
MASTER INDENTURE

between

COUNTY OF SANTA BARBARA

and

**[TRUSTEE]
as Trustee**

Dated as of [Dated Date]

Relating to:

**COUNTY OF SANTA BARBARA
Limited Obligation Improvement Bonds
(emPowerSBC)**

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I	
STATUTORY AUTHORITY AND DEFINITIONS	
Section 1.01. Authority for this Master Indenture.....	3
Section 1.02. Definitions	3
Section 1.03. Interpretation	9
Section 1.04. Indenture Constitutes Contract	10
ARTICLE II	
THE BONDS	
Section 2.01. Bonds Authorized.....	11
Section 2.02. Procedures for Issuance of Bonds.....	11
Section 2.03. Redemption.....	12
Section 2.04. Execution of Bonds	14
Section 2.05. Transfer of Bonds	14
Section 2.06. Exchange of Bonds.....	14
Section 2.07. Bond Register	14
Section 2.08. Temporary Bonds	15
Section 2.09. Bonds Mutilated, Lost, Destroyed or Stolen	15
ARTICLE III	
Section 3.01. Security for the Bonds; Pledge of Assessments and Funds	16
Section 3.02. Limited Obligation	16
Section 3.03. Requirements for Issuance of Bonds	16
Section 3.04. No Acceleration.....	18
Section 3.05. Refunding of Bonds	18
Section 3.06. Indenture for Benefit of Bond Owners	18
Section 3.07. Parity Debt	18
ARTICLE IV	
FUNDS AND ACCOUNTS	
Section 4.01. Redemption Fund	20
Section 4.02. Program Fund	21
Section 4.03. Administrative Expense Fund	21
ARTICLE V	
COVENANTS OF THE COUNTY	
Section 5.01. Collection of Assessments.....	23
Section 5.02. Foreclosure	23
Section 5.03. Punctual Payment.....	23
Section 5.04. Extension of Time for Payment.....	24
Section 5.05. Against Encumbrance.....	24
Section 5.06. Books and Accounts	24
Section 5.07. Protection of Security and Rights of Owners.....	24
Section 5.08. Compliance with Law; Completion of Project	24
Section 5.09. Further Assurances.....	24
ARTICLE VI	
INVESTMENTS; LIABILITY OF THE COUNTY	
Section 6.01. Deposit and Investment of Moneys in Funds	25
Section 6.02. Limited Liability of County	25
Section 6.03. Employment of Agents by County	25
ARTICLE VII	
THE TRUSTEE	
Section 7.01. Appointment of Trustee.....	27
Section 7.02. Liability of Trustee	28
Section 7.03. Information; Books and Accounts	29
Section 7.04. Notice to Trustee.....	30
Section 7.05. Compensation; Indemnification	30

Section 7.06. Trustee as Owner	30
ARTICLE VIII	
MODIFICATION OR AMENDMENT OF THIS INDENTURE	
Section 8.01. Conditions for Amendment	31
Section 8.02. Procedure for Amendment with Written Consent of Owners.....	32
Section 8.03. Disqualified Bonds	33
Section 8.04. Effect of Supplemental Indenture	33
Section 8.05. Endorsement or Replacement of Bonds Issued After Amendment.....	33
Section 8.06. Amendatory Endorsement of Bonds.....	33
Section 8.07. Execution of Supplemental Indenture.....	33
ARTICLE IX	
EVENTS OF DEFAULT; REMEDIES	
Section 9.01. Events of Default.....	35
Section 9.02. Remedies of Owners	35
ARTICLE X	
MISCELLANEOUS	
Section 10.01. Discharge of Indenture	37
Section 10.02. Benefits of Indenture Limited to Parties.....	37
Section 10.03. Successor is Deemed Included in All Reference to Predecessor	38
Section 10.04. Execution of Documents and Proof of Ownership by Owners	38
Section 10.05. Waiver of Personal Liability	38
Section 10.06. Notices to and Demand on County and Trustee	38
Section 10.07. Partial Invalidity	38
Section 10.08. Unclaimed Moneys	39
Section 10.09. Applicable Law	39
Section 10.10. Conclusive Evidence of Regularity	39
Section 10.11. Payment on Business Day.....	39
Section 10.12. Counterparts	39
Exhibit A Form of Supplemental Indenture	

MASTER INDENTURE

THIS MASTER INDENTURE (this "Master Indenture") is made and entered into as of [Dated Date], between the COUNTY OF SANTA BARBARA, a county duly organized and existing under the Constitution and laws of the State of California (the "County"), and [TRUSTEE], a national banking association duly organized and existing under the laws of the United States of America (the "Trustee"),

BACKGROUND:

WHEREAS, the County is authorized to issue bonds under Section 5898.22 and Section 5898.28 of Chapter 29 of Part 3 of Division 7 of the California Streets and Highways Code (the "Act") and the Improvement Bond Act of 1915, as amended, being Division 10 of the California Streets and Highways Code (the "Bond Law") to finance the installation of distributed generation renewable energy, energy efficiency and water efficiency improvements that are permanently fixed to real property (the "Improvements"); and

WHEREAS, on March 16, 2010, the Board of Supervisors of the County (the "Board of Supervisors") adopted Resolution No.10-068, entitled "Resolution Declaring Intention to Finance Installation of Distributed Generation Renewable Energy Sources, and Energy Efficiency and Water Efficiency Improvements" (the "Resolution of Intention"), to initiate proceedings under the Act to establish the emPowerSBC program (the "Program"), pursuant to which the County will enter into contractual assessments to finance the installation of Improvements as described in the Resolution of Intention; and

WHEREAS, by the Resolution of Intention, the Board of Supervisors provided that one or more series of bonds would be issued or other financing relationships would be entered into under the Bond Law; and

WHEREAS, on April 13, 2010, after holding a duly noticed public hearing at which interested persons were allowed to object to or inquire about the proposed Program or any of its particulars, the Board of Supervisors adopted Resolution No. _____, entitled "Resolution Confirming Report Relating to the Financing of the Installation of Distributed Generation Renewable Energy Sources and Energy Efficiency and Water Efficiency Improvements and Approving and Ordering Other Related Matters," (the "Resolution Confirming Program Report"), pursuant to which the Board of Supervisors, among other things, (i) confirmed and approved a report (the "Program Report") addressing all of the matters set forth in Section 5898.22 of the Act, (ii) established the Program, and (iii) authorized execution of agreements ("Assessment Contracts") with the owners of property in the County (the "Program Area") to provide for the levy of contractual assessments to finance installation of Improvements; and

WHEREAS, on April 13, 2010, the Board of Supervisors adopted its Resolution No. _____ (the "Resolution of Issuance"), which, among other things, authorized the issuance of one or more series of improvement bonds (collectively, the "Bonds"), which shall be entitled "County of Santa Barbara Limited Obligation Improvement Bonds (emPowerSBC)" (the "Bonds") upon the security of contractual assessments levied on the Participating Parcels (as defined herein) within the Program Area under the Act, and provided that the issuance of such Bonds

would be in accordance with the Bond Law and authorized execution and delivery of this Master Indenture and related supplements; and

WHEREAS, it is in the public interest and for the benefit of the County and the owners of the Bonds that the County enter into this Master Indenture to provide for the issuance of the Bonds, the disbursement of proceeds of the Bonds, the disposition of the Assessments (as defined herein) securing the Bonds and the administration and payment of the Bonds; and

WHEREAS, the County has determined that all things necessary to cause the Bonds, when authenticated by the Trustee and issued as provided in the Bond Law, the Resolution and this Master Indenture, to be legal, valid and binding limited obligations in accordance with their terms, and all things necessary to cause the creation, authorization, execution and delivery of this Master Indenture and the creation, authorization, execution and issuance of the Bonds, subject to the terms hereof, have in all respects been duly authorized;

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

ARTICLE I

STATUTORY AUTHORITY AND DEFINITIONS

Section 1.01. Authority for this Master Indenture. This Master Indenture is entered into under the Act, the Bond Law and the Resolution of Issuance.

Section 1.02. Definitions. Unless the context otherwise requires, the terms defined in this Section 1.02 will, for all purposes of this Master Indenture, of any Supplemental Indenture (as herein defined), and of any certificate, opinion or other document herein mentioned, have the meanings herein specified.

“Act” means Chapter 29 of Part 3 of Division 7 of the California Streets and Highways Code.

“Administrative Expense Fund” means the fund designated “County of Santa Barbara (emPowerSBC), Limited Obligation Improvement Bonds, Administrative Expense Fund,” established and administered pursuant to Section 4.03.

“Administrative Expenses” means costs directly related to the administration of the Program, as determined by the County in its sole discretion, including but not limited to: the actual costs of preparing the annual Assessment installment collection schedules (whether by an employee of the County or a consultant or both) and the actual costs of collecting the Assessment installments (whether by the County or otherwise); the actual costs of remitting the Assessment installments to the Trustee; actual costs of the Trustee (including its legal counsel) in the discharge of its duties under the Indenture; the actual costs of the County or its designee of complying with the disclosure provisions of the Act, the Bond Law, federal securities laws and the Indenture, including those related to public inquiries regarding the Assessments and disclosures to Owners of the Bonds; the actual costs of the County or its designee related to an appeal or challenge of the Assessment; any amounts required to be rebated to the federal government; an allocable share of the salaries of the County staff directly related to the foregoing and a proportionate amount of County general administrative overhead related thereto. Administrative Expenses shall also include amounts advanced by the County for any administrative purpose relating to the Program, including costs related to prepayments of Assessments and the costs of prosecuting foreclosure of delinquent Assessment installments.

“Assessment” or “Assessments” means the unpaid contractual assessment(s) levied on the Participating Parcel(s) pursuant to an Assessment Contract(s), but does not include either (i) penalties or (ii) interest on delinquent contractual assessments in excess of the interest rate of the Bonds.

“Assessment Contract” means a contract between the County and the owner of a Participating Parcel pursuant to which the owner agrees to pay Assessments and the County agrees to finance the installation of Improvements on the Participating Parcel.

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

“Authorized Denominations” means (i) \$5,000 and any integral multiple thereof; provided, however, that one or more Bonds of each series may be in an odd amount as determined by the County and (ii) in the event a Bond or a series of Bonds are purchased by an

Accredited Investor in reliance on the exemption set forth in Section (d)(1)(i) of Securities and Exchange Board of Supervisors Rule 15c2-12, the entire principal amount of such Bond or series of Bonds.

“Authorized Officer” means the County Executive Officer, the Auditor-Controller, the Treasurer-Tax Collector or such other representative of the County authorized by an Authorized Officer in an Officer’s Certificate.

“Bond” or **“Bonds”** means all series of the Bonds authorized, executed and delivered under the Indenture.

“Bond Counsel” means Jones Hall, A Professional Law Corporation, and its successors, or any other attorney or firm of bond counsel selected by the County.

“Bond Law” means the Improvement Bond Act of 1915, as amended, being Division 10 of the California Streets and Highways Code.

“Bond Register” means the books maintained by the Trustee pursuant to Section 2.07 for the registration and transfer of ownership of the Bonds.

“Bond Year” means, with respect to any series of Bonds, the twelve-month period beginning on September 3 in each year and ending on September 2 in the following year except that (i) the first Bond Year will begin on the date of delivery of such Series of Bonds and end on the next September 2, and (ii) the last Bond Year may end on a prior redemption date.

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

“Board of Supervisors” means the Board of Supervisors of the County.

“County” means the County of Santa Barbara, a county duly organized and existing under the Constitution and laws of the State of California.

“Debt Service” means, for each Bond Year, the sum of (i) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled, and (ii) the principal amount of the Outstanding Bonds and the Sinking Fund Payments due in such Bond Year.

“Event of Default” means any event described as an Event of Default in Section 9.01.

“Federal Securities” means any of the following which are non-callable and which at the time of investment are legal investments under the laws of the State of California for funds held by the Trustee:

- (i) direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the United States Department of the Treasury) and obligations, the timely payment of principal of and interest on which are, directly or indirectly, fully and unconditionally guaranteed by the United States of America, including, without limitation, such of the foregoing which are commonly referred to as stripped obligations and coupons; or

(ii) any of the following obligations of the following agencies of the United States of America:

(a) direct obligations of the Export-Import Bank,

(b) certificates of beneficial ownership issued by the Farmers Home Administration,

(c) participation certificates issued by the General Services Administration

(d) mortgage-backed bonds or pass-through obligations issued and guaranteed by the Government National Mortgage Association,

(e) project notes issued by the United States Department of Housing and Urban Development, and

(f) public housing notes and bonds guaranteed by the United States of America.

“Improvements” means the distributed generation renewable energy, energy efficiency and water efficiency improvements to be installed on the Participating Parcels pursuant to the Assessment Contracts.

“Indenture” means the Master Indenture, as it may be amended or supplemented from time to time by any Supplemental Indenture executed under the provisions of the Master Indenture.

“Interest Payment Dates” means March 2 and September 2 of each year, commencing on the date designated in the Supplemental Indenture for the applicable Series of Bonds.

“Master Indenture” means the Master Indenture dated as of ____, 2010, between the County and the Trustee.

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

“Non-Completion Assessment” means an Assessment collected from the owner of a Participating Parcel resulting from failure to install the Improvements or otherwise comply with requirements of the County.

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

“Outstanding” when used as of any particular time with reference to Bonds, means, subject to the provisions of Section 8.03, all Bonds except:

(i) Bonds canceled by the Trustee or surrendered to the Trustee for cancellation;

(ii) Bonds paid or deemed to have been paid within the meaning of Article X;

(iii) Bonds in lieu of or in substitution for which other Bonds have been authorized, executed, issued and delivered by the County pursuant to the Indenture.

“Owner” or **“Bond Owner”** means the registered owner of any Outstanding Bond as shown on the Bond Register of the Trustee under Section 2.07.

“Parity Debt” means (i) [identify outstanding Parity Debt] and (ii) any bonds, notes, loans, advances, lease obligations or other indebtedness issued or incurred by the County and secured by a pledge of Assessments on a parity with the Bonds.

“Parity Debt Instrument” means the resolution, trust indenture, loan agreement, lease agreement or installment sale agreement adopted, entered into or executed and delivered by the County, and under which Parity Debt is issued.

“Participating Parcel Value” means the value of a Participating Parcel, including the value of the then existing improvements on the parcel (including any completed Improvements, based on the actual acquisition and installation cost by reference to a final invoice from a licensed contractor) and the value of any Improvements (based on the proposed acquisition and installation cost by reference to a proposal from a licensed contractor) to be constructed or acquired with any amounts then on deposit in the Program Fund and with the proceeds of any proposed series of Bonds, based on (i) the appraised value, as determined in an appraisal performed within three (3) months of the date of issuance of any proposed Bonds by an MAI appraiser selected by the County, (ii) the assessed value as shown on the then current County real property tax roll and (iii) a valuation method selected by the County that a rating agency has confirmed in writing will result in the proposed Bonds receiving a rating in the “A” category. The County shall not be liable to any person or entity in respect of any valuation method described in this definition and selected by the County.

“Participating Parcels” means the parcels within the Program Area that the County has placed into its Residential Pool and that are subject to the lien of an Assessment pursuant to an Assessment Contract.

“Permitted Investments” means any of the following:

- (a) Federal Securities.
- (b) Federal Housing Administration debentures.
- (c) Unsecured certificates of deposit, time deposits, demand deposits, overnight bank deposits, trust funds, trust accounts, interest-bearing deposits, interest-bearing money market accounts, and bankers’ acceptances (having maturities of not more than 30 days) of any bank (including those of the Trustee and its affiliates) the short-term obligations of which are rated “A-1” or better by S&P.
- (d) Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks which have capital and surplus of at least \$5 million (including those of the Trustee and its affiliates).
- (e) Commercial paper (having original maturities of not more than 270 days) rated “A-1+” by S&P and “Prime-1” by Moody’s.

(f) State Obligations, which means

(i) Direct general obligations of any state of the United States 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 S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.

(ii) Direct, general short-term obligations of any state agency or subdivision described in (i) above and rated "A-1+" by S&P and "Prime-1" by Moody's.

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

(g) Pre-refunded municipal obligations rated "AAA" by S&P and "Aaa" by Moody's meeting the following requirements:

(i) the municipal obligations are (A) not subject to redemption prior to maturity or (B) 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;

(ii) 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;

(iii) 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");

(iv) 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;

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

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

(h) Investments in a money market mutual fund rated AAAM or AAAM-G or better by S&P and having a rating in the highest investment category granted thereby from Moody's, including, without limitation any mutual fund for which the Trustee or an affiliate of the Trustee serves as investment manager,

administrator, shareholder servicing agent, or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (ii) the Trustee collects fees for services rendered pursuant to the Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to the Indenture may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee.

(i) Repurchase and reverse repurchase agreements collateralized with securities described in (a) and (b) above, including those of the Trustee or any of its affiliates.

(j) California's Local Agency Investment Fund ("LAIF").

"Prepayment Account" means the account within the Redemption Fund and designated "County of Santa Barbara (emPowerSBC), Limited Obligation Improvement Bonds, Prepayment Account," established and administered under Section 4.01 hereof.

"Prepayments" means Non-Completion Assessments or prepayments of Assessments received by the County, less any administrative fees or penalties collected as part of any such Non-Completion Assessment or prepayment of Assessments.

"Principal Office" means the corporate trust office of the Trustee in _____, California, located at such address as will be specified in a written notice by the Trustee to the County under Section 10.06 hereof or such other office of the Trustee designated for payment, transfer or exchange of the Bonds.

"Program Area" means the area designated as part of the "County of Santa Barbara, emPowerSBC" program formed by the County under the Act and the Resolution Confirming Program Report, the boundaries of which are as shown in the Program Report.

"Program Fund" means the fund designated "County of Santa Barbara (emPowerSBC), Limited Obligation Improvement Bonds, Program Fund" established and administered under Section 4.02.

"Program Report" means the emPowerSBC Program Report dated _____, approved by the Board of Supervisors pursuant to the Resolution Confirming Program Report, as amended from time to time.

"Record Date" means the 15th day of the calendar month immediately preceding the applicable Interest Payment Date, and any date established by the Trustee as a Record Date for the payment of defaulted interest on the Bonds, if any.

"Redemption Fund" means the fund designated "County of Santa Barbara (emPowerSBC), Limited Obligation Improvement Bonds, Redemption Fund," established and administered under Section 4.01.

"Reserve Fund" means a debt service reserve fund established and administered under a Supplemental Indenture.

"Reserve Fund Credit Facility" means an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company, provided that all of

the following requirements are met at the time of its issuance: (a) the long-term credit rating of such bank or insurance company is in the highest rating category by at least two rating agencies; (b) such letter of credit or surety bond has a term of at least twelve (12) months; (c) such letter of credit or surety bond has a stated amount at least equal to the Reserve Fund Deposit Amount; and (d) the Trustee is authorized pursuant to the terms of such letter of credit or surety bond to draw thereunder to pay debt service on the County Bonds.

“Residential Pool” means the pool of Participating Parcels created pursuant to the Resolution Confirming Report.

“Resolution Confirming Program Report” means Resolution No. ____ - adopted by the Board of Supervisors on April 13, 2010.

“Resolution of Intention” means Resolution No. 10-068 adopted by the Board of Supervisors on March 16, 2010.

“Resolution of Issuance” means Resolution No. _____, adopted by the Board of Supervisors on _____.

“Sinking Fund Payments” means amounts specified in any Supplemental Indenture to be paid by the County with respect to any Term Bonds, as they may be adjusted pursuant to such Supplemental Indenture.

“Supplemental Indenture” means an agreement the execution of which is authorized by a resolution which has been duly adopted by the Board of Supervisors under the Bond Law and which agreement is amendatory of or supplemental to this Master Indenture (as previously amended or supplemented), but only if and to the extent that such agreement is specifically authorized hereunder.

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

“Term Bonds” means Bonds which are payable on or before their specified maturity dates from Sinking Fund Payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

“Trustee” means [Trustee], its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in Section 7.01 hereof.

Section 1.03. Interpretation.

(a) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(c) All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of the Indenture; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to the Indenture as a whole and not to any particular Article, Section or subdivision hereof.

Section 1.04. Indenture Constitutes Contract. In consideration of the purchase and acceptance of any and all of the Bonds issued hereunder by those who shall hold the same from time to time, the Indenture shall be deemed to be and shall constitute a contract among the County, the Trustee and the Owners of the Bonds. The pledge made in the Indenture and the provisions, covenants and agreements set forth in the Indenture to be performed by or on behalf of the County shall be for the equal benefit, protection and security of the Owners of any and all of the Bonds. All of the Bonds, without regard to the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, except as expressly provided in or permitted by the Indenture.

ARTICLE II

THE BONDS

Section 2.01. Bonds Authorized. The County hereby authorizes the issuance of one or more series of Bonds in Authorized Denominations under and subject to the terms of the Resolution of Issuance, the Indenture, the Act and other applicable laws of the State of California. Pursuant to the Resolution of Issuance, the Authorized Officers of the County are authorized and directed to deliver any and all documents and instruments necessary to cause the issuance of the Bonds in accordance with the provisions of the Act, the Bond Law, the Resolution of Issuance and the Indenture.

Section 2.02. Procedures for Issuance of Bonds.

(A) General. The County may at any time issue a series of the Bonds in Authorized Denominations payable from the Assessments and secured by a lien upon the Assessments equal to and on a parity with the lien and charge securing Outstanding Bonds previously issued hereunder, but only subject to the following specific conditions, which are hereby made conditions precedent to the issuance of any such series of the Bonds:

(1) All the requirements of Section 3.03 have been met.

(2) The issuance of such series of the Bonds has been duly authorized pursuant to the Bond Law and all applicable laws, and the issuance of such series of the Bonds has been provided for by a Supplemental Indenture, in substantially the form attached hereto as Exhibit A, duly executed by the County and the Trustee.

(B) Payment of Interest. Interest on the Bonds will be computed on the basis of a 360-day year of twelve 30-day calendar months, and will be payable on each Interest Payment Date. The Bonds will bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless they are authenticated on a day during the period from the sixteenth day of the month next preceding an Interest Payment Date to such Interest Payment Date, both days inclusive, in which event they will bear interest from such Interest Payment Date; or unless they are authenticated on a day on or before the fifteenth day of the month next preceding the first Interest Payment Date, in which event they will bear interest from the date of delivery of such Bonds. Notwithstanding the foregoing, if interest on any Bond is in default at the time of authentication thereof, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

(C) Method of Payment. Interest on the Bonds (including the final interest payment upon maturity or earlier redemption) is payable in lawful money of the United States of America by check of the Trustee mailed on the applicable Interest Payment Date by first class mail to the registered Owner thereof at such registered Owner's address as it appears on the Bond Register maintained by the Trustee at the close of business on the Record Date preceding the Interest Payment Date (or by wire transfer made on such Interest Payment Date upon the written instructions of any Owner of \$1,000,000 or more in aggregate principal amount of the Bonds delivered to the Trustee prior to the applicable Record Date).

The principal of the Bonds and any premium on the Bonds are payable in lawful money of the United States of America upon surrender of the Bonds at the Principal Office of the Trustee. All Bonds paid by the Trustee under this Section will be canceled by the Trustee. The Trustee will destroy the canceled Bonds and, upon request of the County, issue a certificate of destruction of such Bonds to the County.

Section 2.03. Redemption.

(A) General. The Supplemental Indenture with respect to any series of Bonds may provide that all or a portion of such Bonds are subject to optional or mandatory sinking fund redemption prior to maturity pursuant to the terms thereof.

The Bonds will be subject to mandatory redemption from amounts received by the County as Prepayments as provided in the applicable Supplemental Indenture.

The provisions of Part 11.1 of the Bond Law are applicable to the advance payment of Assessments and to the calling of any series of the Bonds. The County will advise the Trustee of such provisions to the extent not specified herein.

Whenever less than all of the Outstanding Bonds of any series are called for redemption, the Trustee will select Bonds for redemption among maturities in such a way that the ratio of Outstanding Bonds to issued Bonds will be approximately the same in each maturity insofar as possible, and such that the remaining Assessments will be sufficient on a timely basis to pay debt service on the Bonds. Within each maturity of a series, the Trustee will select Bonds for retirement by lot.

(B) Notice to Trustee. The County will give the Trustee written notice of the aggregate amount of Bonds to be redeemed pursuant to a Supplemental Indenture not less than 60 days prior to the applicable redemption date.

(C) Redemption Procedure by Trustee.

(i) Mailing of Notice. If any Bonds are designated for redemption under the terms of a Supplemental Indenture, the Trustee will cause notice of any redemption to be mailed to the respective Owners of any Bonds designated for redemption, at their addresses appearing on the Bond Register in the Principal Office of the Trustee, at least 30 days but no more than 60 days before the date designated for redemption.

Any failure to so mail any redemption notice, or the failure of any person or entity to receive any such redemption notice, or any defect in any notice of redemption, will not affect the validity of the proceedings for the redemption of such Bonds.

(ii) Contents of Notice. Such notice will state the following:

- (1) the redemption date,
- (2) the redemption price,
- (3) the date of issue of the series of the Bonds,

(4) if less than all of the then Outstanding Bonds of a series are to be called for redemption, the Bond numbers of the Bonds to be redeemed (by designating the Bond number of each Bond to be redeemed or by stating that all Bonds between two designated Bond numbers, both inclusive, are to be redeemed) or that all of the Bonds of one or more maturities have been called for redemption,

(5) as to any Bond called in part, the principal amount thereof to be redeemed, and

(6) that such Bonds must be then surrendered at the Principal Office of the Trustee for redemption at the redemption price, and

(7) that further interest on the Bonds (or portion thereof) called for redemption will not accrue from and after the redemption date.

(iii) Rescission of Redemption. The County may provide conditional notice of redemption that is subject to receipt of sufficient funds to accomplish the redemption and it may rescind any notice of optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption will be cancelled and annulled if for any reason adequate funds are not on deposit in the Redemption Fund on the redemption date, and such cancellation will not constitute an Event of Default hereunder. The Trustee will mail notice of rescission of redemption in the same manner notice of redemption was originally provided.

(iv) Identification of Bonds Redeemed. Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose will, to the extent practicable, bear the Bond number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

(v) Redemption of Bonds in Part. Upon surrender of Bonds redeemed in part only, the County will execute and the Trustee will authenticate and deliver to the registered Owner, at the expense of the County, a new Bond or Bonds, of the same series and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

(D) Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of, and interest and any premium on, the Bonds or portion of Bonds so called for redemption have been deposited in the Redemption Fund on the date fixed for redemption, then such Bonds or portion of Bonds so called for redemption will become due and payable at the redemption price specified in the redemption notice, and such Bonds or portion of Bonds will be defeased and will cease to be entitled to any benefit or security under the Indenture other than the right to receive payment of the redemption price, and no interest will accrue thereon on or after the redemption date specified in such notice.

All Bonds redeemed by the Trustee pursuant to this Section 2.03 will be canceled by the Trustee. The Trustee will destroy the canceled Bonds and, upon request of the County, issue a certificate of destruction of such Bonds to the County.

Section 2.04. Execution of Bonds. The Bonds of each series will be executed on behalf of the County by the manual or facsimile signature of the Treasurer and attested by the manual or facsimile signature of the Clerk of the Board of Supervisors. If any officer whose signature appears on any Bond ceases to be such officer before delivery of the Bonds to the Owner, such signature will nevertheless be as effective as if the officer had remained in office until the delivery of the Bonds to the Owner. Any Bond may be signed and attested on behalf of the County by such persons who, as of the actual date of the execution of such Bond will be the proper officers of the County although at the nominal date of such Bond any such person will not have been such officer of the County.

Only such Bonds as bear thereon a certificate of authentication in substantially the form set forth in the applicable Supplemental Indenture, executed and dated by the Trustee, will be valid or obligatory for any purpose or entitled to the benefits of the Indenture, and such certificate of authentication of the Trustee will be conclusive evidence that the Bonds registered hereunder have been duly authenticated, registered and delivered hereunder and are entitled to the benefits of the Indenture.

Section 2.05. Transfer of Bonds. Any Bond may, in accordance with its terms, be transferred, upon the Bond Register under Section 2.07 hereof by the person in whose name it is registered, in person or by such person's duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form approved by the Trustee. The cost for any services rendered or any expenses incurred by the Trustee in connection with any such transfer will be paid by the County. The Trustee will collect from the Owner requesting such transfer any tax or other governmental charge required to be paid with respect to such transfer.

Whenever any Bond is or Bonds are surrendered for transfer, the County will execute and the Trustee will authenticate and deliver a new Bond or Bonds of the same series, for like aggregate principal amounts, maturities, and interest rates in the denominations herein authorized. Neither the County nor the Trustee will be required to make such transfer of Bonds on or after a Record Date and before the next ensuing Interest Payment Date.

Section 2.06. Exchange of Bonds. Bonds may be exchanged at the Principal Office of the Trustee for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. The cost for any services rendered or any expenses incurred by the Trustee in connection with any such exchange will be paid by the County. The Trustee will collect from the Owner requesting such exchange any tax or other governmental charge required to be paid with respect to such exchange.

Neither the County nor the Trustee will be required to make such exchange of Bonds after a Record Date and before the next ensuing Interest Payment Date.

Section 2.07. Bond Register. The Trustee will keep, or cause to be kept, at its Principal Office the Bond Register for the registration and transfer of the Bonds. The Bond Register will show the series number, date, maturity amount, rate of interest and last registered Owner of each Bond and will at all times be open to inspection by the County during regular business hours on any Business Day, upon reasonable notice; and, upon presentation for such purpose, the Trustee will, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, the ownership of the Bonds as hereinbefore provided.

Section 2.08. Temporary Bonds. The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, will be of such authorized denominations as may be determined by the County, and may contain such reference to any of the provisions of the Indenture as may be appropriate. Every temporary Bond will be executed by the County and authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the County issues temporary Bonds it will execute and furnish definitive Bonds without delay and thereupon the temporary Bonds will be surrendered, for cancellation, in exchange for the definitive Bonds at the Principal Office of the Trustee or at such other location as the Trustee will designate, and the Trustee will authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations. Until so exchanged, the temporary bonds will be entitled to the same benefits under the Indenture as definitive bonds authenticated and delivered hereunder.

Section 2.09. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond becomes mutilated, the County, at the expense of the Owner of that Bond, will execute, and the Trustee will authenticate and deliver, a new Bond of like tenor and principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee will be canceled by it and destroyed by the Trustee who will, upon request of the County, deliver a certificate of destruction thereof to the County.

If any Bond is lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence be satisfactory to the Trustee and indemnity satisfactory to the Trustee will be given, the County, at the expense of the Owner, will execute, and the Trustee will authenticate and deliver, a new Bond of like tenor and principal amount in lieu of and in substitution for the Bond so lost, destroyed or stolen. The County may require payment of a sum not exceeding the actual cost of preparing each new Bond delivered under this Section 2.09 and of the expenses which may be incurred by the County and the Trustee for the preparation, execution, authentication and delivery. Any Bond delivered under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen will constitute an original additional contractual obligation on the part of the County whether or not the Bond so alleged to be lost, destroyed or stolen is at any time enforceable by anyone, and will be equally and proportionately entitled to the benefits of the Indenture with all other Bonds issued under the Indenture.

ARTICLE III

SECURITY; ISSUANCE OF BONDS

Section 3.01. Security for the Bonds; Pledge of Assessments and Funds. The Bonds will be secured by a first pledge (which pledge will be effected in the manner and to the extent herein provided) of all of the Assessments (except amounts deposited into the Administrative Expense Fund) and all moneys deposited in the Redemption Fund (including the Capitalized Interest Account and the Prepayment Account therein).

The Assessments and all moneys deposited into the Redemption Fund are hereby dedicated to (i) the payment of Administrative Expenses, but only to the extent of amounts deposited into the Administrative Expense Fund pursuant to Section 5.01 and (ii) the payment of the principal of (including Sinking Fund Payments), and interest and any premium on, the Bonds as provided herein and in the Bond Law until all of the Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose in accordance with Article X hereof.

Amounts on deposit in a Reserve Fund are pledged to payment of debt service on the applicable series of Bonds only.

The County may incur Parity Debt secured by a pledge of Assessments on a parity with the Bonds as set forth in Section 3.07 below.

Section 3.02. Limited Obligation. All obligations of the County under the Indenture and the Bonds are not general obligations of the County, but are limited obligations, payable solely from the Assessments and the funds pledged therefor hereunder. Neither the faith and credit of the County, the County nor of the State of California or any political subdivision thereof, is pledged to the payment of the Bonds.

The Bonds are "Limited Obligation Improvement Bonds" under section 8769 of the Bond Law and are payable solely from and secured solely by the Assessments and the amounts in the Redemption Fund. Notwithstanding any other provision of the Indenture, the County is not obligated to advance available surplus funds from the County treasury to cure any deficiency in the Redemption Fund; provided, however, the County is not prevented, in its sole discretion, from so advancing funds.

Section 3.03. Requirements for Issuance of Bonds. All series of Bonds issued under Supplemental Indentures will constitute Bonds hereunder and will be secured by a lien on the Assessments and funds pledged for the payment of the Bonds hereunder on parity with all other Bonds Outstanding. The County may issue a series of Bonds subject to the following specific conditions precedent:

(A) Compliance. The County will be in compliance with all covenants set forth in the Indenture, and issuance of the series of Bonds will not cause the County to exceed the bonded indebtedness limit established for the Program.

(B) Same Payment Dates. The Supplemental Indenture providing for the issuance of such Bonds will provide that interest thereon will be payable on the Interest Payment Dates, and principal thereof will be payable on the same date in any year in which principal is payable on any outstanding series of Bonds.

(C) Separate Funds. The Supplemental Indenture providing for the issuance of such series of Bonds may provide for the establishment of separate funds and accounts.

(D) Reserve Fund Deposit. The Supplemental Indenture providing for the issuance of such Bonds may provide for a deposit into a Reserve Fund. Any such Reserve Fund shall be available only to pay debt service for the related series of Bonds, and not for any other series of Bonds or any Parity Debt.

(E) Value. For each Participating Parcel the installation of Improvements on which will be financed as a result of issuance of the series of Bonds, the Participating Parcel Value of such parcel shall be at least ten times one of the following amounts, as applicable: (i) if the proceeds of the Bonds will only be used to finance Improvements for such Participating Parcel, the aggregate principal amount of the Bonds and (ii) if the proceeds of the Bonds will be used to finance Improvements for a number of Participating Parcels, the aggregate principal amount of the Bonds attributable to that Participating Parcel. In order to calculate the principal amount of the Bonds that is attributable to a Participating Parcel for purposes of clause (ii) of the previous sentence, the attributable portion shall be equal to the aggregate principal amount of such Bonds multiplied by a fraction, the numerator of which is the principal amount of the Assessment levied on such Participating Parcel and the denominator of which is the principal amount of the Assessment levied on all Participating Parcels the installation of Improvements on which will be financed as a result of issuance of the series of Bonds.

(F) Coverage. The total Assessment installments payable under existing Assessment Contracts shall be at least 100% of (a) the cumulative Debt Service on the then-Outstanding Bonds, any then-outstanding Parity Debt and the proposed Bonds through the final maturity date of the then-Outstanding Bonds and the proposed Bonds *plus* (b) the total anticipated Administrative Expenses through the final maturity date of the then-Outstanding Bonds, any then-outstanding Parity Debt and the proposed Bonds.

In addition, the scheduled Assessment installments payable under existing Assessment Contracts in each Bond Year through the final maturity date of the proposed Bonds shall be at least 100% of (a) the Debt Service on the then-Outstanding Bonds, any then-outstanding Parity Debt and the proposed Bonds for such Bond Year *plus* (b) the anticipated Administrative Expenses for such Bond Year.

(G) Certificates. The County will deliver to the Trustee an Officer's Certificate certifying that the conditions precedent to the issuance of such series of Bonds set forth in subsections (A), (B), (C), (D), (E) and (F) of this Section 3.03 have been satisfied.

(H) Opinion of Bond Counsel. The County will deliver an opinion of Bond Counsel substantially to the effect that (a) the County has the right and power under the Bond Law to execute and deliver the Supplemental Indenture, and the Supplemental Indenture has been duly and lawfully executed and delivered by the County, is in full force and effect and is valid and binding upon the County and enforceable in accordance with its terms (except as enforcement may be limited by bankruptcy, moratorium, insolvency, reorganization, fraudulent conveyance and other similar laws relating to the enforcement of creditor's rights), (b) the Bonds of such series are a valid and binding limited obligation of the County, enforceable in accordance with the terms thereof (except as enforcement may be limited by bankruptcy, moratorium, insolvency, reorganization, fraudulent conveyance and other similar laws relating to the enforcement

of creditor's rights) and the terms of the Indenture and the Bond Law, and (c) the Bonds of such series have been duly and validly authorized and issued in accordance with the Bond Law and the Indenture.

Notwithstanding the foregoing, the County may issue a series of Bonds as refunding bonds without the need to satisfy the requirements of clauses (E) or (F) above, and, in connection therewith, the Officer's Certificate in clause (G) above need not make reference to said clauses (E) and (F).

Section 3.04. No Acceleration. The principal of the Bonds will not be subject to acceleration hereunder. Nothing in this Section 3.04 will in any way prohibit the prepayment or redemption of Bonds under Section 2.03 hereof, or the defeasance of the Bonds and discharge of the Indenture under Article X hereof.

Section 3.05. Refunding of Bonds. The Bonds may be refunded by the County pursuant to Divisions 11 or 11.5 of the California Streets and Highways Code upon the conditions as set forth in appropriate proceedings therefor. This Section will not apply to or in any manner limit advancement of the maturity of any of the Bonds as provided in Parts 8, 9, 11, or 11.1 of the Bond Law, nor will this Section apply to or in any manner limit the redemption and payment of any Bond pursuant to subsequent proceedings providing for the payment of amounts to eliminate previously imposed fixed lien assessments, including the Assessments.

Section 3.06. Indenture for Benefit of Bond Owners. The provisions, covenants and agreements herein set forth to be performed by or on behalf of the County will be for the equal benefit, protection and security of the registered owners of the Bonds.

Section 3.07. Parity Debt. The County is authorized to issue Parity Debt secured by and payable from Assessments on a parity with the Bonds, subject to the following specific conditions precedent:

(A) Compliance. The County will be in compliance with all covenants set forth in the Indenture and any Parity Debt Instruments, and issuance of the series of Parity Debt will not cause the County to exceed the bonded indebtedness limit established for the Program.

(B) Same Payment Dates. The Parity Debt Instrument providing for the issuance of such Parity Debt will provide that interest thereon will be payable on the Interest Payment Dates, and principal thereof will be payable on the same date in any year in which principal is payable on the Bonds.

(C) Separate Funds. The Parity Debt Instrument providing for the issuance of such Parity Debt may provide for the establishment of separate funds and accounts.

(D) Reserve Fund Deposit. The Parity Debt Instrument may provide for a deposit into a debt service reserve fund. Any such debt service reserve fund shall be available only to pay debt service for the related Parity Debt, and not for any series of Bonds or any other Parity Debt.

(E) Value. For each Participating Parcel the installation of Improvements on which will be financed as a result of issuance of the Parity Debt, the Participating Parcel Value of such parcel shall be at least ten times one of the following amounts, as applicable: (i) if the proceeds of the Parity Debt will only be used to finance

Improvements for such Participating Parcel, the aggregate principal amount of the Parity Debt and (ii) if the proceeds of the Parity Debt will be used to finance Improvements for a number of Participating Parcels, the aggregate principal amount of the Parity Debt attributable to that Participating Parcel. In order to calculate the principal amount of the Parity Debt that is attributable to a Participating Parcel for purposes of clause (ii) of the previous sentence, the attributable portion shall be equal to the aggregate principal amount of such Parity Debt multiplied by a fraction, the numerator of which is the principal amount of the Assessment levied on such Participating Parcel and the denominator of which is the principal amount of the Assessment levied on all Participating Parcels the installation of Improvements on which will be financed as a result of issuance of the Parity Debt.

(F) Coverage. The total Assessment installments payable under existing Assessment Contracts shall be at least 100% of (a) the cumulative Debt Service on the then-Outstanding Bonds, any then-outstanding Parity Debt and the proposed Parity Debt through the final maturity date of the then-Outstanding Bonds, any then-outstanding Parity Debt and the proposed Parity Debt *plus* (b) the total anticipated Administrative Expenses through the final maturity date of the then-Outstanding Bonds, any then-outstanding Parity Debt and the proposed Parity Debt.

In addition, the scheduled Assessment installments payable under existing Assessment Contracts in each Bond Year through the final maturity date of the proposed Bonds shall be at least 100% of (a) the Debt Service on the then-Outstanding Bonds, any then-outstanding Parity Debt and the proposed Parity Debt for such Bond Year *plus* (b) the anticipated Administrative Expenses for such Bond Year.

(G) Certificates. The County will deliver to the Trustee an Officer's Certificate certifying that the conditions precedent to the issuance of the Parity Debt set forth in subsections (A), (B), (C), (D), (E) and (F) of this Section 3.07 have been satisfied.

(H) Opinion of Bond Counsel. The County will deliver an opinion of Bond Counsel substantially to the effect that (a) the County has the right and power under the Bond Law to execute and deliver the Parity Debt Instrument, and the Parity Debt Instrument has been duly and lawfully executed and delivered by the County, is in full force and effect and is valid and binding upon the County and enforceable in accordance with its terms (except as enforcement may be limited by bankruptcy, moratorium, insolvency, reorganization, fraudulent conveyance and other similar laws relating to the enforcement of creditor's rights), (b) the Parity Debt is a valid and binding limited obligation of the County, enforceable in accordance with the terms thereof (except as enforcement may be limited by bankruptcy, moratorium, insolvency, reorganization, fraudulent conveyance and other similar laws relating to the enforcement of creditor's rights) and the terms of the Indenture and the Bond Law, and (c) the Parity Debt has been duly and validly authorized and issued in accordance with the Bond Law and the Indenture.

Notwithstanding the foregoing, the County may issue Parity Debt as refunding bonds without the need to satisfy the requirements of clauses (E) or (F) above, and, in connection therewith, the Officer's Certificate in clause (G) above need not make reference to said clauses (E) and (F).

ARTICLE IV

FUNDS AND ACCOUNTS

Section 4.01. Redemption Fund.

(A) Establishment of Redemption Fund. The Redemption Fund is hereby established as a separate fund to be held by the Trustee to the credit of which deposits will be made as required by Section 5.01(A), and any other amounts required to be deposited therein by the Indenture or the Bond Law. Moneys in the Redemption Fund will be held by the Trustee for the benefit of the County and the Owners of the Bonds, will be disbursed for the payment of the principal of (including Sinking Fund Payments), and interest and any premium on, the Bonds as provided below. Within the Redemption Fund there is hereby established the Prepayment Account, which will be used exclusively for the administration of any Prepayments pursuant to Section 8767 of the Bond Law to assure the timely redemption of Bonds. If all of the Assessments are paid in full, the Prepayment Account will be closed.

With the issuance of each series of Bonds, the Trustee will establish accounts within the Redemption Fund, to be denominated Capitalized Interest Accounts, to the credit of which deposits will be made from the proceeds of such series of Bonds to pay interest on such series of Bonds.

(B) Disbursements. On or before each Interest Payment Date, the Trustee will withdraw from the Redemption Fund and pay to the Owners of the Bonds the principal of (including Sinking Fund Payments), and interest and any premium then due and payable on, the Bonds.

If there are insufficient funds in the Redemption Fund to pay to the Owners of the Bonds the principal of (including Sinking Fund Payments), and interest and any premium then due and payable on, the Bonds, the Trustee will apply the available funds first to the payment of interest on the Bonds, then to the payment of principal due on the Bonds (including Sinking Fund Payments), and then to payment of principal due on the Bonds by reason of Bonds called for optional redemption or mandatory prepayment redemption.

On each September 2, the Trustee will use any amounts remaining in the Redemption Fund after payment of interest on the Bonds through such September 2 and the payment of principal due on the Bonds through such September 2 for the following purposes in the following priority: (i) to transfer them for deposit into the Reserve Fund(s) (in the event there is more than one Reserve Fund, amounts shall be deposited on a pro rata basis based on the principal amount of the related series of Outstanding Bonds), but only to the extent necessary to increase the amount on deposit in the Reserve Fund(s) to the applicable requirement for such Reserve Fund, (ii) to pay or reimburse the payment of Administrative Expenses incurred by the County, and (iii) to reduce the installments of the Assessments which are levied in the current or succeeding Bond Year upon the Participating Parcels to pay the principal of and interest on the Bonds,

(C) Investment. Moneys in the Redemption Fund (and the accounts therein) will be invested and deposited in accordance with Section 6.01. Interest earnings and profits resulting from such investment and deposit will be retained in the Redemption Fund and the accounts therein, as applicable.

(D) Transfers from Reserve Fund. Amounts transferred to the Redemption Fund from a Reserve Fund will be used in accordance with Part 16 of the Bond Law as directed in an appropriate Officer's Certificate.

Section 4.02. Program Fund.

(A) Establishment of Program Fund. The Program Fund is hereby established as a separate fund to be held by the Trustee. With the issuance of each series of Bonds, the Trustee will establish accounts within the Program Fund to the credit of which deposits will be made from the proceeds of such series of Bonds as required by the applicable Supplemental Indenture. Moneys in the Program Fund will be held by the Trustee and will be disbursed as provided in paragraph (B) of this Section.

(B) Disbursement. Amounts in the Program Fund will be disbursed from time to time to pay for the costs of installing the Improvements in accordance with the Program Report, as set forth in an Officer's Certificate containing the amounts to be paid to the designated payees and delivered to the Trustee. Each such certificate will be sufficient evidence to the Trustee of the facts stated therein and the Trustee will have no duty to confirm the accuracy of such facts.

Upon receipt of a Prepayment as the result of the payment of a Non-Completion Assessment, the Trustee shall transfer any amounts that were previously deposited into the Program Fund related to the Participating Parcel to the Prepayment Account of the Redemption Fund.

The Trustee will maintain the Program Fund until all amounts in the Program Fund are expended or until the County directs the Trustee to close the fund, and then the Trustee will transfer any moneys remaining therein, including any investment earnings thereon, to the Redemption Fund to make payments on the Bonds as they come due.

(C) Investment. Moneys in the Program Fund will be invested and deposited in accordance with Section 6.01. Interest earnings and profits resulting from said investment will be retained by the Trustee in the applicable account of the Program Fund to be used for the purposes of such fund.

Section 4.03. Administrative Expense Fund.

(A) Establishment of Administrative Expense Fund. The Administrative Expense Fund is hereby established as a separate fund to be held by the County, to the credit of which deposits will be made as required by Section 5.01(A) and as otherwise required by the Indenture or the Bond Law. Moneys in the Administrative Expense Fund shall be disbursed as provided below.

(B) Disbursement. Amounts in the Administrative Expense Fund shall be used by the County to pay Administrative Expenses.

(C) Closing the Administrative Expense Fund. The County shall close the Administrative Expense Fund following the final maturity date of the Bonds and payment of all amounts in the Administrative Expense Fund. Upon closing the Administrative Expense Fund, any remaining funds shall be transferred to the Trustee for deposit in the Redemption Fund.

(D) Investment. Moneys in the Administrative Expense Fund shall be invested in Permitted Investments, and earnings and profits resulting from such

investment shall be retained by the County in the Administrative Expense Fund to be used for the purposes of such fund.

ARTICLE V

COVENANTS OF THE COUNTY

Section 5.01. Collection of Assessments. The County will comply with all requirements of the Act, the Bond Law and the Indenture to assure the timely collection of the Assessments, including, without limitation, the enforcement of delinquent Assessments. To that end, the following will apply:

(A) The Assessments, together with the interest thereon, will be payable in the installments specified in the Assessment Contracts. Each Assessment installment will be payable in the same manner and at the same time and in the same installments as the general taxes on real property are payable, and become delinquent at the same times and bear the same proportionate penalties and interest after delinquency as do the general taxes on real property. All sums received from the collection of the Assessments (except those amounts allocable to Administrative Expenses, which shall be deposited in the Administrative Expense Fund) and of the interest and penalties thereon will be transferred to the Trustee for deposit in the Redemption Fund.

(B) The County will, before the final date on which the Auditor will accept the transmission of the Assessment installments for the Participating Parcels for inclusion on the next tax roll, prepare or cause to be prepared, and will transmit to the Auditor, such data as the Auditor requires to include the installments of the Assessments on the next secured tax roll. The County is hereby authorized to employ consultants to assist in computing the installments of the Assessments hereunder.

Section 5.02. Foreclosure. The County hereby covenants with and for the benefit of the Owners of the Bonds that it will order, and cause to be commenced, and thereafter diligently prosecute an action in the superior court to foreclose the lien of any Assessment or installment thereof which has been billed, but has not been paid, pursuant to and as provided in sections 8830 and 8835, inclusive, of the Bond Law and the conditions specified in this Section 5.02.

No later than October 1 each year, the County will determine whether any single Participating Parcel is delinquent in the payment of two or more semi-annual installments of Assessment payments and, if so, will notify County Counsel of any such delinquencies. County Counsel will commence, or cause to be commenced, the foreclosure proceedings against each such delinquent Participating Parcel, including collection actions preparatory to the filing of any complaint, but will file the complaint within 60 days. Subject to further direction from the Board of Supervisors, County Counsel is hereby authorized to employ counsel to conduct any such foreclosure proceedings.

However, notwithstanding the foregoing, the County may elect, in its sole discretion, to defer foreclosure proceedings on any Participating Parcel if the County has received funds equal to the delinquent Assessments from any other source, and those funds are available to contribute toward (i) Administrative Expenses and (ii) the payment of the principal of (including Sinking Fund Payments) and interest on the Bonds when due (including without limitation funds from the sale of the receivables associated with delinquent Assessments).

Section 5.03. Punctual Payment. The County will punctually pay or cause to be paid the principal of (including Sinking Fund Payments), and interest and any premium on, the Bonds when and as due in strict conformity with the terms of the Indenture, and it will faithfully observe

and perform all of the conditions, covenants and requirements of the Indenture and of the Bonds.

Section 5.04. Extension of Time for Payment. In order to prevent any accumulation of claims for interest after maturity, the County will not, directly or indirectly, extend or consent to the extension of the time for the payment of any interest on any of the Bonds and will not, directly or indirectly, be a party to the approval of any such arrangement by purchasing or funding any claims for interest on any of the Bonds, or in any other manner.

Section 5.05. Against Encumbrance. The County will not encumber, pledge or place any charge or lien upon any of the Assessments or other amounts pledged to the Bonds superior to or on a parity with the pledge and lien herein created for the benefit of the Bonds, except as permitted by the Resolution of Issuance, the Indenture, the Act and the Bond Law.

Section 5.06. Books and Accounts. The County will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the County, in which complete and correct entries will be made of all transactions relating to the Assessments and the application of amounts disbursed from the funds and accounts held by the County hereunder, which records will be subject to inspection by the Trustee upon reasonable prior notice on any Business Day.

Section 5.07. Protection of Security and Rights of Owners. The County will preserve and protect the security of the Bonds and the rights of the Owners thereto, and will warrant and defend their rights to such security against all claims and demands of all persons. From and after the delivery of any of the Bonds by the County, the Bonds will be incontestable by the County.

Section 5.08. Compliance with Law; Completion of Improvements. The County will comply with all applicable provisions of the Act and the Bond Law in providing financing for the Improvements, but the County will have no obligation to advance any funds to complete the Improvements in excess of the proceeds of the Bonds available therefor.

Section 5.09. Further Assurances. The County 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 the Indenture, and for the better assuring and confirming unto the Owners of the rights and benefits provided in the Indenture.

ARTICLE VI

INVESTMENTS; LIABILITY OF THE COUNTY

Section 6.01. Deposit and Investment of Moneys in Funds. The following will apply to the investment of funds held by the Trustee:

(i) Moneys in any fund or account created or established by the Indenture and held by the Trustee will be invested by the Trustee in Permitted Investments, as directed pursuant to an Officer's Certificate filed with the Trustee at least two Business Days in advance of the making of such investments. In the absence of any such Officer's Certificate, the Trustee shall invest any such moneys in the investments specified in clause (h) of the definition of Permitted Investments.

Obligations purchased as an investment of moneys in any fund will be deemed to be part of such fund or account, subject, however, to the requirements of the Indenture for transfer of interest earnings and profits resulting from investment of amounts in funds and accounts.

(ii) The Trustee may act as principal or agent in the acquisition or disposition of any investment. The Trustee will incur no liability for losses arising from any investments made pursuant to this Section. The Trustee will be entitled to rely upon any investment directions from the County as conclusive a certification to the Trustee that the investments described therein are so authorized under the laws of the State of California.

The Trustee will not invest any cash held by it hereunder in the absence of timely and specific written direction from the County. In no event will the Trustee be liable for the selection of investments.

(iii) Investments in any and all funds and accounts may at the discretion of the Trustee be commingled in a separate fund or funds for purposes of making, holding and disposing of investments, notwithstanding provisions herein for transfer to or holding in or to the credit of particular funds or accounts of amounts received or held by the Trustee hereunder, provided that the Trustee will at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in the Indenture.

(iv) The Trustee will sell, or present for redemption, any investment security whenever it is necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such investment security is credited. The Trustee will not be liable or responsible for any loss resulting from the acquisition or disposition of such investment security in accordance herewith.

Section 6.02. Limited Liability of County. The County will not be obligated to make any payments required hereunder or under any Bond, or be deemed to incur any liability hereunder or by reason hereof or arising out of any of the transactions contemplated hereby, payable from any funds or assets other than as specifically provided herein.

Section 6.03. Employment of Agents by County. In order to perform its duties and obligations hereunder, the County may employ such persons or entities as it deems necessary or advisable. The County will not be liable for any of the acts or omissions of such persons or

entities employed by it with reasonable care and in good faith hereunder, and will be entitled to rely, and will be fully protected in doing so, upon the opinions, calculations, determinations and directions of such persons or entities.

ARTICLE VII

THE TRUSTEE

Section 7.01. Appointment of Trustee. [Trustee], at the Principal Office, is hereby appointed trustee and paying agent for the Bonds. The Trustee undertakes to perform such duties, and only such duties, as are specifically set forth in the Indenture, and no implied covenants or obligations will be read into the Indenture against the Trustee. With respect to the appointment of the Trustee, the following will apply:

(A) Any bank or company into which the Trustee may be merged or converted or with which it may be consolidated, or any bank or company resulting from any merger, conversion or consolidation to which it is a party, or any bank or company to which the Trustee may sell or transfer all or substantially all of its corporate trust business (if such bank or company is eligible under the following paragraph of this Section 7.01) will be the successor to such Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding. The Trustee will give the County written notice of any such succession hereunder.

(B) The County may remove the Trustee initially appointed and any successor thereto, and may appoint a successor thereto, but any Trustee will be a national banking association or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least \$75,000,000 and subject to supervision or examination by federal or state authority. If such national banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section 7.01, combined capital and surplus of such national banking association or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(C) The Trustee may at any time resign by giving written notice to the County and by giving to the Owners notice by mail of such resignation. Upon receiving notice of such resignation, the County will promptly appoint a successor Trustee, satisfying the requirements of Section 7.01(B) above, by an instrument in writing. Any resignation or removal of the Trustee will become effective upon acceptance of appointment by the successor Trustee.

(D) If, by reason of the judgment of any court, the Trustee is rendered unable to perform its duties hereunder, the County will promptly appoint a successor Trustee by an instrument in writing.

(E) If no appointment of a successor Trustee is made pursuant to the foregoing provisions of this Section within 45 days after the Trustee has given to the County written notice or after a vacancy in the office of the Trustee has occurred by reason of its inability to act, the Trustee or any Bond Owner may apply to any court of competent jurisdiction to appoint a successor Trustee. That court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Trustee.

Section 7.02. Liability of Trustee. With respect to the liability of the Trustee, the following will apply:

(A) The recitals of facts, covenants and agreements herein and in the Bonds contained will be taken as statements, covenants and agreements of the County, and the Trustee assumes no responsibility for the correctness of the same, makes no representations as to the validity or sufficiency of the Indenture or of the Bonds, or will incur any responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Bonds assigned to or imposed upon it. The Trustee will not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Trustee assumes no responsibility or liability for any information, statement or recital in any official statement or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

(B) The Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of the Indenture; but in the case of any such certificates or opinions by which any provision hereof are specifically required to be furnished to the Trustee, the Trustee will be under a duty to examine the same to determine whether or not they conform to the requirements of the Indenture on their face.

Except as provided above in this paragraph, Trustee will be fully protected and will incur no liability in acting or proceeding, or in not acting or not proceeding, in good faith, reasonably and in accordance with the terms of the Indenture, upon any resolution, order, notice, request, consent or waiver, certificate, statement, affidavit, or other paper or document which it in good faith reasonably believes to be genuine and to have been adopted or signed by the proper person or to have been prepared and furnished pursuant to any provision of the Indenture, and the Trustee will not be under any duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument.

(C) The Trustee will not be liable for any error of judgment made in good faith by a responsible officer unless it is proved that the Trustee was negligent in ascertaining the pertinent facts.

(D) No provision of the Indenture will 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 any of its rights or powers.

(E) The Trustee will be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the Owners pursuant to the Indenture unless such Owners have offered to the Trustee security or indemnity satisfactory to it against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

(F) The Trustee may become the owner of the Bonds with the same rights it would have if it were not the Trustee.

(G) The Trustee will 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 or occurrences beyond the control of the Trustee.

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

(I) The Trustee will have no responsibility or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

(J) The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, affiliates, or receivers, and will be entitled to advice of counsel concerning all matters of trust and its duty hereunder, and the Trustee will not be answerable for the default or misconduct of any such attorney, agent, or receiver selected by it with reasonable care.

Section 7.03. Information; Books and Accounts. The Trustee will provide to the County such information relating to the Bonds and the funds and accounts maintained by the Trustee hereunder as the County may reasonably request, including but not limited to quarterly statements reporting funds held and transactions by the Trustee.

The Trustee will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Trustee, in which complete and correct entries will be made of all transactions made by it relating to the expenditure of amounts disbursed from the Redemption Fund and the accounts therein. Such books of record and accounts will, upon reasonable notice, at all times during business hours on any Business Day be subject to the inspection of the County and the Owners of not less than 10% of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

Section 7.04. Notice to Trustee. The Trustee may conclusively rely, without undertaking any investigation or inquiry, and will be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, facsimile transmission, electronic mail, warrant, Bond or other paper or document reasonably believed by it to be genuine and to have been signed or presented by the proper party or proper parties.

The Trustee may consult with counsel, who may be counsel to the County, with regard to legal questions, and the opinion of such counsel will be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

The Trustee will not be bound to recognize any person as the Owner of a Bond unless and until such person is the registered Owner of such Bond and such Bond is submitted for inspection, if required, and such Owner's title thereto satisfactorily established, if disputed.

Whenever in the administration of its duties under the Indenture the Trustee deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of willful misconduct on the part of the Trustee, be deemed to be conclusively proved and established by a certificate of an Authorized Officer of the County, and such certificate will be full warrant to the Trustee for any action taken or suffered under the provisions of the Indenture or any Supplemental 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.

Section 7.05. Compensation; Indemnification. The County will pay to the Trustee from time to time reasonable compensation for all services rendered as Trustee under the Indenture, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of the Trustee's in house or other attorneys and agents, incurred in and about the performance of their powers and duties under the Indenture, but the Trustee will not have a lien therefor on any funds at any time held by it under the Indenture.

The County further agrees, to the extent permitted by applicable law, to indemnify and save the Trustee, its officers, employees, directors and agents harmless against any losses, expenses, costs, claims, judgments, damages, suits or liabilities which it may incur in the exercise and performance of its powers and duties hereunder (including without limitation legal fees and expenses) which are not due to its negligence or willful misconduct.

The obligation of the County under this Section will survive resignation or removal of the Trustee under the Indenture and payment of the Bonds and discharge of the Indenture.

Section 7.06. Trustee as Owner. The Trustee may become the owner of any of the Bonds in its own or any other capacity with the same rights it would have if it were not Trustee.

ARTICLE VIII

MODIFICATION OR AMENDMENT OF THE INDENTURE

Section 8.01. Conditions for Amendment.

(A) Amendment with Consent of Bond Owners. The Indenture and the rights and obligations of the County and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Indenture with the written consent of the Owners of at least 60% in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 8.03.

No such modification or amendment may:

- (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the County to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, or
- (ii) permit the creation by the County of any pledge or lien upon the Assessments superior to the pledge and lien created for the benefit of the Bonds or on parity with the pledge and lien created for the benefit of the Bonds (except as provided in Sections 2.02 and 3.03), or
- (iii) reduce the percentage of Bonds required for the amendment hereof, or
- (iv) amend this Section 8.01.

Any such amendment may not modify any of the rights or obligations of the Trustee without its written consent.

(B) Amendment without Consent of Bond Owners. The Indenture and the rights and obligations of the County and of the Owners may also be modified or amended at any time by a Supplemental Indenture, without the consent of any Owners, only to the extent permitted by law and only for any one or more of the following purposes:

- (i) Additions. To add to the covenants and agreements of the County contained in the Indenture, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power herein reserved to or conferred upon the County.
- (ii) Not Materially Adversely Affecting Bonds. To make modifications not adversely affecting any outstanding Bonds in any material respect, as evidenced by an opinion of Bond Counsel delivered to the Trustee.
- (iii) Corrections. To make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Indenture, or in regard to questions arising under the Indenture, as the County may deem necessary or desirable and not inconsistent with the

Indenture, and which will not materially adversely affect the rights of the Owners of the Bonds.

(iv) Issuance of Bonds. To issue additional series of Bonds in accordance with the Indenture.

(v) Credit Enhancements. To provide for the delivery of credit enhancements for one or more series of the Bonds.

(vi) Federal Tax Law. To comply with applicable provisions of the Tax Code relating to tax-exempt bonds or federal tax credit bonds.

Section 8.02. Procedure for Amendment with Written Consent of Owners. The County and the Trustee may at any time adopt a Supplemental Indenture amending the provisions of the Bonds or of the Indenture, to the extent that such amendment is permitted by Section 8.01, to take effect when and as provided in this Section. With respect to such Supplemental Indenture under this Section, the following will apply:

(A) A copy of such Supplemental Indenture, together with a request to Owners for their consent thereto, will be mailed by first class mail, by the Trustee to each Owner of Bonds Outstanding, but failure to mail copies of such Supplemental Indenture and request will not affect the validity of the Supplemental Indenture when assented to as provided in this Section.

(B) Such Supplemental Indenture will not become effective unless there has been filed with the Trustee the written consents of the Owners of at least 60% in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in Section 8.03) and a notice has been mailed as described in subsection (A) above. Each such consent will be effective only if accompanied by proof of ownership of the Bonds for which such consent is given, which proof will be such as is permitted by Section 10.04.

Any such consent will be binding upon the Owner of the Bonds giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Trustee prior to the date when the notice hereinafter in this Section provided for has been mailed.

(C) After the Owners of the required percentage of Bonds have filed their consents to the Supplemental Indenture, the Trustee will mail a notice to the Owners in the manner described in subsection (A) above for the mailing of the Supplemental Indenture, stating in substance that the Supplemental Indenture has been consented to by the Owners of the required percentage of Bonds and will be effective as provided in this Section; provided, however, that failure to mail copies of this notice will not affect the validity of the Supplemental Indenture or consents thereto.

Proof of the mailing of such notice will be filed with the Trustee. A record, consisting of the papers required by this Section 8.02 to be filed with the Trustee, will be proof of the matters therein stated until the contrary is proved.

The Supplemental Indenture will become effective upon the filing with the Trustee of (a) the proof of the required notice, and (b) an approving opinion of Bond Counsel to the effect that

the Supplemental Indenture complies with this Section 8.02. The Supplemental Indenture will be deemed conclusively binding (except as otherwise specifically provided in this Article) upon the County and the Owners of all Bonds at the expiration of 60 days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such 60-day period.

Section 8.03. Disqualified Bonds. Bonds owned or held for the account of the County, excepting any pension or retirement fund, will not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided for in this Article VIII, and will not be entitled to consent to, or take any other action provided for in this Article VIII; except that in determining whether the Trustee will be protected in relying upon any such approval or consent of an Owner, only Bonds which a responsible officer of the Trustee having direct responsibility for the administration of the Indenture actually knows to be owned by or held for the account of the County (excepting any pension or retirement fund) will be disregarded unless all Bonds are so owned, in which case such Bonds will be considered Outstanding for the purpose of such determination.

Upon request of the Trustee, the County will specify in a certificate to the Trustee those Bonds disqualified pursuant to this Section and the Trustee may conclusively rely on such certificate.

Section 8.04. Effect of Supplemental Indenture. From and after the time any Supplemental Indenture becomes effective pursuant to this Article VIII, the Indenture will be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations under the Indenture of the County and all Owners of Bonds Outstanding will thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such Supplemental Indenture will be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Section 8.05. Endorsement or Replacement of Bonds Issued After Amendment. The County may determine that Bonds issued and delivered after the effective date of any action taken as provided in this Article VIII will bear a notation, by endorsement or otherwise, in form approved by the County, as to such action. In that case, upon request of the Owner of any Bond Outstanding at such effective date and presentation of his or her Bond for that purpose at the Principal Office of the Trustee or at such other office as the County may select and designate for that purpose, a suitable notation will be made on such Bond.

The County may determine that new Bonds, so modified as in the opinion of the County is necessary to conform to such Owners' action, will be prepared, executed and delivered. In that case, upon request of the Owner of any Bonds then Outstanding, such new Bonds will be exchanged at the Principal Office of the Trustee without cost to any Owner, for Bonds then Outstanding, upon surrender of such Bonds.

Section 8.06. Amendatory Endorsement of Bonds. The provisions of this Article VIII will not prevent any Owner from accepting any amendment as to the particular Bonds held by him, provided that due notation thereof is made on such Bonds.

Section 8.07. Execution of Supplemental Indenture. Prior to executing any Supplemental Indenture hereunder, the Trustee will be entitled to receive an opinion of Bond Counsel stating that the execution of such Supplemental Indenture is authorized and permitted

by the Indenture and that all conditions precedent to the execution of such Supplemental Indenture have been met.

ARTICLE IX

EVENTS OF DEFAULT; REMEDIES

Section 9.01. Events of Default. Any one or more of the following events will 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 when and as the same will become due and payable, whether at maturity as therein expressed or from mandatory redemption;

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

(C) Default by the County in the observance of any of the other agreements, conditions or covenants on its part in the Indenture or in the Bonds contained, and the continuation of such default for a period of thirty (30) days after the County has been given notice in writing of such default by the Trustee or any Owner; *provided, however*, if in the reasonable opinion of the County the failure stated in the notice can be corrected, but not within such thirty (30) day period, such failure shall not constitute an Event of Default if corrective action is instituted by the County within such thirty (30) day period and the County shall thereafter diligently and in good faith cure such failure within a reasonable period of time.

Section 9.02. Remedies of Owners. Following the occurrence of an Event of Default, any Owner will have the right for the equal benefit and protection of all Owners similarly situated:

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

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

Nothing in this article or in any other provisions of the Indenture or in the Bonds will affect or impair the obligation of the County, which is absolute and unconditional, to pay the interest and redemption premium (if any) on and principal of the Bonds to the respective owners of the Bonds when due, as herein provided, out of the Assessments pledged for such payment, or affect or impair the right of action, which is also absolute and unconditional, of such Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds and in the Indenture.

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

If any suit, action or proceeding to enforce any right or exercise any remedy is abandoned or determined adversely to the Owners, the County and the Owners will be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken. No remedy herein conferred upon or reserved to the Owners is intended to be exclusive of any other remedy. Every such remedy will be cumulative and will 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, the Bond Law or any other law.

In no event will the Trustee have any responsibility to cure or cause the County or any other person or entity to cure an Event of Default hereunder.

ARTICLE X

MISCELLANEOUS

Section 10.01. Discharge of Indenture. Subject to the provisions of Section 2.03 hereof regarding redemption, if the County pays and discharges the entire indebtedness on all or a portion of any Bonds Outstanding in any one or more of the following ways:

(A) by paying or causing to be paid the principal of (including any Sinking Fund Payments) and interest and any premium on, all Bonds Outstanding, 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 funds and accounts provided for in Section 4.01, is fully sufficient to pay such Bonds Outstanding, including all principal (including Sinking Fund Payments), interest and any applicable redemption premiums; or

(C) by irrevocably depositing with the Trustee, in trust, cash and Federal Securities in such amount as the County may determine, as confirmed by an independent certified public accountant, will, together with the interest to accrue thereon and moneys then on deposit in the fund and accounts provided for in Section 4.01, be fully sufficient to pay and discharge the indebtedness on such Bonds, including all principal, Sinking Fund Payments, interest and any applicable redemption premiums, at or before their respective maturity dates;

and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption has been given as required by the Indenture (or provision satisfactory to the Trustee has been made for the giving of such notice), then, at the election of the County, and notwithstanding that any Bonds have not been surrendered for payment, the pledge of the Assessments and other funds provided for in the Indenture and all other obligations of the County under the Indenture with respect to all Bonds Outstanding will cease and terminate, except only: (i) the obligation of the County to pay or cause to be paid to the Owners of the Bonds not so surrendered and paid all sums due thereon, (ii) the obligation of the County to assure that no action is taken or failed to be taken if such action or failure adversely affects the tax status of the Bonds under the Tax Code, and (iii) the obligation of the County to pay or cause to be paid all amounts owing to the Trustee pursuant to Section 7.05 hereof.

If all Bonds outstanding are discharged pursuant to this Section, thereafter Assessments will not be payable to the Trustee. Notice of election to discharge the Indenture will be filed with the Trustee.

Any funds thereafter held by the Trustee upon payment of all fees and expenses of the Trustee, which are not required for said purpose, will be paid over to the County to be used by the County as provided in the Act and the Bond Law.

Section 10.02. Benefits of Indenture Limited to Parties. Nothing in the Indenture, expressed or implied, is intended to give to any person other than the County, the Trustee and the Owners, any right, remedy or claim under or by reason of the Indenture. Any covenants,

stipulations, promises or agreements in the Indenture contained by and on behalf of the County will be for the sole and exclusive benefit of the Owners and the Trustee.

Section 10.03. Successor is Deemed Included in All Reference to Predecessor. Whenever in the Master Indenture or any Supplemental Indenture either the County or the Trustee is named or referred to, such reference will be deemed to include the successors or assigns thereof, and all the covenants and agreements in the Indenture contained by or on behalf of the County or the Trustee will bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 10.04. Execution of Documents and Proof of Ownership by Owners. Any request, declaration or other instrument which the Indenture may require or permit to be executed by Owners may be in one or more instruments of similar tenor, and will be executed by Owners in person or by their attorneys appointed in writing.

Except as otherwise herein expressly provided, the fact and date of the execution by any Owner or his attorney of such request, declaration or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

The ownership of registered bonds and the amount, maturity, number and date of holding the same will be proved by the registry books.

Any consent, request, declaration or other instrument or writing of the then registered Owner of any Bond will bind all future Owners of such Bond in respect of anything done or suffered to be done by the County or the Trustee in good faith and in accordance therewith.

Section 10.05. Waiver of Personal Liability. No member, officer, agent or employee of the County will be individually or personally liable for the payment of the principal of, or interest or any premium on, the Bonds; but nothing herein contained will relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

Section 10.06. Notices to and Demand on County and Trustee. All notices or communications herein required or permitted to be given to the County or the Trustee shall be in writing and shall be deemed to have been sufficiently given or served for all purposes by being delivered or sent by telecopy or upon actual receipt by being deposited, postage prepaid, in a post office letter box, addressed as follows:

If to the County:	County of Santa Barbara 105 East Anapamu Street Santa Barbara, CA 93101 Attention: County of Santa Barbara Chief Executive Officer
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If to the Trustee:	[to come]
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Section 10.07. Partial Invalidity. If any one or more of the provisions contained in the Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in

any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in the Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of the Indenture, and the Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The County hereby declares that it would have entered into the Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of the Indenture may be held illegal, invalid or unenforceable.

Section 10.08. Unclaimed Moneys. Notwithstanding any provisions of the Indenture, any moneys held by the Trustee in trust for the payment of the principal of, or interest on, any Bonds and remaining unclaimed for two years after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in the Indenture), if such moneys were so held at such date, or two years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall be repaid to the County free from the trusts created by the Indenture upon receipt of an indemnification agreement acceptable to the County and the Trustee indemnifying the Trustee with respect to claims of Owners of Bonds which have not yet been paid, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the County as aforesaid, the Trustee may (at the cost of the County) first mail, by first class mail postage prepaid, to the Owners of Bonds which have not yet been paid, at the respective addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the County of the moneys held for the payment thereof.

Section 10.09. Applicable Law. The Indenture will be governed by and enforced in accordance with the laws of the State of California applicable to contracts made and performed in the State of California.

Section 10.10. Conclusive Evidence of Regularity. The issuance of Bonds pursuant to the Indenture will constitute conclusive evidence of the regularity of all proceedings under the Act relative to their issuance and the levy of the Assessments.

Section 10.11. Payment on Business Day. In any case where the date of the maturity of interest or of principal, including Sinking Fund Payments, (and premium, if any) of the Bonds or the date fixed for redemption of any Bonds or the date any action is to be taken pursuant to the Indenture is other than a Business Day, the payment of interest or principal, including Sinking Fund Payments, (and any redemption premium) or the action need not be made on such date but may be made on the next succeeding day which is a Business Day with the same force and effect as if made on the date required and no additional interest will accrue from such Interest Payment Date until such Business Day.

Section 10.12. Counterparts. This Master Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the County and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the County and the Trustee have caused this Master Indenture to be executed, all as of the date first written above.

COUNTY OF SANTA BARBARA

By: _____
Chair of the Board of Supervisors

[TRUSTEE], as Trustee

By: _____
Vice President

EXHIBIT A

FORM OF SUPPLEMENTAL INDENTURE