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## INDENTURE OF TRUST

Dated as of May 1, 2008

between the

**REDEVELOPMENT AGENCY OF THE CITY OF LAKEPORT**

and

**UNION BANK OF CALIFORNIA, N.A.,**  
*as Trustee*

Relating to

**\$3,425,000**  
**Redevelopment Agency of the City of Lakeport**  
**Lakeport Redevelopment Project**  
**2008 Tax Allocation Bonds**

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## INDENTURE OF TRUST

This INDENTURE OF TRUST (this "Indenture") dated as of May 1, 2008, is between the REDEVELOPMENT AGENCY OF THE CITY OF LAKEPORT, a public body corporate and politic duly organized and existing under the laws of the State of California (the "Agency"), and UNION BANK OF CALIFORNIA, N.A., a national banking association organized and existing under the laws of the United States of America, as trustee (the "Trustee").

### BACKGROUND:

1. The Agency is a public body, corporate and politic, duly established and authorized to transact business and exercise powers under the provisions of Part 1 of Division 24 of the Health and Safety Code of the State of California (the "Redevelopment Law"), and has the power under the Redevelopment Law to issue bonds for any of its corporate purposes.

2. Under the Redevelopment Law, the Agency and the City Council of the City of Lakeport (the "City") have previously adopted a redevelopment plan for the Lakeport Redevelopment Project (the "Redevelopment Project"), a duly designated redevelopment project in the City.

3. In order to finance various programs, projects and activities of the Agency relating to the Redevelopment Project, the Agency has previously issued its Lakeport Redevelopment Project 2004 Tax Allocation Bonds, Series A in the aggregate principal amount of \$1,070,000 and its Lakeport Redevelopment Project 2004 Tax Allocation Bonds, Series B in the aggregate principal amount of \$1,170,000 (collectively, the "2004 Bonds"), which are payable from and secured by a pledge of the tax increment revenues derived from the Redevelopment Project, other than the portion of tax increment revenues required to be utilized for low- and moderate-income housing purposes (the "Tax Revenues").

4. The Agency has determined to raise additional funds for programs, projects and activities relating to the Redevelopment Project, and for that purpose the Agency has authorized the issuance of its Lakeport Redevelopment Project 2008 Tax Allocation Bonds in the aggregate principal amount of \$3,425,000 (the "Bonds"), which will be secured by a pledge of and first lien on the Tax Revenues on a parity with the pledge and lien which secures the 2004 Bonds.

5. The Agency has determined that all acts and proceedings required by law necessary to make the Bonds, when executed by the Agency, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal special obligations of the Agency, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done or taken.

### AGREEMENT:

In order to secure the payment of the principal of and the interest and redemption premium (if any) on all the Outstanding Bonds under this Indenture according to their tenor, and to secure the performance and observance of all the covenants and

conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the Owners thereof, and for other valuable considerations, the receipt of which is hereby acknowledged, the Agency and the Trustee do hereby covenant and agree with one another, for the benefit of the respective Owners from time to time of the Bonds, as follows:

## ARTICLE I

### DEFINITIONS; RULES OF CONSTRUCTION

SECTION 1.01. *Definitions.* Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms defined in Appendix A attached to this Indenture have the respective meanings specified in Appendix A when used in this Indenture.

SECTION 1.02. *Authorization.* Each of the parties hereby represents and warrants that it has full legal authority and is duly empowered to enter into this Indenture, and has taken all actions necessary to authorize the execution hereof by the officers and persons signing it.

SECTION 1.03. *Interpretation.*

(a) Unless the context otherwise indicates, words expressed in the singular include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and 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 do 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 this Indenture; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

## ARTICLE II

### AUTHORIZATION AND TERMS OF BONDS

SECTION 2.01. *Authorization and Purpose of Bonds.* The Agency has reviewed all proceedings heretofore taken and has found, as a result of such review, and hereby finds and determines that all things, conditions and acts required by law to exist, happen or be performed precedent to and in connection with the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the Agency is now duly empowered, under each and every requirement of law, to issue the Bonds in the manner and form provided in this Indenture.

The Agency hereby authorizes the issuance of Bonds in the aggregate principal amount of \$3,425,000 under the Redevelopment Law for the purpose of providing funds to finance programs, projects and activities relating to the Redevelopment Project. The Bonds are authorized and issued under, and are subject to the terms of, this Indenture and the Redevelopment Law. The Bonds are designated the "Redevelopment Agency of the City of Lakeport, Lakeport Redevelopment Project 2008 Tax Allocation Bonds."

SECTION 2.02. *Terms of the Bonds.* The Bonds are issuable in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof, so long as no Bond has more than one maturity date. The Bonds will be dated as of the Closing Date, and will mature on September 1 in the years and in the respective principal amounts and bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) at the respective rates per annum, as set forth in the following table:

<u>Maturity Date</u> <u>September 1</u>	<u>Principal</u> <u>Amount</u>	<u>Initial Interest</u> <u>Rate</u>
2009	\$15,000	2.500%
2010	10,000	2.750
2011	10,000	3.000
2012	15,000	3.200
2013	15,000	3.400
2014	15,000	3.550
2015	15,000	3.700
2016	15,000	3.850
2017	20,000	4.000
2018	15,000	4.100
2019	20,000	4.200
2020	85,000	4.300
2021	85,000	4.400
2022	95,000	4.500
2023	95,000	4.600
2024	105,000	4.700
2025	105,000	4.750
2026	130,000	4.800
2027	145,000	4.850
2028	155,000	4.900
2033	885,000	5.000
2038	1,375,000	5.050

Interest on the Bonds is payable from the Interest Payment Date next preceding the date of authentication thereof unless:

- (a) a Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date,
- (b) a Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the Closing Date, or
- (c) interest on any Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date.

Interest is payable on each Interest Payment Date to the persons in whose names the ownership of the Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below. Interest on any Bond which is not punctually paid or duly provided for on any Interest Payment Date is payable to the person in whose name the ownership of such Bond is registered on the Registration Books at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice of which is given to such Owner by first-class mail not less than 10 days prior to such special record date.

The Trustee will pay interest on the Bonds by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners of the Bonds at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date. At the written request of the Owner of Bonds in an aggregate principal amount of at least \$1,000,000, which written request is on file with the Trustee as of any Record Date, the Trustee will pay interest on such Bonds on each succeeding Interest Payment Date by wire transfer in immediately available funds to such account of a financial institution within the United States of America as specified in such written request, which written request will remain in effect until rescinded in writing by the Owner. The Trustee will pay principal of the Bonds in lawful money of the United States of America by check of the Trustee upon presentation and surrender thereof at the Office of the Trustee.

#### SECTION 2.03. *Redemption of Bonds.*

(a) Optional Redemption. The Bonds maturing on or before September 1, 2017, are not subject to redemption prior to their respective stated maturities. The Bonds maturing on or after September 1, 2018, are subject to redemption prior to maturity, at the option of the Agency, in whole or in part among maturities on such basis as designated by the Agency and by lot within a maturity, from any available source of funds, on September 1, 2017, and on any date thereafter, at a redemption price equal to 100% of the principal amount of Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

The Agency must give the Trustee written notice of its intention to redeem Bonds under this subsection (a), and the manner of selecting such Bonds for redemption from among the maturities thereof and the amount of the redemption premium thereon, in

sufficient time to enable the Trustee to give notice of such redemption in accordance with subsection (c) of this Section, but under any circumstances not less than 45 days prior to the redemption date.

(b) Mandatory Sinking Fund Redemption. The Term Bonds are subject to mandatory redemption in part by lot, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on September 1 in the respective years as set forth in the following tables; *provided, however,* that if some but not all of the Term Bonds have been redeemed under subsection (a) of this Section, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of such Term Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis in integral multiples of \$5,000 (as set forth in a schedule provided by the Agency to the Trustee).

**Term Bonds Maturing September 1, 2033**

Sinking Fund Redemption Date <u>(September 1)</u>	Principal Amount <u>To Be Redeemed</u>
2029	\$ 160,000
2030	170,000
2031	175,000
2032	185,000
2033 (Maturity)	195,000

**Term Bonds Maturing September 1, 2038**

Sinking Fund Redemption Date <u>(September 1)</u>	Principal Amount <u>To Be Redeemed</u>
2034	\$ 205,000
2035	215,000
2036	300,000
2037	320,000
2038 (Maturity)	335,000

(c) Notice of Redemption. The Trustee on behalf and at the expense of the Agency shall mail (by first class mail) notice of any redemption to the Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, to each Rating Agency and to the Securities Depositories and to one or more Information Services, at least 30 but not more than 60 days prior to the date fixed for redemption; *provided, however,* that neither failure to receive any such notice so mailed nor any defect therein will affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon.

Such notice must state the date of the notice, the redemption date, the redemption place and the redemption price and must designate the CUSIP numbers, the Bond numbers (if less than all Bonds of a maturity are to be redeemed) and the maturity or maturities (in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and must require that such Bonds be then

surrendered at the Office of the Trustee identified in such notice for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date. In addition, the redemption notice must state that the City has the right to rescind the notice as provided in subsection (d) of this Section.

(d) Right to Rescind Notice of Redemption. The Agency has the right to rescind any notice of the optional redemption of Bonds under subsection (a) of this Section by written notice to the Trustee on or prior to the dated fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default. The Agency and the Trustee have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent under subsection (c) of this Section.

(e) Manner of Redemption. Whenever provision is made in this Section 2.03 for the redemption of less than all of the Bonds of the same maturity, the Trustee shall select the Bonds to be redeemed by lot in any manner which the Trustee in its sole discretion deems appropriate. For purposes of such selection, all Bonds will be deemed to be comprised of separate \$5,000 denominations and such separate denominations will be treated as separate Bonds which may be separately redeemed.

(f) Partial Redemption of Bonds. If only a portion of any Bond is called for redemption, then upon surrender of such Bond the Agency shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Agency, a new Bond or Bonds of the same series and maturity date, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond to be redeemed.

(g) Effect of Redemption. From and after the date fixed for redemption, if notice of redemption has been duly mailed and funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption have been duly provided, such Bonds so called shall cease to be entitled to any benefit under this Indenture other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date specified in such notice. Unless otherwise directed in writing by the Agency, the Trustee shall cancel and destroy all Bonds redeemed under this Section 2.03.

#### SECTION 2.04. *Book Entry System.*

(a) Original Delivery. The Bonds will be initially delivered in the form of a separate single fully registered bond (which may be typewritten) for each maturity of the Bonds. Upon initial delivery, the Trustee shall register the ownership of each Bond on the Registration Books in the name of the Nominee. Except as provided in subsection (c), the ownership of all of the Outstanding Bonds shall be registered in the name of the Nominee on the Registration Books.

With respect to Bonds the ownership of which is registered in the name of the Nominee, the Agency and the Trustee have no responsibility or obligation to any Depository System Participant or to any person on behalf of which the Nominee holds an interest in the Bonds. Without limiting the generality of the immediately preceding

sentence, the Agency and the Trustee have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Depository System Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any notice with respect to the Bonds, including any notice of redemption, (iii) the selection by the Depository of the beneficial interests in the Bonds to be redeemed if the Agency elects to redeem the Bonds in part, (iv) the payment to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any amount with respect to principal, premium, if any, or interest on the Bonds or (v) any consent given or other action taken by the Depository as Owner of the Bonds.

The Agency and the Trustee may treat and consider the person in whose name each Bond is registered as the absolute owner of such Bond for the purpose of payment of principal of and premium, if any, and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers of ownership of such Bond, and for all other purposes whatsoever. The Trustee shall pay the principal of and the interest and premium, if any, on the Bonds only to the respective Owners or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to payment of principal of and interest and premium, if any, on the Bonds to the extent of the sum or sums so paid. No person other than a Bond Owner shall receive a Bond evidencing the obligation of the Agency to make payments of principal, interest and premium, if any, under this Indenture. Upon delivery by the Depository to the Agency of written notice to the effect that the Depository has determined to substitute a new Nominee in its place, and subject to the provisions herein with respect to Record Dates, such new nominee shall become the Nominee hereunder for all purposes; and upon receipt of such a notice the Agency shall promptly deliver a copy of the same to the Trustee.

(b) Representation Letter. In order to qualify the Bonds for the Depository's book-entry system, the Agency shall execute and deliver to such Depository a letter representing such matters as shall be necessary to so qualify the Bonds. The execution and delivery of such letter shall not in any way limit the provisions of subsection (a) above or in any other way impose upon the Agency or the Trustee any obligation whatsoever with respect to persons having interests in the Bonds other than the Bond Owners. Upon the written acceptance by the Trustee, the Trustee shall agree to take all action reasonably necessary for all representations of the Trustee in such letter with respect to the Trustee to at all times be complied with. In addition to the execution and delivery of such letter, the Agency may take any other actions, not inconsistent with this Indenture, to qualify the Bonds for the Depository's book-entry program.

(c) Transfers Outside Book-Entry System. If either (i) the Depository determines not to continue to act as Depository for the Bonds, or (ii) the Agency determines to terminate the Depository as such, then the Agency shall thereupon discontinue the book-entry system with such Depository. In such event, the Depository shall cooperate with the Agency and the Trustee in the issuance of replacement Bonds by providing the Trustee with a list showing the interests of the Depository System Participants in the Bonds, and by surrendering the Bonds, registered in the name of the Nominee, to the Trustee on or before the date such replacement Bonds are to be issued. The Depository, by accepting delivery of the Bonds, agrees to be bound by the provisions of this subsection (c). If, prior to the termination of the Depository acting as

such, the Agency fails to identify another Securities Depository to replace the Depository, then the Bonds shall no longer be required to be registered in the Registration Books in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging Bonds shall designate, in accordance with the provisions hereof.

If the Agency determines that it is in the best interests of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, the Agency may notify the Depository System Participants of the availability of such certificated Bonds through the Depository. In such event, the Trustee will issue, transfer and exchange Bonds as required by the Depository and others in appropriate amounts; and whenever the Depository requests, the Trustee and the Agency shall cooperate with the Depository in taking appropriate action (y) to make available one or more separate certificates evidencing the Bonds to any Depository System Participant having Bonds credited to its account with the Depository, or (z) to arrange for another Securities Depository to maintain custody of a single certificate evidencing such Bonds, all at the Agency's expense.

(d) Payments to the Nominee. Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of the Nominee, all payments with respect to principal of and interest and premium, if any, on such Bond and all notices with respect to such Bond shall be made and given, respectively, as provided in the letter described in subsection (b) of this Section or as otherwise instructed by the Depository.

SECTION 2.05. *Form and Execution of Bonds.* The Bonds, the form of Trustee's certificate of authentication, and the form of assignment to appear thereon, are set forth in Appendix B attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

The Chairman of the Agency shall execute, and the Secretary of the Agency shall attest each Bond. Either or both of such signatures may be made manually or may be affixed by facsimile thereof. If any officer whose signature appears on any Bond ceases to be such officer before the Closing Date, such signature will nevertheless be as effective as if the officer had remained in office until the Closing Date. Any Bond may be signed and attested on behalf of the Agency by such persons as at the actual date of the execution of such Bond are the proper officers of the Agency, duly authorized to execute debt instruments on behalf of the Agency, although on the date of such Bond any such person was not an officer of the Agency.

Only those Bonds bearing a certificate of authentication in the form set forth in Appendix B, manually executed and dated by the Trustee, are valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee is conclusive evidence that such Bonds have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

SECTION 2.06. *Transfer and Exchange of Bonds.*

(a) Transfer. Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon surrender of such Bond to the Trustee at

its Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. The Trustee shall collect any tax or other governmental charge on the transfer of any Bonds under this Section 2.06. Whenever any Bond or Bonds shall be surrendered for transfer, the Agency shall execute and the Trustee shall authenticate and deliver to the transferee a new Bond or Bonds of like series, interest rate, maturity and aggregate principal amount. The Agency shall pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer of Bonds.

(b) Exchange. The Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations and of the same series, interest rate and maturity. The Trustee shall collect any tax or other governmental charge on the exchange of any Bonds under this subsection (b). The Agency shall pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange of Bonds.

(c) Limitations. The Trustee may refuse to transfer or exchange, under the provisions of this Section 2.06, any Bonds selected by the Trustee for redemption under Section 2.03, or any Bonds during the period established by the Trustee for the selection of Bonds for redemption.

SECTION 2.07. *Registration Books*. The Trustee will keep or cause to be kept, at its Office, sufficient records for the registration and registration of transfer of the Bonds, which must at all times during normal business hours, and upon reasonable notice, be open to inspection by the Agency; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on the Registration Books, Bonds as hereinbefore provided.

SECTION 2.08. *Bonds Mutilated, Lost, Destroyed or Stolen*. If any Bond is mutilated, the Agency, at the expense of the Owner of such Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. The Trustee shall cancel every mutilated Bond surrendered to it and deliver such mutilated Bond to, or upon the order of, the Agency. 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 is satisfactory and if indemnity satisfactory to the Trustee is given, the Agency, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen. The Trustee may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under this Section and of the expenses which may be incurred by the Trustee in connection therewith. Any Bond issued 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 Agency whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Indenture with all other Bonds issued under this Indenture.

Notwithstanding any other provision of this Section 2.08, in lieu of delivering a new Bond for which principal has become due for a Bond which has been mutilated, lost, destroyed or stolen, the Trustee may make payment of such Bond in accordance with its terms upon receipt of indemnity satisfactory to the Trustee.

## ARTICLE III

### DEPOSIT AND APPLICATION OF PROCEEDS OF BONDS; ISSUANCE OF PARITY DEBT

SECTION 3.01. *Issuance of Bonds.* Upon the execution and delivery of this Indenture, the Agency shall execute and deliver Bonds in the aggregate principal amount of \$3,425,000 to the Trustee and the Trustee shall authenticate and deliver the Bonds to the Original Purchaser upon receipt of a Request of the Agency therefor.

SECTION 3.02. *Deposit and Application of Proceeds.* On the Closing Date, the Trustee shall deposit the proceeds of the Bonds into a special fund to be held by the Trustee and known as the "Bond Proceeds Account." On the Closing Date, the Trustee shall apply the amounts on deposit in the Bond Proceeds Account in the amounts and for the respective purposes as follows:

- (a) The Trustee shall deposit the amount of \$131,279.58 in the Costs of Issuance Fund.
- (b) The Trustee shall deposit the amount of \$300,391.67 in the Reserve Account, constituting the full amount of the Reserve Requirement calculated as of the Closing Date.
- (c) The Trustee shall deposit the amount of \$2,925,000 in the Project Fund.

SECTION 3.03. *Costs of Issuance Fund.* There is hereby established a separate fund to be known as the "Costs of Issuance Fund", to be held by the Trustee in trust for the benefit of the Agency. The Trustee shall disburse moneys in the Costs of Issuance Fund from time to time to pay Costs of Issuance upon submission of a Request of the Agency stating (a) the person to whom payment is to be made, (b) the amounts to be paid, (c) the purpose for which the obligation was incurred, (d) that such payment is a proper charge against the Costs of Issuance Fund, and (e) that such amounts have not been the subject of a prior Request of the Agency; in each case together with a statement or invoice for each amount requested thereunder. On August 1, 2008, the Trustee shall transfer any amounts remaining in the Costs of Issuance Fund to the Project Fund, and the Trustee shall thereupon close the Costs of Issuance Fund.

SECTION 3.04. *Project Fund.* There is hereby established a separate account to be known as the "Project Fund", to be held by the Trustee in trust for the benefit of the Agency. Amounts on deposit in the Project Fund shall be derived solely from the proceeds of the Bonds deposited therein on the Closing Date under Section 3.02(c) and from amounts transferred for that purpose from the Costs of Issuance Fund under Section 3.03. The Trustee shall also deposit in the Project Fund all earnings on the investment and reinvestment of such proceeds. Amounts in the Project Fund shall be used solely in the manner provided by the Redevelopment Law and the Redevelopment Plan to provide financing for the Redevelopment Project, subject to the limitations set forth herein. The Trustee shall disburse amounts in the Project Fund for the foregoing purposes upon the receipt of Requests of the Agency stating the person to whom

payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against the Project Fund. Upon the completion by the Agency of the purposes for which moneys the Project Fund are intended to be applied, evidenced by a Certificate of the Agency to that effect filed with the Trustee, the Trustee shall transfer any remaining amounts in the Project Fund to the Principal Account, to be applied to pay or redeem Outstanding Bonds in such amounts and at such times as set forth in a Request of the Agency filed with the Trustee.

The Trustee may conclusively rely upon the representations and certifications made in each Request submitted under this Section 3.04, and has no duty to review or ascertain the underlying facts or accuracy thereof. Without limiting the generality of the foregoing, the Trustee has no duty to determine whether amounts paid under any Request submitted to it by the Agency under this Section 3.04 complies with any requirements of the Redevelopment Law or the Redevelopment Plan,

SECTION 3.05. *Issuance of Parity Debt.* The Agency may issue Parity Debt in such principal amount as it determines, subject to the following conditions precedent:

- (a) No Event of Default (or no event with respect to which notice has been given and which, once all notice of grace periods have passed, would constitute an Event of Default) has occurred and is continuing.
- (b) The amount of Tax Revenues for the then current Fiscal Year is at least equal to 150% of the amount of Maximum Annual Debt Service on all Agency Debt which will be Outstanding following the issuance of such Parity Debt. For purposes of this test, annual debt service on any Parity Debt the proceeds of which have been deposited into an escrow fund as provided in subsection (d) below will be excluded.
- (c) The Supplemental Indenture or other document providing for the issuance of such Parity Debt must provide that:
  - (i) interest on said Parity Debt is payable on March 1 and September 1 in each year of the term of such Parity Debt, except that interest during the first twelve month period may be payable on any March 1 or September 1;
  - (ii) the principal of such Parity Debt is payable on March 1 or September 1 in any year in which principal is payable; and
  - (iii) an amount is deposited in a reserve fund from the proceeds of the sale of such Parity Debt in an amount equal to Maximum Annual Debt Service on such Parity Debt or such lesser amount as is the maximum permitted under the Tax Code.
- (d) The proceeds of such Parity Debt may be deposited into an escrow fund from which amounts may be released to the Agency to the extent the amount of Tax Revenues for the most recent Fiscal Year (as evidenced in the written records of the County), is at least equal to 150% of the amount of Maximum Annual Debt Service on all

Agency Debt which will be Outstanding following the issuance of such Parity Debt.

- (e) The issuance of such Parity Debt shall not cause the Agency to exceed any applicable Plan Limitations. Without limiting the generality of the foregoing, the Agency may not issue any Parity Debt in the event and to the extent that either:
  - (i) the aggregate amount of debt service on all outstanding obligations of the Agency, including such Parity Debt, exceeds the aggregate amount of Tax Revenues which are eligible under the Redevelopment Plan to be allocated and paid to the Agency during the period while such outstanding obligations remain outstanding, or
  - (ii) the aggregate principal amount of all outstanding obligations of the Agency, including such Parity Debt, exceeds any applicable limit in the Redevelopment Plan on the aggregate principal amount of indebtedness which the Agency is permitted to have outstanding at any one time.
- (f) The Agency must deliver to the Trustee a Certificate of the Agency certifying that the conditions precedent to the issuance of such Parity Debt set forth in this Section 3.05 and all of the conditions precedent to the issuance of such Parity Debt in Section 2.07 of the 2004 Bond Agreement and in the documents authorizing the issuance of all other Parity Debt have been satisfied.

SECTION 3.06. *Issuance of Subordinate Debt.* The Agency may from time to time issue its bonds, notes or other obligations in such principal amount as the Agency may determine, provided that the issuance of such bonds, notes or other obligations does not cause the Agency to exceed any applicable Plan Limitations.

SECTION 3.07. *Validity of Bonds.* The validity of the authorization and issuance of the Bonds shall not be dependent upon the completion of the Redevelopment Project or upon the performance by any person of its obligation with respect to the Redevelopment Project.

## ARTICLE IV

### SECURITY OF BONDS; FLOW OF FUNDS; INVESTMENTS

SECTION 4.01. *Security of Bonds; Equal Security.* For the security of the Bonds, the Agency hereby grants a first pledge of and lien on all of the Tax Revenues and all of the moneys on deposit in the Special Fund, on a parity with the pledge and lien which secures the 2004 Bonds and any Parity Debt. Such pledge and lien are for the equal security of the Agency Debt without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. In addition, the Agency Debt is secured by a first pledge of and lien upon all of the moneys in the Debt Service Fund, the Interest Account, the Principal Account, the Reserve Account and the Redemption Account. Except for the Tax Revenues and such moneys, no funds of the Agency are pledged to, or otherwise liable for, the payment of principal of or interest or redemption premium (if any) on the Bonds.

In consideration of the acceptance of the Bonds by those who hold the same from time to time, this Indenture constitutes a contract between the Agency and the Owners from time to time of the Bonds, and the covenants and agreements herein set forth to be performed on behalf of the Agency shall be for the equal and proportionate benefit, security and protection of all Owners of the Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the number or date thereof or the time of sale, execution and delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or herein.

SECTION 4.02. *Special Fund; Deposit of Tax Revenues.* The Agency has previously established the Special Fund for the receipt and deposit of Tax Revenues. The Agency shall continue to hold the Special Fund so long as any of the Bonds remain Outstanding.

The Agency shall deposit all of the Tax Revenues received in any Bond Year in the Special Fund promptly upon receipt thereof by the Agency, until such time during that Bond Year as the amounts on deposit in the Special Fund equal (a) the aggregate amounts required to be transferred to the Trustee in such Bond Year for deposit into the Interest Account and the Principal Account under Section 4.03, (b) the aggregate amounts required to be transferred to the Trustee in such Bond Year under Section 3.03 of the 2004 Bond Agreement and (c) the aggregate amounts required to be transferred in such Bond Year for deposit into the funds and accounts established with respect to Parity Debt, as provided in any Supplemental Indenture. If the amounts on deposit in the Special Fund are at any time insufficient to enable the Agency to make transfers as required hereunder to pay the principal of and interest on all Outstanding Agency Debt in full when due, or to replenish the Reserve Account and the reserve accounts established for other Agency Debt, the Agency shall make such transfers on a pro rata basis with respect to each issue of Agency Debt without preference or priority.

All Tax Revenues received by the Agency during any Bond Year in excess of the amount required to be deposited in the Special Fund during such Bond Year under the preceding paragraph of this Section 4.02, are released from the pledge and lien hereunder for the security of the Agency Debt and may be applied by the Agency for any lawful purposes, including but not limited to the payment of any amounts due and owing

to the United States of America under Section 5.11(e). Notwithstanding the foregoing sentence, Tax Revenues may not be released from the pledge and lien hereunder for the security of the Agency Debt unless the amount in the Reserve Account and the amount in all reserve accounts established for other Agency Debt are then at their full required balances. Prior to the payment in full of the principal of and interest and redemption premium (if any) on the Agency Debt, the Agency has no beneficial right or interest in the moneys on deposit in the Special Fund, except as may be provided in this Indenture.

SECTION 4.03. *Debt Service Fund; Transfer of Amounts to Trustee.* The Trustee shall establish the Debt Service Fund as a special trust fund, which the Trustee shall hold in trust. In addition to the transfers required to be made from the Special Fund for the payment of principal of and interest and premium (if any) on other Agency Debt, the Agency shall transfer amounts on deposit in the Special Fund to the Trustee in the following amounts at the following times, for deposit by the Trustee in the following respective special accounts within the Debt Service Fund, which accounts are hereby established with the Trustee, in the following order of priority:

- (a) Interest Account. On or before the 5<sup>th</sup> Business Day preceding each date on which interest on the Bonds is due and payable, the Agency shall withdraw from the Special Fund and transfer to the Trustee for deposit in the Interest Account an amount which, when added to the amount then on deposit in the Interest Account, equals the aggregate amount of the interest coming due and payable on the Outstanding Bonds on that date. The Trustee shall apply amounts in the Interest Account solely for the purpose of paying the interest on the Bonds when due and payable.
- (b) Principal Account. On or before the 5<sup>th</sup> Business Day preceding each date on which principal of the Bonds is due and payable at maturity or upon mandatory sinking fund redemption, the Agency shall withdraw from the Special Fund and transfer to the Trustee for deposit in the Principal Account an amount which, when added to the amount then on deposit in the Principal Account, equals the amount of principal coming due and payable on that date on the Outstanding Bonds, including the aggregate principal amount of the Term Bonds which are subject to mandatory sinking fund redemption on that date under Section 2.03(b). The Trustee shall apply amounts in the Principal Account solely for the purpose of paying the principal of the Bonds at the maturity thereof or upon mandatory sinking fund redemption.
- (c) Reserve Account. If the amount on deposit in the Reserve Account at any time falls below the Reserve Requirement, including as a result of the valuation of investments credited to the Reserve Account in accordance with Section 4.05(c), the Trustee shall promptly notify the Agency of such fact. Upon receipt of any such notice, the Agency shall transfer to the Trustee an amount of available Tax Revenues sufficient to maintain the Reserve Requirement on deposit in the Reserve Account.

The Trustee shall apply amounts in the Reserve Account solely (i) for the purpose of making transfers to the Interest Account and the Principal Account, in that order of priority, on any date on which the principal of or interest on the Bonds is due and payable hereunder, if there is a deficiency at any time in any of such accounts, or (ii) at any time for the retirement of all the Bonds then Outstanding. So long as no Event of Default has occurred and is continuing, the Trustee shall withdraw any amount in the Reserve Account in excess of the Reserve Requirement on the Business Day preceding each Interest Payment Date and deposit such amount in the Interest Account.

On the date on which all of the Outstanding Bonds mature or are scheduled to be redeemed, the Agency may (but is not required to) direct that the Trustee apply amounts in the Reserve Account to pay the principal or redemption price of the Bonds on that date. Any amounts remaining in the Reserve Account following payment or redemption of the Outstanding Bonds in full shall be withdrawn therefrom by the Trustee and paid to the Agency (or to the City, if so directed in writing by the Agency) to be used for any lawful purposes.

The Agency may tender to the Trustee a Qualified Reserve Account Credit Instrument, accompanied by an opinion of Bond Counsel stating that the acceptance of such Qualified Reserve Account Credit Instrument will not cause interest on the Bonds to become includable in gross income for purposes of federal income taxation. The Trustee shall comply with all documentation relating to a Qualified Reserve Account Credit Instrument as required to maintain such Qualified Reserve Account Credit Instrument in full force and effect and as required to receive payments thereunder in the event and to the extent required to make any payment when and as required under this Section 4.03(c). Upon the expiration of any Qualified Reserve Account Credit Instrument, the Agency is obligated either (i) to replace such Qualified Reserve Account Credit Instrument with a new Qualified Reserve Account Credit Instrument, or (ii) to deposit or cause to be deposited with the Trustee an amount of funds equal to the Reserve Requirement, to be derived from the first available Tax Revenues. Upon the deposit of a Qualified Reserve Account Credit Instrument with the Trustee, the Trustee shall withdraw from the Reserve Account and transfer to the Agency an amount equal to the amount which the Trustee is authorized to draw under such Qualified Reserve Account Credit Instrument. Such amount shall be held by the Agency in a separate account and expended solely for the purposes set forth in Section 3.04.

- (d) Redemption Account. On or before the 5<sup>th</sup> Business Day preceding any date on which Bonds are subject to redemption, other than mandatory sinking fund redemption of the Term Bonds, the Agency shall withdraw from the Special Fund and transfer to the Trustee for deposit in the Redemption Account an amount required to pay the

principal of and premium, if any, on the Bonds to be so redeemed on such date. The Trustee shall apply amounts in the Redemption Account solely for the purpose of paying the principal of and premium, if any, on the Bonds upon the redemption thereof (other than mandatory sinking fund redemption), on the date set for such redemption.

SECTION 4.04. *Investment of Moneys in Funds.* The Trustee shall invest moneys in the Debt Service Fund, the Interest Account, the Principal Account, the Reserve Account, the Redemption Account, the Costs of Issuance Fund and moneys in the Project Fund in Permitted Investments specified in the Request of the Agency (which Request shall be deemed to include a certification that the specified investment is a Permitted Investment) delivered to the Trustee at least two Business Days in advance of the making of such investments. In the absence of any such direction from the Agency, the Trustee shall invest any such moneys solely in Permitted Investments described in clause (e) of the definition thereof. The Agency shall invest moneys in the Special Fund in any obligations in which the Agency is legally authorized to invest funds within its control.

Obligations purchased as an investment of moneys in any fund or account shall be deemed to be part of such fund or account. Whenever in this Indenture the Agency is required to transfer any moneys to the Trustee, such transfer may be accomplished by transferring a like amount of Permitted Investments. The Trustee shall retain all interest or gain derived from the investment of amounts in any of the funds or accounts held by it hereunder in the fund or account from which such investment was made; except that the Trustee shall deposit all interest or gain from the investment of amounts in the Reserve Account in the Interest Account to the extent not required to cause the balance in the Reserve Account to equal the Reserve Requirement. For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder upon receipt by the Trustee of the Request of the Agency. The Trustee or an affiliate of the Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee has no liability for losses arising from any investments made under this Section. Any Permitted Investments which are registrable securities shall be registered in the name of the Trustee.

The Agency acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Agency the right to receive brokerage confirmations of security transactions as they occur, the Agency specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Agency periodic transaction statements which include detail for all investment transactions made by the Trustee hereunder; provided that the Trustee is not obligated to provide an accounting for any fund or account that (a) has a balance of \$0.00 and (b) has not had any activity since the last reporting date.

The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee hereunder.

All interest or gain derived from the investment of amounts in the Special Fund shall be retained therein. So long as the amounts on deposit in the Special Fund in any Bond Year shall be sufficient to enable the Agency to make the deposits with the Trustee which are required to be made in such Bond Year under Section 4.03, together with any delinquent amounts outstanding, all interest or gain thereafter received on the

investment of amounts in the Special Fund shall be released from the pledge hereof and shall be applied by the Agency for any lawful purposes.

SECTION 4.05. *Valuation and Disposition of Investments.*

(a) Except as otherwise provided in subsection (b) of this Section, the Agency covenants that all investments of amounts deposited in any fund or account created by or under this Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of Section 148 of the Tax Code) shall be acquired, disposed of and valued (as of the date that valuation is required by this Indenture or the Tax Code) at Fair Market Value as such term is defined in subsection (d) below. The Trustee has no duty in connection with the determination of Fair Market Value other than to follow the investment directions of the Agency in any Certificate or Request of the Agency.

(b) Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Tax Code and investments in the Reserve Account shall be valued at cost thereof (consisting of present value thereof within the meaning of Section 148 of the Tax Code); provided that the Agency must inform the Trustee which funds are subject to a yield restriction, and must provide the Trustee with any necessary valuation criteria or formulae. Notwithstanding the foregoing, however, the Trustee shall value the amounts on deposit in the Reserve Account on each Interest Payment Date.

(c) Except as provided in the proceeding subsection (b), for the purpose of determining the amount in any fund, the Trustee shall value Permitted Investments credited to such fund at least annually at the Fair Market Value thereof. The Trustee may utilize computerized securities pricing services that may be available to it, including those available through its regular accounting system. If and as directed by the Agency in writing, the Trustee shall sell or present for redemption any Permitted Investment so purchased by the Trustee whenever it is necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited, and the Trustee has no liability or responsibility for any loss resulting therefrom.

(d) For purposes of this Section 4.05, the term "Fair Market Value" shall mean the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Tax Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, or (iii) the investment is a United States Treasury Security - State and Local Government Series which is acquired in accordance with applicable regulations of the United States Bureau of Public Debt.

## ARTICLE V

### OTHER COVENANTS OF THE AGENCY

SECTION 5.01. *Punctual Payment.* The Agency shall punctually pay or cause to be paid the principal, premium (if any) and interest to become due in respect of all the Bonds in strict conformity with the terms of the Bonds and of this Indenture. The Agency shall faithfully observe and perform all of the conditions, covenants and requirements of this Indenture and all Supplemental Indentures. Nothing herein contained prevents the Agency from making advances of other legally available funds to make any payment referred to herein.

SECTION 5.02. *Compliance with Parity Bond Documents.* The Agency will punctually pay or cause to be paid the principal of and interest and redemption premium (if any) on the 2004 Bonds and all Parity Debt, in strict conformity with the terms of the 2004 Bond Agreement and the respective documents authorizing the issuance of such Parity Debt. The Agency shall faithfully observe and perform all of the conditions, covenants and requirements of the 2004 Bond Agreement and the respective documents authorizing the issuance of Parity Debt.

SECTION 5.03. *Compliance with Plan Limitations.* The Agency will not take any action, including but not limited to the issuance of its bonds, notes or other obligations, which causes or which, with the passage of time, would cause any of the Plan Limitations to be exceeded or violated. The Agency shall manage its fiscal affairs in a manner which ensures that it will have sufficient Tax Revenues available under the Plan Limitations in the amounts and at the times required to enable the Agency to pay the principal of and interest on the Agency Debt when due. The Agency will not accept any Tax Revenues which would cause any of the Plan Limitations to be exceeded.

SECTION 5.04. *Extension of Payment of Bonds.* The Agency will not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Outstanding Bonds and of all claims for interest thereon which have not been so extended. Nothing in this Section limits the right of the Agency to issue bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

SECTION 5.05. *Payment of Claims.* The Agency will pay and discharge, or cause to be paid and discharged, any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the properties owned by the Agency or upon the Tax Revenues or any part thereof, or upon any funds held by the Trustee pursuant hereto, or which might impair the security of the Bonds. Nothing herein contained requires the Agency to make any such payment so long as the Agency in good faith shall contest the validity of said claims.

SECTION 5.06. *Books and Accounts; Financial Statements; Additional Information.* The Agency will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Agency and the City, in

which complete and correct entries shall be made of all transactions relating to the Redevelopment Project, the Tax Revenues, the Project Fund and the Special Fund. Such books of record and accounts shall at all times during business hours be subject, upon prior written request, to the reasonable inspection of the Trustee (who has no duty to inspect) and the Owners of not less than 10% in aggregate principal amount of the Bonds then Outstanding, or their representatives authorized in writing.

The Agency will cause to be prepared annually, within 210 days after the close of each Fiscal Year so long as any of the Bonds are Outstanding, complete audited financial statements with respect to such Fiscal Year showing the Tax Revenues, all disbursements from the Special Fund and the Project Fund, and the financial condition of the Redevelopment Project, including the balances in all funds and accounts relating to the Redevelopment Project, as of the end of such Fiscal Year. The Agency will furnish a copy of such audited financial statements, upon reasonable request, to the Trustee and any Bond Owner. The Trustee has no duty to review any such financial statement.

SECTION 5.07. *Protection of Security and Rights of Owners.* The Agency will preserve and protect the security of the Bonds and the rights of the Owners. From and after the date of issuance of the Bonds, the Agency may not contest the validity or enforceability of the Bonds or this Indenture.

SECTION 5.08. *Payments of Taxes and Other Charges.* The Agency will pay and discharge, or cause to be paid and discharged, all taxes, service charges, assessments and other governmental charges which may hereafter be lawfully imposed upon the Agency or the properties then owned by the Agency in the Project Area, when the same comes due. Nothing herein contained requires the Agency to make any such payment so long as the Agency in good faith shall contest the validity of said taxes, assessments or charges. The Agency will duly observe and conform with all valid requirements of any governmental authority relative to the Redevelopment Project or any part thereof.

SECTION 5.09. *Disposition of Property.* The Agency will not participate in the disposition of any land or real property in the Project Area to anyone which will result in such property becoming exempt from taxation because of public ownership or use or otherwise (except property dedicated for public right-of-way and except property planned for public ownership or use by the Redevelopment Plan in effect on the date of this Indenture) if such disposition would have the effect of reducing the amount of Tax Revenues to be received in the current or any future Fiscal Year below 150% of Maximum Annual Debt Service on all Outstanding Agency Debt.

SECTION 5.10. *Maintenance of Tax Revenues.* The Agency will comply with all requirements of the Redevelopment Law to insure the allocation and payment to it of the Tax Revenues, including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of the County and the State of California. The Agency may not enter into any agreement with the County or any other governmental unit, and will not amend the Redevelopment Plan in a manner which causes additional Tax Revenues to be paid to taxing agencies under the Tax Sharing Statutes, if such action would have the effect of reducing the amount of Tax Revenues to be received in the current or any future Fiscal Year below 150% of Maximum Annual Debt Service on all Outstanding Agency Debt. The provisions of this Section 5.10 do not apply to any agreement with the County or with any other governmental or private entity, which by its

terms is subordinate to the pledge of and lien on the Tax Revenues for the benefit of the Bond Owners or which does not obligate the Agency to pay any Tax Revenues except to the extent such Tax Revenues are released from the pledge thereof and lien thereon in accordance with Section 4.02.

In addition, if the Agency amends the Redevelopment Plan in a manner which has the effect of obligating the Agency to make payments from Tax Revenues under Section 33607.5 of the Redevelopment Law to other governmental entities, no such amendment shall be made which would have the effect of causing the amount of Tax Revenues to be received in the current or any future Fiscal Year to fall below 150% of Maximum Annual Debt Service on all Outstanding Agency Debt.

SECTION 5.11. *Tax Covenants Relating to Bonds.*

(a) Generally. The Agency may not take any action or permit to be taken any action within its control which would cause or which, with the passage of time if not cured would cause, interest on the Bonds to become includable in gross income for federal income tax purposes.

(b) Private Activity Bond Limitation. The Agency shall not use the proceeds of the Bonds in a manner which would cause the Bonds to become "private activity bonds" within the meaning of Section 141(a) of the Tax Code or to meet the private loan financing test of Section 141(c) of the Tax Code.

(c) Federal Guarantee Prohibition. The Agency shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Tax Code.

(d) No Arbitrage. The Agency shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the Bond proceeds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date, would have caused the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Tax Code.

(e) Rebate of Excess Investment Earnings. The Agency shall calculate or cause to be calculated all amounts of excess investment earnings with respect to the Bonds which are required to be rebated to the United States of America under Section 148(f) of the Tax Code, at the times and in the manner required under the Tax Code. The Agency shall pay when due an amount equal to excess investment earnings to the United States of America in such amounts, at such times and in such manner as may be required under the Tax Code, such payments to be made from any source of legally available funds of the Agency. The Agency shall keep or cause to be kept, and retain or cause to be retained for a period of six years following the retirement of the Bonds, records of the determinations made under this subsection (e).

(f) Small Issuer Exemption from Bank Nondeductibility Restriction. The Agency hereby designates the Bonds for purposes of paragraph (3) of Section 265(b) of the Tax Code and hereby covenants that (i) the Bonds do not constitute private activity bonds as defined in Section 141 of the Tax Code, and (ii) not more than \$10,000,000 aggregate principal amount of obligations the interest on which is excludable (under Section 103(a) of the Tax Code) from gross income for federal income taxes (excluding, however,

private activity bonds, as defined in Section 141 of the Tax Code, other than qualified 501(c)(3) bonds as defined in Section 145 of the Tax Code), including the Bonds, have been or shall be issued by or on behalf of the Agency, including all subordinate entities of the Agency, during the calendar year 2008.

The Trustee has no duty to monitor the compliance by the Agency with any of the covenants contained in this Section 5.11.

SECTION 5.12. *Continuing Disclosure.* The Agency will comply with and carry out all of the provisions of the Continuing Disclosure Certificate which has been executed and delivered by the Agency on the Closing Date. Notwithstanding any other provision hereof, failure of the Agency to comply with such Continuing Disclosure Certificate does not constitute an Event of Default hereunder; *provided, however,* that any Participating Underwriter (as such term is defined in such Continuing Disclosure Certificate) or any Owner or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Agency to comply with its obligations under this Section 5.12.

SECTION 5.13. *Further Assurances.* The Agency will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture, and for the better assuring and confirming unto the Bond Owners the rights and benefits provided in this Indenture.

## ARTICLE VI

### THE TRUSTEE

#### SECTION 6.01. *Duties, Immunities and Liabilities of Trustee.*

(a) Appointment of Trustee; Qualifications. Union Bank of California, N.A., is hereby appointed Trustee by the Agency for the purpose of receiving all moneys required to be deposited with the Trustee hereunder and to allocate, use and apply the same as provided in this Indenture. The Agency will maintain a Trustee having a corporate trust office in the State of California, with a combined capital and surplus of at least \$50,000,000, and subject to supervision or examination by federal or State authority, so long as any Bonds are Outstanding. If such bank or trust company publishes a report of condition at least annually under law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this Section 6.01 the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If the Trustee at any time ceases to be eligible in accordance with the provisions of this subsection (a), the Trustee shall resign immediately in the manner and with the effect specified in subsection (d) of this Section.

(b) Performance of Duties. The Trustee shall, prior to the occurrence of an Event of Default, and after the curing or waiving of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants or duties shall be read into this Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has

not been cured or waived), exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a reasonable corporate trustee would exercise or use.

(c) Removal. The Agency may remove the Trustee at any time, and shall remove the Trustee (i) if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or (ii) if at any time the Trustee ceases to be eligible in accordance with subsection (a) of this Section 6.01, or becomes incapable of acting, or is adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property is appointed, or any public officer takes control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. The Agency may accomplish such removal by giving 30 days written notice to the Trustee, whereupon the Agency shall appoint a successor Trustee by an instrument in writing.

(d) Resignation. The Trustee may at any time resign by giving written notice of such resignation to the Agency and to the Bond Owners by first class mail, postage prepaid, at their respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the Agency shall promptly appoint a successor Trustee by an instrument in writing.

(e) Appointment of Successor Trustee. If the Trustee is removed or resigns under this Section, the Agency will promptly appoint a successor Trustee. If the Agency fails for any reason to appoint a successor Trustee within 90 days, the Trustee may, at the expense of the Agency, apply to a court of competent jurisdiction for the appointment of a successor Trustee meeting the requirements of subsection (a). Any such successor Trustee appointed by such court shall become the successor Trustee hereunder notwithstanding any action by the Agency purporting to appoint a successor Trustee following the expiration of such 90-day period.

SECTION 6.02. *Merger or Consolidation*. Any bank or company into which the Trustee may be merged or converted or with which either of them may be consolidated or any bank or company resulting from any merger, conversion or consolidation to which it shall be a party or any bank or company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank or company shall be eligible under subsection (e) of Section 6.01, shall be the successor to such Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

SECTION 6.03. *Liability of Trustee*.

(a) The recitals of facts herein and in the Bonds contained are statements of the Agency, and the Trustee has no responsibility for the correctness of the same, nor shall it have any liability whatsoever therefor, nor make any representations as to the validity or sufficiency of this Indenture or of the Bonds nor shall it incur any responsibility in respect thereof, other than as expressly stated herein. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee is not liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Trustee is not liable for the acts of any agents of the Trustee selected by it with due care. The Trustee may become the Owner of any Bonds with the same rights it would have if they were not

Trustee and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of the Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding. The Trustee, either as principal or agent, may engage in or be entrusted in any financial or other transaction with the Agency.

(b) The Trustee is not liable with respect to any action taken or omitted to be taken by it in accordance with the direction of the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture.

(c) The Trustee is not liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture, except for actions arising from the negligence or willful misconduct of the Trustee. The permissive right of the Trustee to do things enumerated hereunder shall not be construed as a mandatory duty.

(d) The Trustee will not be deemed to have knowledge of any Event of Default hereunder unless and until a responsible officer of the Trustee has actual knowledge thereof, or unless and until a responsible officer of the Trustee has received written notice thereof at its Office. Except as otherwise expressly provided herein, the Trustee is not bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or of any of the documents executed in connection with the Bonds, or as to the existence of an Event of Default hereunder or thereunder. The Trustee shall not be responsible for the Agency's payment of principal and interest on the Bonds, the Agency's observance or performance of any other covenants, conditions or terms contained herein, or the validity or effectiveness of any collateral given to or held by it. Without limiting the generality of the foregoing, and notwithstanding anything herein to the contrary, the Trustee shall not be responsible for reviewing the contents of any financial statements furnished to the Trustee under Section 5.06 and may rely conclusively on any Certificate of the Agency accompanying such financial statements to establish the Agency's compliance with its financial covenants hereunder, including, without limitation, its covenants regarding the deposit of Tax Revenues into the Special Fund and the investment and application of moneys on deposit in the Special Fund (other than its covenants to transfer such moneys to the Trustee when due hereunder).

(e) No provision in this Indenture requires the Trustee to risk or expend its own funds or otherwise incur any financial liability hereunder.

(f) The Trustee may establish additional accounts or subaccounts of the funds established hereunder as the Trustee deems necessary or prudent in furtherance of its duties under this Indenture.

(g) The Trustee has no responsibility or liability whatsoever with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds, nor shall the Trustee have any obligation to review any such material, and any such review by the Trustee will not be deemed to create any obligation, duty or liability on the part of the Trustee.

(h) Before taking any action under Article VIII hereof the Trustee may require indemnity satisfactory to the Trustee be furnished to it to hold the Trustee harmless from any expenses whatsoever and to protect it against any liability it may incur hereunder.

(i) The immunities extended to the Trustee also extend to its directors, officers, employees and agents.

(j) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty.

(k) The Trustee may execute any of the trusts or powers hereof and perform any of its duties through attorneys, agents and receivers and shall not be answerable for the conduct of the same if appointed by it with reasonable care.

SECTION 6.04. *Right to Rely on Documents.* The Trustee is protected in acting upon any notice, resolution, requisition, request, consent, order, facsimile transmission, electronic mail, certificate, report, opinion or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, including, without limitation, Bond Counsel or other counsel of or to the Agency, 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 the Trustee hereunder in accordance therewith.

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

Whenever in the administration of the trusts imposed upon it by this 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 be deemed to be conclusively proved and established by a Certificate of the Agency, which shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Indenture in reliance upon such Certificate, but in its discretion the Trustee may (but has no duty to), in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable. The Trustee may conclusively rely on any certificate or report of any Independent Accountant appointed by the Agency.

SECTION 6.05. *Preservation and Inspection of Documents.* All documents received by the Trustee under the provisions of this Indenture shall be retained in its possession and shall be subject during normal business hours, and upon reasonable prior written notice, to the inspection of the Agency and any Owner, and their agents and representatives duly authorized in writing.

SECTION 6.06. *Compensation and Indemnification.* Absent any agreement to the contrary, the Agency shall pay to the Trustee from time to time compensation for all services rendered under this Indenture and also all expenses, charges, legal and consulting fees and other disbursements and those of its attorneys (including any allocated costs of internal counsel), agents and employees, incurred in and about the performance of its powers and duties under this Indenture. The Trustee has a first lien on the Tax Revenues and all funds and accounts held by the Trustee hereunder to

secure the payment to the Trustee of all fees, costs and expenses, including compensation to its experts, attorneys and counsel incurred in declaring such Event of Default and in exercising the rights and remedies set forth in Article VIII. Any such expenses incurred by the Trustee shall be deemed to constitute a substantial contribution to the trust estate which secures the Bonds.

The Agency further covenants and agrees to indemnify and save the Trustee and its officers, directors, agents and employees, harmless against any loss, expense and liabilities, whether or not litigated, which it may incur arising out of or in the exercise and performance of its powers and duties hereunder, including the costs and expenses of defending against any claim of liability and of enforcing any remedies hereunder and under any related documents, but excluding any and all losses, expenses and liabilities which are due to the negligence or willful misconduct of the Trustee, its officers, directors, agents or employees. The obligations of the Agency under this Section 6.06 shall survive resignation or removal of the Trustee under this Indenture and payment of the Bonds and discharge of this Indenture.

**SECTION 6.07. *Accounting Records and Financial Statements.*** The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of the Bonds and all funds and accounts established and held by the Trustee under this Indenture. Such books of record and account shall be available for inspection by the Agency at reasonable hours, during regular business hours, with reasonable prior notice and under reasonable circumstances. The Trustee shall furnish to the Agency, at least monthly, an accounting (which may be in the form of its customary statements) of all transactions relating to the proceeds of the Bonds and all funds and accounts held by the Trustee under this Indenture; provided that the Trustee is not obligated to provide an accounting for any fund or account that (a) has a balance of \$0.00 and (b) has not had any activity since the last reporting date.

## **ARTICLE VII**

### **MODIFICATION OR AMENDMENT OF THIS INDENTURE**

#### **SECTION 7.01. *Amendments Permitted.***

(a) **Amendment With Bond Owner Consent.** This Indenture and the rights and obligations of the Agency and of the Owners of the Bonds may be modified or amended by the Agency and the Trustee upon Request of the Agency at any time by the execution of a Supplemental Indenture, but only with the written consents of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding with respect to all Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 9.05. Any such Supplemental Indenture becomes effective upon the execution and delivery thereof by the parties thereto and upon consent of the requisite Bond Owners. 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 Agency to pay the principal thereof, or interest thereon, or any premium payable on the redemption thereof, at the time and place and at the rate and in the

currency provided therein, without the written consent of the Owner of such Bond,

- (ii) permit the creation by the Agency of any mortgage, pledge or lien upon the Tax Revenues superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as expressly permitted by this Indenture), or reduce the percentage of Bonds required for the affirmative vote or written consent to an amendment or modification, or
- (iii) modify any of the rights or obligations of the Trustee without its written consent.

(b) Amendment Without Bond Owner Consent. This Indenture and the rights and obligations of the Agency and of the Owners of the Bonds may also be modified or amended at any time by a Supplemental Indenture, without the consent of any Owners of the Bonds, but only for any one or more of the following purposes:

- (i) to add to the covenants and agreements of the Agency contained in this Indenture, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the Agency;
- (ii) to cure any ambiguity, or to cure, correct or supplement any defective provision contained in this Indenture, or in any other respect whatsoever as the Agency deems necessary or desirable, provided under any circumstances that such modifications or amendments do not materially adversely affect the interests of the Owners in the opinion of Bond Counsel filed with the Agency and the Trustee;
- (iii) to provide for the issuance of Parity Debt under Section 3.05, and to provide the terms and conditions under which such Parity Debt may be issued, including but not limited to the establishment of special funds and accounts relating thereto and any other provisions relating solely thereto, subject to and in accordance with the provisions of Section 3.05;
- (iv) to provide for the issuance of a Qualified Reserve Account Credit Instrument under Section 4.03(c), including but not limited to provisions securing such Qualified Reserve Account Credit Instrument and providing for the repayment of any draws made thereunder; or
- (v) to amend any provision hereof to assure the exclusion from gross income of interest on the Bonds for federal income tax purposes under the Tax Code, in the opinion of Bond Counsel filed with the Agency and the Trustee.

(c) Notice of Amendments. The Agency shall deliver or cause to be delivered a draft of any Supplemental Indenture to each Rating Agency, at least 15 days prior to the date of its adoption or execution.

SECTION 7.02. *Effect of Supplemental Indenture.* From and after the time any Supplemental Indenture becomes effective under this Article VII, this Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners, as the case may be, shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

SECTION 7.03. *Endorsement or Replacement of Bonds After Amendment.* After the effective date of any amendment or modification hereof under this Article VII, the Agency may determine that any or all of the Bonds shall bear a notation, by endorsement in form approved by the Agency, as to such amendment or modification and in that case upon demand of the Agency the Owners of such Bonds shall present such Bonds for that purpose at the Office of the Trustee, and thereupon a suitable notation as to such action shall be made on such Bonds. In lieu of such notation, the Agency may determine that new Bonds shall be prepared and executed in exchange for any or all of the Bonds and in that case upon demand of the Agency the Owners of the Bonds shall present such Bonds for exchange at the Office of the Trustee without cost to such Owners.

SECTION 7.04. *Amendment by Mutual Consent.* The provisions of this Article VII shall not prevent any Owner from accepting any amendment as to the particular Bond held by such Owner.

SECTION 7.05. *Trustee's Reliance.* The Trustee may conclusively rely, and is protected in relying, upon a Certificate of the Agency and an opinion of counsel stating that all requirements of this Indenture relating to the amendment or modification hereof have been satisfied and that such amendments or modifications do not materially adversely affect the interests of the Owners.

## ARTICLE VIII

### EVENTS OF DEFAULT AND REMEDIES

SECTION 8.01. *Events of Default and Acceleration of Maturities.* Each of the following events constitutes an Event of Default hereunder:

- (a) Failure to pay any installment of the principal of any Bonds when due, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.
- (b) Failure to pay any installment of interest on the Bonds when due.
- (c) Failure by the Agency to observe and perform any of the other covenants, agreements or conditions on its part contained in this Indenture or in the Bonds, if such failure has continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, has been given to the Agency by the Trustee; *provided, however*, if in the reasonable opinion of

the Agency the failure stated in the notice can be corrected, but not within such 30 day period, such failure shall not constitute an Event of Default if the Agency institutes corrective action within such 30 day period and thereafter diligently and in good faith cures the failure in a reasonable period of time.

- (d) The Agency commences a voluntary case under Title 11 of the United States Code or any substitute or successor statute.
- (e) The failure by the Agency to pay the principal of and interest on the 2004 Bonds or any Parity Debt when due, or the occurrence and continuation of an event of default under and as defined in the 2004 Bond Agreement or in any Supplemental Indenture authorizing the issuance of Parity Debt.

If an Event of Default occurs and is continuing, the Trustee may, and at the written direction of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding the Trustee shall, take the following actions:

- (a) declare the principal of the Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same will become immediately due and payable, anything in this Indenture or in the Bonds to the contrary notwithstanding, and
- (b) subject to the provisions of Section 8.07, exercise any other remedies available to the Trustee and the Bond Owners in law or at equity to enforce the rights of the Bond Owners under this Indenture.

This provision, however, is subject to the condition that if, at any time after the principal of the Bonds has been so declared due and payable, and before any judgment or decree for the payment of the moneys due has been obtained or entered, the Agency deposits with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal and interest at an interest rate equal to the highest rate on the Outstanding Bonds, and the reasonable fees and expenses of the Trustee, including fees and expenses of its attorneys, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) has been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate has been made therefor, then, and in every such case, the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Agency and to the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

SECTION 8.02. *Notice to Bond Owners of Event of Default.* Immediately upon becoming aware of the occurrence of an Event of Default, but in no event later than five Business Days following becoming aware of such occurrence, the Trustee shall give notice of such Event of Default to the Agency by telephone confirmed in writing. Such

notice shall also state whether the principal of the Bonds has been declared to be or have immediately become due and payable. With respect to any Event of Default described in clauses (a) or (b) of Section 8.01, the Trustee shall, and with respect to any Event of Default described in clause (c) of Section 8.01, the Trustee in its sole discretion may, also give such notice to the Owners in the same manner as provided herein for notices of redemption of the Bonds, which shall include the statement that interest on the Bonds shall cease to accrue from and after the date, if any, on which the Trustee declares the Bonds to become due and payable under the preceding paragraph.

SECTION 8.03. *Application of Funds Upon Event of Default.* All of the Tax Revenues and all sums in the funds and accounts established and held by the Trustee hereunder upon the occurrence of an Event of Default, and all sums thereafter received by the Trustee hereunder, shall be applied by the Trustee as follows and in the following order:

- (a) *First*, to the payment of any fees, costs and expenses incurred by the Trustee to protect the interests of the Owners of the Bonds; payment of the fees, costs and expenses of the Trustee (including fees and expenses of its counsel, including any allocated costs of internal counsel) incurred in and about the performance of its powers and duties under this Indenture and the payment of all fees, costs and expenses owing to the Trustee under Section 6.06, together with interest on all such amounts advanced by the Trustee at the maximum rate permitted by law.
- (b) *Second*, to the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal, with interest on such overdue amounts at the respective rates of interest borne by those Bonds, and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal and interest on overdue amounts without preference or priority among such interest, principal and interest on overdue amounts ratably to the aggregate of such interest, principal and interest on overdue amounts.

SECTION 8.04. *Power of Trustee to Control Proceedings.* If the Trustee, upon the happening of an Event of Default, takes any action, by judicial proceedings or otherwise, in the performance of its duties hereunder, whether upon its own discretion, with the consent or at the request of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, it has full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action. The Trustee may not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in principal amount of the Outstanding Bonds hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

SECTION 8.05. *Limitation on Owners' Right to Sue.* No Owner of any Bond has the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Indenture, unless:

- (a) said Owner has previously given to the Trustee written notice of the occurrence of an Event of Default;
- (b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding have requested the Trustee in writing to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name;
- (c) said Owners have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and
- (d) the Trustee has failed to comply with such request for a period of 60 days after such written request has been received by, and said tender of indemnity has been made to, the Trustee.

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

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

SECTION 8.06. *Non-waiver.* Nothing in this Article VIII or in any other provision of this Indenture or in the Bonds, affects or impairs the obligation of the Agency, which is absolute and unconditional, to pay from the Tax Revenues and other amounts pledged hereunder, the principal of and interest and redemption premium (if any) on the Bonds to the Bond Owners when due and payable as herein provided, or affects or impairs the right of action, which is also absolute and unconditional, of the Bond Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds.

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

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

SECTION 8.07. *Actions by Trustee as Attorney-in-Fact.* Any suit, action or proceeding which any Owner has the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all Owners similarly situated and the Trustee is hereby appointed (and the successive respective Owners by taking and holding the Bonds shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact, subject to the provisions of Article VI. Notwithstanding the foregoing provisions of this Section 8.07, the Trustee has no duty to enforce any such right or remedy unless it has been indemnified to its satisfaction for any additional fees, charges and expenses of the Trustee related thereto, including without limitation, fees and charges of its attorneys and advisors.

SECTION 8.08. *Remedies Not Exclusive.* No remedy herein conferred upon or reserved to the Bond Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Redevelopment Law or any other law.

## ARTICLE IX

### MISCELLANEOUS

SECTION 9.01. *Benefits Limited to Parties.* Nothing in this Indenture, expressed or implied, gives any person other than the Agency, the Trustee and the Bond Owners, any right, remedy, claim under or by reason of this Indenture. Any covenants, stipulations, promises or agreements in this Indenture contained by and on behalf of the Agency are for the sole and exclusive benefit of the Trustee and the Bond Owners.

SECTION 9.02. *Successor is Deemed Included in All References to Predecessor.* Whenever in this Indenture or any Supplemental Indenture either the Agency or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the Agency or the Trustee binds and inures to the benefit of the respective successors and assigns thereof whether so expressed or not.

SECTION 9.03. *Defeasance of Bonds.* If the Agency pays and discharges the entire indebtedness on any Bonds in any one or more of the following ways:

- (a) by paying or causing to be paid the principal of and interest on such Bonds, as and when the same become due and payable;
- (b) by irrevocably depositing with the Trustee or an escrow bank, in trust, at or before maturity, an amount of cash which, together with the available amounts then on deposit in the funds and accounts established under this Indenture, in the opinion or report of an

Independent Accountant is fully sufficient to pay such Bonds, including all principal, interest and redemption premium, if any;

- (c) by irrevocably depositing with the Trustee or an escrow bank, in trust, Federal Securities in such amount as an Independent Accountant determines will, together with the interest to accrue thereon and available moneys then on deposit in any of the funds and accounts established under this Indenture, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premium, if any) at or before maturity; or
- (d) by purchasing such Bonds prior to maturity and tendering such Bonds to the Trustee for cancellation;

and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption has been duly given or provision satisfactory to the Trustee has been made for the giving of such notice, then, at the election of the Agency, and notwithstanding that any such Bonds have not been surrendered for payment, the pledge of the Tax Revenues and other funds provided for in this Indenture and all other obligations of the Trustee and the Agency under this Indenture with respect to such Bonds shall cease and terminate, except only:

- (a) the obligations of the Agency under Sections 5.11 and 5.12,
- (b) the obligation of the Trustee to transfer and exchange Bonds hereunder,
- (c) the obligation of the Agency to pay or cause to be paid to the Owners of such Bonds, from the amounts so deposited with the Trustee, all sums due thereon, and
- (d) the obligations of the Agency to compensate and indemnify the Trustee under Section 6.06.

The Agency must file notice of such election with the Trustee. The Trustee shall pay any funds thereafter held by it, which are not required for said purpose, to the Agency. In the case of a defeasance or payment of all of the Bonds Outstanding in accordance with this Section 9.03, the Trustee shall pay all amounts held by it in any funds or accounts hereunder, which are not required for said purpose or for payment of amounts due the Trustee under Section 6.06, to the Agency.

**SECTION 9.04. *Execution of Documents and Proof of Ownership by Owners.*** Any request, consent, declaration or other instrument which this Indenture may require or permit to be executed by any Owner may be in one or more instruments of similar tenor, and shall be executed by such Owner 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, consent, 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 Bonds and the amount, maturity, number and date of ownership thereof are conclusively proved by the Registration Books.

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

SECTION 9.05. *Disqualified Bonds.* In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are owned or held by or for the account of the Agency or the City (but excluding Bonds held in any employees' retirement fund) must be disregarded and deemed not to be Outstanding for the purpose of any such determination. The Trustee will not be deemed to have knowledge that any Bond is owned or held by the Agency or the City unless the Agency or the City is the Registered Owner or the Trustee has received written notice to that effect.

SECTION 9.06. *Waiver of Personal Liability.* No member, officer, agent or employee of the Agency shall be individually or personally liable for the payment of the principal of or interest or any premium on the Bonds; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

SECTION 9.07. *Destruction of Canceled Bonds.* Whenever in this Indenture provision is made for the surrender to the Agency of any Bonds which have been paid or canceled under the provisions of this Indenture, a certificate of destruction duly executed by the Trustee shall be deemed to be the equivalent of the surrender of such canceled Bonds and the Agency shall be entitled to rely upon any statement of fact contained in any certificate with respect to the destruction of any such Bonds therein referred to. The Agency shall pay all costs of any microfilming of Bonds to be destroyed.

SECTION 9.08. *Notices.* All written notices to be given under this Indenture shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective either (a) upon transmission by facsimile transmission or other form of telecommunication, (b) upon actual receipt after deposit in the United States mail, postage prepaid, or (c) in any other case, upon actual receipt. The Agency or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

*If to the Agency:*

Redevelopment Agency of the  
City of Lakeport  
225 Park Street  
Lakeport, California 95453  
Attention: Executive Director  
Fax: (707) 263-8584

*If to the Trustee:*

Union Bank of California, N.A.  
350 California Street, 11<sup>th</sup> Floor  
San Francisco, California 94104  
Attention: Corporate Trust Department  
Fax: (415) 273-2492

SECTION 9.09. *Partial Invalidity.* If any Section, paragraph, sentence, clause or phrase of this Indenture is for any reason held illegal, invalid or unenforceable, such holding will not affect the validity of the remaining portions of this Indenture. The Agency and the Trustee hereby declare that they would have entered into this Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issue of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this Indenture may be held illegal, invalid or unenforceable.

SECTION 9.10. *Unclaimed Moneys.* Anything contained herein to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of the interest or premium (if any) on or principal of the Bonds which remains unclaimed for two years after the date when the payments of such interest, premium and principal have become payable, if such money was held by the Trustee at such date, or for two years after the date of deposit of such money if deposited with the Trustee after the date when the interest and premium (if any) on and principal of such Bonds have become payable, shall be repaid by the Trustee to the Agency as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the Agency for the payment of the principal of and interest and redemption premium (if any) on such Bonds.

SECTION 9.11. *Execution in Counterparts.* This Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 9.12. *Governing Law.* This Indenture shall be construed and governed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the REDEVELOPMENT AGENCY OF THE CITY OF LAKEPORT has caused this Indenture to be signed in its name by its Chairman and attested to by its Secretary, and UNION BANK OF CALIFORNIA, N.A., in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

**REDEVELOPMENT AGENCY OF THE  
CITY OF LAKEPORT**

By Willis H. Bruns  
Willis H. Bruns  
Chairman

Attest:

Janel M. Chapman  
Janel M. Chapman  
Secretary

**UNION BANK OF CALIFORNIA, N.A.,  
as Trustee**

By \_\_\_\_\_  
Authorized Officer

IN WITNESS WHEREOF, the REDEVELOPMENT AGENCY OF THE CITY OF LAKEPORT has caused this Indenture to be signed in its name by its Chairman and attested to by its Secretary, and UNION BANK OF CALIFORNIA, N.A., in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

**REDEVELOPMENT AGENCY OF THE  
CITY OF LAKEPORT**

By \_\_\_\_\_  
Willis H. Bruns  
Chairman

Attest:

\_\_\_\_\_  
Janel M. Chapman  
Secretary

**UNION BANK OF CALIFORNIA, N.A.,  
as Trustee**

By \_\_\_\_\_  
*[Handwritten Signature]*  
Authorized Officer

## APPENDIX A

### DEFINITIONS

"Agency" means the Redevelopment Agency of the City of Lakeport, a public body corporate and politic duly organized and existing under the Redevelopment Law.

"Agency Debt" means, collectively, the Bonds, the 2004 Bonds and all Parity Debt, to the extent Outstanding under this Indenture, the 2004 Bond Agreement and the respective documents authorizing the issuance of such Parity Debt.

"Bond Counsel" means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys appointed by or acceptable to the Agency of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Tax Code.

"Bond Year" means any twelve-month period beginning on September 2 in any year and extending to the next succeeding September 1, both dates inclusive; except that the first Bond Year begins on the Closing Date and ends on September 1, 2009.

"Bonds" means the Lakeport Redevelopment Project 2008 Tax Allocation Bonds, issued by the Agency hereunder in the aggregate principal amount of \$3,425,000.

"Business Day" means a day of the year (other than a Saturday or Sunday) on which banks in California are not required or permitted to be closed, and on which the New York Stock Exchange is open.

"Certificate of the Agency" means a certificate in writing signed by the Chairman, Executive Director, Treasurer or Secretary of the Agency, or any other officer of the Agency duly authorized by the Agency for that purpose.

"City" means the City of Lakeport, a municipal corporation organized and existing under the laws of the State of California.

"Closing Date" means May 22, 2008, being the date on which the Bonds are delivered by the Agency to the Original Purchaser.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the Agency relating to the authorization, issuance, sale and delivery of the Bonds, including but not limited to: printing expenses; Rating Agency fees; filing and recording fees; initial fees, expenses and charges of the Trustee and its counsel, including the Trustee's first annual administrative fee; fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals; fees and charges for preparation, execution and safekeeping of the Bonds; and any other cost, charge or fee in connection with the original issuance of the Bonds.

"Costs of Issuance Fund" means the fund by that name established and held by the Trustee under Section 3.03.

"County" means the County of Lake, a county duly organized and existing under the Constitution and laws of the State of California.

"Debt Service Fund" means the fund by that name established and held by the Trustee under Section 4.03.

"Depository" means (a) initially, DTC, and (b) any other Securities Depository acting as Depository under Section 2.04.

"Depository System Participant" means any participant in the Depository's book-entry system.

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

"Event of Default" means any of the events described in Section 8.01.

"Federal Securities" means: (a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), for which the full faith and credit of the United States of America are pledged; (b) obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal and interest on which are directly or indirectly secured or guaranteed by the full faith and credit of the United States of America.

"Fiscal Year" means any twelve-month period beginning on July 1 in any year and extending to the next succeeding June 30, both dates inclusive, or any other twelve-month period selected and designated by the Agency as its official fiscal year period under a Certificate of the Agency filed with the Trustee.

"Indenture" means this Indenture of Trust between the Agency and the Trustee, as amended or supplemented from time to time under any Supplemental Indenture entered into under the provisions hereof.

"Independent Accountant" means any accountant or firm of such accountants duly licensed or registered or entitled to practice and practicing as such under the laws of the State of California, appointed by or acceptable to the Agency, and who, or each of whom: (a) is in fact independent and not under domination of the Agency; (b) does not have any substantial interest, direct or indirect, with the Agency; and (c) is not connected with the Agency as an officer or employee of the Agency, but who may be regularly retained to make reports to the Agency.

"Information Services" means Financial Information, Inc.'s Financial Daily Called Bond Service; Standard & Poor's J.J. Kenny Information Services; Moody's Municipal and Government; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds as the Agency may designate in a Request of the Agency delivered to the Trustee.

"Interest Account" means the account by that name established and held by the Trustee under Section 4.03(a).

"Interest Payment Date" means September 1, 2008, and each March 1 and September 1 thereafter so long as any of the Bonds remain unpaid.

"Maximum Annual Debt Service" means, as of the date of calculation, the largest amount obtained by totaling, for the current or any future Fiscal Year, the sum of (a) the amount of interest payable on the principal balance of the Agency Debt in such Fiscal Year, assuming that principal thereof is paid as scheduled and that any mandatory sinking fund payments are made as scheduled, and (b) the amount of principal payable on the outstanding Agency Debt in such Fiscal Year, including any principal required to be redeemed by operation of mandatory sinking fund payments. For purposes of such calculation, (i) there shall be disregarded any Agency Debt to the extent defeased or discharged in accordance with the terms thereof, and (ii) the principal of and interest on any Parity Debt must be computed on the assumption that all amounts on deposit in any escrow fund established for such Parity Debt were withdrawn therefrom and applied to the mandatory pro rata redemption of such Parity Debt.

"Nominee" means (a) initially, Cede & Co. as nominee of DTC, and (b) any other nominee of the Depository designated under Section 2.04(a).

"Office" means, with respect to the Trustee, the corporate trust office of the Trustee at the address set forth in Section 9.08, or at such other or additional offices as may be specified by the Trustee in writing to the Agency; except that with respect to presentation of Bonds for payment or for registration of transfer and exchange, such term means the office or agency of the Trustee at which, at any particular time, its corporate trust agency business is conducted.

"Original Purchaser" means Edward Jones, as the original purchaser of the Bonds from the Agency upon the negotiated sale thereof.

"Outstanding", when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 9.05) all Bonds except: (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds paid or deemed to have been paid within the meaning of Section 9.03; and (c) Bonds in lieu of or in substitution for which other Bonds have been authorized, executed, issued and delivered by the Agency pursuant hereto.

"Owner" means, with respect to any Bond, the person in whose name the ownership of such Bond is registered on the Registration Books.

"Parity Debt" means any bonds, notes, loans, advances or other indebtedness issued or incurred by the Agency on a parity with the Bonds under Section 3.05.

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

- (a) Federal Securities;
- (b) obligations of any federal agency which represent full faith and credit of the United States of America, or which are otherwise rated "AAA" by each Rating Agency;
- (c) U.S. dollar denominated deposit accounts federal funds and banker's acceptances with domestic commercial banks, which may include the Trustee, its parent holding company, if any, and their

affiliates, which have a rating on their short term certificates of deposit on the date of purchase of "A" or better by each Rating Agency, maturing no more than 360 days after the date of purchase, provided that ratings on holding companies are not considered as the rating of the bank;

- (d) commercial paper which is rated at the time of purchase in the single highest classification, "A" or better by each Rating Agency, and which matures not more than 270 calendar days after the date of purchase;
- (e) investments in a money market fund, including those of an affiliate of the Trustee, rated in the highest short-term rating category by each Rating Agency, including funds for which the Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Trustee or such holding company provide investment advisory or other management services;
- (f) investment agreements with financial institutions whose long-term general credit rating is A or better from each Rating Agency, by the terms of which the Trustee may withdraw funds if such rating falls below A; and
- (g) the Local Agency Investment Fund of the State of California, created under Section 16429.1 of the California Government Code.

"Plan Limitations" means the limitations contained or incorporated in the Redevelopment Plan on (a) the aggregate principal amount of bonded indebtedness payable from tax increment revenues which may be outstanding at any time, (b) the period of time for establishing or incurring indebtedness payable from tax increment revenues, and (c) the period of time for collection of tax increment revenues and repayment of Agency indebtedness from tax increment revenues.

"Principal Account" means the account by that name established and held by the Trustee under Section 4.03(b).

"Project Area" means the project area described in the Redevelopment Plan.

"Project Fund" means the fund by that name established and held by the Trustee under Section 3.04.

"Qualified Reserve Account Credit Instrument" means an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company and deposited with the Trustee under Section 4.03(c), provided that all of the following requirements are met:

- (a) at the time of issuance the long-term credit rating of such bank or insurance company is AA or better from S&P or Aa or better from each Rating Agency, or the claims paying ability of such insurance company is rated in the highest rating category by A.M. Best & Co;
- (b) such letter of credit or surety bond has a term of at least 12 months;

- (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released under Section 4.03(c); and
- (d) the Trustee is authorized under the terms of such letter of credit or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Interest Account or the Principal Account for the purpose of making payments required under Section 4.03(a), (b) or (c), respectively.

"Rating Agency" means any national rating agency which maintains a rating on the Bonds.

"Record Date" means, with respect to any Interest Payment Date, the close of business on the 15<sup>th</sup> calendar day of the month preceding such Interest Payment Date, whether or not such 15<sup>th</sup> calendar day is a Business Day.

"Redemption Account" means the account by that name established and held by the Trustee under Section 4.03(d).

"Redevelopment Law" means the Community Redevelopment Law of the State of California, constituting Part 1 of Division 24 of the Health and Safety Code of the State of California, and the acts amendatory thereof and supplemental thereto.

"Redevelopment Plan" means the Redevelopment Plan for the Lakeport Redevelopment Project Area, approved by Ordinance No. 799 (99) enacted by the City Council of the City on June 7, 1999, together with any additional amendments thereof at any time duly authorized under the Redevelopment Law.

"Redevelopment Project" means the undertaking of the Agency under the Redevelopment Plan and the Redevelopment Law for the redevelopment of the Project Area.

"Registration Books" means the records maintained by the Trustee under Section 2.07 for the registration and transfer of ownership of the Bonds.

"Request of the Agency" means a request in writing signed by the Chairman, Executive Director, Treasurer or Secretary of the Agency, or any other officer of the Agency duly authorized by the Agency for that purpose.

"Reserve Account" means the account by that name established and held by the Trustee under Section 4.03(c).

"Reserve Requirement" means, as of the date of any calculation, an amount equal to Maximum Annual Debt Service on the Bonds. As of the Closing Date, the amount of the Reserve Requirement is \$300,391.67.

"Securities Depositories" means DTC; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Agency may designate in a Request of the Agency delivered by the Agency to the Trustee.

"Special Fund" means the fund previously established and held by the Agency for the receipt and deposit of Tax Revenues.

"Supplemental Indenture" means any indenture, agreement or other instrument which amends, supplements or modifies this Indenture and which has been duly entered into between the Agency and the Trustee; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

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

"Tax Revenues" means all taxes annually allocated to the Agency with respect to the Project Area following the Closing Date under Article 6 of Chapter 6 (commencing with Section 33670) of the Redevelopment Law and Section 16 of Article XVI of the California Constitution and as provided in the Redevelopment Plan, including (a) all payments, subventions and reimbursements (if any) to the Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations, and (b) all amounts of such taxes required to be deposited into the Low and Moderate Income Housing Fund of the Agency in any Fiscal Year under Section 33334.3 of the Redevelopment Law, to the extent permitted to be applied to the payment of principal, interest and premium (if any) with respect to Agency Debt; but excluding all amounts of such taxes required to be paid by the Agency to other taxing agencies under the Tax-Sharing Statutes, unless such payments have been subordinated to the pledge and lien which secures Agency Debt.

"Tax Sharing Statutes" means the provisions of the Redevelopment Law, including but not limited to Sections 33607.5 and 33607.7 thereof, under which a taxing entity is entitled to receive any portion of the Tax Revenues by operation of such statutory provision.

"Term Bonds" means, collectively the Bonds maturing on September 1 in each of the years 2033 and 2038.

"Trustee" means Union Bank of California, N.A., as trustee hereunder, or any successor thereto appointed as Trustee hereunder in accordance with Article VI.

"2004 Bond Agreement" means the Bond Issuance and Sale Agreement dated as of December 1, 2004, among the Association of Bay Area Governments, the Agency and Union Bank of California, N.A., as trustee, as amended or supplemented from time to time in accordance with its terms.

"2004 Bonds" means, collectively, (a) the Lakeport Redevelopment Project 2004 Tax Allocation Bonds, Series A issued by the Agency under the 2004 Bond Agreement in the aggregate principal amount of \$1,070,000 and (b) the Lakeport Redevelopment Project 2004 Tax Allocation Bonds, Series B issued by the Agency under the 2004 Bond Agreement in the aggregate principal amount of \$1,1700,00.



Record Date immediately preceding any Interest Payment Date, interest on such Bonds shall be paid on such Interest Payment Date by wire transfer to such account within the United States of America as shall be specified in such written request.

This Bond is one of a duly authorized issue of bonds of the Agency designated as the "Lakeport Redevelopment Project 2008 Tax Allocation Bonds" (the "Bonds") of an aggregate principal amount of \$3,425,000, all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers, maturities or interest rates) and all issued under the provisions of Part 1 of Division 24 of the Health and Safety Code of the State of California (the "Redevelopment Law"), and under an Indenture of Trust dated as of May 1, 2008, between the Agency and the Trustee (the "Indenture"). The Bonds have been authorized to be issued by the Agency under a resolution of the Agency adopted on April 15, 2008. The Agency may issue or incur additional obligations on a parity with the Bonds, but only subject to the terms of the Indenture. Reference is hereby made to the Indenture (copies of which are on file at the office of the Agency) and all supplements thereto and to the Redevelopment Law for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Tax Revenues, as that term is defined in the Indenture, and the rights thereunder of the owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Agency thereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds have been issued by the Agency to finance programs, projects and activities of the Agency relating to the Lakeport Redevelopment Project in the City of Lakeport, California (the "Project Area"), a duly designated redevelopment project area under the laws of the State of California.

This Bond and the interest hereon and all other parity obligations and the interest thereon (to the extent set forth in the Indenture) are payable from, and are secured by a charge and lien on the Tax Revenues derived by the Agency from the Project Area. The Agency may issue additional obligations on a parity with the Bonds under and in accordance with the Indenture. As and to the extent set forth in the Indenture, all of the Tax Revenues are exclusively and irrevocably pledged in accordance with the terms hereof and the provisions of the Indenture and the Redevelopment Law, to the payment of the principal of and interest and redemption premium (if any) on the Bonds and any such parity obligations. Notwithstanding the foregoing, certain amounts out of Tax Revenues may be applied for other purposes as provided in the Indenture.

This Bond is not a debt of the City of Lakeport, the State of California, or any of its political subdivisions, and neither said City, said State, nor any of its political subdivisions, is liable hereon nor in any event shall this Bond be payable out of any funds or properties other than the Tax Revenues.

The rights and obligations of the Agency and the owners of the Bonds may be modified or amended at any time in the manner, to the extent and upon the terms provided in the Indenture, but no such modification or amendment shall permit a change in the terms of maturity of the principal of any outstanding Bond or of any installment of interest thereon or a reduction in the rate of interest thereon without the consent of the owner of such Bond, or shall reduce the percentages of the owners required to effect any such modification or amendment.

The Bonds maturing on or before September 1, 2017, are not subject to redemption prior to their respective stated maturities. The Bonds maturing on or after September 1, 2018, are subject to redemption prior to maturity, at the option of the Agency, in whole or in part among maturities on such basis as designated by the Agency and by lot within a maturity, from any available source of funds, on September 1, 2017, and on any date thereafter, at a redemption price equal to 100% of the principal amount of Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

The Bonds maturing on September 1 in each of the years 2033 and 2038 are subject to mandatory redemption in part by lot, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on September 1 in the respective years as set forth in the following tables; except that if some but not all of such Bonds have been redeemed under the optional redemption provisions described above, or have been purchased in lieu of redemption in accordance with the Indenture, the total amount of all future sinking fund payments will be reduced by the aggregate principal amount of such Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis in integral multiples of \$5,000.

**Term Bonds Maturing September 1, 2033**

Sinking Fund Redemption Date (September 1)	Principal Amount To Be Redeemed
2029	\$ 160,000
2030	170,000
2031	175,000
2032	185,000
2033 (Maturity)	195,000

**Term Bonds Maturing September 1, 2038**

Sinking Fund Redemption Date (September 1)	Principal Amount To Be Redeemed
2034	\$ 205,000
2035	215,000
2036	300,000
2037	320,000
2038 (Maturity)	335,000

If an Event of Default occurs under and as defined in the Indenture, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture, but such declaration and its consequences may be rescinded and annulled as further provided in the Indenture.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at said corporate trust office of the Trustee in San Francisco, California, or such other place as designated by the Trustee, but only in the

manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon registration of such transfer a new Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange herefor.

The Agency and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Agency and the Trustee shall not be affected by any notice to the contrary.

It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time, form and manner as required by the Redevelopment Law and the laws of the State of California and that the amount of this Bond, together with all other indebtedness of the Agency, does not exceed any limit prescribed by the Redevelopment Law or any laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Trustee for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

This Bond is not entitled to any benefit under the Indenture and is not valid or obligatory for any purpose until the certificate of authentication hereon endorsed has been signed by the Trustee.

IN WITNESS WHEREOF, the REDEVELOPMENT AGENCY OF THE CITY OF LAKEPORT has caused this Bond to be executed in its name and on its behalf with the facsimile signature of its Chairman and its facsimile seal impressed hereon and attested to by the facsimile signature of its Secretary, all as of the Original Issue Date specified above.

**REDEVELOPMENT AGENCY OF THE  
CITY OF LAKEPORT**

By \_\_\_\_\_  
Chairman

Attest:

\_\_\_\_\_  
Secretary

**TRUSTEE'S CERTIFICATE OF AUTHENTICATION**

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

Dated:

**UNION BANK OF CALIFORNIA, N.A.,**  
as Trustee

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

**ASSIGNMENT**

For value received the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_ whose address and social security or other tax identifying number is \_\_\_\_\_, the within-mentioned Bond and hereby irrevocably constitute(s) \_\_\_\_\_ and appoint(s) \_\_\_\_\_ attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

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

Signature Guaranteed:

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

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