

DEBT SERVICE RESERVE AGREEMENT

DEBT SERVICE RESERVE AGREEMENT, dated _____, 2019 (the "Agreement"), by and among the CITY OF LAKE ELSINORE (the "Obligor"), BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM") and WILMINGTON TRUST, NATIONAL ASSOCIATION (the "Trustee").

In consideration of the issuance by BAM of its Municipal Bond Debt Service Reserve Insurance Policy No. _____ (the "Reserve Policy") with respect to the Lake Elsinore Recreation Authority Lease Revenue Refunding Bonds (Public Facilities Project), Series 2013 (the "Bonds") issued pursuant to the Indenture dated as of September 1, 2013, by and between the Lake Elsinore Recreation Authority (the "Issuer") and the Trustee (as successor to Union Bank, N.A.) (the "Authorizing Document"), which bonds are secured by certain base rental payments of the Obligor pursuant to a Lease Agreement, dated as of September 1, 2013 (the "Lease Agreement"), by and between the Issuer and the Obligor, and the payment to BAM of the Insurance Payment for the Reserve Policy, the Obligor and BAM hereby covenant and agree as follows:

1. The Obligor shall repay BAM any draws under the Reserve Policy and pay all Administrative Expenses (as defined below) incurred by BAM. Interest shall accrue and be payable on such draws and expenses from the date of payment by BAM at the Late Payment Rate. "Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank) plus 5%, and (ii) the then applicable highest rate of interest on the Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event JPMorgan Chase Bank ceases to announce its Prime Rate, the Prime Rate shall be the prime or base-lending rate of such national bank as BAM shall designate.

2. Repayment of draws and payment of Administrative Expenses (as defined below) and the interest accrued thereon at the Late Payment Rate (collectively, "Policy Costs") shall commence in the first month following each draw and each such monthly payment shall be in an amount at least equal to 1/12th of the aggregate of Policy Costs related to such draw; *provided, however, that all such payments shall be due prior to termination of the Lease Agreement.* Amounts in respect of Policy Costs paid to BAM shall be credited first to interest due, then to the expenses due and then to principal due.

3. As and to the extent that payments are made to BAM on account of principal due, the coverage under the Reserve Policy will be reinstated by a like amount, subject to the terms of the Reserve Policy.

4. All cash and investments in the debt service reserve fund or account securing the Bonds (the "Reserve Fund") and any surplus fund or account shall be transferred to the debt service fund for payment of debt service on the Bonds before any drawing may be made on the Reserve Policy or on any alternative credit instrument on deposit in the Reserve Fund ("Alternative Credit Instrument"). Payment of any Policy Costs shall be made prior to replenishment of any such cash amounts. Draws on all Alternative Credit Instruments (including the Reserve Policy) on which there

is available coverage shall be made on a pro rata basis (calculated by reference to available coverage under each such Alternative Credit Instrument) after applying available cash and investments in the Reserve Fund. Payment of Policy Costs and reimbursement of amounts with respect to Alternative Credit Instruments shall be made on a pro-rata basis prior to replenishment of any cash drawn from the Reserve Fund. For the avoidance of doubt, “available coverage” means the coverage then available for disbursement pursuant to the terms of the applicable Alternative Credit Instrument without regard to the legal or financial ability or willingness of the provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw.

The Policy Limit shall automatically and irrevocably be reduced from time to time by the amount of each reduction in the Reserve Requirement.

Draws under the Reserve Policy may only be used to make payments of principal of and interest on the Bonds.

5. The Reserve Policy shall terminate on the earlier to occur of February 1, 2032 and the date the Bonds are no longer outstanding under the Authorizing Document.

6. If the Obligor shall fail to pay any Policy Costs in accordance with the requirements of this Agreement, BAM shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Lease Agreement or any other document executed in connection with the Bonds (collectively, the “Security Documents”).

7. The Lease Agreement shall not be discharged until all Policy Costs owing to BAM shall have been paid in full. The Obligor’s obligation to pay such amounts shall expressly survive payment in full of the Bonds.

8. In order to secure the Obligor’s payment obligations with respect to the Policy Costs, there is hereby granted and perfected in favor of BAM a security interest (subordinate only to that of the owners of the Bonds) in all revenues and collateral pledged as security for the Bonds, *including, without limitation, the payment obligations of the Obligor under the Lease Agreement* (“Pledged Collateral”). Policy Costs shall be paid to BAM immediately following the payment of principal of and interest on the Bonds, including following the occurrence of a default or event of default. The Obligor shall not make payments from or pledge, assign or grant a security interest in the Pledged Collateral to any provider of an Alternate Credit Instrument that is senior or prior to the payments or security interest granted to BAM by this Paragraph 8.

9. The Obligor shall fully observe, perform and fulfill each of the provisions, covenants and agreements (as each of those provisions, covenants and agreements may be amended, supplemented, modified or waived) of the Security Documents applicable to it, with each of such provisions, covenants and agreements being expressly incorporated into this Agreement by reference solely for the benefit of BAM as if set forth directly herein.

10. Policy Costs due and owing shall be included in debt service requirements for purposes of calculation of the additional bonds test and the rate covenant in the Security Documents.

11. The Trustee shall ascertain the necessity for a claim upon the Reserve Policy in accordance with the provisions of paragraph 4 hereof and shall provide notice to BAM in accordance with the terms of the Reserve Policy at least five business days prior to each date upon which interest

or principal is due on the Bonds. Where deposits are required to be made by the Obligor with the Trustee to the debt service fund for the Bonds more often than semi-annually, the Trustee shall give notice to BAM of any failure of the Obligor to make timely payment in full of such deposits within two business days of the date due.

12. Payments made by BAM under the Reserve Policy with respect to claims for interest on or principal of the Bonds shall not discharge the obligation of the Obligor with respect to such Bonds, and BAM shall become the owner of such unpaid Bonds and claims for the interest thereon. The Obligor and the Trustee recognize and agree that to the extent BAM makes payments directly or indirectly (e.g., by paying through the Trustee), on account of principal of or interest on the Bonds, BAM will be subrogated to the rights of such holders to receive the amount of such principal and interest from the Obligor, with interest thereon.

13. The Obligor agrees unconditionally that it will pay or reimburse BAM on demand any and all reasonable charges, fees, costs, losses, liabilities and expenses that BAM may pay or incur, including, but not limited to, fees and expenses of BAM's agents, attorneys, accountants, consultants, appraisers and auditors and reasonable costs of investigations, in connection with the administration (including waivers and consents, if any), enforcement, defense, exercise or preservation of any rights and remedies in respect of this Agreement, the Authorizing Document or any other document executed in connection with the Bonds ("Administrative Expenses"). For purposes of the foregoing, costs and expenses shall include a reasonable allocation of compensation and overhead attributable to the time of employees of BAM spent in connection with the actions described in the preceding sentence. The Obligor agrees that failure to pay any Administrative Expenses on a timely basis will result in the accrual of interest on the unpaid amount at the Late Payment Rate, compounded semi-annually, from the date that payment is first due to BAM until the date BAM is paid in full.

14. The obligation of the Obligor to pay all amounts due under this Agreement shall be an absolute and unconditional obligation of the Obligor and will be paid or performed strictly in accordance with this Agreement, subject only to abatement as provided in Section 16 of the Lease Agreement.

15. So long as a default or event of default has occurred and is continuing under this Agreement, the Authorizing Document or any other document executed in connection with the Bonds, the Obligor shall not be eligible for a dividend or any other economic benefit under BAM's organizational documents.

16. Notice and Other Information to be given to the Reserve Insurer.

(a) The Obligor will provide the Reserve Insurer with all notices and other information it is obligated to provide (i) under its Continuing Disclosure Agreement and (ii) to the holders of Bonds or the Trustee under the Security Documents.

(b) In addition, the Obligor shall provide the Reserve Insurer with the following notices and other information: (i) notice of any draw upon the Reserve Fund within two (2) business days after knowledge thereof, other than in connection with withdrawals of amounts in excess of the Reserve Requirement; and (ii) prior written notice of the advance refunding or redemption of any of the Bonds, including the principal amount, maturities and CUSIP numbers thereof.

(c) The Reserve Insurer shall be entitled to receive such additional information as it may reasonably request.

17. Notices to BAM shall be sent to the following address (or such other address as BAM may designate in writing): Build America Mutual Assurance Company, 200 Liberty Street, 27th Floor, New York, NY 10281, Attention: Surveillance, Re: Policy No. _____, Telephone: (212) 235-2500, Telecopier: (212) 235-1542, Email: notices@buildamerica.com; with a copy of such notice or other communication sent to the attention of the General Counsel at the same address and at claims@buildamerica.com or at Telecopier: (212) 235-5214.

18. If any one or more of the agreements, provisions or terms of this Agreement shall be for any reason whatsoever held invalid, then such agreements, provisions or terms shall be deemed severable from the remaining agreements, provisions or terms of this Agreement and shall in no way affect the validity or enforceability of the other provisions of this Agreement. In the event of any conflict in the terms of this Agreement and the Authorizing Document, the terms of this Agreement shall control.

19. All capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Authorizing Document.

20. This Agreement may be executed in counterparts, each of which alone and all of which together shall be deemed one original Agreement.

21. This Agreement and the rights and obligations of the parties to the Agreement shall be governed by and construed and interpreted in accordance with the laws of the State of New York.

IN WITNESS WHEREOF, each of the parties hereto has duly executed and delivered this Agreement as of the date first above written.

CITY OF LAKE ELSINORE

By: _____
Title:

BUILD AMERICA MUTUAL ASSURANCE
COMPANY

By: _____
Title:

WILMINGTON TRUST, NATIONAL
ASSOCIATION

By: _____
Title: