
FISCAL AGENT AGREEMENT

by and between

CITY OF BELVEDERE

and

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

Dated as of July 1, 2016

Relating to:

**City of Belvedere
Consolidated Reassessment and Refunding District of 2016
(Utility Undergrounding Assessment Districts)
Limited Obligation Refunding Improvement Bonds**

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FISCAL AGENT AGREEMENT

THIS FISCAL AGENT AGREEMENT (the "Agreement") is made and entered into and dated as of July 1, 2016 by and between the CITY OF BELVEDERE, a general law city and a political subdivision of the State of California (the "City") and U.S. BANK NATIONAL ASSOCIATION, a national banking association duly organized and existing under the laws of the United States of America with a corporate trust office located in San Francisco, California, as fiscal agent (the "Fiscal Agent"),

W I T N E S S E T H:

WHEREAS, the City has heretofore conducted special assessment proceedings for certain assessment districts (collectively, the "Prior Districts") and issued seven series of improvement bonds (collectively, the "Prior AD Bonds") of the City, all as described in Exhibit A attached hereto and hereby made a part hereof, and reference is hereby expressly made to Exhibit A for further particulars, including the numbers and dates of authorizing resolutions, dates and amounts of the Prior AD Bonds;

WHEREAS, the City Council, under Resolution No. _____ adopted on June 13, 2016 (the "Resolution of Intention") has conducted proceedings for the levy of reassessments and issuance of refunding bonds pursuant to the Refunding Act of 1984 for 1915 Improvement Act Bonds, Division 11.5 (commencing with Section 9500) of the Streets and Highways Code of California (the "Act") in and for the City's Consolidated Reassessment and Refunding District of 2016 (Utility Undergrounding Assessment Districts) (the "District"), and, by the Resolution of Intention, the City Council provided that serial and/or term refunding Limited Obligation Refunding Improvement Bonds of the City in and for the District would be issued thereunder pursuant to the provisions of the Improvement Bond Act of 1915, Division 10 of the Streets and Highways Code of California (the "Bond Law") and reference to the Resolution of Intention and proceedings had thereunder is hereby expressly made for further particulars;

WHEREAS, the purpose of the proceedings under the Resolution of Intention was to provide for the reassessment of the Prior Districts and for the refunding of the Prior AD Bonds, in advance of the scheduled maturities thereof with the proceeds of the Bonds, and on June 13, 2016, the City Council adopted its Resolution No. _____ (the "Resolution of Issuance"), which, among other things, authorized the City's Consolidated Reassessment and Refunding District of 2016 (Utility Undergrounding Assessment Districts) Limited Obligation Refunding Improvement Bonds (the "Bonds");

WHEREAS, there is now on file in the office of the Director of Finance and Treasurer of the City a list of the reassessments remaining unpaid for the District, and it is in the public interest and for the benefit of the City that the City Council adopt this Agreement providing for the issuance, execution and delivery of the Bonds, the disbursement of proceeds of the Bonds, the disposition of the reassessments securing the Bonds and the administration and payment of the Bonds; and

WHEREAS, the City has determined that it is in the public interest and for the benefit of the City, the persons responsible for the payment of reassessments and the owners of the Bonds that the City enter into this Fiscal Agent Agreement to provide for the issuance of the

Bonds, the disbursement of proceeds of the Bonds, the disposition of the reassessments securing the bonds, and the administration and payment of the Bonds; and

WHEREAS, the City desires to sell the Bonds to the Belvedere Public Financing Authority (the "Authority"); and

WHEREAS, the Authority desires to issue revenue bonds (the "Authority Bonds") pursuant to Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California for the purpose of financing acquisition from the City of the Bonds; and

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

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

ARTICLE I

STATUTORY AUTHORITY AND DEFINITIONS

Section 1.01. Authority for this Agreement. This Agreement is entered into pursuant to the provisions of the Act, the Bond Law and the Resolution of Issuance.

Section 1.02. Agreement for Benefit of Bond Owners. The provisions, covenants and agreements herein set forth to be performed by or on behalf of the City shall be for the equal benefit, protection and security of the registered owners of the Bonds. All of the Bonds, without regard to the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, except as expressly provided in or permitted by this Agreement. The Fiscal Agent may become the owner of any of the Bonds in its own or any other capacity with the same rights it would have if it were not Fiscal Agent.

Section 1.03. Definitions. Unless the context otherwise requires, the terms defined in this Section 1.03 shall, for all purposes of this Agreement, of any Supplemental Agreement (as herein defined), and of any certificate, opinion or other document herein mentioned, have the meanings herein specified. All references herein to Articles, Sections and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Agreement, and the words "herein", "hereof", "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or subdivision hereof.

"*Act*" means the Refunding Act of 1984 for 1915 Improvement Act Bonds, being Division 11.5 of the California Streets and Highways Code.

"*Agreement*" means this Fiscal Agent Agreement, as it may be amended or supplemented from time to time by any Supplemental Agreement executed pursuant to the provisions hereof.

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

"*Authority*" means the Belvedere Public Financing Authority, a joint exercise of powers authority organized and existing under and by virtue of the laws of the State of California.

"*Authority Bonds*" means the \$_____ principal amount of the Authority's "2016 Revenue Bonds" outstanding at any time and any other bonds outstanding under the Authority Indenture or bonds issued for refund all or a portion of the Authority Bonds, which are secured by payments made on the Bonds.

"*Authority Indenture*" means that certain Indenture of Trust, dated as of July 1, 2016, by and between the Authority and the Authority Trustee, pursuant to which the Authority Bonds are issued.

"*Authority Trustee*" means U.S. Bank, National Association or any successor thereto appointed pursuant to the Authority Indenture.

“*Authorized 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) any of the following direct or indirect obligations of the following agencies of the United States of America: (i) direct obligations of the Export-Import Bank; (ii) certificates of beneficial ownership issued by the Farmers Home Administration; (iii) participation certificates issued by the General Services Administration; (iv) mortgage-backed bonds or pass-through obligations issued and guaranteed by the Government National Mortgage Association, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or the Federal Housing Administration; (v) project notes issued by the United States Department of Housing and Urban Development; and (vi) public housing notes and bonds guaranteed by the United States of America;

(c) interest-bearing demand or time deposits (including certificates of deposit) or deposit accounts in federal or state chartered savings and loan associations or in federal or State of California banks (including the Fiscal Agent and its affiliates), provided that (i) the unsecured short-term obligations of such commercial bank or savings and loan association shall be rated in the highest short-term rating category by any Rating Agency or (ii) such demand or time deposits shall be fully insured by the Federal Deposit Insurance Corporation;

(d) commercial paper rated at the time of purchase in the highest short-term rating category by any Rating Agency, issued by corporations which are organized and operating within the United States of America, and which matures not more than 180 days following the date of investment therein;

(e) bankers acceptances, consisting of bills of exchange or time drafts drawn on and accepted by a commercial bank whose short-term obligations are rated in the highest short-term rating category by any Rating Agency or whose long-term obligations are rated A or better by each such Rating Agency, which mature not more than 270 days following the date of investment therein;

(f) obligations the interest on which is excludable from gross income pursuant to Section 103 of the Tax Code and which are either (a) rated A or better by any Rating Agency or (b) fully secured as to the payment of principal and interest by Federal Securities;

(g) obligations rated A or better by any Rating Agency that are issued by any corporation organized and operating within the United States of America having assets in excess of \$500,000,000;

(h) money market funds which invest in Federal Securities or which are rated in the highest rating category by any Rating Agency, including such funds for which the Fiscal Agent, its affiliates or subsidiaries provide investment advisory or other management services or for which the Fiscal Agent or an affiliate of the Fiscal Agent serves as investment administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the

Fiscal Agent or an affiliate of the Fiscal Agent receives fees from funds for services rendered, (ii) the Fiscal Agent collects fees for services rendered pursuant to this Fiscal Agent Agreement, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to this Fiscal Agent Agreement may at times duplicate those provided to such funds by the Fiscal Agent or an affiliate of the Fiscal Agent;

(i) any investment agreement, repurchase agreement or other investment instrument which represents the general unsecured obligations of a bank, investment banking firm or other financial institution whose long-term obligations are rated at the time of the delivery of the investment agreement, repurchase agreement or other investment instrument A or better by any Rating Agency; and

(j) the Local Agency Investment Fund of the State, created pursuant to Section 16429.1 of the California Government Code.

“*Authorized Officer*” means the City Manager, Finance Director, the Clerk, or any other officer or employee authorized by the City Council or by an Authorized Officer to undertake the action referenced in this Agreement as required to be undertaken by an Authorized Officer.

“*Bond*” or “*Bonds*” means City of Belvedere Consolidated Reassessment and Refunding District of 2016 (Utility Undergrounding Assessment Districts) Limited Obligation Refunding Improvement Bonds, at any time Outstanding under this Agreement or any Supplemental Agreement.

“*Bond Counsel*” means Jones Hall, A Professional Law Corporation, or any attorney or firm of attorneys acceptable to the City and nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities.

“*Bond Date*” means the dated date of the Bonds which is the Closing Date.

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

“*Bond Register*” means the books maintained by the Fiscal Agent pursuant to Section 2.08 for the registration and transfer of ownership of the Bonds.

“*Bond Year*” means the twelve-month period beginning on September 3 in each year and ending on September 2 in the following year except that (i) the first Bond Year shall begin on the Closing Date and end on the next September 2, and (ii) the last Bond Year may end on a prior redemption date of all the Outstanding Bonds.

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

“*City*” means the City of Belvedere, and any successor thereto.

“*City Attorney*” means the City Attorney of the City or other designated counsel to the City with respect to the District.

“*City Council*” means the City Council as the legislative body of the City.

“*Clerk*” means the City Clerk or Deputy City Clerk of the City.

“*Closing Date*” means _____, 2016, the date upon which there is a physical delivery of the Bonds in exchange for the amount representing the purchase price of the Bonds by the Original Purchaser.

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

“*County*” means the County of Marin, State of California.

“*Debt Service*” means, for each Bond Year, the sum of (i) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled, and (ii) the principal amount of the Outstanding Bonds due in such Bond Year (including any mandatory sinking payment due in such Bond Year).

“*District*” means the area within the City designated “Consolidated Reassessment and Refunding District of 2016 (Utility Undergrounding Assessment Districts)” created in proceedings under the Act and the Resolution of Intention.

“*Escrow Agreement*” means the Escrow Deposit and Trust Agreement dated as of July 1, 2016, by and between the City and the Escrow Holder by which the Escrow Fund is established and administered.

“*Escrow Fund*” means the fund established under the Escrow Agreement.

“*Escrow Holder*” means The Bank of New York Mellon Trust Company, N.A., acting as Escrow Holder under the Escrow Agreement.

“*Fair Market Value*” means 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 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 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 Code,

(iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or

(iv) any commingled investment fund in which the City and related parties do not own more than a 10% beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

To the extent required by the applicable regulations under the Code, the term "investment" will include a hedge.

The Fiscal Agent shall not be responsible for determining the Fair Market Value.

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

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

(ii) any of the following obligations of the following agencies of the United States of America: (a) direct obligations of the Export-Import Bank, (b) certificates of beneficial ownership issued by the Farmers Home Administration, (c) participation certificates issued by the General Services Administration (d) mortgage-backed bonds or pass-through obligations issued and guaranteed by the Government National Mortgage Association, (e) project notes issued by the United States Department of Housing and Urban Development, and (f) public housing notes and bonds guaranteed by the United States of America.

"Finance Director" means the Director of Finance and Treasurer of the City, or chief financial officer of the City or designee thereof.

"Fiscal Agent" means U.S. Bank National Association, the Fiscal Agent appointed by the City and acting as the registrar, transfer agent and paying agent for the Bonds and as an independent fiscal agent with the duties and powers herein provided, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in Section 7.01 hereof.

"Fiscal Year" means the twelve-month period extending from July 1 in a calendar year to June 30 of the succeeding year, both dates inclusive.

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

(1) is in fact independent and not under the domination of the City;

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

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

“Interest Payment Dates” means March 2 and September 2 of each year, commencing March 2, 2017.

“List of Unpaid Reassessments” means the list on file with the Finance Director showing the amounts of the Reassessments upon each of the parcels in the District.

“Original Purchaser” means the Authority Trustee, as the first purchaser of the Bonds from the City.

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

“Outstanding” when used as of any particular time with reference to Bonds, means, subject to the provisions of Section 8.04, all Bonds except:

(i) Bonds theretofore canceled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation;

(ii) Bonds paid or deemed to have been paid within the meaning of Section 9.03;

(iii) Bonds in lieu of or in substitution for which other Bonds have been authorized, executed, issued and delivered by the City pursuant to this Agreement or any Supplemental Agreement.

“Owner” or *“Bond Owner”* means the registered owner of any Outstanding Bond as shown on the Bond Register of the Fiscal Agent under Section 2.08 hereof.

“Prepayment Account” means the account within the Redemption Fund established and administered under Section 4.03 hereof.

“Principal Office” means the corporate trust office of the Fiscal Agent in Los Angeles, California, located at such address as shall be specified in a written notice by the Fiscal Agent to the City under Section 9.06 hereof or such other office of the Fiscal Agent designated for payment, transfer or exchange of the Bonds.

“Prior AD Bonds” means, collectively, the bonds described in Exhibit A attached hereto and hereby made a part hereof.

“Prior Districts” means, collectively, the assessment districts described in Exhibit A attached hereto and hereby made a part hereof.

“Rating Agency” means, individually, either (a) Moody’s Investors Service, Inc., its successors and assigns, or (b) Standard & Poor’s Corporation, its successors and assigns.

“Reassessments” means the unpaid reassessments levied within the District by the City Council under the proceedings taken pursuant to the Act and the Resolution of Intention.

“Record Date” means the 15th day of the calendar month immediately preceding the applicable Interest Payment Date.

“Redemption Fund” means the fund established and administered under Section 4.03 hereof.

“Resolution of Intention” means Resolution No. _____, adopted by the City Council of the City on June 13, 2016.

“Resolution of Issuance” means Resolution No. _____, adopted by the City Council of the City on June 13, 2016.

“Supplemental Agreement” means an agreement amendatory of or supplemental to this Agreement, the execution of which is authorized by a resolution duly adopted by the City Council of the City under the Bond Law, but only if and to the extent that such agreement is specifically authorized hereunder.

“Term Bonds” means the Bonds maturing on September 2, 20__.

“Zone” means each portion of the property within the District corresponding to each Prior District, as described in Exhibit A attached hereto and hereby made a part hereof.

ARTICLE II
THE BONDS

Section 2.01. Bonds Issued. The Bonds in the aggregate principal amount of \$_____ are hereby authorized to be issued by the City under and subject to the terms of the Resolution of Issuance and this Agreement, the Act and other applicable laws of the State of California. The Bonds shall be secured by the Reassessments and moneys in the Redemption Fund.

Section 2.02. Terms of Bonds.

(A) *Denominations.* The Bonds shall be issued as fully registered Bonds without coupons in the denomination of \$5,000 or any integral multiple thereof. Bonds shall be lettered and numbered in a customary manner as determined by the Fiscal Agent.

(B) *Date of Bonds.* The Bonds shall be dated the Bond Date.

(C) [Reserved]

(D) *Maturities.* The Bonds shall mature, be in the principal amount of, and bear interest at the rates per annum as follows:

<u>Year Ending</u> <u>September 2</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2017		
2018		
2019		
2020		
2021		
2022		
2023		
2024		
2025		
2026		
2027		
2028		
2029		
2030		
2031		
2032		
2033		
2034		
2035		
2036		
2037		
2038		
2039		
2040		

2041
2042
2043

* Term bond.

(E) *Interest.* The Bonds shall bear interest at the rates set forth above payable on the Interest Payment Dates in each year. Interest shall be calculated on the basis of a 360-day year composed of twelve 30-day months. Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated and registered as of an Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (ii) it is authenticated prior to the first Interest Payment Date, in which event it shall bear interest from the Bond Date.

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

The principal of the Bonds is payable in lawful money of the United States of America upon surrender of the Bonds at the Principal Office of the Fiscal Agent.

All Bonds paid by the Fiscal Agent under this Section shall be canceled by the Fiscal Agent. The Fiscal Agent shall destroy the canceled Bonds and, upon request of the City, issue a certificate of destruction of such Bonds to the City.

Section 2.03. Redemption.

(A) *General.*

(i) Optional Redemption. The Bonds may be redeemed prior to maturity, in whole or in part, at the option of the City beginning on September 2, 20__ and on any Interest Payment Date thereafter, from any source of available funds, at a redemption price (expressed as a percentage of the principal amount of Bonds to be redeemed) together with accrued interest to the date fixed for redemption as follows:

<u>Redemption Date</u>	<u>Redemption Price</u>
September 2, 20__, through March 2, 20__	103%
September 2, 20__, and March 2, 20__	102
September 2, 20__, and March 2, 20__	101
September 2, 20__, any Interest Payment Date thereafter	100

(ii) Extraordinary Redemption From Prepayment of Reassessments. The Bonds are subject to extraordinary redemption prior to their stated maturities, as a whole or in part on a pro rata basis among maturities, as a result

of the prepayment of Reassessments, from amounts deposited in the Prepayment Account of the Redemption Fund, on any Interest Payment Date, at the redemption prices set forth below (expressed as a percentage of the principal amount of the Bonds to be redeemed), plus accrued interest to the date of redemption:

<u>Redemption Date</u>	<u>Redemption Price</u>
September 2, 20__, through March 2, 20__	103%
September 2, 20__, and March 2, 20__	102
September 2, 20__, and March 2, 20__	101
September 2, 20__, any Interest Payment Date thereafter	100

The Finance Director shall notify the Fiscal Agent of Bonds to be called for redemption upon prepayment of Reassessments in amounts sufficient therefor, or whenever sufficient surplus funds are available therefor in the Redemption Fund in such a way that the ratio of Outstanding Bonds to issued Bonds shall be approximately the same in each annual maturity insofar as possible. Within each annual maturity, the Fiscal Agent shall select Bonds for retirement by lot.

(iii) Mandatory Sinking Payment Redemption. The Term Bonds are subject to mandatory redemption in part by lot from sinking payments made by the City at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest to the redemption date, without premium, in the aggregate respective principal amounts and on the dates as set forth in the following schedule; provided, however, if some but not all of the Term Bonds have been redeemed through optional redemption or extraordinary redemption from prepayments, the total amount of all future sinking payments shall be reduced by the aggregate principal amount of Term Bonds of such maturity so redeemed, to be allocated among such sinking payments on a pro-rata basis in integral multiples of \$5,000 as determined by the Fiscal Agent, notice of which shall be given by the Fiscal Agent to the City.

The Term Bond maturing on September 2, 2016, is subject to mandatory sinking payment redemption as follows:

<u>Sinking Payment Redemption Date (September 2)</u>	<u>Principal Amount To Be Redeemed</u>
20__	\$
20__ (maturity)	

(iv) Governing Law. The provisions of Part 11.1 of the Bond Law are applicable to the optional and extraordinary redemption of the Bonds, and the advance payment of Reassessments. The Finance Director shall advise the Fiscal Agent of such provisions to the extent not specified herein.

(B) Notice to Fiscal Agent. The Finance Director shall give the Fiscal Agent written notice of the aggregate amount of Bonds to be redeemed pursuant to subsection (A) not less than 45 days prior to the applicable redemption date.

(C) Redemption Procedure by Fiscal Agent.

(i) Mailing of Notice. The Fiscal Agent shall cause notice of any redemption to be given by registered or certified mail or by personal service to the Owners of any Bonds designated for redemption, at their addresses appearing on the Bond Register in the Principal Office of the Fiscal Agent. Failure to so mail any notice of redemption, or of any person or entity to receive any such notice, or any defect in any notice of redemption, shall not affect the validity of the proceeding for the redemption of such Bonds.

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

(1) the redemption date,

(2) the redemption price,

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

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

(5) that such Bonds must be then surrendered at the Principal Office of the Fiscal Agent for redemption at the redemption price, and

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

(iii) Rescission of Redemption. The City may rescind any optional or extraordinary redemption under subsection (A)(i) or (ii) above by written notice to the Fiscal Agent on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason inadequate funds are on deposit in the Redemption Fund 5 days prior to the redemption date, and such cancellation shall not constitute an Event of Default hereunder. The Fiscal Agent shall mail notice of rescission of redemption in the same manner notice of redemption was originally provided.

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

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

(vi) Selection of Bonds for Redemption. The City shall select Bonds for redemption in such a way that the ratio of Outstanding Bonds to issued Bonds shall be approximately the same in each annual series insofar as possible (i.e. on a pro-rata basis among maturities of the Bonds). Within each annual maturity, the Fiscal Agent shall select Bonds for retirement by lot.

(D) *Effect of Redemption.* From and after the date fixed for redemption, if funds available for the payment of the principal of (including sinking payments) and interest and premium, if any, on the Bonds so called for redemption have been deposited in the Redemption Fund on the date fixed for redemption, such Bonds so called shall cease to be entitled to any benefit under this Agreement other than the right to receive payment of the redemption price, and no interest shall accrue thereon on or after the redemption date specified in such notice.

(E) *Certification of Independent Financial Consultant.* The City shall not be authorized to redeem bonds pursuant to Section 2.03(A)(i) or 2.03(A)(ii) hereof unless it has provided the Fiscal Agent with a certificate of an Independent Financial Consultant to the effect that the proposed redemption, assuming a corresponding redemption of the Authority Bonds, and assuming continuing payment of Reassessments by the other property owners, will not adversely impact the availability of Revenues (as defined in the Authority Indenture) in an amount sufficient to pay debt service on the Authority Bonds, as scheduled. In the event the Independent Financial Consultant is unable to provide such certificate, the redemption premium shall be the amount that will be sufficient to enable the Independent Financial Consultant to deliver the required certificate.

All Bonds redeemed by the Fiscal Agent pursuant to this Section 2.03 shall be canceled by the Fiscal Agent. The Fiscal Agent shall destroy the canceled Bonds and, upon request of the City, issue a certificate of destruction of such Bonds to the City.

Section 2.04. Form of Bonds. The Bonds, the form of Fiscal Agent's certificate of authentication and the form of assignment, to appear thereon, shall be substantially in the forms, respectively, set forth in Exhibit B attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Agreement, the Resolution of Issuance and the Bond Law.

Section 2.05. Execution of Bonds. The Bonds shall be executed on behalf of the City by the facsimile signatures of the City Manager and the Clerk who are in office on the Closing Date. If any officer whose signature appears on any Bond ceases to be such officer before delivery of the Bonds to the Owner, such signature shall nevertheless be as effective as if the officer had remained in office until the delivery of the Bonds to the Owner. Any Bond may be signed and attested on behalf of the City by such persons as at the actual date of the execution of such Bond shall be the proper officers of the City although at the nominal date of such Bond any such person shall not have been such officer of the City. Only such Bonds as shall bear thereon a certificate of authentication in substantially the form set forth in Exhibit B, executed and dated by the Fiscal Agent, shall be valid or obligatory for any purpose or entitled to the benefits of this Agreement, and such certificate of authentication of the Fiscal Agent shall be conclusive evidence that the Bonds registered hereunder have been duly authenticated, registered and delivered hereunder and are entitled to the benefits of this Agreement.

Section 2.06. Transfer of Bonds. Any Bond may, in accordance with its terms, be transferred, upon the Bond Register under Section 2.08 hereof by the person in whose name it is registered, in person or by such person's duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form approved by the Fiscal Agent. The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such transfer shall be paid by the City. The Fiscal Agent shall collect from the Owner requesting such transfer any tax or other governmental charge required to be paid with respect to such transfer. Whenever any Bond or Bonds shall be surrendered for transfer, the City shall execute and the Fiscal Agent shall authenticate and deliver a new Bond or Bonds, for like aggregate principal amount(s), maturity(ies) and interest rate(s) in the denominations herein authorized. Neither the City nor the Fiscal Agent shall be required to make such transfer of Bonds on or after a Record Date and before the next ensuing Interest Payment Date.

Section 2.07. Exchange of Bonds. Bonds may be exchanged at the Principal Office of the Fiscal Agent for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such exchange shall be paid by the City. The Fiscal Agent shall collect from the Owner requesting such exchange any tax or other governmental charge required to be paid with respect to such exchange. Neither the City nor the Fiscal Agent shall be required to make such exchange of Bonds after a Record Date and before the next ensuing Interest Payment Date.

Section 2.08. Bond Register. The Fiscal Agent will keep, or cause to be kept, at its Principal Office, the Bond Register, which shall constitute the books for the registration and transfer of the Bonds, shall show the series number, date, maturity amount, rate of interest and last registered Owner of each Bond, and shall at all times be open to inspection by the City during regular business hours on any Business Day, upon reasonable notice; and, upon presentation for such purpose, the Fiscal Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on the Bond Register, the ownership of the Bonds as hereinbefore provided.

Section 2.09. Temporary Bonds. The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such authorized denominations as may be determined by the City, and may contain such reference to any of the provisions of this Agreement as may be appropriate. Every temporary Bond shall be executed by the City and authenticated by the Fiscal Agent upon the same conditions and in substantially the same manner as the definitive Bonds. If the City issues temporary Bonds it will execute and furnish definitive Bonds without delay and thereupon the temporary Bonds shall be surrendered, for cancellation, in exchange for the definitive Bonds at the Principal Office of the Fiscal Agent or at such other location as the Fiscal Agent shall designate, and the Fiscal Agent shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations. Until so exchanged, the temporary bonds shall be entitled to the same benefits under this Agreement as definitive bonds authenticated and delivered hereunder.

Section 2.10. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond becomes mutilated, the City, at the expense of the Owner of said Bond, shall execute, and the Fiscal Agent shall authenticate and deliver, a new Bond of like tenor and principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Fiscal Agent of the

Bond so mutilated. Every mutilated Bond so surrendered to the Fiscal Agent shall be canceled by it and destroyed by the Fiscal Agent who shall, upon request of the City, deliver a certificate of destruction thereof to the City.

If any Bond is lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Fiscal Agent and, if such evidence be satisfactory to the Fiscal Agent and indemnity satisfactory to the Fiscal Agent and the City shall be given, the City, at the expense of the Owner, shall execute, and the Fiscal Agent shall authenticate and deliver, a new Bond of like tenor and principal amount in lieu of and in substitution for the Bond so lost, destroyed or stolen.

The City may require payment of a sum not exceeding the actual cost of preparing each new Bond delivered under this Section 2.10 and of the expenses which may be incurred by the City and the Fiscal Agent for the preparation, execution, authentication and delivery. Any Bond delivered under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the City whether or not the Bond so alleged to be lost, destroyed or stolen is at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Agreement with all other Bonds issued under this Agreement.

Section 2.11. [Reserved].

ARTICLE III

ISSUANCE OF BONDS

Section 3.01. Issuance and Delivery of Bonds. At any time after the execution of this Agreement, the City may issue the Bonds in the aggregate principal amount set forth in Section 2.01 hereof and deliver the Bonds to the Original Purchaser. Pursuant to the Resolution of Issuance, the Authorized Officers of the City are authorized and directed to deliver any and all documents and instruments necessary to cause the issuance of the Bonds in accordance with the provisions of the Act, the Bond Law, the Resolution of Issuance and this Agreement, and to do and cause to be done any and all acts and things necessary or convenient for delivery of the Bonds to the Original Purchaser.

Section 3.02 . Validity of Bonds. The validity of the authorization and issuance of the Bonds shall not be dependent upon the completion of public improvements or upon the performance by any person of such person's obligation with respect to the public improvements.

Section 3.03. Pledge of Reassessments and Funds. The Bonds shall be secured by a first pledge (which shall be effected in the manner and to the extent herein provided) of all of the Reassessments and all moneys deposited in the Redemption Fund. The Reassessments and all moneys deposited into said funds (except as otherwise provided herein) are hereby dedicated to the payment of the principal of (including sinking payments) and interest and premium, if any, on the Bonds as provided herein and in the Bond Law until all of the Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose in accordance with Section 9.03 hereof.

Section 3.04. Limited Obligation. All obligations of the City under this Agreement and the Bonds shall not be general obligations of the City, but shall be limited obligations, payable solely from the Reassessments and the funds pledged therefore hereunder. Neither the faith and credit of the City nor of the State of California or any political subdivision thereof is pledged to the payment of the Bonds. The Bonds are "Limited Obligation Refunding Improvement Bonds" and are payable solely from and secured solely by the Reassessments and the amounts in the Redemption Fund created hereunder. Notwithstanding any other provision of this Agreement, the City is not obligated to advance available surplus funds from the City treasury to cure any deficiency in the Redemption Fund.

Section 3.05. No Acceleration. The principal of the Bonds shall not be subject to acceleration hereunder. Nothing in this Section 3.05 shall in any way prohibit the redemption of Bonds under Section 2.03 hereof, or the defeasance of the Bonds and discharge of this Agreement under Section 9.03 hereof.

Section 3.06. Refunding of Bonds. The Bonds may be refunded by the City pursuant to Divisions 11 or 11.5 of the California Streets and Highways Code upon the conditions as set forth in appropriate proceedings therefor. This Section shall not apply to or in any manner limit advancement of the maturity of any of the Bonds as provided in Parts 8, 9, 11, or 11.1 of the Bond Law, nor shall this Section 3.06 apply to or in any manner limit the redemption and payment of any Bond pursuant to subsequent proceedings providing for the payment of amounts to eliminate previously imposed fixed lien assessments, including the Reassessments.

ARTICLE IV
FUNDS AND ACCOUNTS

Section 4.01. Deposit of Bond Proceeds. The net proceeds received from the Original Purchaser in consideration of the purchase of the Bonds by the Original Purchaser, in the amount of \$_____ (which represents the par amount of the Bonds (\$_____)), plus a net original premium of \$_____, shall be transferred by the Original Purchaser to the Escrow Holder for deposit into the Escrow Fund established pursuant to Section 4.02.

Section 4.02. Escrow Fund.

On the Closing Date, the City is hereby directed and authorized to cause the Escrow Fund to be established and held by the Escrow Holder under the Escrow Agreement. The purpose of the establishment of the Escrow Fund shall be to assure the timely retirement of the Prior AD Bonds in advance of their respective stated maturities, using a portion of the proceeds of the Bonds and other funds held by the City with respect to the Prior AD Bonds, all as to be specified by appropriate Certificates of the City and in the Escrow Agreement.

Section 4.03. Redemption Fund.

(A) *Establishment of Redemption Fund*. The Redemption Fund is hereby established as a separate fund to be held by the Fiscal Agent to the credit of which deposits shall be made as required by this Agreement or the Bond Law. Moneys in the Redemption Fund shall be held by the Fiscal Agent for the benefit of the City and the Owners of the Bonds, and shall be disbursed for the payment of the principal of (including sinking payments) and interest on the Bonds as provided below.

Within the Redemption Fund there is hereby established the Prepayment Account, which shall be used exclusively for the administration of any prepayments of Reassessments pursuant to Section 8767 of the Bond Law to assure the timely redemption of Bonds. If all of the Reassessments are prepaid in full, the Prepayment Account shall be closed.

(B) *[Reserved]*

(C) *Disbursements*. On or before each Interest Payment Date, the Fiscal Agent shall withdraw from the Redemption Fund for payment to the Owners of the Bonds the principal of (including sinking payments) and interest then due and payable on the Bonds.

If there are insufficient funds in the Redemption Fund to make the payments provided for in the foregoing sentence, the Fiscal Agent shall apply the available funds first to the payment of interest on the Bonds, then to the payment of principal due on the Bonds, and then to payment of principal due on the Bonds by reason of Bonds called for redemption pursuant to Section 2.03(A)(i) hereof.

The Fiscal Agent shall deposit in the Prepayment Account all monies received from the City representing the principal of and redemption premium on any prepaid

reassessments; such monies shall be applied solely to the payment of principal of and premium and interest on the Bonds to be redeemed prior to maturity pursuant to Section 2.03(A)(ii) hereof, as directed by an Authorized Representative of the City.

(D) *Investment.* Moneys in the Redemption Fund (and the accounts therein) shall be invested and deposited in accordance with Section 6.01. Interest earnings and profits resulting from such investment and deposit shall be retained in the Redemption Fund.

Section 4.04. [Reserved].

Section 4.05. [Reserved] .

ARTICLE V

COVENANTS OF THE CITY

Section 5.01. Collection of Reassessments. The City shall comply with all requirements of the Act, the Bond Law and this Agreement to assure the timely collection of the Reassessments, including, without limitation, the enforcement of delinquent Reassessments. Any funds received by the City in and for the District, including, but not limited to, collections of Reassessments upon the secured tax rolls, collections of delinquent Reassessments and penalties thereon, through foreclosure proceedings and the prepayment of Reassessments or portions thereof, shall be immediately transmitted directly to the Fiscal Agent, without deduction, to be deposited into the funds and accounts herein specified. To that end, the following shall apply:

(A) The Reassessments, as set forth on the List of Unpaid Reassessments on file with the Finance Director, together with the interest thereto, shall be payable in annual series corresponding in number to the number of serial maturities of the Bonds issued. An annual proportion of each Reassessment shall be payable in each year preceding the date of maturity of each of the several series of Bonds issued sufficient to pay the Bonds when due and such proportion of each Reassessment coming due in any year, together with the annual interest thereon, shall be payable in the same manner and at the same time and in the same installments as the general taxes on real property are payable, and become delinquent at the same times and in the same proportionate amounts and bear the same proportionate penalties and interests after delinquency as do the general taxes on real property. All sums received from the collection of the Reassessments and of the interest and penalties thereon shall be placed in the Redemption Fund. In addition, all sums received by the City with respect to the assessments levied in connection with the Prior AD Bonds, including any penalties and delinquencies, shall be placed in the Redemption Fund. Any prepayments of Reassessments shall be placed in the Prepayment Account established under and administered in accordance with this Agreement.

(B) The Finance Director shall, before the final date on which the Auditor will accept the transmission of the Reassessments for the parcels within the District for inclusion on the next tax roll, prepare or cause to be prepared, and shall transmit to the Auditor, such data as the Auditor requires to include the installments of the Reassessments on the next secured tax roll of the County. The Finance Director is hereby authorized to employ consultants to assist in computing the installments of the Reassessments hereunder and in reconciling Reassessments billed to amounts received as provided in subsection (C) of this Section 5.01.

(C) The Reassessments shall be payable and be collected in the same manner and at the same time and in the same installments as the general taxes on real property are payable, and have the same priority, become delinquent at the same times and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general taxes on real property. In addition to any amounts authorized pursuant to the Bond Law to be included with the annual amounts of installments as aforesaid, the City, pursuant to section 8682.1 of the Bond Law, may cause to be entered on the assessment roll on which taxes will next become due, opposite each lot or parcel of land within the District in the manner set forth in said

section 8682, each lot's pro rata share of the annual expenses of the City in connection with the administrative duties thereof for the Bonds, including, but not limited to, the costs of registration, authentication, transfer and compliance with the provisions of Article V hereof, which amounts shall be used to defray the costs of the City in complying with the provisions of this Agreement. Delinquent Reassessments shall be subject to foreclosure pursuant to Section 5.02 hereof.

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

The Finance Director shall notify the City Attorney of any such delinquency of which the Finance Director is aware, and the City Attorney shall commence, or cause to be commenced, such foreclosure proceedings. Under this Section, "commence" means and includes any actions preparatory to filing of any complaint. The City Attorney is hereby authorized to employ counsel to conduct any such foreclosure proceedings.

The following conditions shall apply to the foreclosure proceedings, which shall be commenced within 60 days after any of the following determinations have been made, which shall be made by the Finance Director not later than October 1 of each Fiscal Year:

(A) If the Finance Director determines that there is a delinquency in the payment of three or more installments of the Reassessments for a prior Fiscal Year or Years for any single parcel of land in the Reassessment District, foreclosure shall be commenced against each parcel of land in the Reassessment District with a delinquency in the payment of three or more installments of the Reassessments for the prior Fiscal Year or Years.

(B) If the Finance Director determines that the total amount of delinquent Assessment for the prior Fiscal Year for the entire Assessment District exceeds 8% of the total Assessments due and payable for the prior Fiscal Year, foreclosure shall be commenced against each parcel of land within the Reassessment District with any amount of delinquency for the prior Fiscal Year or Years.

Provided, however, that nothing herein shall prevent the Finance Director or the City Attorney from causing the commencement of foreclosure proceedings before the occurrence of any of the foregoing.

Notwithstanding the foregoing, the City may elect to defer foreclosure proceedings on any parcel if the City has received funds equal to the delinquent Assessments from any other source, and those funds are available to contribute toward the payment of the principal of (including Sinking Fund Payments) and interest on the Bonds when due (including without limitation funds received under the Teeter Plan and funds from the sale of the receivables associated with delinquent Assessments).

Section 5.03. Punctual Payment. The City will punctually pay or cause to be paid the principal of (including sinking payments) and interest on the Bonds when and as due in strict conformity with the terms of this Agreement and any Supplemental Agreement, and it will

faithfully observe and perform all of the conditions, covenants and requirements of this Agreement and all Supplemental Agreements and of the Bonds.

Section 5.04. Extension of Time for Payment. In order to prevent any accumulation of claims for interest after maturity, the City shall not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and shall not, directly or indirectly, be a party to the approval of any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest is extended or funded, whether or not with the consent of the City, such claim for interest so extended or funded shall not be entitled, in case of default hereunder, to the benefits of this Agreement, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which have not been so extended or funded.

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

Section 5.06. Books and Accounts. The City will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City, in which complete and correct entries shall be made of all transactions relating to the Reassessments, which shall be subject to inspection by the Owners of the Bonds upon reasonable prior notice on any Business Day.

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

Section 5.08. Further Assurances. The City 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 Agreement, and for the better assuring and confirming unto the Owners of the rights and benefits provided in this Agreement.

Section 5.09. Private Activity Bond Limitation. The City shall assure that the proceeds of the Bonds are not so used as to cause the Authority Bonds to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code.

Section 5.10. Federal Guarantee Prohibition. The City shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Authority Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code.

Section 5.11. Rebate Requirement. The City shall cooperate with and take any and all actions reasonably requested by the Authority to assure compliance by the Authority with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Authority Bonds.

Section 5.12. No Arbitrage. The City shall not take, or permit or suffer to be taken by the Fiscal Agent or otherwise, any action with respect to the proceeds of the Bonds which, if

such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the Authority Bonds would have caused the Authority Bonds to be "arbitrage bonds" within the meaning of section 148 of the Code.

Section 5.13. Maintenance of Tax-Exemption. The City shall take all actions reasonably requested by the Authority to assure the exclusion of interest on the Authority Bonds from the gross income of the Owners of the Authority Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Authority Bonds.

Section 5.14. Record Retention. The City shall retain its records of all accounting and monitoring it carries out with respect to the Bonds for at least 3 years after the Bonds mature or are redeemed (whichever is earlier); however, if the Bonds are redeemed and refunded, the City will retain its records of accounting and monitoring at least 3 years after the earlier of the maturity or redemption of the obligations that refunded the Bonds.

Section 5.15. Compliance with Tax Certificates. The City will comply with the provisions of the Arbitrage Certificate and the Use of Proceeds Certificate with respect to the Bonds and the Authority Bonds, which are incorporated herein as if fully set forth herein. The covenants of this Section will survive payment in full or defeasance of the Bonds and the Authority Bonds.

Section 5.16. Yield of the Bonds. In determining the yield of the Authority Bonds to comply with Sections 5.11 and 5.12 hereof, the City will take into account redemption (including premium, if any) in advance of maturity based on the reasonable expectations of the City, as of the Closing Date, regarding prepayments of Reassessments and use of prepayments for redemption of the Bonds, without regard to whether or not prepayments are received or Bonds redeemed.

ARTICLE VI

INVESTMENTS; LIABILITY OF THE CITY

Section 6.01. Deposit and Investment of Moneys in Funds. Subject in all respects to the provisions of Section 6.02, moneys in any fund or account created or established by this Agreement and held by the Fiscal Agent shall be invested by the Fiscal Agent in Authorized Investments, as directed, in the case of funds held by the Fiscal Agent, pursuant to an Officer's Certificate filed with the Fiscal Agent at least two Business Days in advance of the making of such investments. The following shall apply to such investments:

(A) In the absence of any such Officer's Certificate, the Fiscal Agent shall invest any such moneys in Authorized Investments described in clause (h) of the definition thereof which by their terms mature prior to the date on which such moneys are required to be paid out hereunder provided, however, that any such investment shall be made by the Fiscal Agent only if, prior to the date on which such investment is to be made, the Fiscal Agent shall have received an Officer's Certificate specifying a specific money market fund and, if no such Officer's Certificate is so received, the Fiscal Agent shall hold such moneys uninvested. The Fiscal Agent shall be entitled to rely upon any investment directions from the City as conclusive certification to the Fiscal Agent that the investments described therein are so authorized under the laws of the State of California and qualify as Authorized Investment. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account, subject, however, to the requirements of this Agreement for transfer of interest earnings and profits resulting from investment of amounts in funds and accounts;

(B) The Fiscal Agent or its affiliates may act as principal or agent in the acquisition or disposition of any investment. The Fiscal Agent shall incur no liability for losses arising from any investments made pursuant to this Section;

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

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

The City acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the City the right to receive brokerage confirmations of security transactions as they occur, the City specifically waives receipt of such confirmations to the extent permitted by law. The Fiscal Agent will furnish the City periodic cash transaction

statements which include detail for all investment transactions made by the Fiscal Agent hereunder.

Section 6.02. Acquisition, Disposition and Valuation of Investments.

(A) Except as otherwise provided in subsection (B) of this Section, the City covenants that all investments of amounts deposited in any fund or account under this Agreement, or otherwise containing gross proceeds of the Bonds (under section 148 of the Code) shall be acquired, disposed of and valued (as of the date that valuation is required by this Agreement or the Code) at Fair Market Value, provided that the Fiscal Agent shall not be responsible for the determination of Fair Market Value.

(B) Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code shall be valued at their present value (under section 148 of the Code), provided that the Fiscal Agent shall not be responsible for the determination of present value. The Fiscal Agent shall be deemed to have complied with such valuation by using its automated pricing service through its trust accounting system.

Section 6.03. Liability of City. The City shall not incur any responsibility in respect of the Bonds or this Agreement other than in connection with the duties or obligations explicitly provided herein or in the Bonds. The City shall not be liable to any Owner in connection with the performance of its duties hereunder, except for its own negligence or willful default. The City shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements of the Fiscal Agent herein or of any of the documents executed by the Fiscal Agent in connection with the Bonds, or as to the existence of a default thereunder. Under this Agreement, the following shall apply to the City:

(A) In the absence of bad faith, the Fiscal Agent and the City, including the Finance Director, may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Fiscal Agent and the City and conforming to the requirements of this Agreement. The Fiscal Agent and the City, including the Finance Director, shall not be liable for any error of judgment made in good faith unless it shall be proved that it was negligent in ascertaining the pertinent facts;

(B) No provision of this Agreement shall require the City to expend or risk its own general funds or otherwise incur any financial liability (other than with respect to the foreclosure proceedings for delinquent Reassessments and the payment of fees and costs of the Fiscal Agent) in the performance of any of its obligations hereunder or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it;

(C) The Fiscal Agent and the City may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The Fiscal Agent and the City may consult with counsel, who may be the City Attorney, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization

and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith;

(D) The City or the Fiscal Agent shall not be bound to recognize any person as the Owner of a Bond unless duly registered and until such Bond is submitted for inspection, if required, and his title thereto satisfactorily established, if disputed; and

(E) Whenever in the administration of its duties under this Agreement the City or the Fiscal Agent deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of willful misconduct on the part of the City or the Fiscal Agent, be deemed to be conclusively proved and established by a certificate of the Fiscal Agent or other expert retained by the City or the Fiscal Agent for the purposes hereof, and such certificate shall be full warrant to the City or the Fiscal Agent for any action taken or suffered under the provisions of this Agreement or any Supplemental Agreement upon the faith thereof, but in its discretion the or the Fiscal Agent City may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable.

Section 6.04. Employment of Agents by Fiscal Agent or City. In order to perform its duties and obligations hereunder, the Fiscal Agent or the City may employ such persons or entities as it deems necessary or advisable. The Fiscal Agent or the City shall not be liable for any of the acts or omissions of such persons or entities employed by it with reasonable care and in good faith hereunder, and shall be entitled to rely, and shall be fully protected in doing so, upon the opinions, calculations, determinations and directions of such persons or entities.

ARTICLE VII

THE FISCAL AGENT

Section 7.01. Appointment of Fiscal Agent. U.S. Bank, National Association, at the Principal Office, is hereby appointed Fiscal Agent and paying agent for the Bonds. The Fiscal Agent undertakes to perform such duties, and only such duties, as are specifically set forth in this Agreement, and no implied covenants or obligations shall be read into this Agreement against the Fiscal Agent. With respect to the appointment of the Fiscal Agent, the following shall apply:

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

(B) The City may remove the Fiscal Agent initially appointed and any successor thereto, and may appoint a successor or successor's thereto, but any Fiscal Agent shall be a bank, national banking association or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least \$50,000,000 and subject to supervision or examination by federal or state authority. If such bank, national banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section 7.01, combined capital and surplus of such bank, national banking association 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.

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

(D) If no appointment of a successor Fiscal Agent shall be made pursuant to the foregoing provisions of this Section within 45 days after the Fiscal Agent shall have given to the City written notice or after a vacancy in the office of the Fiscal Agent shall have occurred by reason of its inability to act, the Fiscal Agent or any Bond Owner may apply to any court of competent jurisdiction to appoint a successor Fiscal Agent. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Fiscal Agent; and

(E) If, by reason of the judgment of any court, the Fiscal Agent is rendered unable to perform its duties hereunder, all such duties and all of the rights and powers of the Fiscal Agent hereunder shall be assumed by and vest in the Finance Director of the City in trust for the benefit of the Owners. The City covenants for the direct benefit of the

Owners that its Finance Director in such case shall be vested with all of the rights and powers of the Fiscal Agent hereunder, and shall assume all of the responsibilities and perform all of the duties of the Fiscal Agent hereunder, in trust for the benefit of the Owners of the Bonds.

Section 7.02. Liability of Fiscal Agent. With respect to the liability of the Fiscal Agent, the following shall apply:

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

(B) The Fiscal Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Fiscal Agent and conforming to the requirements of this Agreement; but in the case of any such certificates or opinions by which any provision hereof are specifically required to be furnished to the Fiscal Agent, the Fiscal Agent shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Agreement. Except as provided above in this paragraph, the Fiscal Agent shall be protected and shall incur no liability in acting or proceeding, or in not acting or not proceeding, in good faith, reasonably and in accordance with the terms of this Agreement, upon any resolution, order, notice, request, consent or waiver, certificate, statement, affidavit, or other paper or document which it shall in good faith reasonably believe to be genuine and to have been adopted or signed by the proper person or to have been prepared and furnished pursuant to any provision of this Agreement, and the Fiscal Agent shall not be under any duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument;

(C) The Fiscal Agent shall not be liable for any error of judgment made in good faith by a responsible officer unless it shall be proved that the Fiscal Agent was negligent in ascertaining the pertinent facts;

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

(E) The Fiscal Agent shall be under no obligation to exercise any of the rights or powers vested in it by this Agreement at the request or direction of any of the Owners pursuant to this Agreement unless such Owners shall have offered to the Fiscal Agent reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(F) The Fiscal Agent may become the owner of the Bonds with the same rights it would have if it were not the Fiscal Agent;

(G) The permissive right of the Fiscal Agent to do things enumerated in this Agreement shall not be construed as a duty and it shall not be answerable for other than its negligence or willful misconduct;

(H) The Fiscal Agent may execute any of the duties or powers hereof and perform the duties required of it hereunder either directly or by or through attorneys or agents, shall not be liable for the acts or omissions of such attorneys or agents appointed with due care; and

(I) The Fiscal Agent shall not be concerned with or accountable to anyone for the subsequent use or application of any moneys which shall be released or withdrawn in accordance with the provisions hereof.

(J) The Fiscal Agent shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Agreement and delivered using Electronic Means ("Electronic Means") shall mean the following communications methods: S.W.I.F.T., e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Fiscal Agent, or another method or system specified by the Fiscal Agent as available for use in connection with its services hereunder); provided, however, that the City shall provide to the Fiscal Agent an incumbency certificate listing Authorized Officers with the authority to provide such Instructions and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the City whenever a person is to be added or deleted from the listing. If the City elects to give the Fiscal Agent Instructions using Electronic Means and the Fiscal Agent in its discretion elects to act upon such Instructions, the Fiscal Agent's understanding of such Instructions shall be deemed controlling. The City understands and agrees that the Fiscal Agent cannot determine the identity of the actual sender of such Instructions and that the Fiscal Agent shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Fiscal Agent have been sent by such Authorized Officer. The City shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Fiscal Agent and that the City and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the City. The Fiscal Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Fiscal Agent's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The City agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Fiscal Agent, including without limitation the risk of the Fiscal Agent acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Fiscal Agent and that there may be more secure methods of transmitting Instructions than the method(s) selected by the City; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Fiscal Agent immediately upon learning of any compromise or unauthorized use of the security procedures.

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

Section 7.03. Information; Books and Accounts. The Fiscal Agent will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Fiscal Agent, in which complete and correct entries shall be made of all transactions made by it relating to the expenditure of amounts disbursed from the Redemption Fund. Such books of record and accounts shall, upon reasonable notice, at all times during business hours on any Business Day be subject to the inspection of the City and the Owners of not less than ten percent (10%) of the principal amount of the Bonds then Outstanding, or their representatives duly authorized in writing.

Section 7.04. Notice to Fiscal Agent. The Fiscal Agent may conclusively rely, without undertaking any investigation or inquiry, and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, Bond or other paper or document reasonably believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The Fiscal Agent may consult with counsel, who may be counsel to the City, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith. The Fiscal Agent shall not be bound to recognize any person as the Owner of a Bond unless and until such person is the registered Owner of such Bond and such Bond is submitted for inspection, if required, and such Owner's title thereto satisfactorily established, if disputed. Whenever in the administration of its duties under this Agreement the Fiscal Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of willful misconduct on the part of the Fiscal Agent, be deemed to be conclusively proved and established by a certificate of an Authorized Officer of the City, and such certificate shall be full warrant to the Fiscal Agent for any action taken or suffered under the provisions of this Agreement or any Supplemental Agreement upon the faith thereof, but in its discretion the Fiscal Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

Section 7.05. Compensation; Indemnification. The City shall pay to the Fiscal Agent from time to time reasonable compensation for all services rendered as Fiscal Agent under this Agreement, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of the Fiscal Agent's in house or other attorneys and agents, incurred in and about the performance of their powers and duties under this Agreement, but the Fiscal Agent shall not have a lien therefor on any funds at any time held by it under this Agreement. The City further agrees, to the extent permitted by applicable law, to indemnify and save the Fiscal

Agent, its officers, employees, directors and agents harmless against any costs, claims, losses, expenses including legal fees and expenses or liabilities of any kind whatsoever which it may incur in the exercise and performance of its powers and duties hereunder which are not due to its negligence or willful misconduct. The obligation of the City under this Section shall survive resignation or removal of the Fiscal Agent under this Agreement and payment of the Bonds and discharge of this Agreement.

Section 7.06. Interaction With the City. In conducting its duties hereunder whenever the Fiscal Agent is required or deems it appropriate to communicate with the City, it shall communicate with the Finance Director unless otherwise specifically required hereunder. All statements and reports required to be produced by the Fiscal Agent hereunder shall be provided to the Finance Director unless otherwise specifically provided hereunder.

ARTICLE VIII

MODIFICATION OR AMENDMENT OF THIS AGREEMENT

Section 8.01. Amendments Permitted. This Agreement and the rights and obligations of the City and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Agreement pursuant to the affirmative vote at a meeting of Owners, or with the written consent without a meeting, of the Owners of at least 60% in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 8.04. No such modification or amendment shall (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the City to pay the principal of (including sinking payments) and the interest on any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation by the City of any pledge or lien upon the Reassessments superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise permitted by the Act, the Resolution, the laws of the State of California or this Agreement), or reduce the percentage of Bonds required for the amendment hereof, or to amend this Section 8.01. Any such amendment may not modify any of the rights or obligations of the Fiscal Agent without its written consent. This Agreement and the rights and obligations of the City and of the Owners may also be modified or amended at any time by a Supplemental Agreement, without the consent of any Owners, only to the extent permitted by law and only for any one or more of the following purposes:

(A) to add to the covenants and agreements of the City in this Agreement contained, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power herein reserved to or conferred upon the City;

(B) to make modifications not adversely affecting any outstanding series of Bonds of the City in any material respect;

(C) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in this Agreement, or in regard to questions arising under this Agreement, as the City and the Fiscal Agent may deem necessary or desirable and not inconsistent with this Agreement, and which shall not adversely affect the rights of the Owners of the Bonds; or

(D) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest on the Authority Bonds.

Section 8.02. Owners' Meetings. The City may at any time call a meeting of the Owners. In such event the City is authorized to fix the time and place of said meeting and to provide for the giving of notice thereof and to fix and adopt rules and regulations for the conduct of said meeting.

Section 8.03. Procedure for Amendment with Written Consent of Owners. The City and the Fiscal Agent may at any time adopt a Supplemental Agreement amending the provisions of the Bonds or of this Agreement or any Supplemental Agreement, to the extent that such amendment is permitted by Section 8.01 hereof, to take effect when and as provided in this Section 8.03. With respect to such Supplemental Agreement under this Section 8.03, the following shall apply:

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

(B) Such Supplemental Agreement shall not become effective unless there shall be filed with the Fiscal Agent the written consents of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in Section 8.04) and a notice shall have been mailed as hereinafter in this Section provided. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given, which proof shall be such as is permitted by Section 9.04. Any such consent shall be binding upon the Owner of the Bonds giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Fiscal Agent prior to the date when the notice hereinafter in this Section provided for has been mailed; and

(C) After the Owners of the required percentage of Bonds shall have filed their consents to the Supplemental Agreement, the City shall mail a notice to the Owners in the manner hereinbefore provided in this Section for the mailing of the Supplemental Agreement, stating in substance that the Supplemental Agreement has been consented to by the Owners of the required percentage of Bonds and will be effective as provided in this Section but failure to mail copies of said notice shall not affect the validity of the Supplemental Agreement or consents thereto). Proof of the mailing of such notice shall be filed with the Fiscal Agent. A record, consisting of the papers required by this Section 8.03 to be filed with the Fiscal Agent, shall be proof of the matters therein stated until the contrary is proved. The Supplemental Agreement shall become effective upon the filing with the Fiscal Agent of the proof of matters therein of such notice, and the Supplemental Agreement shall be deemed conclusively binding (except as otherwise hereinabove specifically provided in this Article) upon the City and the Owners of all Bonds at the expiration of 60 days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such 60-day period.

Section 8.04. Disqualified Bonds. Bonds owned or held for the account of the City, excepting any pension or retirement fund, shall not be deemed Outstanding for the purpose of any vote, consent or other action or any calculation of Outstanding Bonds provided for in this Article VIII, and shall not be entitled to vote upon, consent to, or take any other action provided for in this Article VIII. Upon request of the Fiscal Agent, the City shall specify in a certificate to the Fiscal Agent those Bonds disqualified pursuant to this Section and the Fiscal Agent may conclusively rely on such certificate.

Section 8.05. Effect of Supplemental Agreement. From and after the time any Supplemental Agreement becomes effective pursuant to this Article VIII, this Agreement shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations under this Agreement of the City and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such Supplemental

Agreement shall be deemed to be part of the terms and conditions of this Agreement for any and all purposes.

Section 8.06. Endorsement or Replacement of Bonds Issued After Amendment. The City may determine that Bonds issued and delivered after the effective date of any action taken as provided in this Article VIII shall bear a notation, by endorsement or otherwise, in form approved by the City, as to such action. In that case, upon request of the Owner of any Bond Outstanding at such effective date and presentation of his Bond for that purpose at the Principal Office of the Fiscal Agent or at such other office as the City may select and designate for that purpose, a suitable notation shall be made on such Bond. The City may determine that new Bonds, so modified as in the opinion of the City is necessary to conform to such Owners' action, shall be prepared, executed and delivered. In that case, upon request of the Owner of any Bonds then Outstanding, such new Bonds shall be exchanged at the Principal Office of the Fiscal Agent without cost to any Owner, for Bonds then Outstanding, upon surrender of such Bonds.

Section 8.07. Amendatory Endorsement of Bonds. The provisions of this Article VIII shall not prevent any Owner from accepting any amendment as to the particular Bonds held by him, provided that due notation thereof is made on such Bonds.

Section 8.08. No Additional Indebtedness. The City covenants not to issue additional obligations secured by a pledge of the Reassessments equally and ratably with the Bonds, except that the City may issue bonds secured on parity with the Bonds to refund all or a portion of the Bonds.

ARTICLE IX
MISCELLANEOUS

Section 9.01. Benefits of Agreement Limited to Parties. Nothing in this Agreement, expressed or implied, is intended to give to any person other than the City, the Fiscal Agent and the Owners, any right, remedy or claim under or by reason of this Agreement. Any covenants, stipulations, promises or agreements in this Agreement contained by and on behalf of the City shall be for the sole and exclusive benefit of the Owners and the Fiscal Agent.

Section 9.02. Successor is Deemed Included in All Reference to Predecessor. Whenever in this Agreement or any Supplemental Agreement either the City or the Fiscal Agent 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 Agreement contained by or on behalf of the City or the Fiscal Agent shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 9.03. Discharge of Agreement. Subject to the provisions of Section 2.13 hereof, if the City pays and discharges the entire indebtedness on all Bonds Outstanding in any one or more of the following ways:

(A) by well and truly paying or causing to be paid the principal of (including sinking payments) and interest on all Bonds Outstanding, as and when the same become due and payable;

(B) by depositing with the Fiscal Agent, in trust, at or before maturity, money which, together with the amounts then on deposit in the funds and accounts provided for in Section 4.03 is fully sufficient to pay all Bonds Outstanding, including all principal and interest, or;

(C) by irrevocably depositing with the Fiscal Agent, in trust, cash and Federal Securities in such amount as the City shall determine, as confirmed by an independent certified public accountant, which will, together with the interest to accrue thereon and moneys then on deposit in the fund and accounts provided for in Sections 4.04 and 4.05, be fully sufficient to pay and discharge the indebtedness on all Bonds, including all principal and interest, at or before their respective maturity dates;

and if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption has been given as in this Agreement provided or provision satisfactory to the Fiscal Agent has been made for the giving of such notice, then, at the election of the City, and notwithstanding that any Bonds have not been surrendered for payment, the pledge of the Reassessments and other funds provided for in this Agreement and all other obligations of the City under this Agreement with respect to all Bonds Outstanding shall cease and terminate, except only the obligation of the City to pay or cause to be paid to the Owners of the Bonds not so surrendered and paid all sums due thereon, the obligation of the City to assure that no action is taken or failed to be taken if such action or failure adversely affects the exclusion of interest on the Bonds from gross income for federal income tax purposes, and all amounts owing to the Fiscal Agent pursuant to Section 7.05 hereof; and thereafter Reassessments shall not be payable to the Fiscal Agent. Notice of such election shall be filed with the Fiscal Agent.

Any funds thereafter held by the Finance Director upon payments of all fees and expenses of the Fiscal Agent, which are not required for said purpose, shall be paid over to the City to be used by the City as provided in the Act and the Bond Law.

Section 9.04. Execution of Documents and Proof of Ownership by Owners. Any request, declaration or other instrument which this Agreement may require or permit to be executed by Owners may be in one or more instruments of similar tenor, and shall be executed by Owners in person or by their attorneys appointed in writing. Except as otherwise herein expressly provided, the fact and date of the execution by any Owner or his attorney of such request, declaration or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. The ownership of registered bonds and the amount, maturity, number and date of holding the same shall be proved by the registry books. Any consent, request, declaration or other instrument or writing of the then registered Owner of any Bond shall bind all future Owners of such Bond in respect of anything done or suffered to be done by the City or the Fiscal Agent in good faith and in accordance therewith.

Section 9.05. Waiver of Personal Liability. No member, officer, agent or employee of the City shall be individually or personally liable for the payment of the principal of (including sinking payments) or interest 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 9.06. Notices to and Demand on City and Fiscal Agent. Any notice or demand which by any provision of this Agreement is required or permitted to be given or served by the Fiscal Agent to or on the City may be given or served by being deposited postage prepaid in a post office letter box addressed (until another address is filed by the City with the Fiscal Agent) as follows:

City of Belvedere

Attention: City Manager

Any notice or demand which by any provision of this Agreement is required or permitted to be given or served by the City to or on the Fiscal Agent may be given or served, and shall be effective upon receipt, by being deposited postage prepaid in a post office letter box addressed which notice shall be effective upon receipt (until another address is filed by the Fiscal Agent with the City) as follows:

U.S. Bank National Association
633 W. Fifth Street, 24th Floor
LM-CA-T24T
Los Angeles, CA 90071
Attention: Global Corporate Trust Services

Section 9.07. Partial Invalidity. If any Section, paragraph, sentence, clause or phrase of this Agreement shall for any reason be held illegal or unenforceable, such holding shall not affect the validity of the remaining portions of this Agreement. The City hereby declares that it

would have adopted this Agreement 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 Agreement may be held illegal, invalid or unenforceable.

Section 9.08. Unclaimed Moneys. Anything contained herein to the contrary notwithstanding, any moneys held by the Finance Director or the Fiscal Agent in trust for the payment and discharge of the principal of (including sinking payments) and the interest on, the Bonds which remains unclaimed for 2 years after the date when payments of principal and interest have become payable, shall be repaid by the Finance Director or the Fiscal Agent to the City as its absolute property free from any trust, and the Fiscal Agent shall thereupon be released and discharged with respect thereto and the Bond Owners shall look only to the City for the payment of the principal of (including sinking payments) and interest on such Bonds.

Section 9.09. Applicable Law. This Agreement shall be governed by and enforced in accordance with the laws of the State of California applicable to contracts made and performed in the State of California.

Section 9.10. Conflict with Act. In the event of a conflict between any provision of this Agreement with any provision of the Act, the provision of the Act shall prevail over the conflicting provision of this Agreement.

Section 9.11. Conclusive Evidence of Regularity. Bonds issued pursuant to this Agreement shall constitute conclusive evidence of the regularity of all proceedings under the Act relative to their issuance and the levy of the Reassessments.

Section 9.12. Payment on Business Day. In any case where the date of the maturity of interest or of principal of the Bonds or the date fixed for redemption of any Bonds or the date any action is to be taken pursuant to this Agreement is other than a Business Day, the payment of interest or principal, or the action need not be made on such date but may be made on the next succeeding day which is a Business Day with the same force and effect as if made on the date required and no additional interest shall accrue from such Interest Payment Date until such Business Day.

Section 9.13. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original.

IN WITNESS WHEREOF, the City and the Fiscal Agent have caused this Agreement to be executed, all as of the date first written above.

CITY OF BELVEDERE

By: _____
City Manager

ATTEST:

City Clerk

U.S. BANK NATIONAL ASSOCIATION,
as Fiscal Agent

By: _____
Authorized Officer

EXHIBIT A

PRIOR DISTRICTS, PRIOR AD BONDS AND ZONES

District	Prior Bonds	Issuance Date	Zone
Upper Beach Road Assessment District	\$1,304,041 Limited Obligation Improvement Bonds, Upper Beach Road Assessment District	5/15/2002	1
Madrona, Bella Vista and Oak Underground Assessment District	\$2,007,800 Limited Obligation Improvement Bonds, Madrona, Bella Vista and Oak Underground Assessment District	6/30/2005	2
San Rafael Avenue Underground Assessment District	\$1,043,797 Limited Obligation Improvement Bonds, San Rafael Avenue Underground Assessment District	5/24/2007	3
Lower Belvedere Avenue Utility Underground Assessment District	\$2,519,270 Limited Obligation Improvement Bonds, Lower Belvedere Avenue Utility Underground Assessment District, Series 2008	10/14/2008	4
Bayview Avenue/Bella Vista Avenue Utility Underground Assessment District	\$1,592,404 Limited Obligation Improvement Bonds, Bayview Avenue/Bella Vista Avenue Utility Underground Assessment District, Series 2009	9/29/2009	5
Mid-San Rafael Avenue Utility Undergrounding Assessment District	\$1,388,067 Limited Obligation Improvement Bonds, Mid-San Rafael Avenue Utility Undergrounding Assessment District, Series 2011	3/03/2011	6
Pine Avenue Utility Undergrounding Assessment District	\$1,160,866 Limited Obligation Improvement Bonds, Pine Avenue Utility Undergrounding Assessment District, Series 2012	10/16/2012	7

EXHIBIT B
[FORM OF BOND]

United States of America
State of California
County of Marin

No. _____

\$_____

CITY OF BELVEDERE
Consolidated Reassessment and Refunding District of 2016
(Utility Undergrounding Assessment Districts)

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>DATED DATE</u>
%	September 2, _____	_____, 2016

REGISTERED OWNER: U.S. Bank National Association, as trustee (the "Trustee") under that certain Indenture of Trust dated as of July 1, 2016, by and between the Belvedere Public Financing Authority and the Trustee

PRINCIPAL AMOUNT: \$_____

Under and by virtue of the Improvement Bond Act of 1915, Division 10 (commencing with Section 8500) of the Streets and Highways Code of California and the Refunding Act of 1984 for 1915 Improvement Act Bonds, Division 11.5 of the Streets and Highways Code of California (collectively, the "Act"), the City of Belvedere, County of Marin, State of California (the "City"), will, out of the redemption fund for the payment of the bonds issued upon the unpaid portion of reassessments made for the refunding bonds more fully described in proceedings taken pursuant to Resolution No. _____ entitled "A Resolution of the City Council of the City of Belvedere, California, Authorizing the Issuance of Refunding Bonds, Approving and Directing the Execution of a Fiscal Agent Agreement and an Escrow Deposit and Trust Agreement, Authorizing Sale of Bonds, and Other Related Documents and Actions with Respect Thereto" adopted by the City Council on June 13, 2016 (the "Resolution of Issuance"), and a Fiscal Agent Agreement dated as of July 1, 2016, between U.S. Bank National Association, as fiscal agent (the "Agent") and the City (the "Fiscal Agent Agreement") pay to the Owner named above or registered assigns on the maturity date stated above, the principal amount stated above, in lawful money of the United States of America and in like manner will pay interest at the rate per annum stated above, payable semiannually on March 2 and September 2 in each year commencing March 2, 2017 (each an "Interest Payment Date").

Interest shall be calculated on the basis of a 360-day year composed of twelve 30-day months. Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication and registration thereof unless (i) it is authenticated and registered as of an Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (ii) it is authenticated prior to the first Interest Payment Date, in which event it shall bear interest from the Dated Date set forth above.

As to any registered owner hereof, the principal and redemption premiums, if any, shall be payable at the office of the Agent specified above, and interest shall be paid by check, draft or warrant mailed to the registered owner hereof at the registered owner's address as it appears on the records of the Agent, or at such address as may have been filed with the Agent, for that purpose, as of the 15th day of the calendar month immediately preceding each Interest Payment Date; provided however, upon request in writing of an Owner of \$1,000,000 or more in aggregate principal amount of Bonds, such request having been made before 15 calendar days preceding an Interest Payment Date, such interest shall be paid on such Interest Payment Date by wire transfer in immediately available funds to an account in the continental United States designated by such Owner to the Agent.

This Bond shall not be entitled to any benefit under the Act, the Resolution of Issuance and the Fiscal Agent Agreement, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon has been dated and signed by the Agent.

This Bond is one of several annual series of Bonds of like date, tenor and effect, but differing in amounts, maturities and interest rates, issued by the City under the Act and the Fiscal Agent Agreement for the purpose of refunding certain prior assessment bonds of the City as more particularly described in said proceedings, and is secured by the moneys in the Redemption Fund (as may be limited by the Fiscal Agent Agreement) and by the unpaid portion of said reassessments made for the payment of said refunding, and, including principal and interest, is payable exclusively out of the Redemption Fund.

This Bond is transferable by the Owner hereof, in person or by the Owner's attorney duly authorized in writing, at said office of the Agent, subject to the terms and conditions provided in the Fiscal Agent Agreement, including the payment of certain charges, if any, upon surrender and cancellation of this Bond. Upon such transfer, a new registered Bond or Bonds, of any authorized denomination or denominations, of the same maturity, and for the same aggregate principal amount, will be issued to the transferee in exchange herefor.

Bonds shall be registered only in the name of an individual (including joint owners), a corporation, a partnership or a trust.

Neither the City nor the Agent shall be required to make such exchange or registration of transfer of Bonds during the 15 days immediately preceding any Interest Payment Date or any exchange or transfer of a Bond after such Bond has been called for redemption.

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

The Bonds may be redeemed prior to maturity, in whole or in part, at the option of the City beginning on September 2, 20__, and on any Interest Payment Date thereafter, from any source of available funds, at a redemption price (expressed as a percentage of the principal amount of Bonds to be redeemed) together with accrued interest to the date fixed for redemption as follows:

Redemption Date	Redemption Price
September 2, 20__, through March 2, 20__	103%
September 2, 20__, and March 2, 20__	102

September 2, 20__, and March 2, 20__	101
September 2, 20__, any Interest Payment Date thereafter	100

The Bonds are subject to extraordinary redemption prior to their stated maturities, as a whole or in part on a pro rata basis among maturities, as a result of the prepayment of Reassessments, from amounts deposited in the Prepayment Account of the Redemption Fund, on any Interest Payment Date, at the redemption prices set forth below (expressed as a percentage of the principal amount of the Bonds to be redeemed), plus accrued interest to the date of redemption:

<u>Redemption Date</u>	<u>Redemption Price</u>
September 2, 20__, through March 2, 20__	103%
September 2, 20__, and March 2, 20__	102
September 2, 20__, and March 2, 20__	101
September 2, 20__, any Interest Payment Date thereafter	100

The Term Bonds are subject to mandatory redemption in part by lot from sinking payments made by the City at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest to the redemption date, without premium, in the aggregate respective principal amounts and on the dates as set forth in the following schedule; provided, however, if some but not all of the Term Bonds have been redeemed through optional redemption or extraordinary redemption from prepayments, the total amount of all future sinking payments shall be reduced by the aggregate principal amount of Term Bonds of such maturity so redeemed, to be allocated among such sinking payments on a pro-rata basis integral multiples of \$5,000 as determined by the Fiscal Agent, notice of which shall be given by the Fiscal Agent to the City.

The Term Bond maturing on September 2, 20__, is subject to mandatory sinking payment redemption as follows:

Sinking Payment	Principal Amount
Redemption Date	<u>To Be Redeemed</u>
<u>(September 2)</u>	
20__	\$
20__ (maturity)	

Any Bonds called for redemption under the Fiscal Agent Agreement may be redeemed and paid in advance of maturity by giving at least 30 days' notice to the Owners thereof.

The Bonds are subject to refunding under the procedures of Division 11 (commencing with Section 9000) or Division 11.5 (commencing with Section 9500) of the Streets and Highways Code subject to the conditions set forth in the Fiscal Agent Agreement.

This Bond is a Limited Obligation Improvement Bond because, under the Resolution of Issuance and the Fiscal Agent Agreement, the City is not obligated to advance funds from the City treasury to cover any deficiency which may occur in the redemption fund for the bonds.

IN WITNESS WHEREOF, the City of Belvedere has caused the Bond to be dated the Dated Date set forth above, to be signed in facsimile by its City Manager and by its City Clerk.

CITY OF BELVEDERE

By _____
City Manager

By _____
City Clerk

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This is one of the bonds described in the within mentioned Fiscal Agent Agreement, which has been authenticated and registered on _____, 2016.

U.S. BANK NATIONAL ASSOCIATION,
as Fiscal Agent

By _____
Authorized Signatory

ASSIGNMENT

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

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

the within Bond and do(es) hereby irrevocably constitute and appoint _____, attorney, to transfer the same on the registration books of the Agent, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

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

NOTICE: 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.