT) AUTHORIZING THE ISSUANCE OF ITS SPECIAL TAX REFUNDING BONDS SERIES 2014A IN A PRINCIPAL AMOUNT NOT TO EXCEED TWELVE MILLION DOLLARS ($12,000,000) AND APPROVING CERTAIN DOCUMENTS AND TAKING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

WHEREAS, the City Council of the City of Oceanside, located in San Diego County, California (hereinafter sometimes referred to as the "legislative body of the District"), has heretofore undertaken proceedings and declared the necessity of Community Facilities District No. 2001-1 of the City of Oceanside (Morro Hills Development) (the "District") to issue bonds pursuant to the terms and provisions of the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California (the "Act") up to the amount of $26,000,000; and

WHEREAS, pursuant to Resolution Nos. 02-R185-1 and 02-R186-1 adopted by the legislative body of the District on March 26, 2002, certain bond propositions were submitted to the qualified electors within the District, and were approved by more than two-thirds of the votes cast at the elections held within the District on March 26, 2002; and

WHEREAS, pursuant to the Act, the District previously issued its $9,915,000 Special Tax Bonds, Series A of 2002 (the "2002 Bonds") on November 14, 2002, and its $16,085,000 Special Tax Bonds, Series A of 2004 (the "2004 Bonds") on December 22, 2004; and

WHEREAS, pursuant to the Act, the District previously issued its $6,710,000 Special Tax Refunding Bonds, Series 2013A on June 13, 2013 for the purpose of refunding all of the outstanding 2002 Bonds; and

WHEREAS, the District desires to refund the 2004 Bonds if such refunding results in net present value savings to the District of at least three percent; and

WHEREAS, the District has been presented with a Term Sheet (the "Term Sheet") from Western Alliance Bank (the "Bank") pursuant to which the Bank or an affiliate of the Bank would agree to purchase the Bonds pursuant to a private placement; and

WHEREAS, to accomplish the refunding of the 2004 Bonds, the District desires to issue bonds in an aggregate principal amount not to exceed $12,000,000 designated as the "Community Facilities District No. 2001-1 of the City of Oceanside (Morro Hills Development) Special Tax Refunding Bonds, Series 2014A" (the "Bonds"); and

WHEREAS, in order to effect the issuance of the Bonds, the legislative body of the District desires to approve the forms of and authorize the execution and delivery of a Third Supplemental Bond Indenture and a 2004 Escrow Agreement for the Bonds, the forms of which are on file with the City Clerk; and

WHEREAS, to assist in issuing the Bonds, the legislative body of the District desires to retain Stradling Yocca Carlson & Rauth, a Professional Corporation, to act as Bond Counsel to the District, CSG Advisors Incorporated to act as financial advisor and Piper Jaffray & Co. to act as placement agent; and

WHEREAS, the legislative body of the District has determined in accordance with Government Code Section 53360.4 that a private placement sale to the Bank will result in a lower overall cost to the District than a public sale; and

WHEREAS, the legislative body of the District has determined that it is prudent in the management of its fiscal affairs to issue the Bonds; and

WHEREAS, the value of the real property in the District subject to the special tax to pay debt service on the Bonds is not less than three times the principal amount of the Bonds and the

principal amount of all other bonds outstanding that are secured by a special tax levied pursuant to the Act or a special assessment levied on property within the District, which fact is required as a precondition to the issuance of the Bonds;

NOW, THEREFORE, the City Council of the City of Oceanside acting as the legislative body of Community Facilities District No. 2001-1 (Morro Hills Development) does resolve as follows:

SECTION 1. Each of the above recitals is true and correct and is adopted by the legislative body of the District.

SECTION 2. If the District is able to realize at least three percent net present value savings by refunding the 2004 Bonds, the issuance of the Bonds pursuant to the Act in a principal amount not to exceed $12,000,000 is hereby authorized. The legislative body of the District hereby determines that it is prudent in the management of its fiscal affairs to issue the Bonds. In satisfaction of the requirements contained in Section 53363.2 of the Act, the legislative body of the District hereby determines that: (1) it is anticipated that the purchase of the Bonds will occur on or about February 14, 2014 (subject to change at the discretion of any of the Authorized Officers (described below)), (2) the Bonds shall be dated their date of issuance, and be in the denominations, have the maturity dates (which do not exceed the latest maturity date of the 2004 Bonds being refunded), and be payable at the place and be in the form specified in the Indenture to be executed on behalf of the District in accordance herewith, (3) the aggregate principal amount of Bonds shall not exceed $12,000,000, (4) the Bonds shall not have a final maturity date later than September 1, 2034, (5) the Bonds will bear interest at the minimum rate of 0.5% per annum, and (6) the designated cost of issuing the Bonds being used to refund the 2004 Bonds, as defined by Section 53363.8 of the Act, shall include all of the costs specified in Section 53363.8(a), (b)(2) and (c).

The Bonds shall be governed by the terms and conditions of the Bond Indenture dated as of November 1, 2002, (the "Bond Indenture") as supplemented by the First Supplemental Bond Indenture, dated as of December 1, 2004 (the "First Supplement"), by the Second Supplemental Bond Indenture, dated as of June 1, 2013 (the "Second Supplement"), and by the Third Supplemental Bond Indentured presented at this meeting (the "Third Supplement", and together with the Bond Indenture, the First Indenture and the Second Supplement, the "Indenture"). The Third Supplement shall be prepared by Bond Counsel to the District and executed by any one of the Mayor, City Manager, Deputy City Manager, the Director of Financial Services or the Treasury Manager of the City of Oceanside or the written designee of one of the foregoing (collectively the "Authorized Officers") substantially in the form presented at this meeting, with such additions thereto and changes therein as the officer or officers executing the same deem necessary to cure any ambiguity or defect therein if such addition or change does not materially alter the substance or content thereof, to insert the offering price(s), interest rate(s), selling compensation, principal amount per maturity, redemption dates and prices and such other related terms and provisions as limited by Section 5 hereof, or to conform any provisions therein to the Term Sheet. Approval of such changes shall be conclusively evidenced by the execution and delivery of the Indenture by any one of the Authorized Officers. Capitalized terms used in this Resolution which are not defined herein have the meanings ascribed to them in the Indenture.

SECTION 3. The Bonds shall be executed on behalf of the District by the manual or facsimile signature of an Authorized Officer and the seal of the District or the City of Oceanside, or a facsimile thereof, shall be impressed or imprinted thereon and attested with the manual or facsimile signature of the City Clerk. The Bank of New York Mellon Trust Company, N.A., is hereby appointed to act as trustee for the Bonds.

SECTION 4. The covenants set forth in the Indenture are hereby approved, shall be deemed to be covenants of the legislative body of the District, and shall be complied with by the District and its officers.

SECTION 5. The terms of the Term Sheet presented at this meeting are hereby ratified and approved and any one of the Authorized Officers is hereby authorized to execute the Term Sheet and to enter into a Rate Lock Agreement (the "Rate Lock"), with such additions thereto and changes therein as approved by an Authorized Officer; provided, however, that the Rate Lock shall be entered into only if refunding of the 2004 Bonds results in net present value savings to the District of at least 3.00%, the interest rate on the Bonds is such that the principal and total interest cost to maturity on the Bonds is less than the principal and total interest cost to maturity on the 2004 Bonds and the last maturity date of the Bonds is not later than the last maturity date of the 2004 Bonds. Each of the Authorized Officers is authorized to determine the day on which the Rate Lock is entered into in order to attempt to produce the lowest borrowing cost for the District and may reject any terms presented by the Bank if determined not to be in the best interest of the District.

SECTION 6. The form of the 2004 Escrow Agreement presented at this meeting is hereby approved and any one of the Authorized Officers is hereby authorized and directed to execute the 2004 Escrow Agreement in the form hereby approved, with such additions therein and changes thereto as the Authorized Officer or Authorized Officers executing the same deem necessary to cure any defect or ambiguity therein if such change does not materially alter the substance or content thereof, with such approval to be conclusively evidenced by the execution and delivery of the 2004 Escrow Agreement. The Bank of New York Mellon Trust Company, N.A., is hereby appointed to act as escrow agent under the 2004 Escrow Agreement.

SECTION 7. In accordance with the requirements of Section 53345.8 of the Act, the legislative body of the District hereby determines that the value of the real property in the District subject to the special tax to pay debt service on the Bonds is not less than three times the principal amount of the Bonds and the principal amount of all other bonds outstanding that are secured by a special tax levied pursuant to the Act or a special assessment levied on property within the District. This determination is based on the assessed value of the real property within the District as set forth in the fiscal year 2013-14 County Assessor's roll.

SECTION 8. Each of the Authorized Officers is authorized to provide for all services necessary to effect the issuance of the Bonds. Such services shall include, but not be limited to, obtaining legal services, trustee services and any other services deemed appropriate by an Authorized Officer. Any one of the Authorized Officers is authorized to pay for the cost of such services, together with other Costs of Issuance from Bond proceeds. Without further approval of the legislative body of the District, the total amount disbursed by the Authorized Officers for Costs of Issuance shall not exceed 5.00% of the principal amount of the Bonds.

SECTION 9. The Authorized Officers are authorized to execute contracts with Stradling Yocca Carlson & Rauth, a Professional Corporation, to act as Bond Counsel to the District ("Bond Counsel"), CSG Advisors Incorporated to act as financial advisor and Piper Jaffray & Co. to act as placement agent for the Bonds.

SECTION 10. Each of the Authorized Officers and the other officers and staff of the City of Oceanside and the District responsible for the fiscal affairs of the District are hereby authorized and directed to take any actions and execute and deliver any and all documents as are necessary to accomplish the issuance, sale and delivery of the Bonds in accordance with the provisions of this Resolution, including the refunding of the 2004 Bonds subject to the limitations set forth herein, and the fulfillment of the purposes of the Bonds as described in the

Indenture, including, but not limited to, providing certificates as to the accuracy of any information relating to the District which has been provided to the Bank and the delivery and execution of an escrow agreement to accomplish the refunding of the 2004 Bonds. Any document authorized herein to be signed by the City Clerk may be signed by a duly appointed deputy clerk.

PASSED AND ADOPTED by the City Council of the City of Oceanside, California, this _____ day of _____, 2014, by the following vote:

AYES:

NAYS:

ABSENT:

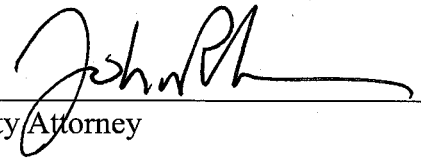
ABSTAIN:

_____
MAYOR OF THE CITY OF OCEANSIDE

ATTEST:

_____
City Clerk

APPROVED AS TO FORM:



_____
City Attorney

RESOLUTION NO. _____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OCEANSIDE ACTING AS THE LEGISLATIVE BODY OF COMMUNITY FACILITIES DISTRICT NO. 2001-1 OF THE CITY OF OCEANSIDE (MORRO HILLS DEVELOPMENT) AUTHORIZING THE ISSUANCE OF ITS IMPROVEMENT AREA NO. 1 SPECIAL TAX REFUNDING BONDS SERIES 2014A IN A PRINCIPAL AMOUNT NOT TO EXCEED EIGHT MILLION DOLLARS ($8,000,000) AND APPROVING CERTAIN DOCUMENTS AND TAKING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

WHEREAS, the City Council of the City of Oceanside, located in San Diego County, California (hereinafter sometimes referred to as the "legislative body of the District"), has heretofore undertaken proceedings and declared the necessity of Community Facilities District No. 2001-1 of the City of Oceanside (Morro Hills Development) (the "District") to issue bonds on behalf of Improvement Area No. 1 of the District ("Improvement Area No. 1") pursuant to the terms and provisions of the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California (the "Act"); and

WHEREAS, pursuant to Resolution Nos. 02-R185-1 and 02-R186-1 adopted by the legislative body of the District on March 26, 2002, certain bond propositions were submitted to the qualified electors within Improvement Area No. 1, and were approved by more than two-thirds of the votes cast at the elections held within Improvement Area No. 1 on March 26, 2002; and

WHEREAS, pursuant to the Act, the District previously issued its $11,000,000 Improvement Area No. 1 Special Tax Bonds, Series A of 2004 (the "2004 Bonds") on February 5, 2004; and

WHEREAS, the District desires to refund the 2004 Bonds if such refunding results in net present value savings to the District of at least three percent; and

WHEREAS, the District has been presented with a Term Sheet (the "Term Sheet") from Western Alliance Bank (the "Bank") pursuant to which the Bank or an affiliate of the Bank would agree to purchase the Bonds pursuant to a private placement; and

WHEREAS, to accomplish the refunding of the 2004 Bonds, the District desires to issue bonds in an aggregate principal amount not to exceed $8,000,000 designated as the "Community Facilities District No. 2001-1 of the City of Oceanside (Morro Hills Development) Improvement Area No. 1 Special Tax Refunding Bonds, Series 2014A" (the "Bonds"); and

WHEREAS, in order to effect the issuance of the Bonds, the legislative body of the District desires to approve the forms of and authorize the execution and delivery of a Bond Indenture and a 2004 Escrow Agreement for the Bonds, the forms of which are on file with the City Clerk; and

WHEREAS, to assist in issuing the Bonds, the legislative body of the District desires to retain Stradling Yocca Carlson & Rauth, a Professional Corporation, to act as Bond Counsel to the District, CSG Advisors Incorporated to act as financial advisor and Piper Jaffray & Co. to act as placement agent; and

WHEREAS, the legislative body of the District has determined in accordance with Government Code Section 53360.4 that a private placement sale to the Bank will result in a lower overall cost to the District than a public sale; and

WHEREAS, the legislative body of the District has determined that it is prudent in the management of its fiscal affairs to issue the Bonds; and

WHEREAS, the value of the real property in Improvement Area No. 1 subject to the special tax to pay debt service on the Bonds is not less than three times the principal amount of the Bonds and the principal amount of all other bonds outstanding that are secured by a special tax levied pursuant to the Act or a special assessment levied on property within Improvement Area No. 1, which fact is required as a precondition to the issuance of the Bonds;

NOW, THEREFORE, the City Council of the City of Oceanside acting as the legislative body of Community Facilities District No. 2001-1 (Morro Hills Development) does resolve as follows:

SECTION 1. Each of the above recitals is true and correct and is adopted by the legislative body of the District.

SECTION 2. If the District is able to realize at least three percent net present value savings by refunding the 2004 Bonds, the issuance of the Bonds pursuant to the Act in a principal amount not to exceed $8,000,000 is hereby authorized. The legislative body of the District hereby determines that it is prudent in the management of its fiscal affairs to issue the Bonds. In satisfaction of the requirements contained in Section 53363.2 of the Act, the legislative body of the District hereby determines that: (1) it is anticipated that the purchase of the Bonds will occur on or about February 14, 2014 (subject to change at the discretion of any of the Authorized Officers (described below)), (2) the Bonds shall be dated their date of issuance, and be in the denominations, have the maturity dates (which do not exceed the latest maturity date of the 2004 Bonds being refunded), and be payable at the place and be in the form specified in the Indenture to be executed on behalf of the District in accordance herewith, (3) the aggregate principal amount of Bonds shall not exceed $8,000,000, (4) the Bonds shall not have a final maturity date later than September 1, 2033, (5) the Bonds will bear interest at the minimum rate of 0.5% per annum, and (6) the designated cost of issuing the Bonds being used to refund the 2004 Bonds, as defined by Section 53363.8 of the Act, shall include all of the costs specified in Section 53363.8(a), (b)(2) and (c).

The Bonds shall be governed by the terms and conditions of the Bond Indenture presented at this meeting (the "Indenture"). The Indenture shall be prepared by Bond Counsel to the District and executed by any one of the Mayor, City Manager, Deputy City Manager, the Director of Financial Services or the Treasury Manager of the City of Oceanside or the written designee of

one of the foregoing (collectively the "Authorized Officers") substantially in the form presented at this meeting, with such additions thereto and changes therein as the officer or officers executing the same deem necessary to cure any ambiguity or defect therein if such addition or change does not materially alter the substance or content thereof, to insert the offering price(s), interest rate(s), selling compensation, principal amount per maturity, redemption dates and prices and such other related terms and provisions as limited by Section 5 hereof, or to conform any provisions therein to the Term Sheet. Approval of such changes shall be conclusively evidenced by the execution and delivery of the Indenture by any one of the Authorized Officers. Capitalized terms used in this Resolution which are not defined herein have the meanings ascribed to them in the Indenture.

SECTION 3. The Bonds shall be executed on behalf of the District by the manual or facsimile signature of an Authorized Officer and the seal of the District or the City of Oceanside, or a facsimile thereof, shall be impressed or imprinted thereon and attested with the manual or facsimile signature of the City Clerk. The Bank of New York Mellon Trust Company, N.A., is hereby appointed to act as trustee for the Bonds.

SECTION 4. The covenants set forth in the Indenture are hereby approved, shall be deemed to be covenants of the legislative body of the District, and shall be complied with by the District and its officers.

SECTION 5. The terms of the Term Sheet presented at this meeting are hereby ratified and approved and any one of the Authorized Officers is hereby authorized to execute the Term Sheet and to enter into a Rate Lock Agreement (the "Rate Lock"), with such additions thereto and changes therein as approved by an Authorized Officer; provided, however, that the Rate Lock shall be entered into only if the refunding of the 2004 Bonds results in net present value savings to the District of at least 3.00%, the interest rate on the Bonds is such that the principal and total interest cost to maturity on the Bonds is less than the principal and total interest cost to maturity on the

2004 Bonds and the last maturity date of the Bonds is not later than the last maturity date of the 2004 Bonds. Each of the Authorized Officers is authorized to determine the day on which the Rate Lock is entered into in order to attempt to produce the lowest borrowing cost for the District and may reject any terms presented by the Bank if determined not to be in the best interest of the District.

SECTION 6. The form of the 2004 Escrow Agreement presented at this meeting is hereby approved and any one of the Authorized Officers is hereby authorized and directed to execute the 2004 Escrow Agreement in the form hereby approved, with such additions therein and changes thereto as the Authorized Officer or Authorized Officers executing the same deem necessary to cure any defect or ambiguity therein if such change does not materially alter the substance or content thereof, with such approval to be conclusively evidenced by the execution and delivery of the 2004 Escrow Agreement. The Bank of New York Mellon Trust Company, N.A., is hereby appointed to act as escrow agent under the 2004 Escrow Agreement.

SECTION 7. In accordance with the requirements of Section 53345.8 of the Act, the legislative body of the District hereby determines that the value of the real property in Improvement Area No. 1 subject to the special tax to pay debt service on the Bonds is not less than three times the principal amount of the Bonds and the principal amount of all other bonds outstanding that are secured by a special tax levied pursuant to the Act or a special assessment levied on property within Improvement Area No. 1. This determination is based on the assessed value of the real property within Improvement Area No. 1 as set forth in the fiscal year 2013-14 County Assessor's roll.

SECTION 8. Each of the Authorized Officers is authorized to provide for all services necessary to effect the issuance of the Bonds. Such services shall include, but not be limited to, obtaining legal services, trustee services and any other services deemed appropriate by an

Authorized Officer. Any one of the Authorized Officers is authorized to pay for the cost of such services, together with other Costs of Issuance from Bond proceeds. Without further approval of the legislative body of the District, the total amount disbursed by the Authorized Officers for Costs of Issuance shall not exceed 5.00% of the principal amount of the Bonds.

SECTION 9. The Authorized Officers are authorized to execute contracts with Stradling Yocca Carlson & Rauth, a Professional Corporation, to act as Bond Counsel to the District ("Bond Counsel"), CSG Advisors Incorporated to act as financial advisor and Piper Jaffray & Co. to act as placement agent for the Bonds.

SECTION 10. Each of the Authorized Officers and the other officers and staff of the City of Oceanside and the District responsible for the fiscal affairs of the District are hereby authorized and directed to take any actions and execute and deliver any and all documents as are necessary to accomplish the issuance, sale and delivery of the Bonds in accordance with the provisions of this Resolution, including the refunding of the 2004 Bonds subject to the limitations set forth herein, and the fulfillment of the purposes of the Bonds as described in the Indenture, including, but not limited to, providing certificates as to the accuracy of any information relating to the District which has been provided to the Bank and the delivery and execution of an escrow agreement to accomplish the refunding of the 2004 Bonds. Any document authorized herein to be signed by the City Clerk may be signed by a duly appointed deputy clerk.

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PASSED AND ADOPTED by the City Council of the City of Oceanside, California, this _____ day of _____, 2014, by the following vote:

AYES:

NAYS:

ABSENT:

ABSTAIN:

_____
MAYOR OF THE CITY OF OCEANSIDE

ATTEST:

_____
City Clerk

APPROVED AS TO FORM:

_____
City Attorney

ATTACHMENT 3

DOCUMENT NO. _____

THIRD SUPPLEMENTAL BOND INDENTURE

by and between

COMMUNITY FACILITIES DISTRICT NO. 2001-1
OF THE CITY OF OCEANSIDE
(MORRO HILLS DEVELOPMENT)

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Trustee

Dated as of February 1, 2014

Relating to

$_____
COMMUNITY FACILITIES DISTRICT NO. 2001-1
OF THE CITY OF OCEANSIDE
(MORRO HILLS DEVELOPMENT)
SPECIAL TAX REFUNDING BONDS SERIES 2014A

THIRD SUPPLEMENTAL BOND INDENTURE

THIS THIRD SUPPLEMENTAL BOND INDENTURE dated as of February 1, 2014 (the "Third Supplement"), by and between Community Facilities District No. 2001-1 of the City of Oceanside (Morro Hills Development) (the "District") and The Bank of New York Mellon Trust Company, N.A. (the "Trustee"), governs the terms of the Special Tax Refunding Bonds Series 2014A which are being issued as Parity Bonds in accordance with the Bond Indenture (the "Original Indenture") dated as of November 1, 2002, between the District and the Trustee, the First Supplemental Bond Indenture (the "First Supplement"), dated as of December 1, 2004, the Second Supplementary Bond Indenture (the "Second Supplement, and together with the Original Indenture and the First Supplement, the "Supplemented Indenture"), dated as of June 1, 2013, and supplements the Supplemented Indenture. The Original Indenture, the First Supplement, the Second Supplement and the Third Supplement are hereinafter collectively referred to as the "Indenture."

RECITALS:

WHEREAS, the City Council of the City of Oceanside, located in San Diego County, California (hereinafter sometimes referred to as the "legislative body of the District" or the "City"), has heretofore undertaken proceedings and declared the necessity to issue bonds on behalf of the District 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. 02-R185-1 and 02-R186-1 adopted by the legislative body of the District on March 13, 2002, and an election held on March 26, 2002 authorizing the levy of a special tax and the issuance of bonds by the District, the District is authorized to issue bonds in one or more series, pursuant to the Act, in an aggregate principal amount not to exceed $26,000,000; and

WHEREAS, pursuant to the Original Indenture, the District has previously issued its Special Tax Bonds, Series A of 2002 (the "Series 2002 Bonds") in the aggregate principal amount of $9,915,000; and

WHEREAS, pursuant to the First Supplement, the District has previously issued its Special Tax Bonds, Series A of 2004 (the "Series 2004 Bonds") in the aggregate principal amount of $16,085,000; and

WHEREAS, pursuant to the Second Supplement, the District has previously issued its Special Tax Refunding Bonds, Series 2013A (the "Series 2013 Bonds") in the aggregate principal amount of $6,710,000, which Series 2013 Bonds refunded the Series 2002 Bonds; and

WHEREAS, the legislative body of the District intends refund the Series 2004 Bonds through the issuance of bonds in an aggregate principal amount of $_____ designated as the "Community Facilities District No. 2001-1 of the City of Oceanside (Morro Hills Development) Special Tax Refunding Bonds, Series 2014A" (the "Series 2014 Bonds"); and

WHEREAS, the District has determined all requirements of the Act for the issuance of the Series 2014 Bonds as Parity Bonds under the terms of the Supplemented Indenture have been satisfied; and

NOW, THEREFORE, in order to establish the terms and conditions upon and subject to which the Series 2014 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 Series 2014 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 Series 2013 Bonds, the Series 2014 Bonds and any Parity Bonds (as defined in the Supplemented Indenture) which may be issued from time to time, as follows:

ARTICLE I

APPLICABILITY

Section 1.1. Applicability to Series 2014 Bonds Only. The Series 2014 Bonds shall be governed by the terms and provisions of this Third Supplement and the Supplemented Indenture. Where there is a conflict between this Third Supplement and the Supplemented Indenture, this Third Supplement shall control.

ARTICLE II

DEFINITIONS

Section 2.1. Definitions.

"Authorized Representative of the City" means the City Manager of the City, the Deputy City Manager of the City or the Director of Financial Services of the City or the Treasury Manager or any other person or persons designated by the City Manager, the Deputy City Manager or the Director of Financial Services or the Treasury Manager by a written certificate signed by the City Manager, the Deputy City Manager or the Director of Financial Services or the Treasury Manager and containing the specimen signature of each such person.

"Authorized Representative of the District" means the City Manager of the City, the Deputy City Manager of the City or the Director of Financial Services of the City or the Treasury Manager or any other person or persons designated by the City Manager, the Deputy City Manager or the Director of Financial Services or the Treasury Manager by a written certificate signed by the City Manager, the Deputy City Manager or the Director of Financial Services or the Treasury Manager and containing the specimen signature of each such person.

"Bondowner" or "Owner" means the person or persons in whose name or names any Series 2014 Bond is registered, initially WAB Investments, Inc.

"Governmental Authority" means any governmental or quasi-governmental entity, including any court, department, commission, board, bureau, agency, administration, central bank, service, district or other instrumentality of any governmental entity or other entity exercising executive, legislative, judicial, taxing, regulatory, fiscal, monetary or administrative powers or functions of or

pertaining to government, or any arbitrator, mediator or other person with authority to bind a party at law.

"Material Litigation" means any action, suit, proceeding, inquiry or investigation against the District in any court or before any arbitrator of any kind or before or by any Governmental Authority, of which the District has notice or knowledge and which, (i) if determined adversely to the District, may have a Material Adverse Effect, (ii) seeks to restrain or enjoin any of the transactions contemplated hereby, or (iii) may adversely affect (A) the exclusion of interest with respect to the Series 2014 Bonds or Parity Bonds from gross income for federal income tax purposes or the exemption of such interest for state income tax purposes or (B) the ability of the District to perform its obligations under this Indenture.

"Material Adverse Effect" means an event or occurrence which adversely affects in a material manner (a) the assets, liabilities, condition (financial or otherwise), business, facilities or operations of the District, (b) the ability of the Distinct to carry out its business in the manner conducted as of the date of this Indenture or to meet or perform its obligations under this Indenture on a timely basis, (c) the validity or enforceability of this Indenture, or (d) the exclusion of interest with respect to the Series 2014 Bonds or Parity Bonds from gross income for federal income tax purposes or the exemption of such interest for state income tax purposes.

"Series 2014 Bonds Reserve Requirement" means that amount as of any date of calculation equal to 75% of Maximum Annual Debt Service on the then Outstanding Bonds, if any.

"Term Bonds" means the Series 2014 Bonds maturing on September 1, 2034.

"Trustee" means The Bank of New York Mellon Trust Company, N.A., a national banking association duly organized and existing under and by virtue of the laws of the United States, having a 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 of the Supplemented Indenture and any successor thereto.

"Undeveloped Property" means real property within the District for which a building permit has not been issued.

ARTICLE III

GENERAL AUTHORIZATION AND BOND TERMS

Section 3.1. Amount, Issuance, Purpose and Nature of Series 2014 Bonds. Under and pursuant to the Supplemented Indenture, the Series 2014 Bonds in the aggregate principal amount of $_____ shall be issued as Parity Bonds governed by the terms of the Supplemented Indenture, as supplemented by this Third Supplement, for the purpose of refunding the Series 2004 Bonds, funding a deposit to the Reserve Account and paying the costs of administration and issuance of the Series 2014 Bonds.

Section 3.2. Description of Bonds; Interest Rates. The Series 2014 Bonds shall be issued in fully registered form in denominations of $5,000,000 or any integral multiple thereof, except for one Series 2014 Bond which may be issued in any integral multiple of $5,000. The Series 2014 Bonds shall consist of one Term Bond maturing on September 1, 2034, which shall be initially issued in the

form of a single certificated fully registered bond, and the ownership of such Series 2014 Bond shall be registered in the Bond Register in the name of the Owner in the amount of $_____.

The Series 2014 Bonds shall be designated "COMMUNITY FACILITIES DISTRICT NO. 2001-1 OF THE CITY OF OCEANSIDE (MORRO HILLS DEVELOPMENT) SPECIAL TAX REFUNDING BONDS SERIES 2014A." The Series 2014 Bonds shall be dated as of their Delivery Date. The 2014A Bonds shall bear interest semiannually on each Interest Payment Date until maturity or redemption at a rate of ___%.

The District and the Trustee may treat and consider the person in whose name each Series 2014 Bond is registered in the Bond Register as the holder and absolute owner of such Series 2014 Bond for the purpose of payment of principal, premium, if any, and interest on such Series 2014 Bond, for the purpose of giving notices of redemption and other matters with respect to such Series 2014 Bond, for the purpose of registering transfers with respect to such Series 2014Bond, and for all other purposes whatsoever. The Trustee shall pay all principal of, premium, if any, and interest on the Series 2014 Bonds only to or upon the order of the respective Owners or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the District's obligations with respect to payment of principal of, premium, if any, and interest on the Series 2014 Bonds to the extent of the sum or sums so paid. No person other than an Owner shall receive a certificated Series 2014 Bond evidencing the obligation of the District to make payments of principal, premium, if any, and interest pursuant to the Indenture.

Interest shall be payable on each Series 2014 Bond from the date established in accordance with Section 3.3 below on each Interest Payment Date thereafter until the principal sum of that Series 2014 Bond has been paid; provided, however, that if at the maturity date of any Series 2014 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 the Indenture, such Series 2014 Bonds shall then cease to bear interest. Interest due on the Series 2014 Bonds shall be calculated on the basis of a 360-day year comprised of twelve 30-day months.

Section 3.3. Place and Form of Payment. The Series 2014 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 Series 2014 Bonds and any premiums due upon the redemption thereof shall be payable upon presentation and surrender thereof at the Principal Office of the Trustee, or at the designated office of any successor Trustee. Interest on any Series 2014 Bond shall be payable from the Interest Payment Date next preceding the date of authentication of that Series 2014 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 Series 2014 Bond, in which event interest shall be payable from the dated date of such Series 2014 Bond, as applicable; provided, however, that if at the time of authentication of such Series 2014 Bond, interest is in default, interest on that Series 2014 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 Series 2014 Bond, interest on that Series 2014 Bond shall be payable from its dated date. Interest on any Series 2014 Bond shall be paid to the person whose name shall appear in the Bond Register as the Owner of such Series 2014 Bonds as of the close of business on the Record Date. Such interest shall be paid by check of the Trustee 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 Trustee on or before the applicable Record Date from an Owner of $5,000,000 or more in principal amount of the Series 2014 Bonds, and to the extent the Series 2014 Bonds are owned by a single owner, payment shall be made on the Interest Payment Date by wire transfer in immediately available funds to an account designated by such Owner. So long as the Series 2014 Bonds are owned by WAB Investments, Inc., all principal and interest payments with respect to the Series 2014 Bonds shall be made by wire transfer using the following wiring instructions (unless the Trustee shall receive subsequent wiring instructions from WAB Investments, Inc.):

BANK NAME AND ADDRESS

WIRING INSTRUCTIONS

Section 3.4. Form of Series 2014 Bonds. The definitive Series 2014 Bonds may be printed from steel engraved or lithographic plates or may be typewritten. The Series 2014 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 Series 2014 Bonds and of the certificate of authentication.

Until definitive Series 2014 Bonds, as applicable, shall be prepared, the District may cause to be executed and delivered in lieu of such definitive Series 2014 Bonds temporary bonds in typed, printed, lithographed or engraved form and in fully registered form, subject to the same provisions, limitations and conditions as are applicable in the case of definitive Series 2014 Bonds, except that they may be in any denominations authorized by the District. Until exchanged for definitive Series 2014 Bonds any temporary bond shall be entitled and subject to the same benefits and provisions of the Indenture as definitive Series 2014 Bonds. If the District issues temporary Series 2014 Bonds, it shall execute and furnish definitive Series 2014 Bonds, as applicable, without unnecessary delay and thereupon any temporary Series 2014 Bond may be surrendered to the Trustee at its office, without expense to the Owner, in exchange for a definitive Series 2014 Bond of the same issue, maturity, interest rate and principal amount in any authorized denomination. All temporary Series 2014 Bonds so surrendered shall be cancelled by the Trustee and shall not be reissued.

Section 3.5. Execution and Authentication. The Series 2014 Bonds shall be signed on behalf of the District by the manual or facsimile signature of the Mayor of the City and countersigned by the manual or facsimile signature of the City Clerk of the City, or any duly appointed deputy City Clerk, in their capacity as officers of the District, and the seal of the District (or a facsimile thereof) may be impressed, imprinted, engraved or otherwise reproduced thereon, and attested by the signature of the City Clerk of the City Council. In case any one or more of the officers who shall have signed or sealed any of the Series 2014 Bonds shall cease to be such officer before the Series 2014 Bonds so signed and sealed have been authenticated and delivered by the Trustee (including new Series 2014 Bonds delivered pursuant to the provisions hereof with reference to the transfer and exchange of Series 2014 Bonds or to lost, stolen, destroyed or mutilated Series 2014 Bonds), such Series 2014 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 Series 2014 Bonds had not ceased to hold such office.

Section 3.6. Registration of Exchange or Transfer. Subject to the limitations set forth in the following paragraph, the registration of any Series 2014 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 Series 2014 Bond for cancellation at the office of the Trustee, accompanied by delivery of written instrument of transfer in a form acceptable to the Trustee and duly executed by the Bondowner or his or her duly authorized attorney.

Series 2014 Bonds may be exchanged at the office of the Trustee for a like aggregate principal amount of Series 2014 Bonds for other authorized denominations of the same maturity and issue. The Trustee shall not collect from the Owner any charge for any new Series 2014 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 Series 2014 Bonds shall be surrendered for registration of transfer or exchange, the District shall execute and the Trustee shall authenticate and deliver a new Series 2014 Bond or Series 2014 Bonds of the same issue and maturity, for a like aggregate principal amount; provided that the Trustee shall not be required to register transfers or make exchanges of (i) Series 2014 Bonds for a period of 15 days next preceding any selection of the Series 2014 Bonds to be redeemed; or (ii) any Series 2014 Bonds chosen for redemption. Notwithstanding the foregoing, a Bond Owner may only transfer the Series 2014 Bonds in denominations of $5,000,000 or any multiple of $5,000 in excess thereof to a new Bond Owner who has delivered an Investor Letter (in the form attached as Exhibit B hereto) to the District.

Section 3.7. Book-Entry System Non Applicable. Sections 2.12 through 2.16 of the Supplemented Indenture shall not apply to the Series 2014 Bonds.

Section 3.8. Conditions to Issuance of Series 2014 Bonds. The Series 2014 Bonds shall not be issued unless and until the conditions for the issuance of the Series 2014 Bonds as Parity Bonds pursuant to Section 9.2 of the Supplemented Indenture shall have been satisfied.

ARTICLE IV

APPLICATION OF PROCEEDS OF SERIES 2014 BONDS

Section 4.1. Application of Proceeds of Sale of Series 2014 Bonds

The proceeds of the sale of the Series 2014 Bonds shall be received by the Trustee on behalf of the District and deposited and transferred as follows:

(a) $_____ shall be transferred to the Costs of Issuance Account of the Acquisition and Construction Fund to pay the Costs of Issuance of the Series 2014 Bonds;

(b) $_____ shall be transferred to the 2014 Subaccount of the Reserve Account of the Special Tax Fund which is hereby established in the Special Tax Fund to fund the portion of the Series 2014 Bonds Reserve Requirement; and

(c) $_____ shall be transferred to the Bank of New York Mellon Trust Company, N.A., as escrow agent (the "Escrow Agent") under that certain 2004 Escrow Agreement, dated as of February 1, 2014, by and between the District and the Escrow Agent.

There is hereby established a 2014 Subaccount of the Reserve Account of the Special Tax Fund.

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

ARTICLE V

REDEMPTION OF SERIES 2014 BONDS

Section 5.1. Redemption of Series 2014 Bonds

(a) Optional Redemption. The Series 2014 Bonds may be redeemed, at the option of the District from any source of funds on any date on or after September 1, 2023, in whole, or in part from such maturities as are selected by the District and by lot within a maturity, at a redemption price equal to the principal amount to be redeemed, together with accrued interest to the date of redemption, without premium.

(b) Mandatory Sinking Fund Redemption. The Term Bonds maturing on September 1, 2034 shall be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Redemption Account, on September 1, 2014, and on each September 1 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The Term Bonds so called for redemption shall be selected by the Trustee 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, as follows:

BONDS MATURING SEPTEMBER 1, 2034

Redemption Date (September 1)	***Principal Amount***
2014	$
2015	
2016	
2017	
2018	
2019	
2020	
2021	
2022	
2023	
2024	
2025	
2026	
2027	
2028	
2029	
2030	
2031	
2032	
2033	
2034 (maturity)	

If during the Fiscal Year immediately preceding one of the redemption dates specified above the District purchases Term Bonds, at least 45 days prior to the redemption date the District shall notify the Trustee as to the principal amount purchased and the amount of Term Bonds so purchased shall be credited at the time of purchase, to the extent of the full principal amount thereof, to reduce such upcoming Sinking Fund Payment for the applicable maturity of the Term Bonds so purchased. All Term Bonds purchased pursuant to this subsection shall be cancelled pursuant to Section 10.1 of the Supplemented Indenture.

In the event of a partial optional redemption or special mandatory redemption of the 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, in integral multiples of $5,000.

(c) Extraordinary Redemption. The Series 2014 Bonds shall be subject to extraordinary redemption as a whole, or in part as nearly as practicable on a pro rata basis among maturities and by lot within a maturity, from Prepayments deposited to the Redemption Account and allocated to the redemption of the Series 2014 Bonds as set forth in Section 5.1 of this Third Supplement, plus amounts transferred from the Reserve Account to the Redemption Account in connection with such Prepayments, on the following dates and at the following redemption prices, expressed as a percentage of the principal amount to be redeemed, together with accrued interest to the redemption date:

Redemption Date	***Redemption Price***
Any Interest Payment Date through March 1, 2021	103%
September 1, 2021 and March 1, 2022	102
September 1, 2022 and March 1, 2023	101
September 1, 2023 and any Interest Payment Date thereafter	100

When a Prepayment is received and transferred to the Trustee, such payment shall be accompanied by a Certificate of the Special Tax Administrator stating the principal amount of the Series 2014 Bonds and the Series 2014 Bonds to be redeemed from such Prepayment.

Section 5.2. Notice of Redemption. When Series 2014 Bonds are due for redemption under Section 5.1 above, the Trustee shall give notice, in the name of the District, of the redemption of such Series 2014 Bonds; provided, however, that a notice of a redemption to be made from other than from Sinking Fund Payments shall be conditioned on there being on deposit on the redemption date sufficient money to pay the redemption price of the Series 2014 Bonds to be redeemed. Such notice of redemption shall (a) specify the CUSIP numbers (if any), the bond numbers and the maturity date or dates of the Series 2014 Bonds selected for redemption, except that where all of the Series 2014 Bonds are subject to redemption, or all the Series 2014 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 Series 2014 Bonds to be redeemed; (c) state the redemption price; (d) state the place or places where the Series 2014 Bonds are to be redeemed; (e) in the case of Series 2014 Bonds to be redeemed only in part, state the portion of such Series 2014 Bonds which is to be redeemed; (f) state the date of issue of the Series 2014 Bonds as originally issued; (g) state the rate of interest borne by each Series 2014 Bonds being redeemed; and (h) state any other descriptive information needed to identify accurately the Series 2014 Bonds being redeemed as shall be specified by the Trustee. Such notice shall further state that on the date fixed for redemption, there shall become due and payable on each Series 2014 Bonds 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 60 days prior to the redemption date, the Trustee shall mail a copy of such notice, by first class mail, postage prepaid, to the respective Owners thereof at their addresses appearing on the Bond Register, and to the original purchaser of the Series 2014 Bonds. The actual receipt by the Owner of any Series 2014 Bond or the original purchaser of any Series 2014 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 Series 2014 Bonds, or the cessation of interest on the redemption date. A certificate by the Trustee 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.

In addition to the foregoing notice, further notice shall be given by the Trustee as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed.

If the Series 2014 Bonds are held in book-entry form, each further notice of redemption shall be sent not later than the date that notice of redemption is mailed to the Bondowners pursuant to the first paragraph of this Section by registered or certified mail or overnight delivery service to the Depository and to any other registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the Series 2014 Bonds as determined by Trustee and to one or more national information services that the Trustee determines are then in the business of disseminating notice of redemption of obligations such as the Series 2014 Bonds:

Upon the payment of the redemption price of any Series 2014 Bonds being redeemed, each check or other transfer of funds issued for such purpose shall to the extent practicable bear the CUSIP number (if any) identifying, by issue and maturity, the Series 2014 Bonds being redeemed with the proceeds of such check or other transfer.

With respect to any notice of optional redemption of Series 2014 Bonds, such notice shall state that such redemption shall be conditional upon the receipt by the Trustee 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 Series 2014 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 Trustee shall not be required to redeem such Series 2014 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 Trustee 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.

Section 5.3. Partial Redemption of Series 2014 Bonds. The Owner shall not be required to submit any Series 2014 Bond to reflect sinking account payments. Upon surrender by the Owner of a Series 2014 Bond, at the option of such Owner, for mandatory redemption at the Principal Office, payment of such mandatory redemption of the principal amount of a Series 2014 Bond will be paid to such Owner. Upon surrender of any Series 2014 Bond to be redeemed in part only, the District shall execute and the Trustee shall authenticate and deliver to the Bondowner, at the expense of the District, a new Series 2014 Bond or Series 2014 Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Series 2014 Bonds surrendered, with the same interest rate and the same maturity. Such mandatory redemption shall be valid upon payment of the amount thereby

required to be paid to such Owner, and the District and the Trustee shall be released and discharged from all liability to the extent of such payment. Notwithstanding any provision of this Indenture to the contrary, so long as all the Outstanding Series 2014 Bonds are registered in the name of a single Owner, the Owner of such Series 2014 Bonds need not surrender the Series 2014 Bonds for exchange upon a partial redemption paid from Sinking Fund Payments. In that case, the Trustee shall make an appropriate notation in the Bond Register indicating the date and amounts of the reduction in principal, in form acceptable to the Trustee.

ARTICLE VI

WARRANTY AND COVENANTS

Section 6.1. Warranty.

(a) Security. The District shall preserve and protect the security pledged hereunder to the Series 2014 Bonds and any Parity Bonds against all claims and demands of all persons.

(b) Financial Condition. As of the date the Series 2014 Bonds were issued, since the most current date of the information, financial or otherwise, supplied by the District to the Owner:

(i) There has been no change in the assets, liabilities, financial position or results of operations of the District which might reasonably be anticipated to cause a Material Adverse Effect;

(ii) The District has not incurred any obligations or liabilities which might reasonably be anticipated to cause a Material Adverse Effect; and

(iii) The District has not (i) incurred any material indebtedness, other than payments and trade accounts parable arising in the ordinary course of the District's business and not past due, or (ii) guaranteed the indebtedness of any other person.

(c) Accuracy of Information. All information, reports and other papers and data furnished by the District to the Owner were, at the time the same were so furnished, complete and accurate in all material respects and insofar as necessary to give the Owner a true and accurate knowledge of the subject matter and were provided in expectation of the Owner's reliance thereon in entering into the transactions contemplated by this Indenture. No fact is known to the District which has had or, so far as the District can now reasonably foresee, may in the future have a Material Adverse Effect, which has not been set forth in the financial statements previously furnished to the Owner or in other such information, reports, papers and data or otherwise disclosed in writing to the Owner prior to the issuance of the Series 2014 Bonds. Any financial, budget and other projections furnished to the Owner by the District or its or their agents were prepared in good faith on the basis of the assumptions stated therein, which assumptions were fair and reasonable in light of the conditions existing at the time of delivery of such financial, budget or other projections, and represented, and as of the date of this representation, represent the District's best estimate of its future financial performance. No document furnished nor any representation, warranty or other written statement made to the Owner in connection with the negotiation, preparation or execution of this Indenture contains or will contain any untrue statement of a material fact or omits or will omit to state (as of the date made or furnished) any material fact necessary in order to make the statements contained herein or therein, in light of the circumstances under which they were or will be made, not misleading.

Section 6.2. Covenants.

(a) **Financial Reporting**. So long as the Series 2014 Bonds remain Outstanding, the District shall provide the Owner with: (1) within 240 days of the end of each Fiscal Year, an annual audited financial statement prepared in accordance with generally accepted accounting principles as promulgated to apply to government entities from time to time by the Governmental Accounting Standards Board; (2) within 30 days of the end of each Fiscal Year, an annual operating budget approved by the Board of Directors of the District; (3) within 240 days of the end of each Fiscal Year, an annual report (the "Annual Report") stating: (i) the principal amount of Bonds outstanding as of the September 2 preceding the filing of the Annual Report, (ii) the balance in each fund under the Indenture as of the September 2 preceding the filing of the Annual Report, (iii) any changes to the Rate and Method of Apportionment of the Special Taxes (attached to the Resolution of Formation) approved or submitted to the qualified electors for approval prior to the filing of the Annual Report and a description of any parcels for which the Special Taxed have been prepaid, including the amount prepaid, since the date of the last Annual Report, (iv) a table setting forth the estimated assessed value-to-lien ratios for Developed Property as a group and for each owner of Undeveloped Property based upon the most recent Special Tax levy preceding the date of the Annual Report, the most recent assessed values of the property and the principal amount of the Series 2014 Bonds and any other land secured debt allocable to parcels within the District, (v) a table including a list of all taxpayers within the District which own property in the District upon which 5% or more of the total Special Taxes for the current fiscal year have been levied, including the percentage of Special Taxes payable by each taxpayer, and a statement as to whether any of such taxpayers is delinquent in the payment of Special Taxes, (vi) a table setting forth for the five most recent fiscal years in which Special Taxes were levied, the amount of Special Taxes levied in each fiscal year and the percentage delinquent as of June 30 of such fiscal year and as of the March 1 preceding the date of the Annual Report, and a description of the status of any foreclosure actions being pursued by the District with respect to delinquent Special Taxes, (vii) the date of issuance and the principal amount of any Parity Bonds, and (viii) any information not already included under (i) through (vii) above that the District would be required to file if the Series 2014 Bonds were sold by public sale in an annual report to the California Debt and Investment Advisory Commission pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended; and (4) notice of any default of any obligation of the District, Material Litigation, and material governmental proceedings which may affect the pledge of the Special Taxes to the payment of principal of and interest on the Series 2014 Bonds as provided hereunder.

(b) Notices and Information. The District shall provide to the Owner:

(i) Immediate notice by telephone, promptly confirmed in writing, of any event, action or failure to take any action which constitutes an Event of Default under this Indenture, together with a detailed statement by an Authorized Representative of the District or by an Authorized Representative of the City of the steps being taken by the District to cure the effect of such Event of Default;

(ii) Prompt written notice of any action, suit or proceeding or any investigation, inquiry or similar proceeding by or before any court or other governmental authority, domestic or foreign, against the District or challenging the Special Taxes which involve claims equal to or in excess of $500,000 or that seeks injunctive relief,

(iii) Prompt written notice of any Material Litigation, following the date of

an event having a Material Adverse Effect, or any investigation, inquiry or similar proceeding by any Governmental Authority with respect to any matter that relates to or could impact any Special Taxes; and

(iv) With reasonable promptness, such other information respecting the District, Special Taxes, and the operations, affairs and financial condition of the District and the Owner may from time to time reasonably request.

ARTICLE VII

MISCELLANEOUS

Section 7.1. Provisions of Indenture in Effect. Except as expressly modified herein, all of the provisions of the Supplemented Indenture shall remain in full force and effect.

Section 7.2. Partial Invalidity. If any section, paragraph, sentence, clause or phrase of this Third Supplement shall for any reason be held illegal, invalid or unenforceable, such holding shall not affect the validity of the remaining portions of this Third Supplement. The District hereby declares that it would have entered into this Third Supplement and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the Series 2014 Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences. clauses, or phrases of this Third Supplement may be held illegal, invalid or unenforceable.

Section 7.3. Execution in Counterparts. This Third Supplement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 7.4. Governing Law. This Third Supplement shall be construed and governed in accordance with the laws of the State of California applicable to contracts made and performed in such state.

IN WITNESS WHEREOF, COMMUNITY FACILITIES DISTRICT NO. 2001-1 of the City of Oceanside (Morro Hills Development) has caused this Third Supplemental Bond Indenture to be signed by an Authorized Representative of the District and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., in token of its acceptance of the trust created hereunder and has caused this Third Supplemental Bond Indenture to be signed in its corporate name by its officer identified below, all as of the day and year first above written.

COMMUNITY FACILITIES DISTRICT NO. 2001-1 OF THE CITY OF OCEANSIDE (MORRO HILLS DEVELOPMENT)

By: _____

Mayor of the City of Oceanside, acting as the legislative body of Community Facilities District No. 2001-1 of the City of Oceanside (Morro Hills Development)

ATTEST:

_____

City Clerk of the City of Oceanside, acting as the legislative body of Community Facilities District No. 2001-1 of the City of Oceanside (Morro Hills Development)

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee

By: _____

Authorized Signatory

EXHIBIT A

FORM OF SPECIAL TAX REFUNDING BOND, SERIES 2014A

R-1 **$_____**

THE REGISTERED OWNER OF THIS BOND ACKNOWLEDGES AND AGREES THAT THIS BOND MAY ONLY BE TRANSFERRED UPON SATISFACTION OF THE REQUIREMENTS IN THE BOND INDENTURE, INCLUDING THE DELIVERY TO THE TRUSTEE OF AN INVESTOR LETTER IN THE FORM REQUIRED BY THE BOND INDENTURE. ANY TRANSFER OF THIS BOND IN VIOLATION OF THE TRANSFER RESTRICTIONS CONTAINED IN THE INDENTURE SHALL BE VOID AND OF NO EFFECT.

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF SAN DIEGO

COMMUNITY FACILITIES DISTRICT NO. 2001-1
OF THE CITY OF OCEANSIDE
(MORRO HILLS DEVELOPMENT)
SPECIAL TAX REFUNDING BONDS, SERIES 2014A

INTEREST RATE:	**MATURITY DATE:**	**DATED DATE:**
____%	September 1, 2034	_____, 2014

REGISTERED OWNER: WAB INVESTMENTS, INC.

PRINCIPAL AMOUNT: _____ AND NO/100 DOLLARS

COMMUNITY FACILITIES DISTRICT NO. 2001-1 OF THE CITY OF OCEANSIDE (MORRO HILLS DEVELOPMENT) (the "District") which was formed by the City of Oceanside (the "City") and is situated in the County of San Diego, 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, 2014, 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 Trustee (as such term is defined in the Indenture), initially The Bank of New York Mellon Trust Company, N.A. (the "Trustee"). Interest on this Bond shall be paid by check of the Trustee 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 Trustee.

This Bond is one of a duly authorized issue of "Community Facilities District No. 2001-1 of the City of Oceanside (Morro Hills Development) Special Tax Refunding Bonds, Series 2014A" (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 refunding the District's outstanding Special Tax Bonds, Series A of 2004, funding a reserve account and 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 City Council of the City, acting in its capacity as the legislative body of the District (the "Legislative Body"), on January 22, 2014 and a Bond Indenture dated as of November 1, 2002, by and between the District and the Trustee, as amended and supplemented by that certain First Supplemental Bond Indenture, dated as of December 1, 2004, by and between the District and the Trustee, by that certain Second Supplemental Bond Indenture, dated as of June 1, 2013, by and between the District and the Trustee, and by that certain Third Supplemental Bond Indenture, dated as of February 1, 2014, by and between the District and the Trustee (collectively, 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 Indenture is executed and delivered and this Bond is issued under, and both are to be construed in accordance with, the laws of the State of California.

This Bond has been issued as a Parity Bond in accordance with Section 9.2 of the Indenture.

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 the District (the "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 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 (other than the Administrative Expense Account therein) 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, at the option of the District from any source of funds on any date on or after September 1, 2023, in whole, or in part from such maturities as are selected by the District and by lot within a maturity, at a redemption price equal to the principal amount to be redeemed, together with accrued interest to the date of redemption, without premium.

The Term Bonds maturing on September 1, 2034 shall be called before maturity and redeemed, from Sinking Fund Payments that have been deposited into the Redemption Account, on September 1, 2014 and on each September 1 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth in the Indenture at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium.

The Bonds are subject to extraordinary redemption as a whole, or in part on a pro rata basis among maturities, and shall be redeemed by the Trustee, from Prepayments deposited to the Redemption Account plus amounts transferred from the Reserve Account in connection with such transfers, on the following dates and at the following redemption prices expressed as a percentage of the principal amount to be redeemed, together with accrued interest to the redemption date:

Redemption Date	***Redemption Price***
Any Interest Payment Date through March 1, 2021	103%
September 1, 2021 and March 1, 2022	102
September 1, 2022 and March 1, 2023	101
September 1, 2023 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 Trustee 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 Trustee 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 $1,000,000 or any integral multiple thereof, except for one Bond which may be issued in any integral multiple of $5,000 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 Trustee, 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. Notwithstanding the foregoing, an Owner may only transfer the Bonds so long as all Outstanding Bonds are transferred together to a new Owner who has delivered an Investor Letter to the District.

The Trustee 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 THE CITY OF OCEANSIDE OR OF THE DISTRICT FOR WHICH THE CITY OF OCEANSIDE OR THE DISTRICT IS OBLIGATED TO LEVY OR PLEDGE, OR HAS LEVIED OR PLEDGED, GENERAL OR SPECIAL TAXES, OTHER THAN THE SPECIAL TAXES REFERENCED HEREIN. THE BONDS ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE FROM THE PORTION OF THE SPECIAL TAXES AND OTHER AMOUNTS PLEDGED UNDER THE INDENTURE BUT ARE NOT A DEBT OF THE CITY OF OCEANSIDE, 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 Trustee.

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. 2001-1 of the City of Oceanside (Morro Hills Development) has caused this Bond to be dated as of the Dated Date, to be signed on behalf of the District by the Mayor of the City by his facsimile signature and attested by the facsimile signature of the City Clerk of the City.

_____

Mayor of the City of Oceanside, California, acting in its capacity as the legislative body of Community Facilities District No. 2001-1 of the City of Oceanside (Morro Hills Development)

ATTEST:

_____

City Clerk of the City of Oceanside, California, acting in its capacity as the legislative body of Community Facilities District No. 2001-1 of the City of Oceanside (Morro Hills Development)

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION AND REGISTRATION]

This is one of the Series 2014 Bonds described in the within-defined Indenture.

Dated: _____, 2014

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee

By: _____

Authorized Signatory

[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.

_____
City Clerk of the City of Oceanside, California, acting in its capacity as the legislative body of Community Facilities District No. 2001-1 of the City of Oceanside (Morro Hills Development)

[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 Trustee 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 INVESTMENT LETTER

$ _____
COMMUNITY FACILITIES DISTRICT NO. 2001-1
OF THE CITY OF OCEANSIDE
(MORRO HILLS DEVELOPMENT)

[DATE]

Community Facilities District No. 2001-1
of the City of Oceanside (Morro Hills Development)
Oceanside, California

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

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

Ladies and Gentlemen:

The undersigned (the "Investor") hereby acknowledges receipt of $_____ in aggregate principal amount of the above-referenced bonds (the "Bonds"), dated _____, 2014 in fully registered form and bearing interest from the date thereof.

1. We are an "accredited investor" as defined in Section 2(a)(15) of the Securities Act of 1933 (the "1933 Act").

2. We have sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations of a nature similar to the Bonds to be able to evaluate the risks and merits of the investment represented by the purchase of the Bonds.

3. We are acquiring the Bonds for our own account, and not with a view to, or for sale in connection with, any distribution of the Bonds or any part thereof. We have not offered to sell, solicited offers to buy, or agreed to sell the Bonds or any part thereof, and we have no present intention of reselling or otherwise disposing of the Bonds.

4. As a sophisticated investor, we have made our own credit inquiry and analysis with respect to the Community Facilities District No. 2001-1 of the City of Oceanside (Morro Hills Development) (the "Issuer") and the Bonds, and have made an independent credit decision based upon such inquiry and analysis. The Issuer has furnished to us all the information which we as a reasonable investor have requested of the Issuer as a result of our having attached significance thereto in making our investment decision with respect to the Bonds, and we have had the opportunity to ask questions

of and receive answers from knowledgeable individuals concerning the Issuer and the Bonds. We are able and willing to bear the economic risk of the purchase and ownership of the Bonds.

5. We acknowledge that the Bonds are transferable only by notation on the registration books maintained by the bond registrar and are freely transferable provided that the Bonds are transferable in whole and not in part and that:

(i) the transferring holder thereof shall first have complied with all applicable state and federal securities laws and regulations;

(ii) the transferring holder thereof can transfer the Bonds only to a transferee who executes and delivers to the Issuer a letter of the transferee substantially to the effect of this letter and who qualifies as an:

(1) a qualified institutional buyer pursuant to Rule 144A of the 1933 Securities Act; or

(2) an "accredited investor" within the meaning of Section 2(15) of the 1933 Securities Act; and

(iii) the transferring holder thereof will not prepare or furnish, or cause to be prepared or furnished, any disclosure regarding the Issuer without the prior review and written consent of the Issuer, in the Issuer's sole discretion.

6. We acknowledge that the Bonds shall not be transferred other than in denominations of $5,000,000 or any multiple thereof.

7. We are not relying upon the Issuer or its employees or consultants for advice as to the merits and risks of investment in the purchase of the Bonds. We have not relied upon the Issuer's legal counsel, financial advisor or other consultants to the Issuer for any information, representation or opinions, unless explicitly provided herein, in connection with our investment, the Issuer or the Bonds. We have sought such accounting, legal and tax advice as we have considered necessary to make an informed investment decision.

8. We understand and agree that the offering and sale of the Bonds is exempt from Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the "Rule"), pursuant to Section (d) of such Rule, and the Issuer makes, and has made, no representation to us or any other party with respect to matters governing the Rule as it relates to the agreements and the transaction described herein.

9. We understand the no official statements, offering memorandum or circular will be issued in connection with the issuance of the Bonds, and that the Bonds are not rated by any accredited rating agency.

10. We understand that the Bond Indenture dated as of November 1, 2002, as amended and supplemented, including by the Third Supplemental Bond Indenture dated as of February 1, 2014 (collectively the "Indenture"), by and between the Community Facilities District No 2001-1 of the City of Oceanside (Morro Hills Development) and The Bank of New York Mellon Trust Company, N.A., as trustee, relating to the Bonds, has not been registered under the Securities Act of 1933, as amended,

and that such registration is not legally required. Additionally, the Indenture has not been registered under, and no qualification for sale has been made under, the Blue Sky Laws of any State.

WAB INVESTMENTS, INC.

By: _____
Its:

ATTACHMENT 4

Document No. _____

BOND INDENTURE

By and Between

COMMUNITY FACILITIES DISTRICT NO. 2001-1
OF THE CITY OF OCEANSIDE
(MORRO HILLS DEVELOPMENT)

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Trustee

Relating to

$_____
COMMUNITY FACILITIES DISTRICT NO. 2001-1
OF THE CITY OF OCEANSIDE
(MORRO HILLS DEVELOPMENT)
IMPROVEMENT AREA NO. 1 SPECIAL TAX REFUNDING BONDS
SERIES 2014A

Dated as of February 1, 2014

Table of Contents

Page

ARTICLE I

DEFINITIONS

Section 1.1. Definitions 2

ARTICLE II

GENERAL AUTHORIZATION AND BOND TERMS

Section 2.1. Amount, Issuance, Purpose and Nature of Bonds and Parity Bonds 13
Section 2.2. Type and Nature of Bonds and Parity Bonds 13
Section 2.3. Equality of Bonds and Parity Bonds and Pledge of Net Taxes 14
Section 2.4. Description of Bonds; Interest Rates 14
Section 2.5. Place and Form of Payment 15
Section 2.6. Form of Bonds and Parity Bonds 16
Section 2.7. Execution and Authentication 16
Section 2.8. Bond Register 16
Section 2.9. Registration of Exchange or Transfer 17
Section 2.10. Mutilated, Lost, Destroyed or Stolen Bonds or Parity Bonds 17
Section 2.11. Validity of Bonds and Parity Bonds 18

ARTICLE III

CREATION OF FUNDS AND APPLICATION OF PROCEEDS

Section 3.1. Creation of Funds; Application of Proceeds 18
Section 3.2. Deposits to and Disbursements from Special Tax Fund 19
Section 3.3. Administrative Expenses Account of the Special Tax Fund 19
Section 3.4. Interest Account and Principal Account of the Special Tax Fund 20
Section 3.5. Redemption Account of the Special Tax Fund 20
Section 3.6. Reserve Account of the Special Tax Fund 21
Section 3.7. Rebate Fund 22
Section 3.8. Surplus Fund 25
Section 3.9. Costs of Issuance Fund 25
Section 3.10. Investments 26

ARTICLE IV

REDEMPTION OF BONDS AND PARITY BONDS

Section 4.1. Redemption of Bonds 27
Section 4.2. Selection of Bonds and Parity Bonds for Redemption 29
Section 4.3. Notice of Redemption 29
Section 4.4. Partial Redemption of Bonds or Parity Bonds 30
Section 4.5. Effect of Notice and Availability of Redemption Money 30

Table of Contents
(continued)

Page

ARTICLE V

COVENANTS AND WARRANTY

Section 5.1. Warranty 31
Section 5.2. Covenants 32

ARTICLE VI

AMENDMENTS TO INDENTURE

Section 6.1. Supplemental Indentures or Orders Not Requiring Bondowner Consent 37
Section 6.2. Supplemental Indentures or Orders Requiring Bondowner Consent 37
Section 6.3. Notation of Bonds or Parity Bonds; Delivery of Amended Bonds or Parity Bonds 38

ARTICLE VII

TRUSTEE

Section 7.1. Trustee 39
Section 7.2. Removal of Trustee 39
Section 7.3. Resignation of Trustee 40
Section 7.4. Liability of Trustee 40
Section 7.5. Merger or Consolidation 41

ARTICLE VIII

EVENTS OF DEFAULT; REMEDIES

Section 8.1. Events of Default 41
Section 8.2. Remedies of Owners 42
Section 8.3. Application of Revenues and Other Funds After Default 42
Section 8.4. Power of Trustee to Control Proceedings 43
Section 8.5. Appointment of Receivers 43
Section 8.6. Non-Waiver 43
Section 8.7. Limitations on Rights and Remedies of Owners 44
Section 8.8. Termination of Proceedings 44

ARTICLE IX

DEFEASANCE AND PARITY BONDS

Section 9.1. Defeasance 45
Section 9.2. Conditions for the Issuance of Parity Bonds and Other Additional Indebtedness 46

Table of Contents
(continued)

Page

ARTICLE X

MISCELLANEOUS

Section 10.1. Cancellation of Bonds and Parity Bonds 48
Section 10.2. Execution of Documents and Proof of Ownership 48
Section 10.3. Unclaimed Moneys 49
Section 10.4. Provisions Constitute Contract 49
Section 10.5. Future Contracts 49
Section 10.6. Further Assurances 49
Section 10.7. Severability 50
Section 10.8. Notices 50

EXHIBIT A FORM OF SPECIAL TAX REFUNDING BOND, SERIES 2014A A-1
EXHIBIT B FORM OF INVESTMENT LETTER B-1

BOND INDENTURE

THIS BOND INDENTURE dated as of February 1, 2014, by and between COMMUNITY FACILITIES DISTRICT NO. 2001-1 OF THE CITY OF OCEANSIDE (MORRO HILLS DEVELOPMENT) (the "District") and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as trustee (the "Trustee"), governs the terms of the Improvement Area No. 1 Special Tax Refunding Bonds Series 2014A of Community Facilities District No. 2001-1 of the City of Oceanside (Morro Hills Development) and any Parity Bonds issued in accordance herewith from time to time.

RECITALS:

WHEREAS, the City Council of the City of Oceanside, located in San Diego County, California (hereinafter sometimes referred to as the "legislative body of the District" or the "City"), has heretofore undertaken proceedings and declared the necessity to issue bonds on behalf of the District 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. 02-R185-1 and 02-R186-1 adopted by the legislative body of the District on March 13, 2002 and an election held March 26, 2002 authorizing the levy of a special tax and the issuance of bonds by the District on behalf of Improvement Area No. 1, the District on behalf of Improvement No. 1 was authorized to issue bonds for one or more series, pursuant to the Act, in an aggregate principal amount not to exceed $11,000,000; and

WHEREAS, the District issued its $11,000,000 Community Facilities District No. 2001-1 of the City of Oceanside (Morro Hills Development) Improvement Area No. 1 Special Tax Bonds, Series A of 2004 (the "Series A of 2004 Bonds") for the purpose of financing certain public facilities within Improvement Area No. 1 of the District; and

WHEREAS, the legislative body of the District has determined to redeem the outstanding Series A of 2004 Bonds through the issuance of its $_____ Community Facilities District No. 2001-1 of the City of Oceanside (Morro Hills Development) Improvement Area No. 1 Special Tax Refunding Bonds Series 2014A (the "2014A Bonds"); and

WHEREAS, the District has determined that all requirements of the Act for the issuance of the 2014A Bonds have been satisfied;

NOW, THEREFORE, in order to establish the terms and conditions upon and subject to which the 2014A Bonds are to be issued, and in consideration of the promises and of the mutual covenants contained herein and of the purchase and acceptance of the 2014A 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 2014A Bonds and any Parity 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:

"Account" means any account created pursuant to this Indenture.

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

"Administrative Expenses" means 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 Trustee, 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 and the District, and any other costs otherwise incurred by the City staff 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.

"Administrative Expenses Account" means the account by that name created and established in the Special Tax Fund pursuant to Section 3.1 hereof.

"Administrative Expenses Cap" means an amount equal to $45,000 per Bond Year, or such lesser amount as may be designated in written instructions from an Authorized Representative of the District.

"Alternate Penalty Account" means the account by that name created and established in the Rebate Fund pursuant to Section 3.1 hereof.

"Annual Debt Service" means the principal amount of any Outstanding Bonds or Parity Bonds payable in a Bond Year either at maturity or pursuant to a Sinking Fund Payment and any interest payable on any Outstanding Bonds or Parity Bonds in such Bond Year, if the Bonds and any Parity Bonds are retired as scheduled.

"Authorized Investments" means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

(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)

- Student Loan Marketing Association (SLMA)

  Senior debt obligations (excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date)

- 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 Trustee 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 Trustee 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 Trustee 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-l" 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 S & P 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 trustee 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 trustee 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 trustee or escrow agent.

(10) Repurchase agreements:

(A) 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 Trustee 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 Trustee 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 the District or the Trustee, within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the District or Trustee.

(B) 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 Trustee at times and in amounts as necessary to pay debt service on the 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 District and the Trustee hereby agree 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 District and the Trustee receives the opinion of domestic counsel (which opinion shall be addressed to the District and the Trustee) 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 District;

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

(1) 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 (i) 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 Trustee 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 (ii) repay the principal of and accrued but unpaid interest on the investment; and

(2) 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 District or the Fiscal Agent, 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 District or Trustee; 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); and

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

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

(2) 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 District or Trustee, as appropriate.

(12) The State of California Local Agency Investment Fund; provided that the Trustee may restrict investments in such Fund to the extent necessary to keep monies available for the purposes of this Indenture.

"Authorized Representative of the City" means the City Manager of the City, the Deputy City Manager of the City or the Director of Financial Services of the City or the Treasury Manager or any other person or persons designated by the City Manager, the Deputy City Manager or the Director of Financial Services or the Treasury Manager by a written certificate signed by the City Manager, the Deputy City Manager or the Director of Financial Services or the Treasury Manager and containing the specimen signature of each such person.

"Authorized Representative of the District" means the City Manager of the City, the Deputy City Manager of the City or the Director of Financial Services of the City or the Treasury Manager or any other person or persons designated by the City Manager, the Deputy City Manager or the Director of Financial Services or the Treasury Manager by a written certificate signed by the City Manager, the Deputy City Manager or the Director of Financial Services or the Treasury Manager and containing the specimen signature of each such person.

"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 Trustee 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 the person or persons in whose name or names any Bond or Parity Bond is registered, initially WAB Investments, Inc.

"Bonds" means the 2014A Bonds.

"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 or an issue of Parity Bonds shall begin on the Delivery Date and end of 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 Trustee is located, are not required or authorized to remain closed.

"Certificate of an Authorized Representative" means a written certificate executed by an Authorized Representative of the City or District.

"City" means the City of Oceanside, California.

"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.

"Costs of Issuance" means the costs and expenses incurred in connection with the issuance and sale of the Bonds or any Parity Bonds, including the acceptance and initial annual fees and expenses of the Trustee, legal fees and expenses, costs of printing the Bonds and Parity Bonds and the preliminary and final official statements for the Bonds and Parity Bonds, fees of financial consultants and all other related fees and expenses, as set forth in a Certificate of an Authorized Representative of the City.

"Costs of Issuance Fund" means that fund established pursuant to Section 3.1 hereof.

"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.

"Developed Property" means real property within Improvement Are No. 1 of the District for which a building permit has been issued.

"District" means Community Facilities District No. 2001-1 of the City of Oceanside (Morro Hills Development) established pursuant to the Act and the Resolution of Formation.

"Event of Default" means an "event of default" described in Section 8.1 hereof.

"Federal Securities" means any of the following: (a) non-callable direct obligations of the United States of America ("Treasuries"), (b) evidence of ownership of proportionate interests in future interest and principal payments on Treasuries 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 Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, and (c) pre-refunded municipal obligations rated "AAA" and "Aaa" by Standard & Poor's and Moody's, respectively (or any combination thereof).

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

"Governmental Authority" means any governmental or quasi-governmental entity, including any court, department, commission, board, bureau, agency, administration, central bank, service, district or other instrumentality of any governmental entity or other entity exercising executive, legislative, judicial, taxing, regulatory, fiscal, monetary or administrative powers or functions of or pertaining to government, or any arbitrator, mediator or other person with authority to bind a party at law.

"Improvement Area No. 1" means Improvement Area No. 1 of the District as designated by the legislative body of the District in the Resolution of Formation.

"Independent Financial Consultant" means a financial consultant or firm of such consultants generally recognized to be well qualified in the financial 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;

(2) does not have any substantial interest, direct or indirect, in the District; and

(3) is not connected with the District as a member, officer or employee of the District, but who may be regularly retained to make annual or other reports to the District.

"Indenture" means this Bond Indenture, together with any Supplemental Indenture approved pursuant to Article 6 hereof.

"Interest Account" means the account by that name created and established in the Special Tax Fund pursuant to Section 3.1 hereof.

"Interest Payment Date" means each March 1 and September 1, commencing September 1, 2014; provided, however, that, if any such day is not a Business Day, interest up to the Interest Payment Date will be paid on the Business Day next succeeding such date.

"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.

"Material Litigation" means any action, suit, proceeding, inquiry or investigation against the District in any court or before any arbitrator of any kind or before or by any Governmental Authority, of which the District has notice or knowledge and which, (i) if determined adversely to the District, may have a Material Adverse Effect, (ii) seeks to restrain or enjoin any of the transactions contemplated hereby, or (iii) may adversely affect (A) the exclusion of interest with respect to the Bonds or Parity Bonds from gross income for federal income tax purposes or the exemption of such interest for state income tax purposes or (B) the ability of the District to perform its obligations under this Indenture.

"Material Adverse Effect" means an event or occurrence which adversely affects in a material manner (a) the assets, liabilities, condition (financial or otherwise), business, facilities or operations of the District, (b) the ability of the Distinct to carry out its business in the manner

conducted as of the date of this Indenture or to meet or perform its obligations under this Indenture on a timely basis, (c) the validity or enforceability of this Indenture, or (d) the exclusion of interest with respect to the Bonds or Parity Bonds from gross income for federal income tax purposes or the exemption of such interest for state income tax purposes.

"Maximum Annual Debt Service" means the maximum sum obtained for any Bond Year prior to the final maturity of the Bonds and any Parity Bonds by adding the following for each Bond Year:

(1) the principal amount of all Outstanding Bonds and Parity Bonds payable in such Bond Year either at maturity or pursuant to a Sinking Fund Payment; and

(2) the interest payable on the aggregate principal amount of all Bonds and Parity Bonds Outstanding in such Bond Year if the Bonds and Parity Bonds are retired as scheduled.

"Moody's" means Moody's Investors Service, its successors and assigns.

"Net Taxes" means Special Taxes minus amounts set aside to pay Administrative Expenses not to exceed the Administrative Expenses Cap.

"Ordinance" means Ordinance No. 02-OR326-1 adopted by the legislative body of the District on May 1, 2002, providing for the levying of the Special Tax.

"Outstanding" or "Outstanding Bonds and Parity Bonds" means all Bonds and Parity Bonds theretofore issued by the District, except:

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

(2) Bonds and Parity Bonds for payment or redemption of which monies 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 Trustee for transfer or exchange pursuant to Section 2.9 hereof or for which a replacement has been issued pursuant to Section 2.10 hereof.

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

"Person" means natural persons, firms, corporations, partnerships, associations, trusts, public bodies and other entities.

"Prepayments" means any amounts paid by the District to the Trustee and designated by the District as a prepayment of Special Taxes for one or more parcels in Improvement Area No. 1 made in accordance with the Rate and Method of Apportionment of the Special Taxes.

"Principal Account" means the account by that name created and established in the Special Tax Fund pursuant to Section 3.1 hereof.

"Principal Office of the Trustee" means the office of the Trustee located in Los Angeles, California, or such other office or offices as the Trustee may designate from time to time, or the office of any successor Trustee where it principally conducts its business of serving as trustee under indentures pursuant to which municipal or governmental obligations are issued.

"Project" means those public facilities described in the Resolution of Formation which were acquired or constructed within and outside of Improvement Area No. 1 with the proceeds of the Series A of 2004 Bonds, 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 No. 1 from time to time.

"Rate and Method of Apportionment of the Special Taxes" means the document by such name attached to the Resolution of Formation.

"Rating Agency" means Moody's and Standard & Poor's, or both, as the context requires.

"Rebate Account" means the account by that name created and established in the Rebate Fund pursuant to Section 3.1 hereof.

"Rebate Fund" means the fund by that name established pursuant to Section 3.1 hereof in which there are established the Accounts described in Section 3.1 hereof.

"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 created and established in the Special Tax Fund pursuant to Section 3.1 hereof.

"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.

"Reserve Account" means the account by that name created and established in the Special Tax Fund pursuant to Section 3.1 hereof.

"Reserve Requirement" means that amount as of any date of calculation equal to 75% of Maximum Annual Debt Service on the then Outstanding Bonds and Parity Bonds, if any.

"Resolution of Formation" means Resolution No. 02-R185-1 adopted by the City Council of the City on March 13, 2002, pursuant to which the City formed the District and designated Improvement Area No. 1.

"Series A of 2004 Bonds" means the Improvement Area No. 1 Special Tax Bonds, Series A of 2004 issued by the District on behalf of Improvement Area No. 1 on February 5, 2004 in the aggregate principal amount of $11,000,000.

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

"Six-Month Period" means the period of time beginning on the Delivery Date of each issue of Bonds or Parity Bonds, as applicable, and ending six consecutive months thereafter, and each six-month period thereafter until the latest maturity date of the Bonds and the Parity Bonds (and any obligations that refund an issue of the Bonds or Parity Bonds).

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

"Special Taxes" means the taxes authorized to be levied by the District on property within Improvement Area No. 1 in accordance with the Ordinance, the Resolution of Formation, the Act and the voter approval obtained at the March 26, 2002 election in Improvement Area No. 1, including any scheduled payments and any Prepayments thereof, and the net proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes to the amount of said lien and penalties and interest thereon.

"Standard & Poor's" means Standard & Poor's Ratings Group, a division of McGraw-Hill, its successors and assigns.

"Supplemental Indenture" means any supplemental indenture amending or supplementing this Indenture.

"Surplus Fund" means the fund by that name created and established pursuant to Section 3.1 hereof.

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

"Tax-Exempt" means, with reference to an Authorized Investment, an Authorized Investment the interest earnings on which are excludable from gross income for federal income tax purposes pursuant to Section 103(a) of the Code, other than one described in Section 57(a)(5)(C) of the Code.

"Term Bonds" means the 2014A Bonds maturing on September 1, 2033, and any term maturities of an issue of Parity Bonds as specified in a Supplemental Indenture.

"Trustee" means The Bank of New York Mellon Trust Company, N.A., a national banking association duly organized and existing under and by virtue of the laws of the United States, having a 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.

"2014A Bonds" means the Improvement Area No. 1 Special Tax Refunding Bonds, Series 2014A issued by the District on behalf of Improvement Area No. 1 on _____, 2014 in the aggregate principal amount of $_____.

"Undeveloped Property" means real property within Improvement Area No. 1 of the District for which a building permit has not been issued.

ARTICLE II

GENERAL AUTHORIZATION AND BOND TERMS

Section 2.1. **Amount, Issuance, Purpose and Nature of Bonds and Parity Bonds**. Under and pursuant to the Act, the Bonds in the aggregate principal amount of $_____ shall be issued for the purpose of refunding the Series A of 2004 Bonds, funding a reserve fund for the Bonds and paying Costs of Issuance, together with any Parity Bonds authorized by the legislative body in accordance with Section 9.2 hereof. 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 Taxes and the other amounts in the Special Tax Fund (other than amounts in the Administrative Expenses Account of the Special Tax Fund).

Section 2.2. **Type and Nature of Bonds and Parity Bonds**. Neither the faith and credit nor the taxing power of the City, 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 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 City 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 (exclusive of the Administrative Expenses Account), 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 (exclusive of the Administrative Expenses Account) is absolute and unconditional, free of deductions and without any abatement, offset, recoupment, diminution or set-off whatsoever. No Owner of the 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 City 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 City, 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 Taxes and other amounts in the Special Tax Fund (exclusive of the Administrative Expenses Account) 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 or the City Council of the City 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 Taxes, 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 Taxes**. Pursuant to the Act and this Indenture, the Bonds and any Parity Bonds shall be equally payable from and secured by a pledge and lien upon the Net Taxes and other amounts in the Special Tax Fund (exclusive of the Administrative Expenses Account), without priority for number, date of the Bonds or 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 exclusively paid from the Net Taxes and other amounts in the Special Tax Fund (exclusive of the Administrative Expenses Account), which are hereby set aside for the payment of the Bonds and any Parity Bonds. Amounts in the Special Tax Fund (other than the Administrative Expenses Account therein) 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 Taxes deposited in the Rebate Fund and the Surplus Fund shall no longer be considered to be pledged to the Bonds or any Parity Bonds, and none of the Rebate Fund, the Surplus Fund, the Costs of Issuance Fund or the Administrative Expenses Account of the Special Tax 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: (a) 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; or (b) the issuance, subject to the limitations contained herein, of Parity Bonds which shall be payable from Net Taxes.

Section 2.4. **Description of Bonds; Interest Rates**. The Bonds and any Parity Bonds shall be issued in fully registered form in denominations of $5,000,000 or any integral multiple thereof, except for one Bond or Parity Bond which may be issued in any integral multiple of $5,000. The Bonds and any Parity Bonds shall consist of one Term Bond maturing on September 1, 2033, which shall be initially issued in the form of a single certificated fully registered bond, and the ownership of such Bond shall be registered in the Bond Register in the name of the Owner in the amount of $_____.

The Bonds shall be designated "COMMUNITY FACILITIES DISTRICT NO. 2001-1 OF THE CITY OF OCEANSIDE (MORRO HILLS DEVELOPMENT) IMPROVEMENT AREA NO. 1 SPECIAL TAX REFUNDING BONDS, SERIES 2014A." The Bonds shall be dated as of their Delivery Date. The Bonds shall bear interest semiannually on each Interest Payment Date until maturity or redemption at a rate of ___%.

The District and the Trustee 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 principal, 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 Trustee shall pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the respective Owners or their respective attorneys duly authorized in writing, and all such payments shall be valid and

effective to fully satisfy and discharge the District's obligations with respect to payment of principal of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an Owner shall receive a certificated Bond evidencing the obligation of the District to make payments of principal, premium, if any, and interest pursuant to this Indenture.

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 thereafter 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 Trustee, or at the designated office of any successor Trustee. 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, as applicable; 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 Trustee 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 Trustee on or before the applicable Record Date from an Owner of $5,000,000 or more in principal amount of the Bonds or of any issue of Parity Bonds, and to the extent the Bonds are owned by a single owner, payment shall be made on the Interest Payment Date by wire transfer in immediately available funds to an account designated by such Owner. So long as the Bonds are owned by WAB Investments, Inc., all principal and interest payments with respect to the Bonds shall be made by wire transfer using the following wiring instructions (unless the Trustee shall receive subsequent wiring instructions from WAB Investments, Inc.):

BANK NAME AND ADDRESS

WIRING INSTRUCTIONS

Section 2.6. **Form of Bonds and Parity Bonds**. The definitive Bonds may be printed from steel engraved or lithographic plates or may be typewritten. 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. Each issue 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.

Until definitive Bonds or Parity Bonds, as applicable, shall be prepared, the District may cause to be executed and delivered in lieu of such definitive Bonds or Parity Bonds temporary bonds in typed, printed, lithographed or engraved form and in fully registered form, subject to the same provisions, limitations and conditions as are applicable in the case of definitive Bonds or Parity Bonds, except that they may be in any denominations authorized by the District. Until exchanged for definitive Bonds or Parity Bonds, as applicable, any temporary bond shall be entitled and subject to the same benefits and provisions of this Indenture as definitive Bonds and Parity Bonds. If the District issues temporary Bonds or Parity Bonds, it shall execute and furnish definitive Bonds or Parity Bonds, as applicable, without unnecessary delay and thereupon any temporary Bond or Parity Bond may be surrendered to the Trustee at its office, without expense to the Owner, in exchange for a definitive Bond or Parity Bond of the same issue, maturity, interest rate and principal amount in any authorized denomination. All temporary Bonds or Parity Bonds so surrendered shall be cancelled by the Trustee and shall not be reissued.

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 Mayor of the City and countersigned by the manual or facsimile signature of the City Clerk of the City, or any duly appointed deputy City Clerk, in their capacity as officers of the District, and the seal of the District (or a facsimile thereof) may be impressed, imprinted, engraved or otherwise reproduced thereon, and attested by the signature of the City Clerk of the City Council. 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 Trustee (including new Bonds or Parity Bonds delivered pursuant to the provisions hereof with reference to the transfer and exchange of Bonds or Parity Bonds or to lost, stolen, destroyed or mutilated Bonds or Parity 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 as shall bear 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 Trustee.

Section 2.8. **Bond Register**. The Trustee will keep or cause to be kept, at its office, 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 Trustee 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 Trustee may treat the Owner of any Bond or Parity Bond whose name appears on the Bond Register as the absolute Owner of that Bond or Parity Bond for any and all

purposes, and the District and the Trustee shall not be affected by any notice to the contrary. The District and the Trustee 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 Trustee 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 office of the Trustee, accompanied by delivery of written instrument of transfer in a form acceptable to the Trustee and duly executed by the Bondowner or his or her duly authorized attorney.

Bonds or Parity Bonds may be exchanged at the office of the Trustee for a like aggregate principal amount of Bonds or Parity Bonds for other authorized denominations of the same maturity and issue. The Trustee 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 Trustee shall authenticate and deliver a new Bond or Bonds or a new Parity Bond or Parity Bonds, as applicable, of the same issue and maturity, for a like aggregate principal amount; provided that the Trustee 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. Notwithstanding the foregoing, a Bond Owner may only transfer the Bonds in denominations of $5,000,000 or any multiple of $5,000 in excess thereof to a new Bond Owner who has delivered an Investor Letter (in the form attached as Exhibit B hereto) to the District.

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 Trustee 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 Trustee of the Bond or Parity Bond so mutilated. Every mutilated Bond or Parity Bond so surrendered to the Trustee shall be cancelled by the Trustee pursuant to Section 10.1 hereof. If any Bond or Parity Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence is satisfactory to the Trustee and, if any indemnity satisfactory to the Trustee shall be given, the District shall execute and the Trustee shall authenticate and deliver, a new Bond or Parity Bond, as applicable, of like tenor, maturity and issue, numbered and dated as the Trustee 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 Trustee 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 which has been mutilated, lost, destroyed or stolen, and which has matured, the Trustee may make payment with respect to such Bonds or Parity Bonds.

Section 2.11. **Validity of Bonds and Parity 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 refunding of the Series A of 2004 Bonds, 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 refunding of the Series A of 2004 Bonds or upon the performance by any Person of his obligation with respect to the Project, and the recital contained in the Bonds or any Parity Bonds 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.

ARTICLE III

CREATION OF FUNDS AND APPLICATION OF PROCEEDS

Section 3.1. **Creation of Funds; Application of Proceeds.**

(a) There is hereby created and established and shall be maintained by the Trustee the following funds and accounts:

(1) The Community Facilities District No. 2001-1 of the City of Oceanside Improvement Area No. 1 Special Tax Fund (the "Special Tax Fund") (in which there shall be established and created an Interest Account, a Principal Account, a Redemption Account, a Reserve Account, an Administrative Expenses Account).

(2) The Community Facilities District No. 2001-1 of the City of Oceanside Improvement Area No. 1 Rebate Fund (the "Rebate Fund") (in which there shall be established a Rebate Account and an Alternative Penalty Account).

(3) The Community Facilities District No. 2001-1 of the City of Oceanside Improvement Area No. 1 Costs of Issuance Fund (the "Costs of Issuance Fund").

(4) The Community Facilities District No. 2001-1 of the City of Oceanside Improvement Area No. 1 Surplus Fund (the "Surplus Fund").

The amounts on deposit in the foregoing funds, accounts and subaccounts shall be held by the Trustee and the Trustee shall invest and disburse the amounts in such funds, accounts and subaccounts in accordance with the provisions of this Article 3 and shall disburse investment earnings thereon in accordance with the provisions of Section 3.10 hereof.

In connection with the issuance of any Parity Bonds, the Trustee, at the direction of an Authorized Representative of the City, 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 Trustee on behalf of the District and deposited and transferred as follows:

(1) $_____ shall be transferred to the Costs of Issuance Fund to pay the Costs of Issuance of the Bonds;

(2) $_____ shall be transferred to the Reserve Account of the Special Tax Fund to fund the Reserve Requirement; and

(3) $_____ shall be transferred to The Bank of New York Mellon Trust Company, N.A., as escrow agent (the "Escrow Agent") for deposit into an escrow fund pursuant to the terms of the 2004 Escrow Agreement dated as of February 1, 2014, by and between the District and the Escrow Agent.

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

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

(a) Except for the portion of any Prepayment to be deposited to the Redemption Account as specified in a Certificate of an Authorized Representative, the Trustee shall, on each date on which the Special Taxes are received from the District, deposit the Special Taxes in the Special Tax Fund to be held in trust for the Owners. The Trustee shall transfer 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) the Administrative Expenses Account of the Special Tax Fund;

(2) the Interest Account of the Special Tax Fund;

(3) the Principal Account of the Special Tax Fund;

(4) the Redemption Account of the Special Tax Fund;

(5) the Reserve Account of the Special Tax Fund;

(6) the Rebate Fund; and

(7) the Surplus Fund.

(b) 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 and any amounts owed to the Trustee have been paid in full, moneys in the Special Tax Fund and any accounts therein may be used by the District for any lawful purpose.

Section 3.3. **Administrative Expenses Account of the Special Tax Fund**. The Trustee shall transfer from the Special Tax Fund and deposit in the Administrative Expenses Account of the Special Tax Fund from time to time amounts necessary to make timely payment of Administrative Expenses as set forth in a Certificate of an Authorized Representative of the District; provided, however, that, except as set forth in the following sentence, the total amount transferred in a Bond Year shall not exceed the Administrative Expenses Cap until such time as there has been deposited to the Interest Account and the Principal Account an amount, together with any amounts already on deposit therein, that is sufficient to pay the interest and principal on all Bonds and Parity Bonds due in such Bond Year and to restore the Reserve Account to the Reserve Requirement. Notwithstanding the foregoing, amounts in excess of the Administrative Expenses Cap may be transferred to the Administrative Expenses Account to the extent necessary to collect delinquent Special Taxes.

Moneys in the Administrative Expenses Account of the Special Tax Fund may be invested in any Authorized Investments as directed in writing by an Authorized Representative of the District and shall be disbursed as directed in a Certificate of an Authorized Representative.

Section 3.4. **Interest Account and Principal Account of the Special Tax Fund**. The principal of and interest due on the Bonds and any Parity Bonds until maturity, other than principal due upon redemption, shall be paid by the Trustee from the Principal Account and the Interest Account of the Special Tax Fund, respectively. For the purpose of assuring that the payment of principal of and interest on the Bonds and any Parity Bonds will be made when due, after making the transfer required by Section 3.3, at least one Business Day prior to each March 1 and September 1, the Trustee shall make the following transfers from the Special Tax Fund first to the Interest Account and then to the Principal Account; provided, however, that to the extent that deposits have been made in the Interest Account or the Principal Account from the proceeds of the sale of an issue of the Bonds, any Parity Bonds, or otherwise, the transfer from the Special Tax Fund need not be made; and provided, further, that, if amounts in the Special Tax Fund (exclusive of the Reserve Account) are inadequate to make the foregoing transfers, then any deficiency shall be made up by an immediate transfer from the Reserve Account:

(a) To the Interest Account, an amount such that the balance in the Interest Account one 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 and any installment of interest due on a previous Interest Payment Date which remains unpaid. 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 Business Day prior to September 1 of each year, commencing September 1, 2005, shall equal the principal payment due on the Bonds and any Parity Bonds maturing on such September 1 and any principal payment due on a previous September 1 which remains unpaid. Moneys in the Principal Account shall be used for the payment of the principal of such Bonds and any Parity Bonds as the same become due at maturity.

Section 3.5. **Redemption Account of the Special Tax Fund**.

(a) With respect to each September 1 on which a Sinking Fund Payment is due, after the deposits have been made to the Administrative Expenses Account, the Interest Account and the Principal Account of the Special Tax Fund as required by Sections 3.3 and 3.4 hereof, the Trustee shall next transfer into the Redemption Account of the Special Tax Fund from the Special Tax Fund the amount needed to make the balance in the Redemption Account one Business Day prior to each September 1 equal to the Sinking Fund Payment due on any Outstanding Bonds and Parity Bonds on such September 1; provided, however, that, if amounts in the Special Tax Fund are inadequate to make the foregoing transfers, then any deficiency shall be made up by an immediate transfer from the Reserve Account, if funded, pursuant to Section 3.6 below. Moneys so deposited in the Redemption Account shall be used and applied by the Trustee to call and redeem Term Bonds in accordance with the Sinking Fund Payment schedules set forth in Section 4.1(b) hereof, and to redeem Parity Bonds in accordance with any Sinking Fund Payment schedule in the Supplemental Indenture for such Parity Bonds.

(b) After making the deposits to the Administrative Expenses Account, the Interest Account and the Principal Account of the Special Tax Fund pursuant to Sections 3.3 and 3.4 above and to the Redemption Account for Sinking Fund Payments then due pursuant to subparagraph (a) of this Section, and in accordance with the District's election to call Bonds for optional redemption as set forth in Section 4.1(a) hereof, or to call Parity Bonds for optional redemption as set forth in any Supplemental Indenture for Parity Bonds, the Trustee 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 (other than the Administrative Expenses Account therein) may be applied to optionally redeem Bonds and Parity Bonds only if immediately following such redemption the amount in the Reserve Account will equal the Reserve Requirement.

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

(d) 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 an extraordinary 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 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 or an extraordinary redemption, the premium applicable at the next following call date according to the premium schedule established pursuant to Section 4.1(a) or 4.1(d) hereof, as applicable, or in the case of Parity Bonds the premium established in any Supplemental Indenture. Any accrued interest payable upon the purchase of Bonds or Parity Bonds may be paid from the amount reserved in the Interest Account of 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**. There shall be maintained in the Reserve Account of the Special Tax Fund an amount equal to the Reserve Requirement. If funded, the 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 in the event that the moneys in the Interest Account and the Principal Account of the Special Tax Fund are insufficient therefor or moneys in the Redemption Account of the Special Tax Fund are insufficient to make a Sinking Fund Payment when due and for the purpose of making any required transfer to the Rebate Fund pursuant to Section 3.7 hereof upon written direction from the District. If the amounts in the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund are insufficient to pay the principal of, including Sinking Fund Payments, or interest on any 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 Trustee shall withdraw from the Reserve Account for

deposit in the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund 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 Trustee 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 such Reserve Account to the Reserve Requirement. Moneys in the Special Tax Fund shall be deemed available for transfer to the Reserve Account only if the Trustee determines that such amounts will not be needed to make the deposits required to be made to the Administrative Expenses Account, the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund on or before the next September 1. If amounts in the Special Tax Fund together with any other amounts transferred to replenish the Reserve Account are inadequate to restore the Reserve Account to the Reserve Requirement, then the District shall include the amount necessary fully to restore the Reserve Account to the Reserve Requirement in the next annual Special Tax levy to the extent of the maximum permitted Special Tax rates.

(c) In connection with a redemption of Bonds pursuant to Section 4.1(a) or (c) or Parity Bonds in accordance with 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 so long as the amount on deposit in the Reserve Account following such redemption or partial defeasance equals the Reserve Requirement. The District shall set forth in a Certificate of an Authorized Representative the amount in the Reserve Account to be transferred to the Redemption Account on a redemption date or to be transferred pursuant to Section 9.1(c) to partially defease Bonds, and the Trustee shall make such transfer on the applicable redemption or defeasance date, subject to the limitation in the preceding sentence.

(d) To the extent that the Reserve Account is at the Reserve Requirement as of the first day of the final Bond Year for the Bonds or an issue of Parity Bonds, 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. Moneys in the Reserve Account in excess of the Reserve Requirement not transferred in accordance with the preceding provisions of this section shall be withdrawn from the Reserve Account on the Business Day before each March 1 and September 1 and shall be transferred to the Interest Account of the Special Tax Fund.

Section 3.7. **Rebate Fund**.

(a) The Trustee shall establish and maintain a fund separate from any other fund established and maintained hereunder designated as the Rebate Fund and shall establish a separate Rebate Account and Alternative Penalty Account therein. All money at any time deposited in the Rebate Account or the Alternative Penalty Account of the Rebate Fund shall be held by the Trustee in trust, for payment to the United States Treasury. A separate subaccount of the Rebate Account and the Alternate Penalty Account shall be established for the Bonds and each issue of Parity Bonds the interest on which is excluded from gross income for federal income tax purposes. All amounts on deposit in the Rebate Fund with respect to the Bonds or an issue of Parity Bonds shall be governed by this Section 3.7 and the Tax Certificate for such issue, unless the District obtains 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.

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

(i) Annual Computation. Within 55 days of the end of each Bond Year, the District shall calculate or cause to be calculated the amount of rebatable arbitrage for the Bonds and each issue of Parity Bonds to which this Section 3.7 is applicable, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Rebate Regulations (taking into account any applicable exceptions with respect to the computation of the rebatable arbitrage described in the Tax Certificate for each issue (e.g., the temporary investments exceptions of Section 148(f)(4)(B) and (C) of the Code), and taking into account whether the election pursuant to Section 148(f)(4)(C)(vii) of the Code (the "1½% Penalty") has been made), for this purpose treating the last day of the applicable Bond Year as a computation date, within the meaning of Section 1.148-1(b) of the Rebate Regulations (the "Rebatable Arbitrage"). The District shall obtain expert advice as to the amount of the Rebatable Arbitrage to comply with this Section.

(ii) Annual Transfer. Within 55 days of the end of each Bond Year for which Rebatable Arbitrage must be calculated as required by the Tax Certificate for each issue, upon the written direction of an Authorized Representative of the District, an amount shall be deposited to each subaccount of the Rebate Account by the Trustee from any funds so designated by the District if and to the extent required, so that the balance in the Rebate Account shall equal the amount of Rebatable Arbitrage so calculated by or on behalf of the District in accordance with (i) of this Subsection (a)(1) with respect to the Bonds and each issue of Parity Bonds to which this Section 3.7 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 to the credit of the applicable subaccount of the Rebate Account exceeds the amount required to be on deposit therein, upon written instructions from an Authorized Representative of the District, the Trustee shall withdraw the excess from the appropriate subaccount of the Rebate Account and then credit the excess to the Special Tax Fund.

(iii) Payment to the Treasury. The Trustee shall pay, as directed in writing by an Authorized Representative of the District, to the United States Treasury, out of amounts in each subaccount of 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 3.7 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, as applicable; and

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

In the event that, prior to the time of any payment required to be made from the Rebate Account, the amount in the Rebate Account is not sufficient to make such payment when such payment is due, the District shall calculate or cause to be calculated the amount of

such deficiency and deposit an amount received from any legally available source equal to such deficiency prior to the time such payment is due. Each payment required to be made pursuant to this Subsection (a)(1) shall be made to the Internal Revenue Service Center, Ogden, Utah 84201 on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T, or shall be made in such other manner as provided under the Code.

(2) Alternative Penalty Account.

(i) Six-Month Computation. If the 1½% Penalty has been elected for the Bonds or an issue of Parity Bonds, within 85 days of each particular Six-Month Period, the District shall determine or cause to be determined whether the 1½% Penalty is payable (and the amount of such penalty) as of the close of the applicable Six-Month Period. The District shall obtain expert advice in making such determinations.

(ii) Six-Month Transfer. Within 85 days of the close of each Six-Month Period, the Trustee, at the written direction of an Authorized Representative of the District, shall deposit an amount in the appropriate subaccounts of the Alternative Penalty Account from any source of funds held by the Trustee pursuant to this Indenture and designated by the District in such written directions or provided to it by the District, if and to the extent required, so that the balance in each subaccount of the Alternative Penalty Account equals the amount of 1½% Penalty due and payable to the United States Treasury determined as provided in Subsection (a)(2)(i) above. In the event that immediately following any transfer provided for in 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 a subaccount of the Alternative Penalty Account exceeds the amount required to be on deposit therein to make the payments required by Subsection (iii) below, the Trustee, at the written direction of an Authorized Representative of the District, may withdraw the excess from the applicable subaccount of the Alternative Penalty Account and credit the excess to the Special Tax Fund.

(iii) Payment to the Treasury. The Trustee shall pay, as directed in writing by an Authorized Representative of the District, to the United States Treasury, out of amounts in a subaccount of the Alternative Penalty Account, not later than 90 days after the close of each Six-Month Period the 1½% Penalty, if applicable and payable, computed with respect to the Bonds and any issue of Parity Bonds in accordance with Section 148(f)(4) of the Code. In the event that, prior to the time of any payment required to be made from a subaccount of the Alternative Penalty Account, the amount in such subaccount is not sufficient to make such payment when such payment is due, the District shall calculate the amount of such deficiency and direct the Trustee, in writing, to deposit an amount equal to such deficiency into such subaccount of the Alternative Penalty Account from any funds held by the Trustee pursuant to this Indenture and designated by the District in such written directions prior to the time such payment is due. Each payment required to be made pursuant to this Subsection (a)(2) shall be made to the Internal Revenue Service, 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 Accounts of the Rebate Fund with respect to the Bonds or an issue of Parity Bonds after redemption and payment of

such issue and after making the payments described in Subsection (a)(1)(iii) or (a)(2)(iii) (whichever is applicable), may be withdrawn by the Trustee at the written direction of 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 3.7 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 Fund**. After making the transfers required by Sections 3.3, 3.4, 3.5, 3.6 and 3.7 hereof, as soon as practicable after each September 1, and in any event prior to each October 1, the Trustee shall transfer all remaining amounts in the Special Tax Fund to the Surplus Fund, unless on or prior to such date, it has received a Certificate of an Authorized Representative directing that certain amounts be retained in the Special Tax Fund because the District has included such amounts as being available in the Special Tax Fund in calculating the amount of the levy of Special Taxes for such Fiscal Year pursuant to Section 5.2(b) hereof. Moneys deposited in the Surplus Fund will be transferred by the Trustee at the direction of an Authorized Representative of the District (i) to the Interest Account, the Principal Account or the Redemption Account of the Special Tax Fund to pay the principal of, including Sinking Fund Payments, premium, if any, and interest on the Bonds and any Parity Bonds when due in the event that moneys in the Special Tax Fund and the Reserve Account of the Special Tax Fund are insufficient therefor, (ii) to the Reserve Account in order to replenish the Reserve Account to the Reserve Requirement, (iii) to the Administrative Expenses Account of the Special Tax Fund to pay Administrative Expenses to the extent that the amounts on deposit in the Administrative Expenses Account of the Special Tax Fund are insufficient to pay Administrative Expenses, or (iv) for any other lawful purpose of the District.

The amounts in the Surplus Fund are not pledged to the repayment of the Bonds or the Parity Bonds and may be used by the District for any lawful purpose. In the event that the District reasonably expects to use any portion of the moneys in the Surplus Fund to pay debt service on any Outstanding Bonds or Parity Bonds, the District will notify the Trustee in a Certificate of an Authorized Representative and the Trustee will segregate such amount into a separate subaccount and the moneys on deposit in such subaccount of the Surplus Fund shall be invested at the written direction of the District 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 issue of Bonds or Parity Bonds to which such amounts are to be applied, 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 or any Parity Bonds which were issued on a tax-exempt basis for federal income tax purposes.

Section 3.9. **Costs of Issuance Fund**. The moneys in the Costs of Issuance Fund shall be disbursed by the Trustee pursuant to a Certificate of an Authorized Representative of the District, and

any balance therein shall be transferred by the Trustee to the Interest Account as directed in writing by an Authorized Representative of the District.

Section 3.10. **Investments**. Moneys held in any of the Funds, Accounts and Subaccounts under this Indenture shall be invested at the written direction of the District 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 a Fund, Account or Subaccount shall be applied as follows: (i) investment earnings on all amounts deposited in the Costs of Issuance Fund, the Special Tax Fund, the Surplus Fund and the Rebate Fund and each Account therein (other than the Reserve Account of the Special Tax Fund) shall be deposited in those respective Funds and Accounts, and (ii) investment earnings on all amounts deposited in the Reserve Account shall be deposited therein to be applied as set forth in Section 3.6. Moneys in the Funds, Accounts and Subaccounts held under this Indenture may be invested by the Trustee as directed in writing by the District, from time to time, in Authorized Investments subject to the following restrictions:

(a) Moneys in the Costs of Issuance 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 are 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.

(b) Monies in the Reserve Account of the Special Tax Fund may be invested only in Authorized Investments which, taken together, have a weighted average maturity not in excess of five years; provided that such amounts may be invested in an Investment Agreement to the later of the final maturity of the Bonds or any Parity Bonds so long as such amounts may be withdrawn at any time, without penalty, for application in accordance with Section 3.6 hereof; and provided that no such Authorized Investment of amounts in the Reserve Account allocable to the Bonds or an issue of Parity Bonds shall mature later than the respective final maturity date of the Bonds or the issue of Parity Bonds, as applicable.

(c) 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.

(d) In the absence of written investment directions from the District, the Trustee shall invest solely in Authorized Investments specified in clause (7) of the definition thereof.

The Trustee 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 Trustee 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 Trustee shall not be responsible for any loss from investments, sales or transfers undertaken in accordance with the provisions of this Indenture.

The Trustee or an affiliate may act as principal or agent in the making or disposing of any investment and shall be entitled to its customary fee for such investment. The Trustee may sell at the best market price obtainable, 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 Trustee shall not be liable or responsible for any loss resulting from such investment. For investment purposes, the Trustee 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 the right to receive brokerage confirmations of security transactions as they occur, the District specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the District periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

ARTICLE IV

REDEMPTION OF BONDS AND PARITY BONDS

Section 4.1. **Redemption of Bonds**.

(a) Optional Redemption.

The Bonds may be redeemed, at the option of the District from any source of funds on any date on or after September 1, 2023, in whole, or in part from such maturities as are selected by the District and by lot within a maturity, at a redemption price equal to the principal amount to be redeemed, together with accrued interest to the date of redemption, without premium.

In the event the District elects to redeem Bonds as provided above, the District shall give written notice to the Trustee of its election to so redeem, the redemption date and the principal amount of the Bonds of each maturity to be redeemed. The notice to the Trustee shall be given at least 30 but no more than 60 days prior to the redemption date, or by such later date as is acceptable to the Trustee, in its sole discretion.

(b) Mandatory Sinking Fund Redemption.

(i) The Term Bonds maturing on September 1, 2033 shall be called before maturity and redeemed, from the Sinking Fund Payments that have been deposited into the Redemption Account, on September 1, 2014, and on each September 1 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth below. The Term Bonds so called for redemption shall be selected by the Trustee 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, as follows:

BONDS MATURING SEPTEMBER 1, 2033

Redemption Date (September 1)	***Principal Amount***
2014	$
2015	
2016	
2017	
2018	
2019	
2020	
2021	
2022	
2023	
2024	
2025	
2026	
2027	
2028	
2029	
2030	
2031	
2032	
2033 (maturity)	

If during the Fiscal Year immediately preceding one of the redemption dates specified above the District purchases Term Bonds, at least 45 days prior to the redemption date the District shall notify the Trustee as to the principal amount purchased and the amount of Term Bonds so purchased shall be credited at the time of purchase, to the extent of the full principal amount thereof, to reduce such upcoming Sinking Fund Payment for the applicable maturity of the Term Bonds so purchased. All Term Bonds purchased pursuant to this subsection shall be cancelled pursuant to Section 10.1 hereof.

In the event of a partial optional redemption or special mandatory redemption of the 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, in integral multiples of $5,000.

(c) Extraordinary Redemption.

The Bonds are subject to extraordinary redemption as a whole, or in part on a pro rata basis among maturities, on any Interest Payment Date, and shall be redeemed by the Trustee, from Prepayments deposited to the Redemption Account pursuant to Section 3.2, plus amounts transferred from the Reserve Account pursuant to Section 3.6(c), at the following redemption prices, expressed as a percentage of the principal amount to be redeemed, together with accrued interest to the redemption date:

Redemption Date	*Redemption Prices*
Any Interest Payment Date through March 1, 2021	103%
September 1, 2021 and March 1, 2022	102
September 1, 2022 and March 1, 2023	101
September 1, 2023 and any Interest Payment Date thereafter	100

(d) The redemption provisions for Parity Bonds shall be set forth in a Supplemental Indenture.

Section 4.2. **Selection of Bonds and Parity Bonds for Redemption**. If less than all of the Bonds or Parity Bonds Outstanding 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 Trustee shall treat such Bonds or Parity Bonds, as applicable, 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 procedure for the selection of Parity Bonds for redemption may be modified as set forth in the Supplemental Indenture for such Parity Bonds. The Trustee 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 due for redemption under Section 4.1 above or under another redemption provision set forth in a Supplemental Indenture relating to any Parity Bonds, the Trustee shall give notice, in the name of the District, of the redemption of such Bonds or Parity Bonds; provided, however, that a notice of a redemption to be made from other than from Sinking Fund Payments shall be conditioned on there being on deposit on the redemption date sufficient money to pay the redemption price of the Bonds or Parity Bonds to be redeemed. Such notice of redemption shall (a) specify the CUSIP numbers (if any), the bond numbers and the maturity date or dates of the Bonds or Parity Bonds selected for redemption, except that where all of the Bonds or all of 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 Trustee. 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 Trustee shall mail a copy of such notice, by first class mail, postage prepaid, to the respective 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 or Parity 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 Trustee 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.

In addition to the foregoing notice, further notice shall be given by the Trustee as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed.

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

With respect to any notice of optional redemption of Bonds or Parity Bonds, such notice shall state that such redemption shall be conditional upon the receipt by the Trustee 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 or Parity 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 Trustee shall not be required to redeem such Bonds or Parity 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 Trustee 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.

Section 4.4. **Partial Redemption of Bonds or Parity Bonds**. The Owner shall not be required to submit any Bond to reflect sinking account payments. Upon surrender by the Owner of a Bond, at the option of such Owner, for mandatory redemption at the Principal Office, payment of such mandatory redemption of the principal amount of a Bond will be paid to such Owner. Upon surrender of any Bond or Parity Bond to be redeemed in part only, the District shall execute and the Trustee 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. Such mandatory redemption shall be valid upon payment of the amount thereby required to be paid to such Owner, and the District and the Trustee shall be released and discharged from all liability to the extent of such payment. Notwithstanding any provision of this Indenture to the contrary, so long as all the Outstanding Bonds are registered in the name of a single Owner, the Owner of such Bonds need not surrender the Bonds for exchange upon a partial redemption paid from Sinking Fund Payments. In that case, the Trustee shall make an appropriate notation in the Bond Register indicating the date and amounts of the reduction in principal, in form acceptable to the Trustee.

Section 4.5. **Effect of Notice and Availability of Redemption Money**. Notice of redemption having been duly given, as provided in Section 4.3 hereof, 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 Trustee, 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 the 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**.

(a) Security. 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.

(b) Financial Condition. As of the date the Bonds were issued, since the most current date of the information, financial or otherwise, supplied by the District to the Owner:

(1) There has been no change in the assets, liabilities, financial position or results of operations of the District which might reasonably be anticipated to cause a Material Adverse Effect;

(2) The District has not incurred any obligations or liabilities which might reasonably be anticipated to cause a Material Adverse Effect; and

(3) The District has not (i) incurred any material indebtedness, other than payments and trade accounts parable arising in the ordinary course of the District's business and not past due, or (ii) guaranteed the indebtedness of any other person.

(c) Accuracy of Information. All information, reports and other papers and data furnished by the District to the Owner were, at the time the same were so furnished, complete and accurate in all material respects and insofar as necessary to give the Owner a true and accurate knowledge of the subject matter and were provided in expectation of the Owner's reliance thereon in entering into the transactions contemplated by this Indenture. No fact is known to the District which has had or, so far as the District can now reasonably foresee, may in the future have a Material Adverse Effect, which has not been set forth in the financial statements previously furnished to the Owner or in other such information, reports, papers and data or otherwise disclosed in writing to the Owner prior to the issuance of the Bonds. Any financial, budget and other projections furnished to the Owner by the District or its or their agents were prepared in good faith on the basis of the

assumptions stated therein, which assumptions were fair and reasonable in light of the conditions existing at the time of delivery of such financial, budget or other projections, and represented, and as of the date of this representation, represent the District's best estimate of its future financial performance. No document furnished nor any representation, warranty or other written statement made to the Owner in connection with the negotiation, preparation or execution of this Indenture contains or will contain any untrue statement of a material fact or omits or will omit to state (as of the date made or furnished) any material fact necessary in order to make the statements contained herein or therein, in light of the circumstances under which they were or will be made, not misleading.

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:

(a) Punctual Payment; Against Encumbrances. The District covenants that it will receive all Special Taxes in trust for the Owners and will instruct the Treasurer to deposit all Special Taxes with the Trustee immediately upon their apportionment to the District, 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 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 the Parity Bonds and in accordance with this Indenture to the extent that Net 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, any 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 Taxes except as provided in this Indenture, and will not issue any obligation or security having a lien or charge upon the Net 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 Taxes which is subordinate in all respects to the pledge of Net Taxes to repay the Bonds and the Parity Bonds.

(b) Levy of Special Tax. Beginning in Fiscal Year 2013-14 and so long as any Bonds or Parity Bonds issued under this Indenture are Outstanding, the legislative body of the District covenants to levy the Special Tax in an amount sufficient, together with other amounts on deposit in the Special Tax Fund and available for such purpose, to pay (1) the principal of and interest on the Bonds and any Parity Bonds when due, (2) the Administrative Expenses, and (3) any amounts required to replenish the Reserve Account of the Special Tax Fund to the Reserve Requirement (the "Special Tax Requirement"). The District further covenants 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 and any Parity Bonds are Outstanding.

(c) Commence Foreclosure Proceedings. The District covenants for the benefit of the Owners of the Bonds and any Parity Bonds that it (i) will commence judicial foreclosure proceedings against parcels with delinquent Special Taxes in excess of $10,000 by the October 1 following the close of each Fiscal Year in which such Special Taxes were due; and (ii) will commence judicial foreclosure proceedings against all parcels with delinquent Special Taxes by the October 1 following the close of each Fiscal Year in which it receives Special Taxes in an amount which is less than 95% of the total Special Tax levied and the amount on deposit in the Reserve Account is at less than the Reserve Requirement, and (iii) will diligently pursue such foreclosure proceedings until the delinquent Special Taxes are paid.

The District covenants that it will deposit the net proceeds of any foreclosure to the Special Tax Fund and will apply such proceeds remaining after the payment of Administrative Expenses to make current payments of principal and interest on the Bonds and any Parity Bonds, to bring the amount on deposit in the Reserve Account up to the Reserve Requirement and to pay any delinquent installments of principal or interest due on the Bonds and any Parity Bonds.

(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 Taxes or other funds in the Special Tax Fund (other than the Administrative Expenses Account therein), or which might impair the security of the Bonds or any Parity Bonds then Outstanding; provided, however, 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 of the Trustee or of the Owners of not less than 10% of the principal amount of the Bonds or the Owners of not less than 10% 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 monies or property which would cause the Bonds or 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 or take or omit to take any action that would cause 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 any Parity Bonds or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause the Bonds or any Parity Bonds issued on a tax-exempt basis for federal income tax purposes 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 its expectations stated in the Tax Certificate executed on the Delivery Date by the District 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;

(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; and

(8) Subsequent Opinions. If the District obtains a subsequent opinion of Bond Counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation ("SYCR"), where such opinion is required in connection with a change or amendment to this Indenture or the procedures set forth in the Tax Certificate, it will obtain an opinion substantially to the effect originally delivered by SYCR that interest on the Bonds and Parity Bonds which are the subject of such change or amendment is excluded from gross income for federal income tax purposes.

(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 the District below the levels provided in this Section 5.2(g)

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 the District, unless, in connection therewith, (i) the District receives a certificate from one or more Independent Financial Consultants which, when taken together, certify that, on the basis of the parcels of land and improvements existing in the District as of the July 1 preceding the reduction, the maximum amount of the Special Tax which may be levied on then existing Developed Property (as defined in the Rate and Method of Apportionment of the Special Taxes then in effect in the District) 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 and 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.

(h) Covenants to Defend. The District covenants that, in the event that any initiative is adopted by the qualified electors in the District which purports to reduce 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) Financial Reporting. So long as the Bonds remain Outstanding, the District shall provide the Owner with: (1) within 240 days of the end of each Fiscal Year, an annual audited financial statement prepared in accordance with generally accepted accounting principles as promulgated to apply to government entities from time to time by the Governmental Accounting Standards Board; (2) within 30 days of the end of each Fiscal Year, an annual operating budget approved by the Board of Directors of the District; (3) within 240 days of the end of each Fiscal Year, an annual report (the "Annual Report") stating: (i) the principal amount of Bonds outstanding as of the September 2 preceding the filing of the Annual Report, (ii) the balance in each fund under the Indenture as of the September 2 preceding the filing of the Annual Report, (iii) any changes to the Rate and Method of Apportionment of the Special Taxes approved or submitted to the qualified electors for approval prior to the filing of the Annual Report and a description of any parcels for which the Special Taxed have been prepaid, including the amount prepaid, since the date of the last Annual Report, (iv) a table setting forth the estimated assessed value-to-lien ratios for Developed Property as a group and for each owner of Undeveloped Property based upon the most recent Special Tax levy preceding the date of the Annual Report, the most recent assessed values of the property and the principal amount of the Bonds and any other land secured debt allocable to parcels within Improvement Area No. 1 of the District, (v) a table including a list of all taxpayers within Improvement Area No. 1 of the District which own property in Improvement Area No. 1 of the

District upon which 5% or more of the total Special Taxes for the current fiscal year have been levied, including the percentage of Special Taxes payable by each taxpayer, and a statement as to whether any of such taxpayers is delinquent in the payment of Special Taxes, (vi) a table setting forth for the five most recent fiscal years in which Special Taxes were levied, the amount of Special Taxes levied in each fiscal year and the percentage delinquent as of June 30 of such fiscal year and as of the March 1 preceding the date of the Annual Report, and a description of the status of any foreclosure actions being pursued by the District with respect to delinquent Special Taxes, (vii) the date of issuance and the principal amount of any Parity Bonds, and (viii) any information not already included under (i) through (vii) above that the District would be required to file if the Bonds were sold by public sale in an annual report to the California Debt and Investment Advisory Commission pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended; and (4) notice of any default of any obligation of the District, Material Litigation, and material governmental proceedings which may affect the pledge of the Special Taxes to the payment of principal of and interest on the Bonds as provided hereunder.

(k) Notices and Information. The District shall provide to the owner:

(1) Immediate notice by telephone, promptly confirmed in writing, of any event, action or failure to take any action which constitutes an Event of Default under this Indenture, together with a detailed statement by an Authorized Representative of the District or by an Authorized Representative of the City of the steps being taken by the District to cure the effect of such Event of Default;

(2) Prompt written notice of any action, suit or proceeding or any investigation, inquiry or similar proceeding by or before any court or other governmental authority, domestic or foreign, against the District or challenging the Special Taxes which involve claims equal to or in excess of $500,000 or that seeks injunctive relief,

(3) Prompt written notice of any Material Litigation, following the date of an event having a Material Adverse Effect, or any investigation, inquiry or similar proceeding by any Governmental Authority with respect to any matter that relates to or could impact any Special Taxes; and

(4) With reasonable promptness, such other information respecting the District, Special Taxes, and the operations, affairs and financial condition of the District and the Owner may from time to time reasonably request.

(l) 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 in this Indenture.

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 additional resolution 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) subject to the provisions of Section 5.2(g), to modify, alter or amend the Rate and Method of Apportionment of the Special Taxes in any manner so long as such changes do not reduce the maximum Special Taxes that may be levied in each year on property within Improvement Are No. 1 of the District 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 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.

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 Trustee and shall deliver to the Trustee a copy of the proposed Supplemental Indenture. The Trustee 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 Trustee 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 as required by this Section. Whenever at any time within one year after the date of the first mailing of such notice, the Trustee 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 Trustee, 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 any 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 office of the Trustee or at such additional offices as the Trustee 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 office of the Trustee or at such additional offices as the Trustee 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

TRUSTEE

Section 7.1. **Trustee**. The Bank of New York Mellon Trust Company, N.A., shall be the Trustee for the Bonds and any Parity Bonds unless and until another Trustee is appointed by the District hereunder. The District may, at any time, appoint a successor Trustee satisfying the requirements of Section 7.2 below for the purpose of receiving all money which the District is required to deposit with the Trustee hereunder and to allocate, use and apply the same as provided in this Indenture.

The Trustee is hereby authorized to and shall mail by first class mail, postage prepaid, or wire transfer in accordance with Section 2.5 above, interest payments to the Bondowners, to select Bonds and Parity Bonds for redemption, and to maintain the Bond Register. The Trustee 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 Trustee shall keep accurate records of all funds administered by it and all Bonds and Parity Bonds paid, discharged and cancelled by it.

The Trustee is hereby authorized to redeem the Bonds and Parity Bonds when duly presented for payment at maturity, or on redemption prior to maturity. The Trustee 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 Trustee then in force, pay to the Trustee compensation for its services, reimburse the Trustee 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 Trustee, its officers, directors, employees and agents, harmless against costs, claims, expenses and liabilities, including, without limitation, fees and expenses of its attorneys, 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 foregoing obligation of the District to indemnify the Trustee shall survive the removal or resignation of the Trustee or the discharge of the Bonds.

Section 7.2. **Removal of Trustee**. The District may at any time at its sole discretion remove the Trustee initially appointed, and any successor thereto, by delivering to the Trustee a written notice of its decision to remove the Trustee 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 $100,000,000, and subject to supervision or examination by federal or state authority. Any removal shall become effective only upon acceptance of appointment by the successor Trustee. 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. Any removal of the Trustee and appointment of a successor Trustee shall become effective only upon acceptance of

appointment by the successor Trustee and notice being sent by the successor Trustee to the Bondowners of the successor Trustee's identity and address.

Section 7.3. **Resignation of Trustee**. The Trustee 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 registration books in the office of the Trustee. Upon receiving such notice of resignation, the District shall promptly appoint a successor Trustee satisfying the criteria in Section 7.2 above by an instrument in writing. Any resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee.

Section 7.4. **Liability of Trustee**. 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 Trustee 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 Trustee. The Trustee shall be under no responsibility or duty with respect to the issuance of the Bonds or any Parity Bonds for value. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct.

The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, Bond, Parity Bond, facsimile transmission, electronic mail 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 Trustee 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 Trustee 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 Trustee 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 Trustee, be deemed to be conclusively proved and established by a written certificate of the District, and such certificate shall be full warrant to the Trustee for any action taken or suffered under the provisions of this Indenture upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

The Trustee shall have no duty or obligation whatsoever to enforce the collection of Special Taxes or other funds to be deposited with it hereunder, or as to the correctness of any amounts received, but its liability shall be limited to the proper accounting for such funds as it shall actually receive. No provision in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of its rights or powers.

The Trustee shall not be deemed to have knowledge of any default or event of default until an officer at the Trustee's corporate trust office responsible for the administration of its duties hereunder shall have actual knowledge thereof or the Trustee shall have received written notice thereof at its corporate trust office.

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

The Trustee agrees to accept and act upon facsimile transmission of written instructions and/or directions pursuant to this Indenture; provided, however, that: (a) subsequent to such facsimile transmission of written instructions and/or directions, the Trustee shall forthwith receive the originally executed instructions and/or directions, (b) such originally executed instructions and/or directions shall be signed by a person as may be designated and authorized to sign for the party signing such instructions and/or directions, and (c) the Trustee shall have received a current incumbency certificate containing the specimen signature of such designated person.

Section 7.5. **Merger or Consolidation**. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, shall be the successor to the Trustee without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

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, 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 Trustee or the Owners of 25% in aggregate principal amount of the Outstanding Bonds and Parity Bonds.

The Trustee agrees to give notice to the Owners as soon as practicable upon the occurrence of an Event of Default under (a) or (b) above and within 30 days of the Trustee's knowledge of an event of default under (c) above.

Section 8.2. **Remedies of Owners**. Upon the occurrence of an Event of Default, the Trustee may pursue any available remedy at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Outstanding Bonds and Parity Bonds, and to enforce any rights of the Trustee under or with respect to this Indenture, including:

(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.

If an Event of Default shall have occurred and be continuing and if requested so to do by the Owners of at least twenty-five percent (25%) in aggregate principal amount of Outstanding Bonds and Parity Bonds and if indemnified to its satisfaction, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by this Article 8, as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Owners of the Bonds and Parity Bonds.

No remedy herein conferred upon or reserved to the Trustee or 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.

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

First, to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and in carrying out the provisions of this Article 8, including reasonable compensation to its agents, attorneys and counsel, and to the payment of all other outstanding fees and expenses of the Trustee; 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. **Power of Trustee to Control Proceedings**. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the Owners of twenty-five percent (25%) in aggregate principal amount of the Bonds and Parity Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds and Parity Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in aggregate principal amount of the Outstanding Bonds and Parity Bonds hereunder opposing such discontinuance, withdrawal, compromise, settlement or other such litigation. Any suit, action or proceeding which any Owner of Bonds or Parity Bonds shall have the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all Owners of Bonds and Parity Bonds similarly situated and the Trustee is hereby appointed (and the successive respective Owners of the Bonds and Parity Bonds issued hereunder, by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney in fact of the respective Owners of the Bonds and Parity Bonds for the purposes of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners of the Bonds and Parity Bonds as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact.

Section 8.5. **Appointment of Receivers**. Upon the occurrence of an Event of Default hereunder, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Owners of the Bonds and Parity Bonds under this Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Net Taxes and other amounts pledged hereunder, pending such proceedings, with such powers as the court making such appointment shall confer.

Section 8.6. **Non-Waiver**. Nothing in this Article 8 or in any other provision of this Indenture, or in 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 Taxes and other moneys herein pledged for such payment.

A waiver of any default or breach of duty or contract by the Trustee or 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 the Trustee or 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 Trustee or the Owners by the Act or by this Article 8 may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee or the Owners, as the case may be.

Section 8.7. **Limitations on Rights and Remedies of Owners**. No Owner of any Bond or Parity Bond issued hereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Indenture, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Bonds and Parity Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds and Parity Bonds of any remedy hereunder; it being understood and intended that no one or more Owners of Bonds and Parity Bonds shall have any right in any manner whatever by his or their action to enforce any right under this Indenture, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provision of this Indenture shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Bonds and Parity Bonds.

The right of any Owner of any Bond and Parity Bond to receive payment of the principal of and interest and premium (if any) on such Bond and Parity Bond as herein provided or to institute suit for the enforcement of any such payment, shall not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions of this Section or any other provision of this Indenture.

Section 8.8. **Termination of Proceedings**. In case the Trustee shall have proceeded to enforce any right under this Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case, the District, the Trustee and the Owners shall be restored to their former positions and rights hereunder, respectively, with regard to the property subject to this Indenture, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

ARTICLE IX

DEFEASANCE AND PARITY BONDS

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 or any Supplemental Indenture, then the Owner of such Bond or Parity Bond shall cease to be entitled to the pledge of Net 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 and any Supplemental Indenture relating to such Parity Bond 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 Trustee shall execute and deliver to the District all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee shall 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 principal of, premium, if any, and interest due on 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 Trustee, in trust, at or before maturity, money which, together with the amounts then on deposit in the Special Tax Fund (exclusive of the Administrative Expenses Account) and available for such purpose, 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 Trustee or another escrow bank appointed by the District, in trust, Federal Securities, in which the District may lawfully invest its money, in such amount as will be sufficient, together with the interest to accrue thereon and moneys then on deposit in the Special Tax Fund (exclusive of the Administrative Expenses Account) and available for such purpose, 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.

If paid as provided above, 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 and any Supplemental Indenture with respect to such Bond or Parity Bond shall cease and terminate, except for the obligation of the Trustee 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) or any covenants in a Supplemental Indenture relating to compliance with the Code. Notice of such election shall be filed with the Trustee not less than ten days prior to the proposed defeasance date, or such shorter period of time as may be acceptable to the Trustee. In connection with a defeasance under (b) or (c) above, there shall be provided to the District a verification report from an independent nationally recognized

certified public accountant stating its opinion as to the sufficiency of the moneys or securities deposited with the Trustee or the escrow bank to pay and discharge the principal of, premium, if any, and interest on all Outstanding Bonds and 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 or Parity Bonds being defeased have been legally defeased in accordance with this Indenture and any applicable Supplemental Indenture.

Upon a defeasance, the Trustee, 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 any Supplemental Indenture and execute and deliver to the District all such instruments as may be desirable to evidence such release, discharge and satisfaction. In the case of a defeasance hereunder of all Outstanding Bonds and Parity Bonds, the Trustee shall pay over or deliver to the District any funds held by the Trustee at the time of a defeasance, which are not required for the purpose of paying and discharging the principal of or interest on the Bonds and Parity Bonds when due. The Trustee 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.

Section 9.2. **Conditions for the Issuance of Parity Bonds and Other Additional Indebtedness**. The District may at any time after the issuance and delivery of the Bonds hereunder issue Parity Bonds payable from the Net Taxes and other amounts deposited in the Special Tax Fund (other than in the Administrative Expenses Account therein) 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, 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 may be issued subject 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 Trustee; 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 adopted by the District which shall specify the following:

(1) 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, including a provision requiring the proceeds of such Parity Bonds to be applied solely for the purpose of refunding any Outstanding Bonds or Parity Bonds, including payment of all costs and the funding of all reserves incidental to or connected with such refunding;

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

(3) the date and the maturity date or dates of such Parity Bonds; provided that (i) each maturity date shall fall on an September 1, (ii) all such Parity Bonds of like maturity

shall be identical in all respects, except as to number, and (iii) fixed serial maturities or Sinking Fund Payments, or any combination thereof, shall be established to provide for the retirement of all such Parity Bonds on or before their respective maturity dates;

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

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

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

(7) 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;

(8) the form of such Parity Bonds; and

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

(c) The District shall have received the following documents or money or securities, all of such documents dated or certified, as the case may be, as of the date of delivery of such Parity Bonds by the Trustee (unless the Trustee shall accept any of such documents bearing a prior date):

(1) a certified copy of the Supplemental Indenture authorizing the issuance of such Parity Bonds;

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

(3) an opinion of Bond Counsel and/or general counsel to the District to the effect that (a) the District has the right and power under the Act to adopt this Indenture and the Supplemental Indentures relating to such Parity Bonds, and this Indenture and all such Supplemental Indentures have been duly and lawfully adopted by the District, are in full force and effect and are valid and binding upon the District and enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights); (b) this Indenture creates the valid pledge which it purports to create of the Net Taxes and other amounts as provided in this Indenture, subject to the application thereof to the purposes and on the conditions permitted by this Indenture; and (c) such Parity Bonds are valid and binding limited obligations of the District, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights) and the terms of this Indenture and all Supplemental Indentures thereto and entitled to the benefits of this 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 this 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;

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

(5) a certificate of an Independent Financial Consultant certifying that in each Bond Year the Annual Debt Service on the Bonds and Parity Bonds to remain Outstanding following the issuance of the Parity Bonds proposed to be issued is less than the Annual Debt Service on the Bonds and Parity Bonds Outstanding prior to the issuance of such Parity Bonds; and

(6) 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 X

MISCELLANEOUS

Section 10.1. **Cancellation of Bonds and Parity Bonds**. All Bonds and Parity Bonds surrendered to the Trustee for payment upon maturity or for redemption shall be upon payment therefor, and any Bond or Parity Bond purchased by the District as authorized herein and delivered to the Trustee for such purpose shall be, cancelled forthwith and shall not be reissued. The Trustee 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 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. 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 or a member of a partnership on behalf of such corporation, association or 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 Trustee shall be affected by any notice to the contrary.

Nothing contained in this Indenture shall be construed as limiting the Trustee or the District to such proof, it being intended that the Trustee or the District may accept any other evidence of the matters herein stated which the Trustee 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 Trustee 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 Trustee 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 Trustee at such date, or for two years after the date of deposit of such money if deposited with the Trustee after the date when such Outstanding Bonds or Parity Bonds become due and payable, shall be repaid by the Trustee to the District, as its absolute property and free from trust, and the Trustee 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 Trustee, at the expense of the District, shall 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 on the registration books of the Trustee 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 Trustee, then the District, the Trustee 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 irrepealable, 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 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 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 any 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, 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 mailed, first class, postage prepaid, or personally delivered to the Financial Services Director of the City of Oceanside, 300 North Coast Highway, Oceanside, California 92054, and all notices to the Trustee in its capacity as Trustee shall be mailed, first class, postage prepaid, or personally delivered to the Trustee, The Bank of New York Mellon Trust Company, N.A., 400 South Hope Street, Suite 400, Los Angeles, California 90017; Attention: Corporate Trust Department.

IN WITNESS WHEREOF, COMMUNITY FACILITIES DISTRICT NO. 2001-1 OF THE CITY OF OCEANSIDE (MORRO HILLS DEVELOPMENT) has caused this Bond Indenture to be signed by the Mayor of the City of Oceanside, acting as the legislative body of the District and attested thereto by the City Clerk of the City of Oceanside, and The Bank of New York Mellon Trust Company, N.A. in token of its acceptance of the trust created hereunder, has caused this Bond Indenture to be signed in its corporate name by its officer identified below, all as of the day and year first above written.

COMMUNITY FACILITIES DISTRICT NO. 2001-1 OF THE CITY OF OCEANSIDE (MORRO HILLS DEVELOPMENT)

By: _____

Mayor of the City of Oceanside, California, acting as the legislative body of Community Facilities District No. 2001-1 of the City of Oceanside (Morro Hills Development)

ATTEST:

_____

City Clerk of the City of Oceanside, California, acting as the legislative body of Community Facilities District No. 2001-1 of the City of Oceanside (Morro Hills Development)

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee

By: _____

Its: Authorized Officer

EXHIBIT A

FORM OF SPECIAL TAX REFUNDING BOND, SERIES 2014A

R-1 $_____

THE REGISTERED OWNER OF THIS BOND ACKNOWLEDGES AND AGREES THAT THIS BOND MAY ONLY BE TRANSFERRED UPON SATISFACTION OF THE REQUIREMENTS IN THE BOND INDENTURE, INCLUDING THE DELIVERY TO THE TRUSTEE OF AN INVESTOR LETTER IN THE FORM REQUIRED BY THE BOND INDENTURE. ANY TRANSFER OF THIS BOND IN VIOLATION OF THE TRANSFER RESTRICTIONS CONTAINED IN THE INDENTURE SHALL BE VOID AND OF NO EFFECT.

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF SAN DIEGO

COMMUNITY FACILITIES DISTRICT NO. 2001-1
OF THE CITY OF OCEANSIDE
(MORRO HILLS DEVELOPMENT)
IMPROVEMENT AREA NO. 1 SPECIAL TAX REFUNDING BOND SERIES 2014A

INTEREST RATE	MATURITY DATE	DATED DATE
____%	September 1, 2033	_____, 2014

REGISTERED OWNER: WAB INVESTMENTS, INC.

PRINCIPAL AMOUNT: _____ AND NO/100 DOLLARS

COMMUNITY FACILITIES DISTRICT NO. 2001-1 OF THE CITY OF OCEANSIDE (MORRO HILLS DEVELOPMENT) (the "District") which was formed by the City of Oceanside (the "City") and is situated in the County of San Diego, 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, 2014, 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 Trustee, initially The Bank of New York Mellon Trust Company, N.A. (the "Trustee"). Interest on this Bond shall be paid on each Interest Payment Date by check of the Trustee 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 appearing on the registration books maintained by the Trustee 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 Trustee.

Capitalized terms used herein and not defined shall have the meanings given them in the Indenture.

This Bond is one of a duly authorized issue of "Community Facilities District No. 2001-1 of the City of Oceanside (Morro Hills Development) Improvement Area No. 1 Special Tax Refunding Bonds, Series 2014A" (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 refunding the District's outstanding Improvement Area No. 1 Special Tax Bonds, Series A of 2004, funding a reserve account and 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 City Council of the City, acting in its capacity as the legislative body of the District (the "Legislative Body") on January 22, 2014 and a Bond Indenture dated as of February 1, 2014, by and between the District and the Trustee 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 Indenture is executed 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 No. 1 of the District (the "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 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 (other than the Administrative Expenses Account therein) 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 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, at the option of the District from any source of funds on any date on or after September 1, 2023, in whole or in part from such maturities as are selected by the District and by lot within a maturity, at a redemption price equal to the principal amount thereof, together with accrued interest to the date of redemption, without premium.

The Term Bonds maturing on September 1, 2033 shall be called before maturity and redeemed, from Sinking Fund Payments that have been deposited into the Redemption Account, on September 1, 2014, and on each September 1 thereafter prior to maturity, in accordance with the schedule of Sinking Fund Payments set forth in the Indenture at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium.

The Bonds are subject to extraordinary redemption as a whole, or in part on a pro rata basis among maturities, on any Interest Payment Date, and shall be redeemed by the Trustee, from prepayments of Special Taxes deposited to the Redemption Account plus amounts transferred from the Reserve Account in connection with such transfers, at the following redemption prices expressed as a percentage of the principal amount to be redeemed, together with accrued interest to the redemption date:

Redemption Date	***Redemption Price***
Any Interest Payment Date through March 1, 2022	103%
September 1, 2022 and March 1, 2023	102
September 1, 2023 and March 1, 2024	101
September 1, 2024 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 Trustee 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 Trustee 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 $1,000,000 or any integral multiple thereof, except for one Bond which may be issued in any integral multiple of

$5,000 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 Trustee, 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. Notwithstanding the foregoing, an Owner may only transfer the Bonds so long as all Outstanding Bonds are transferred together to a new Owner who has delivered an Investor Letter to the District.

The Trustee 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 THE CITY OF OCEANSIDE OR OF THE DISTRICT FOR WHICH THE CITY OF OCEANSIDE OR THE DISTRICT IS OBLIGATED TO LEVY OR PLEDGE, OR HAS LEVIED OR PLEDGED, GENERAL OR SPECIAL TAXES, OTHER THAN THE SPECIAL TAXES REFERENCED HEREIN. THE BONDS ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE FROM THE PORTION OF THE SPECIAL TAXES AND OTHER AMOUNTS PLEDGED UNDER THE INDENTURE BUT ARE NOT A DEBT OF THE CITY OF OCEANSIDE, 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 Trustee.

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. 2001-1 of the City of Oceanside (Morro Hills Development) has caused this Bond to be dated as of _____, 2014, to be signed on behalf of the District by the Mayor of the City by his facsimile signature and attested by the facsimile signature of the City Clerk of the City.

_____

Mayor of the City of Oceanside, California,
acting in its capacity as the legislative body of
Community Facilities District No. 2001-1 of

the City of Oceanside (Morro Hills Development)

ATTEST:

_____

City Clerk of the City of Oceanside, California, acting in its capacity as the legislative body of Community Facilities District No. 2001-1 of the City of Oceanside (Morro Hills Development)

[FORM OF TRUSTEE'S CERTIFICATE
OF AUTHENTICATION AND REGISTRATION]

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

Dated: _____

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee

By: _____
Its: Authorized Signatory

[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.

_____
City Clerk of the City of Oceanside, California, acting in its capacity as the legislative body of Community Facilities District No. 2001-1 of the City of Oceanside (Morro Hills Development)

[FORM OF ASSIGNMENT]

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

_____

_____

_____

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

the within-mentioned Bond and hereby irrevocably constitute(s) and appoint(s) _____ attorney, to transfer the same on the Registration Books of the Trustee with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

_____

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

_____

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

EXHIBIT B

FORM OF INVESTMENT LETTER

$ _____
IMPROVEMENT AREA NO. 1
OF COMMUNITY FACILITIES DISTRICT NO. 2001-1
OF THE CITY OF OCEANSIDE
(MORRO HILLS DEVELOPMENT)

[DATE]

Community Facilities District No. 2001-1
of the City of Oceanside (Morro Hills Development)
Oceanside, California

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

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

Ladies and Gentlemen:

The undersigned (the "Investor") hereby acknowledges receipt of $_____ in aggregate principal amount of the above-referenced bonds (the "Bonds"), dated _____, 2014 in fully registered form and bearing interest from the date thereof.

1. We are an "accredited investor" as defined in Section 2(a)(15) of the Securities Act of 1933 (the "1933 Act").

2. We have sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations of a nature similar to the Bonds to be able to evaluate the risks and merits of the investment represented by the purchase of the Bonds.

3. We are acquiring the Bonds for our own account, and not with a view to, or for sale in connection with, any distribution of the Bonds or any part thereof. We have not offered to sell, solicited offers to buy, or agreed to sell the Bonds or any part thereof, and we have no present intention of reselling or otherwise disposing of the Bonds.

4. As a sophisticated investor, we have made our own credit inquiry and analysis with respect to the Community Facilities District No. 2001-1 of the City of Oceanside (Morro Hills Development) (the "Issuer") and the Bonds, and have made an independent credit decision based upon such inquiry and analysis. The Issuer has furnished to us all the information which we as a

reasonable investor have requested of the Issuer as a result of our having attached significance thereto in making our investment decision with respect to the Bonds, and we have had the opportunity to ask questions of and receive answers from knowledgeable individuals concerning the Issuer and the Bonds. We are able and willing to bear the economic risk of the purchase and ownership of the Bonds.

5. We acknowledge that the Bonds are transferable only by notation on the registration books maintained by the bond registrar and are freely transferable provided that the Bonds are transferable in whole and not in part and that:

(i) the transferring holder thereof shall first have complied with all applicable state and federal securities laws and regulations;

(ii) the transferring holder thereof can transfer the Bonds only to a transferee who executes and delivers to the Issuer a letter of the transferee substantially to the effect of this letter and who qualifies as an:

(1) a qualified institutional buyer pursuant to Rule 144A of the 1933 Securities Act; or

(2) an "accredited investor" within the meaning of Section 2(15) of the 1933 Securities Act; and

(iii) the transferring holder thereof will not prepare or furnish, or cause to be prepared or furnished, any disclosure regarding the Issuer without the prior review and written consent of the Issuer, in the Issuer's sole discretion.

6. We acknowledge that the Bonds shall not be transferred other than in denominations of $5,000,000 or any multiple thereof.

7. We are not relying upon the Issuer or its employees or consultants for advice as to the merits and risks of investment in the purchase of the Bonds. We have not relied upon the Issuer's legal counsel, financial advisor or other consultants to the Issuer for any information, representation or opinions, unless explicitly provided herein, in connection with our investment, the Issuer or the Bonds. We have sought such accounting, legal and tax advice as we have considered necessary to make an informed investment decision.

8. We understand and agree that the offering and sale of the Bonds is exempt from Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the "Rule"), pursuant to Section (d) of such Rule, and the Issuer makes, and has made, no representation to us or any other party with respect to matters governing the Rule as it relates to the agreements and the transaction described herein.

9. We understand the no official statements, offering memorandum or circular will be issued in connection with the issuance of the Bonds, and that the Bonds are not rated by any accredited rating agency.

10. We understand that the Bond Indenture dated as of February 1, 2014 (the "Indenture"), by and between the Community Facilities District No 2001-1 of the City of Oceanside

(Morro Hills Development) and The Bank of New York Mellon Trust Company, N.A., as trustee, relating to the Bonds, has not been registered under the Securities Act of 1933, as amended, and that such registration is not legally required. Additionally, the Indenture has not been registered under, and no qualification for sale has been made under, the Blue Sky Laws of any State.

WAB INVESTMENTS, INC.

By: _____
Its:

ATTACHMENT 5

DOCUMENT _____

2004 ESCROW AGREEMENT

THIS 2004 ESCROW AGREEMENT dated as of February 1, 2014 (the "Agreement"), by and between the Community Facilities District No. 2001-1 of the City of Oceanside (Morro Hills Development) (the "District") and The Bank of New York Mellon Trust Company, N.A., as escrow agent (the "Escrow Agent"), is entered into in accordance with Resolution No. _____ of the City of Oceanside, acting as legislative body for the District, adopted on January 22, 2014 and a Bond Indenture dated as of November 1, 2002, by and between the District and The Bank of New York Mellon Trust Company, N.A., successor-in-interest to BNY Western Trust Company (the "Trustee"), as amended and supplemented by the First Supplemental Bond Indenture dated as of December 1, 2004, the Second Supplemental Bond Indenture dated as of June 1, 2013 and the Third Supplemental Bond Indenture dated as of February 1, 2014 (collectively, the "Indenture") to refund all of the outstanding Community Facilities District No. 2001-1 of the City of Oceanside (Morro Hills Development) Special Tax Bonds, Series A of 2004 (the "Refunded Bonds").

W I T N E S S E T H :

WHEREAS, the District previously issued the Refunded Bonds pursuant to the Indenture;

WHEREAS, the District has determined that a portion of the proceeds of the $_____ aggregate principal amount of the Community Facilities District No. 2001-1 of the City of Oceanside (Morro Hills Development) Special Tax Refunding Bonds Series 2014A (the "2014A Bonds") issued pursuant to the Indenture, together with certain other moneys, will be used to provide the funds to pay on and prior to September 1, 2014, all regularly scheduled payments of interest on the Refunded Bonds, and to redeem on September 1, 2014 the principal of the Refunded Bonds maturing after September 1, 2014, plus interest with respect thereto accrued to such date, without premium (the "Redemption Price");

WHEREAS, the District will irrevocably deposit a portion of the proceeds from the 2014A Bonds with the Escrow Agent, some of which will be used to purchase securities as described on Schedule A hereto (the "Federal Securities"), which Federal Securities satisfy the criteria set forth in Section 9.1 of the Indenture, and

WHEREAS, the moneys deposited with the Escrow Agent, including interest earnings thereon, will be sufficient, along with certain other moneys deposited with the Escrow Agent at the same time pursuant to this agreement, to redeem and discharge the Refunded Bonds;

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, the District and the Escrow Agent agree as follows:

SECTION 1. Deposit of Moneys. The District hereby instructs the Escrow Agent to deposit $_____ received from the Trustee from the net proceeds of the sale of the 2014A Bonds in the Escrow Fund established hereunder. The District hereby further instructs the Trustee to transfer to the Escrow Agent the amount of $_____ constituting moneys on deposit in certain funds and accounts relating to the Refunded Bonds established under the Indenture along with certain other moneys and instructs the Escrow Agent to deposit such amount in the Escrow Fund established hereunder. The Escrow Agent shall hold all such amounts in irrevocable escrow separate and apart

from other funds of the District and the Escrow Agent in a fund hereby created and established to be known as the "Escrow Fund" and to be applied solely as provided in this Agreement. The District represents that the moneys set forth above are at least equal to an amount sufficient to purchase the Federal Securities listed in Schedule A hereto, and to hold $_____ uninvested as cash.

SECTION 2. Investment of Moneys. The Escrow Agent acknowledges receipt of the moneys described in Section 1 and agrees immediately to invest such moneys in the Federal Securities listed on Schedule A hereto and to deposit such Federal Securities in the Escrow Fund. The Escrow Agent shall be entitled to rely upon the conclusion of Grant Thornton, LLP (the "Verification Agent"), that the Federal Securities listed on Schedule A hereto mature and bear interest payable in such amounts and at such times as, together with cash on deposit in the Escrow Fund, will be sufficient to pay when due all regularly scheduled payments of principal of and interest on the Refunded Bonds on and prior to September 1, 2014, and to pay on September 1, 2014 the Redemption Price of the Refunded Bonds maturing after September 1, 2014.

SECTION 3. Investment of Any Remaining Moneys. At the written direction of the District, the Escrow Agent shall reinvest any other amount of principal and interest, or any portion thereof, received from the Federal Securities prior to the date on which such payment is required for the purposes set forth herein, in noncallable Federal Securities maturing not later than the date on which such payment or portion thereof is required for the purposes set forth in Section 5, at the written direction of the District, as verified in a report prepared by an independent certified public accountant or firm of certified public accountants of favorable national reputation experienced in the refunding of obligations of political subdivisions to the effect that the reinvestment described in said report will not adversely affect the sufficiency of the amounts of securities, investments and money in the Escrow Fund to pay when due all regularly scheduled payments of principal of and interest on the Refunded Bonds on and prior to September 1, 2014, and to pay on September 1, 2014 the Redemption Price of the Refunded Bonds maturing after September 1, 2014, and provided that the District has obtained and delivered to the Escrow Agent an unqualified opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, that such reinvestment will not adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Refunded Bonds or interest on the 2014A Bonds. Any interest income resulting from investment or reinvestment of moneys pursuant to this Section 3 which are not required for the purposes set forth in Section 5, as verified in the letter of the Verification Agent originally obtained by the District with respect to the refunding of the Refunded Bonds or in any other report prepared by an independent certified public accountant or firm of certified public accountants of favorable national reputation experienced in the refunding of tax-exempt obligations of political subdivisions, shall be paid to the District promptly upon the receipt of such interest income by the Escrow Agent. The determination of the District as to whether an accountant qualifies under this 2004 Escrow Agreement shall be conclusive.

SECTION 4. Substitution of Securities. Upon the written request of the District, and subject to the conditions and limitations herein set forth and applicable governmental rules and regulations, the Escrow Agent shall sell, redeem or otherwise dispose of the Federal Securities, provided that there are substituted therefor from the proceeds of the Federal Securities other Federal Securities, but only after the District has obtained and delivered to the Escrow Agent: (i) an unqualified opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, to the effect that the refunding of the Refunded Bonds will not cause the interest on the Refunded Bonds to be includable in gross income for federal income tax purposes; and (ii) a report by a firm of independent certified public accountants to the effect that the reinvestment described in said report will not adversely affect the sufficiency of the amounts of securities, investments and money in the Escrow

Fund to pay when due all regularly scheduled payments of principal of and interest on the Refunded Bonds on and prior to September 1, 2014, and to pay on September 1, 2014 the Redemption Price of the Refunded Bonds maturing after September 1, 2014. The Escrow Agent shall not be liable or responsible for any loss resulting from any reinvestment made pursuant to this Agreement and in full compliance with the provisions hereof.

SECTION 5. Payment of Refunded Bonds.

(a) Payment. From the maturing principal of the Federal Securities and the investment income and other earnings thereon and other moneys on deposit in the Escrow Fund, the Escrow Agent shall, on September 1, 2014, apply the amounts on deposit in the Escrow Fund to pay the regularly scheduled payments of principal of and interest on the Refunded Bonds due on September 1, 2014, and pay on September 1, 2014 the Redemption Price of the Refunded Bonds maturing after September 1, 2014. Upon the complete redemption of the Refunded Bonds, the Escrow Agent shall close the Escrow Fund and transfer any remaining proceeds therein to the District.

(b) Irrevocable Instructions to Provide Notice. The forms of the notice required to be mailed pursuant to Sections 4.3 and 9.1 of the Indenture are substantially in the forms attached hereto as Exhibits A and B. The District hereby irrevocably instructs the Escrow Agent to mail a notice of redemption and a notice of defeasance of the Refunded Bonds in accordance with Sections 4.3 and 9.1, respectively, of the Indenture, as required to provide for the redemption of the Refunded Bonds in accordance with this Section 5.

(c) Unclaimed Moneys. Any moneys which remain unclaimed for two years after September 1, 2014 shall be repaid by the Escrow Agent to the District.

(d) Priority of Payments. The owners of the Refunded Bonds shall have a first and exclusive lien on all moneys and securities in the Escrow Fund until such moneys and such securities are used and applied as provided in this Agreement.

(e) Termination of Obligation. As provided in the Indenture, upon deposit of moneys with the Escrow Agent in the Escrow Fund as set forth in Section 1 hereof and the purchase of the various Federal Securities as provided in Section 2 hereof, all obligations of the District under the Indenture with respect to the Refunded Bonds shall cease, terminate and become void except as set forth in the Indenture.

SECTION 6. Application of Certain Terms of the Indenture. All of the terms of the Indenture relating to the making of payments of principal of and interest on the Refunded Bonds and relating to the exchange or transfer of the Refunded Bonds are incorporated in this Agreement as if set forth in full herein. The procedures set forth in Article VII of the Indenture relating to the resignation and removal and merger of the Trustee under the Indenture are also incorporated in this Agreement as if set forth in full herein and shall be the procedures to be followed with respect to any resignation or removal of the Escrow Agent hereunder.

SECTION 7. Performance of Duties. The Escrow Agent agrees to perform only the duties set forth herein and shall have no responsibility to take any action or omit to take any action not set forth herein.

SECTION 8. Escrow Agent's Authority to Make Investments. Except as provided in Section 2 hereof, the Escrow Agent shall have no power or duty to invest any funds held under this Agreement or to sell, transfer or otherwise dispose of the moneys or Federal Securities held hereunder.

SECTION 9. Indemnity. The District hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated) to indemnify, protect, save and keep harmless the Escrow Agent and its respective successors, assigns, agents, employees and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees and disbursements) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, the Escrow Agent at any time (whether or not also indemnified against the same by the District or any other person under any other agreement or instrument, but without double indemnity) in any way relating to or arising out of the execution, delivery and performance of this Agreement, the establishment hereunder of the Escrow Fund, the acceptance of the funds and securities deposited therein, the retention of the proceeds thereof and any payment, transfer or other application of moneys or securities by the Escrow Agent in accordance with the provisions of this Agreement; provided, however, that the District shall not be required to indemnify the Escrow Agent against the Escrow Agent's own negligence or willful misconduct or the negligence or willful misconduct of the Escrow Agent's respective employees or the willful breach by the Escrow Agent of the terms of this Agreement. In no event shall the District or the Escrow Agent be liable to any person by reason of the transactions contemplated hereby other than to each other as set forth in this Section. The indemnities contained in this Section shall survive the termination of this Agreement and the resignation or removal of the Escrow Agent.

SECTION 10. Responsibilities of Escrow Agent. The Escrow Agent and its agents and servants shall not be held to any personal liability whatsoever, in tort, contract, or otherwise, in connection with the execution and delivery of this Agreement, the establishment of the Escrow Fund, the acceptance of the moneys or securities deposited therein, the retention of the Federal Securities or the proceeds thereof, the sufficiency of the Federal Securities to pay or redeem the Refunded Bonds, as the case may be, or any payment, transfer or other application of moneys or obligations by the Escrow Agent in accordance with the provisions of this Agreement or by reason of any non-negligent act, non-negligent omission or non-negligent error of the Escrow Agent made in good faith in the conduct of its duties. The recitals of fact contained in the "Whereas" clauses herein shall be taken as the statements of the District, and the Escrow Agent assumes no responsibility for the correctness thereof. The Escrow Agent makes no representation as to the sufficiency of the proceeds to accomplish the refunding of the Refunded Bonds or to the validity of this Agreement as to the District and, except as otherwise provided herein, the Escrow Agent shall incur no liability in respect thereof. The Escrow Agent shall not be liable in connection with the performance of its duties under this Agreement except for its own negligence, willful misconduct or default, and the duties and obligations of the Escrow Agent shall be determined by the express provisions of this Agreement. The Escrow Agent may consult with counsel, who may or may not be counsel to the District, and in reliance upon the written opinion of such counsel shall have full and complete authorization and protection in respect of any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action under this Agreement, such matter may be deemed to be conclusively established by a certificate signed by an officer of the District.

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

No provision of this Agreement shall require the Escrow Agent to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties hereunder, or in the exercise of its rights or powers.

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

If the Escrow Agent learns that the Department of the Treasury or the Bureau of Public Debt will not, for any reason, accept a subscription of Federal Securities that is to be submitted pursuant to this Agreement, the Escrow Agent shall promptly request alternative written investment instructions from the District with respect to escrowed funds which were to be invested in Federal Securities. The Escrow Agent shall follow such instructions and, upon the maturity of any such alternative investment, the Escrow Agent shall hold funds uninvested and without liability for interest until receipt of further written instructions from the District. In the absence of investment instructions from the District, the Escrow Agent shall not be responsible for the investment of such funds or interest thereon. The Escrow Agent may conclusively rely upon the District's selection of an alternative investment as a determination of the alternative investment's legality and suitability and shall not be liable for any losses related to the alternative investments or for compliance with any yield restriction applicable thereto.

SECTION 11. Amendments. This Agreement is made for the benefit of the District and the owners from time to time of the Refunded Bonds and it shall not be repealed, revoked, altered or amended without the written consent of all such owners, the Escrow Agent and the District; provided, however, that the District and the Escrow Agent may, without the consent of, or notice to, such owners, amend this Agreement or enter into such agreements supplemental to this Agreement as shall not adversely affect the rights of such owners and as shall not be inconsistent with the terms and provisions of this Agreement, the Act (as defined in the Indenture), or the Indenture, for any one or more of the following purposes: (i) to cure any ambiguity or formal defect or omission in this Agreement; (ii) to grant to, or confer upon, the Escrow Agent for the benefit of the owners of the Refunded Bonds, any additional rights, remedies, powers or authority that may lawfully be granted

to, or conferred upon, such owners or the Escrow Agent; and (iii) to include under this Agreement additional funds. The Escrow Agent shall be entitled to rely conclusively upon an unqualified opinion of Stradling Yocca Carlson & Rauth, A Professional Corporation, with respect to compliance with this Section, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the owners of the various Refunded Bonds or that any instrument executed hereunder complies with the conditions and provisions of this Section.

SECTION 12. [Reserved.]

SECTION 13. Term. This Agreement shall commence upon its execution and delivery and shall terminate on the later to occur of either: (i) the date upon which the Refunded Bonds have been paid in accordance with this Agreement; or (ii) the date upon which no unclaimed moneys remain on deposit with the Escrow Agent pursuant to Section 5(c) of this Agreement.

SECTION 14. Compensation. The Escrow Agent shall receive its reasonable fees and expenses as previously agreed to by the Escrow Agent and the District and any other reasonable fees and expenses of the Escrow Agent approved by the District; provided, however, that under no circumstances shall the Escrow Agent be entitled to any lien or assert any lien whatsoever on any moneys or obligations in the Escrow Fund for the payment of fees and expenses for services rendered or expenses incurred by the Escrow Agent under this Agreement.

SECTION 15. Severability. If any one or more of the covenants or agreements provided in this Agreement on the part of the District or the Escrow Agent to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenants or agreements shall be null and void and shall be deemed separate from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement.

SECTION 16. Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as an original but all of which shall constitute and be but one and the same instrument.

SECTION 17. Governing Law. THIS AGREEMENT SHALL BE CONSTRUED UNDER THE LAWS OF THE STATE OF CALIFORNIA.

SECTION 18. Insufficient Funds. If at any time the Escrow Agent has actual knowledge that the moneys and investments in the Escrow Fund, including the anticipated proceeds of and earnings thereon, will not be sufficient to make all payments required by this Agreement, the Escrow Agent shall notify the District in writing, of the amount thereof and the reason therefor to the extent known to it. The Escrow Agent shall have no responsibility regarding any such deficiency.

SECTION 19. Notice to District and Escrow Agent. Any notice to or demand upon the Escrow Agent may be served or presented, and such demand may be made, at the principal corporate trust office of the Escrow Agent at 400 South Hope Street, Suite 400, Los Angeles, CA 90071, Attention: Corporate Trust Department. Any notice to or demand upon the District shall be deemed to have been sufficiently given or served for all purposes by being mailed by registered or certified mail, and deposited, postage prepaid, in a post office letter box, addressed to the City of Oceanside at 300 North Coast Highway, 92054, California 92054, Attention: City Manager (or such other address as may have been filed in writing by the District with the Escrow Agent).

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers and attested as of the date first above written.

COMMUNITY FACILITIES DISTRICT NO. 2001-1 OF THE CITY OF OCEANSIDE (MORRO HILLS DEVELOPMENT)

By: _____
City Manager of the City of Oceanside

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Escrow Agent

By: _____
Authorized Officer

SCHEDULE A

Federal Securities

Security	*Maturity*	*Principal Amount*	*Interest Rate*
[SLGS]	September 1, 2014	$_____	_____%

EXHIBIT A

NOTICE OF REDEMPTION

COMMUNITY FACILITIES DISTRICT NO. 2001-1
OF THE CITY OF OCEANSIDE
(MORRO HILLS DEVELOPMENT)
SPECIAL TAX BONDS, SERIES A OF 2004

BASE CUSIP NO. 675361

NOTICE IS HEREBY GIVEN to the owners of the above-captioned Bonds (the "Bonds") of the Community Facilities District No. 2001-1 of the City of Oceanside (Morro Hills Development) (the "District"), issued on December 22, 2004 pursuant to a Bond Indenture dated as of November 1, 2002, by and between the District and The Bank of New York Mellon Trust Company, N.A., successor-in-interest to BNY Western Trust Company (the "Trustee"), as amended and supplemented by the First Supplemental Bond Indenture dated as of December 1, 2004, the Second Supplemental Bond Indenture dated as of June 1, 2013, and the Third Supplemental Bond Indenture dated as of February 1, 2014 (collectively, the "Indenture"), that the following Bonds in the amount of $10,800,000 have been called for redemption on September 1, 2014 (the "Redemption Date").

CUSIP	*Maturity (September 1)*	*Rate*	*Amount*	*Price*
DW6	2015	4.500%	$ 330,000	100.000
DX4	2016	4.625	345,000	100.000
DY2	2017	4.700	360,000	100.000
DZ9	2018	4.750	380,000	100.000
EA3	2019	5.000	400,000	100.000
EB1	2020	5.000	415,000	100.000
EC9	2021	5.000	430,000	100.000
ED7	2022	5.100	455,000	100.000
EE5	2023	5.125	415,000	100.000
EF2	2024	5.200	445,000	100.000
EG0	2025	5.250	465,000	100.000
EH8	2029	5.500	2,090,000	100.000
EJ4	2034	5.500	4,270,000	100.000

The Bonds will be payable on the Redemption Date at a redemption price of 100% of the principal amount plus accrued interest to such date (the "Redemption Price"). The Redemption Price of the Bonds will become due and payable on the Redemption Date. Interest on the Bonds to be redeemed will cease to accrue and be payable on and after the Redemption Date, and such Bonds will be surrendered to the Trustee.

All Bonds are required to be surrendered to the principal corporate office of the Trustee, on the Redemption Date at the following location. If the Bonds are mailed, the use of registered, insured mail is recommended:

First Class/Registered/Certified	*Express Delivery Only*	*By Hand Only*
The Bank of New York Mellon	**The Bank of New York Mellon**	**The Bank of New York Mellon**
Global Corporate Trust	Global Corporate Trust	Global Corporate Trust
P.O. Box 2320	2001 Bryan Street, 9th Floor	Corporate Trust Window
Dallas, Texas 75221-2320	Dallas, Texas 75201	101 Barclay Street, 1st Floor East
		New York, New York 10286

If the Owner of any Bond subject to optional redemption fails to deliver such Bond to the Trustee on the Redemption Date, such Bond shall nevertheless be deemed redeemed on the Redemption Date and the Owner of such Bond shall have no rights in respect thereof except to receive payment of the Redemption Price from funds held by the Trustee for such payment.

A form W-9 must be submitted with the Bonds. Failure to provide a completed form W-9 will result in 31% backup withholding pursuant to the Interest and Dividend Tax Compliance Act of 1983. Under the Jobs and Growth Tax Relief Reconciliation Act of 2003, 28% will be withheld if the tax identification number is not properly certified.

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Trustee

Dated this 1st day of August, 2014.

EXHIBIT B

NOTICE OF DEFEASANCE

COMMUNITY FACILITIES DISTRICT NO. 2001-1
OF THE CITY OF OCEANSIDE
(MORRO HILLS DEVELOPMENT)
SPECIAL TAX BONDS, SERIES A OF 2004

BASE CUSIP NO. 675361

NOTICE IS HEREBY GIVEN to the owners of the above-captioned bonds of participation (as further defined below, the "Refunded Bonds"), of the Community Facilities District No. 2001-1 of the City of Oceanside (Morro Hills Development) (the "District") that the District has deposited with The Bank of New York Mellon Trust Company, N.A., successor-in-interest to BNY Western Trust Company, as trustee (the "Trustee") under the Bond Indenture dated as of November 1, 2002, by and between the District and Trustee, as amended and supplemented by the First Supplemental Bond Indenture dated as of December 1, 2004, the Second Supplemental Bond Indenture dated as of June 1, 2013, and the Third Supplemental Bond Indenture dated as of February 1, 2014 (collectively, the "Indenture"), cash and federal securities, the principal of and interest on which when paid will provide moneys sufficient to pay on and prior to September 1, 2014 the regularly scheduled payments of principal of and interest on the Refunded Bonds, and to redeem on September 1, 2014, the principal of the Refunded Bonds maturing after September 1, 2014.

The Refunded Bonds to be defeased are as follows:

CUSIP	*Maturity (September 1)*	*Rate*	*Amount*
DV8	2014	4.375%	$ 340,000
DW6	2015	4.500	330,000
DX4	2016	4.625	345,000
DY2	2017	4.700	360,000
DZ9	2018	4.750	380,000
EA3	2019	5.000	400,000
EB1	2020	5.000	415,000
EC9	2021	5.000	430,000
ED7	2022	5.100	455,000
EE5	2023	5.125	415,000
EF2	2024	5.200	445,000
EG0	2025	5.250	465,000
EH8	2029	5.500	2,090,000
EJ4	2034	5.500	4,270,000

In accordance with the Indenture, the Refunded Bonds are deemed to have been paid in accordance with Section 9.1 thereof and the obligations of the District under the Indenture shall thereupon cease, terminate and become void and be discharged and satisfied.

THE BANK OF NEW YORK
MELLON TRUST COMPANY, N.A.,
as Trustee

Dated this _____ day of February, 2014.

ATTACHMENT 6

DOCUMENT _____

2004 ESCROW AGREEMENT

THIS 2004 ESCROW AGREEMENT dated as of February 1, 2014 (the "Agreement"), by and between the Community Facilities District No. 2001-1 of the City of Oceanside (Morro Hills Development) (the "District") and The Bank of New York Mellon Trust Company, N.A., as escrow agent (the "Escrow Agent"), is entered into in accordance with Resolution No. _____ of the City of Oceanside, acting as legislative body for the District on behalf of Improvement Area No. 1 of the District, adopted on January 22, 2014 and a Bond Indenture dated as of February 1, 2004 (the "Indenture"), by and between the District and The Bank of New York Mellon Trust Company, N.A., successor-in-interest to BNY Western Trust Company (the "Trustee"), to refund all of the outstanding Community Facilities District No. 2001-1 of the City of Oceanside (Morro Hills Development) Improvement Area No. 1 Special Tax Bonds, Series A of 2004 (the "Refunded Bonds").

WITNESSETH:

WHEREAS, the District previously issued the Refunded Bonds pursuant to the Indenture;

WHEREAS, the District has determined that a portion of the proceeds of the $_____ aggregate principal amount of the Community Facilities District No. 2001-1 of the City of Oceanside (Morro Hills Development) Improvement Area No. 1 Special Tax Refunding Bonds Series 2014A (the "2014A Bonds") issued pursuant to the Indenture, together with certain other moneys, will be used to provide the funds to pay on and prior to March 1, 2014, all regularly scheduled payments of interest on the Refunded Bonds, and to redeem on March 1, 2014 the principal of the Refunded Bonds maturing after March 1, 2014, plus interest with respect thereto accrued to such date, without premium (the "Redemption Price");

WHEREAS, the District will irrevocably deposit a portion of the proceeds from the 2014A Bonds with the Escrow Agent, some of which will be used to purchase securities as described on Schedule A hereto (the "Federal Securities"), which Federal Securities satisfy the criteria set forth in Section 9.1 of the Indenture, and

WHEREAS, the moneys deposited with the Escrow Agent, including interest earnings thereon, will be sufficient, along with certain other moneys deposited with the Escrow Agent at the same time pursuant to this agreement, to redeem and discharge the Refunded Bonds;

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, the District and the Escrow Agent agree as follows:

SECTION 1. Deposit of Moneys. The District hereby instructs the Escrow Agent to deposit $_____ received from the Trustee from the net proceeds of the sale of the 2014A Bonds in the Escrow Fund established hereunder. The District hereby further instructs the Trustee to transfer to the Escrow Agent the amount of $_____ constituting moneys on deposit in certain funds and accounts relating to the Refunded Bonds established under the Indenture along with certain other moneys and instructs the Escrow Agent to deposit such amount in the Escrow Fund established hereunder. The Escrow Agent shall hold all such amounts in irrevocable escrow separate and apart from other funds of the District and the Escrow Agent in a fund hereby created and established to be known as the "Escrow Fund" and to be applied solely as provided in this Agreement. The District

represents that the moneys set forth above are at least equal to an amount sufficient to purchase the Federal Securities listed in Schedule A hereto, and to hold $_____ uninvested as cash.

SECTION 2. Investment of Moneys. The Escrow Agent acknowledges receipt of the moneys described in Section 1 and agrees immediately to invest such moneys in the Federal Securities listed on Schedule A hereto and to deposit such Federal Securities in the Escrow Fund. The Escrow Agent shall be entitled to rely upon the conclusion of Grant Thornton, LLP (the "Verification Agent"), that the Federal Securities listed on Schedule A hereto mature and bear interest payable in such amounts and at such times as, together with cash on deposit in the Escrow Fund, will be sufficient to pay when due all regularly scheduled payments of principal of and interest on the Refunded Bonds on and prior to March 1, 2014, and to pay on March 1, 2014 the Redemption Price of the Refunded Bonds maturing after March 1, 2014.

SECTION 3. Investment of Any Remaining Moneys. At the written direction of the District, the Escrow Agent shall reinvest any other amount of principal and interest, or any portion thereof, received from the Federal Securities prior to the date on which such payment is required for the purposes set forth herein, in noncallable Federal Securities maturing not later than the date on which such payment or portion thereof is required for the purposes set forth in Section 5, at the written direction of the District, as verified in a report prepared by an independent certified public accountant or firm of certified public accountants of favorable national reputation experienced in the refunding of obligations of political subdivisions to the effect that the reinvestment described in said report will not adversely affect the sufficiency of the amounts of securities, investments and money in the Escrow Fund to pay when due all regularly scheduled payments of principal of and interest on the Refunded Bonds on and prior to March 1, 2014, and to pay on March 1, 2014 the Redemption Price of the Refunded Bonds maturing after March 1, 2014, and provided that the District has obtained and delivered to the Escrow Agent an unqualified opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, that such reinvestment will not adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Refunded Bonds or interest on the 2014A Bonds. Any interest income resulting from investment or reinvestment of moneys pursuant to this Section 3 which are not required for the purposes set forth in Section 5, as verified in the letter of the Verification Agent originally obtained by the District with respect to the refunding of the Refunded Bonds or in any other report prepared by an independent certified public accountant or firm of certified public accountants of favorable national reputation experienced in the refunding of tax-exempt obligations of political subdivisions, shall be paid to the District promptly upon the receipt of such interest income by the Escrow Agent. The determination of the District as to whether an accountant qualifies under this 2004 Escrow Agreement shall be conclusive.

SECTION 4. Substitution of Securities. Upon the written request of the District, and subject to the conditions and limitations herein set forth and applicable governmental rules and regulations, the Escrow Agent shall sell, redeem or otherwise dispose of the Federal Securities, provided that there are substituted therefor from the proceeds of the Federal Securities other Federal Securities, but only after the District has obtained and delivered to the Escrow Agent: (i) an unqualified opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, to the effect that the refunding of the Refunded Bonds will not cause the interest on the Refunded Bonds to be includable in gross income for federal income tax purposes; and (ii) a report by a firm of independent certified public accountants to the effect that the reinvestment described in said report will not adversely affect the sufficiency of the amounts of securities, investments and money in the Escrow Fund to pay when due all regularly scheduled payments of principal of and interest on the Refunded Bonds on and prior to March 1, 2014, and to pay on March 1, 2014 the Redemption Price of the

Refunded Bonds maturing after March 1, 2014. The Escrow Agent shall not be liable or responsible for any loss resulting from any reinvestment made pursuant to this Agreement and in full compliance with the provisions hereof.

SECTION 5. Payment of Refunded Bonds.

(a) Payment. From the maturing principal of the Federal Securities and the investment income and other earnings thereon and other moneys on deposit in the Escrow Fund, the Escrow Agent shall, on March 1, 2014, apply the amounts on deposit in the Escrow Fund to pay the regularly scheduled payments of principal of and interest on the Refunded Bonds due on March 1, 2014, and pay on March 1, 2014 the Redemption Price of the Refunded Bonds maturing after March 1, 2014. Upon the complete redemption of the Refunded Bonds, the Escrow Agent shall close the Escrow Fund and transfer any remaining proceeds therein to the District.

(b) Irrevocable Instructions to Provide Notice. The forms of the notice required to be mailed pursuant to Sections 4.3 and 9.1 of the Indenture are substantially in the forms attached hereto as Exhibits A and B. The District hereby irrevocably instructs the Escrow Agent to mail a notice of redemption and a notice of defeasance of the Refunded Bonds in accordance with Sections 4.3 and 9.1, respectively, of the Indenture, as required to provide for the redemption of the Refunded Bonds in accordance with this Section 5.

(c) Unclaimed Moneys. Any moneys which remain unclaimed for two years after March 1, 2014 shall be repaid by the Escrow Agent to the District.

(d) Priority of Payments. The owners of the Refunded Bonds shall have a first and exclusive lien on all moneys and securities in the Escrow Fund until such moneys and such securities are used and applied as provided in this Agreement.

(e) Termination of Obligation. As provided in the Indenture, upon deposit of moneys with the Escrow Agent in the Escrow Fund as set forth in Section 1 hereof and the purchase of the various Federal Securities as provided in Section 2 hereof, all obligations of the District under the Indenture with respect to the Refunded Bonds shall cease, terminate and become void except as set forth in the Indenture.

SECTION 6. Application of Certain Terms of the Indenture. All of the terms of the Indenture relating to the making of payments of principal of and interest on the Refunded Bonds and relating to the exchange or transfer of the Refunded Bonds are incorporated in this Agreement as if set forth in full herein. The procedures set forth in Article VII of the Indenture relating to the resignation and removal and merger of the Trustee under the Indenture are also incorporated in this Agreement as if set forth in full herein and shall be the procedures to be followed with respect to any resignation or removal of the Escrow Agent hereunder.

SECTION 7. Performance of Duties. The Escrow Agent agrees to perform only the duties set forth herein and shall have no responsibility to take any action or omit to take any action not set forth herein.

SECTION 8. Escrow Agent's Authority to Make Investments. Except as provided in Section 2 hereof, the Escrow Agent shall have no power or duty to invest any funds held under this

Agreement or to sell, transfer or otherwise dispose of the moneys or Federal Securities held hereunder.

SECTION 9. Indemnity. The District hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated) to indemnify, protect, save and keep harmless the Escrow Agent and its respective successors, assigns, agents, employees and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees and disbursements) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, the Escrow Agent at any time (whether or not also indemnified against the same by the District or any other person under any other agreement or instrument, but without double indemnity) in any way relating to or arising out of the execution, delivery and performance of this Agreement, the establishment hereunder of the Escrow Fund, the acceptance of the funds and securities deposited therein, the retention of the proceeds thereof and any payment, transfer or other application of moneys or securities by the Escrow Agent in accordance with the provisions of this Agreement; provided, however, that the District shall not be required to indemnify the Escrow Agent against the Escrow Agent's own negligence or willful misconduct or the negligence or willful misconduct of the Escrow Agent's respective employees or the willful breach by the Escrow Agent of the terms of this Agreement. In no event shall the District or the Escrow Agent be liable to any person by reason of the transactions contemplated hereby other than to each other as set forth in this Section. The indemnities contained in this Section shall survive the termination of this Agreement and the resignation or removal of the Escrow Agent.

SECTION 10. Responsibilities of Escrow Agent. The Escrow Agent and its agents and servants shall not be held to any personal liability whatsoever, in tort, contract, or otherwise, in connection with the execution and delivery of this Agreement, the establishment of the Escrow Fund, the acceptance of the moneys or securities deposited therein, the retention of the Federal Securities or the proceeds thereof, the sufficiency of the Federal Securities to pay or redeem the Refunded Bonds, as the case may be, or any payment, transfer or other application of moneys or obligations by the Escrow Agent in accordance with the provisions of this Agreement or by reason of any non-negligent act, non-negligent omission or non-negligent error of the Escrow Agent made in good faith in the conduct of its duties. The recitals of fact contained in the "Whereas" clauses herein shall be taken as the statements of the District, and the Escrow Agent assumes no responsibility for the correctness thereof. The Escrow Agent makes no representation as to the sufficiency of the proceeds to accomplish the refunding of the Refunded Bonds or to the validity of this Agreement as to the District and, except as otherwise provided herein, the Escrow Agent shall incur no liability in respect thereof. The Escrow Agent shall not be liable in connection with the performance of its duties under this Agreement except for its own negligence, willful misconduct or default, and the duties and obligations of the Escrow Agent shall be determined by the express provisions of this Agreement. The Escrow Agent may consult with counsel, who may or may not be counsel to the District, and in reliance upon the written opinion of such counsel shall have full and complete authorization and protection in respect of any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action under this Agreement, such matter may be deemed to be conclusively established by a certificate signed by an officer of the District.

The Escrow Agent agrees to accept and act upon instructions or directions pursuant to this Agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Escrow Agent shall have received an incumbency certificate

listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the District elects to give the Escrow Agent e-mail or facsimile instructions (or instructions by a similar electronic method) and the Escrow Agent in its discretion elects to act upon such instructions, the Escrow Agent's understanding of such instructions shall be deemed controlling. The Escrow Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Agent's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The District agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Escrow Agent, including without limitation the risk of the Escrow Agent acting on unauthorized instructions, and the risk of interception and misuse by third parties.

No provision of this Agreement shall require the Escrow Agent to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties hereunder, or in the exercise of its rights or powers.

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

If the Escrow Agent learns that the Department of the Treasury or the Bureau of Public Debt will not, for any reason, accept a subscription of Federal Securities that is to be submitted pursuant to this Agreement, the Escrow Agent shall promptly request alternative written investment instructions from the District with respect to escrowed funds which were to be invested in Federal Securities. The Escrow Agent shall follow such instructions and, upon the maturity of any such alternative investment, the Escrow Agent shall hold funds uninvested and without liability for interest until receipt of further written instructions from the District. In the absence of investment instructions from the District, the Escrow Agent shall not be responsible for the investment of such funds or interest thereon. The Escrow Agent may conclusively rely upon the District's selection of an alternative investment as a determination of the alternative investment's legality and suitability and shall not be liable for any losses related to the alternative investments or for compliance with any yield restriction applicable thereto.

SECTION 11. Amendments. This Agreement is made for the benefit of the District and the owners from time to time of the Refunded Bonds and it shall not be repealed, revoked, altered or amended without the written consent of all such owners, the Escrow Agent and the District; provided, however, that the District and the Escrow Agent may, without the consent of, or notice to, such owners, amend this Agreement or enter into such agreements supplemental to this Agreement as shall not adversely affect the rights of such owners and as shall not be inconsistent with the terms and provisions of this Agreement, the Act (as defined in the Indenture), or the Indenture, for any one or more of the following purposes: (i) to cure any ambiguity or formal defect or omission in this Agreement; (ii) to grant to, or confer upon, the Escrow Agent for the benefit of the owners of the Refunded Bonds, any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such owners or the Escrow Agent; and (iii) to include under this Agreement additional funds. The Escrow Agent shall be entitled to rely conclusively upon an unqualified opinion of Stradling Yocca Carlson & Rauth, A Professional Corporation, with respect to compliance

with this Section, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the owners of the various Refunded Bonds or that any instrument executed hereunder complies with the conditions and provisions of this Section.

SECTION 12. [Reserved.]

SECTION 13. Term. This Agreement shall commence upon its execution and delivery and shall terminate on the later to occur of either: (i) the date upon which the Refunded Bonds have been paid in accordance with this Agreement; or (ii) the date upon which no unclaimed moneys remain on deposit with the Escrow Agent pursuant to Section 5(c) of this Agreement.

SECTION 14. Compensation. The Escrow Agent shall receive its reasonable fees and expenses as previously agreed to by the Escrow Agent and the District and any other reasonable fees and expenses of the Escrow Agent approved by the District; provided, however, that under no circumstances shall the Escrow Agent be entitled to any lien or assert any lien whatsoever on any moneys or obligations in the Escrow Fund for the payment of fees and expenses for services rendered or expenses incurred by the Escrow Agent under this Agreement.

SECTION 15. Severability. If any one or more of the covenants or agreements provided in this Agreement on the part of the District or the Escrow Agent to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenants or agreements shall be null and void and shall be deemed separate from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement.

SECTION 16. Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as an original but all of which shall constitute and be but one and the same instrument.

SECTION 17. Governing Law. THIS AGREEMENT SHALL BE CONSTRUED UNDER THE LAWS OF THE STATE OF CALIFORNIA.

SECTION 18. Insufficient Funds. If at any time the Escrow Agent has actual knowledge that the moneys and investments in the Escrow Fund, including the anticipated proceeds of and earnings thereon, will not be sufficient to make all payments required by this Agreement, the Escrow Agent shall notify the District in writing, of the amount thereof and the reason therefor to the extent known to it. The Escrow Agent shall have no responsibility regarding any such deficiency.

SECTION 19. Notice to District and Escrow Agent. Any notice to or demand upon the Escrow Agent may be served or presented, and such demand may be made, at the principal corporate trust office of the Escrow Agent at 400 South Hope Street, Suite 400, Los Angeles, CA 90071, Attention: Corporate Trust Department. Any notice to or demand upon the District shall be deemed to have been sufficiently given or served for all purposes by being mailed by registered or certified mail, and deposited, postage prepaid, in a post office letter box, addressed to the City of Oceanside at 300 North Coast Highway, 92054, California 92054, Attention: City Manager (or such other address as may have been filed in writing by the District with the Escrow Agent).

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers and attested as of the date first above written.

COMMUNITY FACILITIES DISTRICT NO. 2001-1 OF THE CITY OF OCEANSIDE (MORRO HILLS DEVELOPMENT)

By: _____
City Manager of the City of Oceanside

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Escrow Agent

By: _____
Authorized Officer

SCHEDULE A

Federal Securities

Security	*Maturity*	*Principal Amount*	*Interest Rate*
[SLGS]	March 1, 2014	$_____	_____%

EXHIBIT A

NOTICE OF REDEMPTION

COMMUNITY FACILITIES DISTRICT NO. 2001-1
OF THE CITY OF OCEANSIDE
(MORRO HILLS DEVELOPMENT)
IMPROVEMENT AREA NO. 1 SPECIAL TAX BONDS, SERIES A OF 2004

BASE CUSIP NO. 675361

NOTICE IS HEREBY GIVEN to the owners of the above-captioned Bonds (the "Bonds") of the Community Facilities District No. 2001-1 of the City of Oceanside (Morro Hills Development) (the "District"), issued on February 5, 2004 pursuant to a Bond Indenture dated as of February 1, 2004 (the "Indenture"), by and between the District and The Bank of New York Mellon Trust Company, N.A., successor-in-interest to BNY Western Trust Company (the "Trustee"), that the following Bonds in the amount of $7,345,000 have been called for redemption on March 1, 2014 (the "Redemption Date").

CUSIP	*Maturity (September 1)*	*Rate*	*Amount*	*Price*
CC1	2014	4.700%	$ 230,000	100.000
CD9	2015	4.750	240,000	100.000
CE7	2016	4.750	250,000	100.000
CF4	2017	4.875	260,000	100.000
CG2	2018	5.000	270,000	100.000
CH0	2019	5.125	285,000	100.000
CJ6	2020	5.250	300,000	100.000
CK3	2021	5.250	315,000	100.000
CL1	2022	5.250	330,000	100.000
CM9	2023	5.500	345,000	100.000
CN7	2024	5.500	365,000	100.000
CP2	2028	5.750	1,685,000	100.000
CQ0	2033	5.750	2,470,000	100.000

The Bonds will be payable on the Redemption Date at a redemption price of 100% of the principal amount plus accrued interest to such date (the "Redemption Price"). The Redemption Price of the Bonds will become due and payable on the Redemption Date. Interest on the Bonds to be redeemed will cease to accrue and be payable on and after the Redemption Date, and such Bonds will be surrendered to the Trustee.

All Bonds are required to be surrendered to the principal corporate office of the Trustee, on the Redemption Date at the following location. If the Bonds are mailed, the use of registered, insured mail is recommended:

First Class/Registered/Certified	*Express Delivery Only*	*By Hand Only*
The Bank of New York Mellon	**The Bank of New York Mellon**	**The Bank of New York Mellon**
Global Corporate Trust	Global Corporate Trust	Global Corporate Trust
P.O. Box 2320	2001 Bryan Street, 9th Floor	Corporate Trust Window
Dallas, Texas 75221-2320	Dallas, Texas 75201	101 Barclay Street, 1st Floor East
		New York, New York 10286

If the Owner of any Bond subject to optional redemption fails to deliver such Bond to the Trustee on the Redemption Date, such Bond shall nevertheless be deemed redeemed on the Redemption Date and the Owner of such Bond shall have no rights in respect thereof except to receive payment of the Redemption Price from funds held by the Trustee for such payment.

A form W-9 must be submitted with the Bonds. Failure to provide a completed form W-9 will result in 31% backup withholding pursuant to the Interest and Dividend Tax Compliance Act of 1983. Under the Jobs and Growth Tax Relief Reconciliation Act of 2003, 28% will be withheld if the tax identification number is not properly certified.

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee

Dated this 1st day of February, 2014.

EXHIBIT B

NOTICE OF DEFEASANCE

COMMUNITY FACILITIES DISTRICT NO. 2001-1
OF THE CITY OF OCEANSIDE
(MORRO HILLS DEVELOPMENT)
IMPROVEMENT AREA NO. 1 SPECIAL TAX BONDS, SERIES A OF 2004

BASE CUSIP NO. 675361

NOTICE IS HEREBY GIVEN to the owners of the above-captioned bonds of participation (as further defined below, the "Refunded Bonds"), of the Community Facilities District No. 2001-1 of the City of Oceanside (Morro Hills Development) (the "District") that the District has deposited with The Bank of New York Mellon Trust Company, N.A., successor-in-interest to BNY Western Trust Company, as trustee (the "Trustee") under the Bond Indenture dated as of February 1, 2004 (the "Indenture"), cash and federal securities, the principal of and interest on which when paid will provide moneys sufficient to pay on and prior to March 1, 2014 the regularly scheduled payments of principal of and interest on the Refunded Bonds, and to redeem on March 1, 2014, the principal of the Refunded Bonds maturing after March 1, 2014.

The Refunded Bonds to be defeased are as follows:

CUSIP	*Maturity (September 1)*	*Rate*	*Amount*
CC1	2014	4.700%	$ 230,000
CD9	2015	4.750	240,000
CE7	2016	4.750	250,000
CF4	2017	4.875	260,000
CG2	2018	5.000	270,000
CH0	2019	5.125	285,000
CJ6	2020	5.250	300,000
CK3	2021	5.250	315,000
CL1	2022	5.250	330,000
CM9	2023	5.500	345,000
CN7	2024	5.500	365,000
CP2	2028	5.750	1,685,000
CQ0	2033	5.750	2,470,000

In accordance with the Indenture, the Refunded Bonds are deemed to have been paid in accordance with Section 9.1 thereof and the obligations of the District under the Indenture shall thereupon cease, terminate and become void and be discharged and satisfied.

THE BANK OF NEW YORK
MELLON TRUST COMPANY, N.A.,
as Trustee

Dated this _____ day of February, 2014.

ATTACHMENT 7

VIA EMAIL

November 13, 2014

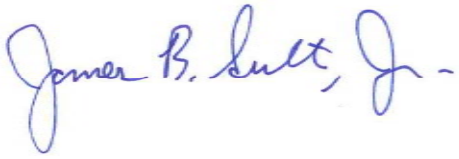
Ms. Katie Koster
Managing Director
Piper Jaffray &Co.
1100 S. Coast Highway, Suite 300A
Laguna Beach, CA 92651

Western Alliance Public Finance and its bank affiliate WAB Investments, Inc., a wholly owned subsidiary of Western Alliance Bank ("Purchaser") are pleased to submit the following preliminary terms, subject to additional due diligence, credit committee approval and review of all relevant documentation, for the direct purchase of the Tax-Exempt Special Tax Revenue Refunding Bonds ("2014 Bonds") of the City of Oceanside (Morro Hills CFD No. 2001-1) ("Borrower"). Please note these terms are preliminary and subject to change pursuant to negotiations between Purchaser and Borrower.

Principal amount:	$11,685,000 (preliminary)
Final Maturity:	9/1/2034
Interest:	Semi-annual beginning March 1, 2014
Amortization:	Annual principal payments beginning September 1, 2014
Interest rate:	***Option 1:*** 65% of the sum of the 20 Year LIBOR swap rate plus 2.85% (tax-exempt fixed rate). Based on market rates as of November 13, 2013, the rate would be 4.20%. The 2014 Bonds are subject to the optional redemption provisions detailed below. ***Option 2:*** 65% of the sum of the 20 Year LIBOR swap rate plus 3.00% (tax-exempt fixed rate). Based on market rates as of November 13, 2013, the rate would be 4.35%. The 2014 Bonds are pre-payable at 100% on or after 2/1/2024. The rate can be locked once credit approval is received, a firm closing date established, Borrower approval of the 2014 Bonds and near final documentation regarding the 2014 Bonds
Trustee:	To be appointed by Borrower. 2014 Bonds will not be DTC registered nor have CUSIP number(s) assigned
Optional Prepayment:	The Purchaser intends to enter into a hedging agreement with a third party at closing of the 2013 Bonds (the Borrower will not be a party to the hedging agreement). The 2014 Bonds will be pre-payable, in whole

	or part, at anytime at 100% of par plus accrued interest plus or minus any costs/(benefits) incurred/(realized) with the termination of the hedging agreement. In the event of termination of the hedging agreement as a result of pre-payment, the Purchaser shall provide to the Borrower, at least 3 business days prior to the redemption date, all detail relating to the calculation of any termination costs or economic benefits resulting from termination of the hedging agreement. In the event, the termination results in an expense to the purchaser, 100% of the expense will be added to the redemption price of the 2014 Bonds. In the event the termination results in an economic benefit to the Purchaser, 100% of the benefit will be deducted from the redemption price of the 2014 Bonds.
Extraordinary Redemption:	In the event of prepayment of special tax prepayments, the 2014 Bonds will be pre-payable at the following prices: Years 0-7- 103%, Year 8 – 102%, Year 9 – 101%, Year 10 and thereafter – 100%
Security:	Pledge of Special Tax Revenues of the Borrower on parity, pursuant to a supplemental indenture with, the 2013 Refunding Bonds.
Reserve Funding:	On parity with existing parity debt
Other fees due at closing:	Legal fees not to exceed $12,500
Lender's Counsel:	Kutak Rock LLP
Funding:	On or before January 31, 2014
Reporting requirements:	Annual distribution to Purchaser of Borrower's ongoing financial disclosure as currently undertaken for the outstanding bonds of the Borrower. Notification to Purchaser of any material impact to the Borrower's financial position.
Assignment:	Purchaser retains right to assign its interest in the 2014 Bonds to Qualified Institutional Buyers in minimum denominations $5,000,000 pursuant to an Investor Letter agreeable to the Borrower and Purchaser

Please feel free to contact me with any questions or if you require additional information.
Submitted on behalf of Western Alliance Public Finance and WAB Investments, Inc.:



James B. Sult, Jr.
Senior Vice President – Municipal Investment Manager
Western Alliance Bancorporation
One East Washington Street, 14th Floor
Phoenix, AZ 85004
(602) 797-3634 (O)
jsult@westernalliancebancorp.com

VIA EMAIL

November 13, 2014

Ms. Katie Koster
Managing Director
Piper Jaffray &Co.
1100 S. Coast Highway, Suite 300A
Laguna Beach, CA 92651

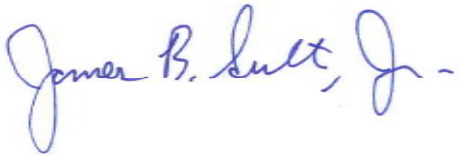
Western Alliance Public Finance and its bank affiliate WAB Investments, Inc., a wholly owned subsidiary of Western Alliance Bank ("Purchaser") are pleased to submit the following preliminary terms, subject to additional due diligence, credit committee approval and review of all relevant documentation, for the direct purchase of the Tax-Exempt Special Tax Revenue Refunding Bonds ("2014 Bonds") of the City of Oceanside (Morro Hills CFD No. 2001-1A-1) ("Borrower"). Please note these terms are preliminary and subject to change pursuant to negotiations between Purchaser and Borrower.

Principal amount:	$7,660,000 (preliminary)
Final Maturity:	9/1/2033
Interest:	Semi-annual beginning March 1, 2014
Amortization:	Annual principal payments beginning September 1, 2014
Interest rate:	***Option 1:*** 65% of the sum of the 20 Year LIBOR swap rate plus 2.78% (tax-exempt fixed rate). Based on market rates as of November 13, 2013, the rate would be 4.14%. The 2014 Bonds are subject to the optional redemption provisions detailed below. ***Option 2:*** 65% of the sum of the 20 Year LIBOR swap rate plus 2.93% (tax-exempt fixed rate). Based on market rates as of November 13, 2013, the rate would be 4.29%. The 2014 Bonds are pre-payable at 100% on or after 2/1/2024. The rate can be locked once credit approval is received, a firm closing date established, Borrower approval of the 2014 Bonds and near final documentation regarding the 2014 Bonds
Trustee:	To be appointed by Borrower. 2014 Bonds will not be DTC registered nor have CUSIP number(s) assigned
Optional Prepayment:	The Purchaser intends to enter into a hedging agreement with a third party at closing of the 2013 Bonds (the Borrower will not be a party to the hedging agreement). The 2014 Bonds will be pre-payable, in whole

	or part, at anytime at 100% of par plus accrued interest plus or minus any costs/(benefits) incurred/(realized) with the termination of the hedging agreement. In the event of termination of the hedging agreement as a result of pre-payment, the Purchaser shall provide to the Borrower, at least 3 business days prior to the redemption date, all detail relating to the calculation of any termination costs or economic benefits resulting from termination of the hedging agreement. In the event, the termination results in an expense to the purchaser, 100% of the expense will be added to the redemption price of the 2014 Bonds. In the event the termination results in an economic benefit to the Purchaser, 100% of the benefit will be deducted from the redemption price of the 2014 Bonds.
Extraordinary Redemption:	In the event of prepayment of special tax prepayments, the 2014 Bonds will be pre-payable at the following prices: Years 0-7- 103%, Year 8 – 102%, Year 9 – 101%, Year 10 and thereafter – 100%
Security:	Pledge of Special Tax Revenues of the Borrower
Reserve Funding:	To be determined by Borrower
Other fees due at closing:	Legal fees not to exceed $7,500
Lender's Counsel:	Kutak Rock LLP
Funding:	On or before January 31, 2014
Reporting requirements:	Annual distribution to Purchaser of Borrower's ongoing financial disclosure as currently undertaken for the outstanding bonds of the Borrower. Notification to Purchaser of any material impact to the Borrower's financial position.
Assignment:	Purchaser retains right to assign its interest in the 2014 Bonds to Qualified Institutional Buyers in minimum denominations $5,000,000 pursuant to an Investor Letter agreeable to the Borrower and Purchaser

Please feel free to contact me with any questions or if you require additional information.

Submitted on behalf of Western Alliance Public Finance and WAB Investments, Inc.:



James B. Sult, Jr.
Senior Vice President – Municipal Investment Manager
Western Alliance Bancorporation
One East Washington Street, 14th Floor
Phoenix, AZ 85004
(602) 797-3634 (O)
jsult@westernalliancebancorp.com