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INDENTURE

by and between the

CITY OF SACRAMENTO

and

THE BANK OF NEW YORK TRUST COMPANY, N.A.,

as Trustee

Relating to the

\$ \_\_\_\_\_

CITY OF SACRAMENTO COLLEGE SQUARE  
COMMUNITY FACILITIES DISTRICT NO. 2005-01,  
2007 SPECIAL TAX BONDS

Dated as of August 1, 2007

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## INDENTURE

This Indenture (the "Indenture"), dated as of August 1, 2007, by and between the City of Sacramento, a municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "City"), and The Bank of New York Trust Company, N.A., a banking corporation duly organized and existing under and by virtue of the laws of the United States and authorized to accept and execute trusts of the character herein set forth, as trustee (the "Trustee");

### WITNESSETH:

WHEREAS, at an election held in the City of Sacramento College Square Community Facilities District No. 2005-01 (the "Community Facilities District") on July 19, 2005, the qualified electors therein duly authorized the issuance of thirteen million dollars (\$13,000,000) principal amount of special tax bonds under the Mello-Roos Community Facilities Act of 1982, as amended, and all laws amendatory thereof or supplemental thereto (the "Act"), for the purpose of financing the acquisition and construction of certain public facilities and the payment of certain governmental development impact fees; and

WHEREAS, at such election the qualified electors in the Community Facilities District additionally authorized the levy and collection of a special tax under the Act to be used for the purpose of paying the interest on and principal of and redemption premiums, if any, on the bonds; and

WHEREAS, the City has determined to issue only \_\_\_\_\_ dollars (\$\_\_\_\_\_) principal amount of such authorized bonds (the "Bonds"), and has determined that all things necessary to cause the Bonds, when duly executed by the City and authenticated and delivered by the Trustee as provided herein, to be legal and valid special tax obligations of the City enforceable in accordance with their terms, and to constitute the Indenture a valid agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery hereof and the execution and delivery of the Bonds, subject to the terms hereof, have in all respects been duly authorized;

NOW, THEREFORE, THE INDENTURE WITNESSETH, that in order to secure the payment of the interest on and principal of and redemption premiums, if any, on all Bonds at any time issued and outstanding hereunder according to their tenor, and to secure the observance and performance of all the agreements, conditions, covenants and terms therein and herein set forth, and to declare the conditions and terms upon and subject to which the Bonds shall be issued and received, and in consideration of the premises and of the mutual agreements and covenants contained herein and of the purchase and acceptance of the Bonds by the respective registered owners thereof from time to time, and for other valuable considerations, the receipt whereof is hereby acknowledged, the City does hereby agree and covenant with the Trustee, for the benefit of the respective registered owners from time to time of the Bonds, as follows:

## ARTICLE I

### DEFINITIONS; EQUAL SECURITY

SECTION 1.01. Definitions. Unless the context otherwise requires, all terms defined in this section shall for all purposes hereof and of any Supplemental Indenture and of the Bonds and of any certificate, opinion, report, request or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein:

#### Accountant's Report

“Accountant's Report” means a report signed by an Independent Certified Public Accountant.

#### Acquisition and Construction Fund

“Acquisition and Construction Fund” means the City of Sacramento College Square Community Facilities District No. 2005-01, 2007 Special Tax Bonds Acquisition and Construction Fund established pursuant to Section 2.10 (to be maintained by the City Treasurer).

#### Act

“Act” means the Mello-Roos Community Facilities Act of 1982, as amended (being Sections 53311 et seq. of the Government Code of the State of California), and all laws amendatory thereof or supplemental thereto.

#### Bond Redemption Fund

“Bond Redemption Fund” means the City of Sacramento College Square Community Facilities District No. 2005-01, 2007 Special Tax Bonds Bond Redemption Fund established pursuant to Section 4.02 (to be maintained by the Trustee).

#### Bond Reserve Fund

“Bond Reserve Fund” means the City of Sacramento College Square Community Facilities District No. 2005-01, 2007 Special Tax Bonds Bond Reserve Fund established pursuant to Section 4.02 (to be maintained by the Trustee).

#### Bond Year

“Bond Year” means the twelve-month period terminating on September 1 of each year; provided, that the first Bond Year shall commence on the date of the execution, authentication and initial delivery of the Bonds.

### Bonds, Serial Bonds, Term Bonds

“Bonds” means the aggregate principal amount of special tax bonds of the City at any time Outstanding hereunder that are executed, authenticated and delivered in accordance with the provisions hereof. “Serial Bonds” means the Bonds for which no Sinking Fund Account Payments are established, being the Bonds maturing during the period beginning on September 1, 2008, and ending on September 1, 20\_\_, both dates inclusive. “Term Bonds” means the Bonds which are redeemable or payable on or before their maturity date from Sinking Fund Account Payments established for the purpose of redeeming or paying such Bonds on or before their maturity date, being the Bonds maturing on September 1, 20\_\_ and September 1, 20\_\_.

### Business Day

“Business Day” means any day (other than a Saturday or a Sunday) on which the Trustee is open for corporate trust business at its Principal Corporate Trust Office.

### Certificate of the City

“Certificate of the City” means an instrument in writing signed by the City Manager or the City Treasurer, or by any other officer of the City duly authorized by the City Council for that purpose, with the seal of the City affixed.

### City

“City” means the City of Sacramento, a municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California.

### City Council

“City Council” means the City Council of the City.

### City Clerk

“City Clerk” means the City Clerk of the City.

### City Manager

“City Manager” means the City Manager of the City.

### City Treasurer

“City Treasurer” means the City Treasurer of the City.

### Code

“Code” means the Internal Revenue Code of 1986 and all regulations of the United States Department of the Treasury issued thereunder from time to time to the extent that such regulations are, at the time, applicable and in effect, and in this regard reference to any

particular section of the Code shall include reference to any successor to such section of the Code.

### Community Facilities District

“Community Facilities District” means the City of Sacramento College Square Community Facilities District No. 2005-01, a community facilities district duly organized and existing in the City under and by virtue of the Act.

### Community Facilities Fund

“Community Facilities Fund” means the City of Sacramento College Square Community Facilities District No. 2005-01, 2007 Special Tax Bonds Community Facilities Fund established pursuant to Section 4.02 (to be maintained by the City Treasurer).

### Costs of Issuance

“Costs of Issuance” means all costs and expenses payable by or reimbursable to the City that are related to the authorization, sale, execution, authentication and initial delivery of the Bonds, including, but not limited to, costs of preparation and reproduction of documents, rating agency fees (if any), filing fees, fees and charges of the Trustee (including fees and expenses of its counsel), legal fees and charges and fees and charges of other consultants and professionals, together with all costs for the preparation of the Bonds, and any other cost or expense in connection with the authorization, sale, execution, authentication or initial delivery of the Bonds.

### Costs of Issuance Account

“Costs of Issuance Account” means the account in the Acquisition and Construction Fund referred to by that name established pursuant to Section 2.11 (to be maintained by the City Treasurer).

### Debt Service

“Debt Service” means, for any Bond Year, the sum of (1) the interest payable during such Bond Year on all Outstanding Bonds, assuming that all Outstanding Serial Bonds are retired as scheduled and that all Outstanding Term Bonds are redeemed or paid as scheduled, plus (2) the principal amount of all Outstanding Serial Bonds maturing by their terms in such Bond Year, plus (3) the Sinking Fund Account Payment required to be deposited in the Sinking Fund Account in such Bond Year.

### Developers

“Developers” means College Marketplace LLC, a California limited liability company, or its successors or assigns, and Granite Bay Holdings, LLC, a California limited liability company, or its successors or assigns.

### Event of Default

“Event of Default” means an event described as such in Section 8.01.

### Expense Fund

“Expense Fund” means the City of Sacramento College Square Community Facilities District No. 2005-01, 2007 Special Tax Bonds Expense Fund established pursuant to Section 4.02 (to be maintained by the City Treasurer).

### Expenses

“Expenses” means all costs associated with the determination of the amount of the Special Tax, the collection of the Special Tax and the payment of the Special Tax, together with all other costs incurred in order to carry out the authorized purposes of the Community Facilities District, and any other expenses incidental to the acquisition, construction, completion and inspection of the Facilities; all as determined in accordance with Generally Accepted Accounting Principles.

### Facilities

“Facilities” means those certain public improvements described in Exhibit B to the Resolution of Formation to the extent they will be owned and operated by the City.

### Federal Securities

“Federal Securities” means any of the following which at the time of investment are legal investments under the laws of the State of California for the funds proposed to be invested therein: (a) direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), the payment of principal of and interest on which are unconditionally and fully guaranteed by the United States of America; and (b) any obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

### Fees

“Fees” means the development impact fees described in Exhibit C to the Resolution of Formation to the extent the fees are to be paid to the City.

### Fiscal Year

“Fiscal Year” means the twelve-month period terminating on June 30 of each year, or any other annual accounting period hereafter selected and designated by the City as its Fiscal Year in accordance with applicable law.

## Fitch

“Fitch” means Fitch, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors or assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Fitch” shall be deemed to refer to any other nationally recognized municipal securities rating agency selected by the City.

## Generally Accepted Accounting Principles

“Generally Accepted Accounting Principles” means the uniform accounting and reporting procedures set forth in publications of the American Institute of Certified Public Accountants or its successor, or by any other generally accepted authority on such procedures, and includes, as applicable, the standards set forth by the Governmental Accounting Standards Board or its successor.

## Government Securities

“Government Securities” means any of the following securities: United States Treasury Obligations – State and Local Government Series (SLGS) and United States Treasury bills, notes and bonds.

## Holder

“Holder” means any person who shall be the registered owner of any Outstanding Bond, as shown on the registration books maintained by the Trustee pursuant to Section 2.06.

## Indenture

“Indenture” means this Indenture dated as of August 1, 2007, by and between the City and the Trustee entered into under and pursuant to the Act, as originally executed and delivered and as it may from time to time be amended or supplemented by any Supplemental Indenture executed and delivered as provided herein.

## Independent Certified Public Accountant

“Independent Certified Public Accountant” means any certified public accountant or firm of such accountants duly licensed and entitled to practice and practicing as such under the laws of the State of California, appointed and paid by the City, and who, or each of whom --

- (1) is in fact independent and not under the domination of the City;
- (2) does not have a substantial financial interest, direct or indirect, in the operations of the City; and
- (3) is not connected with the City as an officer or employee of the City, but who may be regularly retained to audit the accounting records of and make reports thereon to the City.

### Independent Special Tax Consultant

“Independent Special Tax Consultant” means any person or firm of such persons who is knowledgeable in the preparation of a rate and method of apportionment and manner of collection of a special tax in and for community facilities districts and is knowledgeable in bond financings under the Act, appointed and paid by the City, and who, or each of whom --

- (1) is in fact independent and not under the domination of the City;
- (2) does not have a substantial financial interest, direct or indirect, in the operations of the City; and
- (3) is not connected with the City as an officer or employee of the City, but who may be regularly retained as special tax consultant to the City.

### Legal Investments

“Legal Investments” means any securities in which funds of the City may be legally invested in accordance with the applicable law in effect at the time of such investment and in accordance with the then current investment policy of the City (as established by the City Council).

### Maximum Annual Debt Service

“Maximum Annual Debt Service” means, as of any date of calculation, the largest Debt Service in any Bond Year during the period from the date of such calculation through the final maturity date of any Outstanding Bonds.

### Mayor

“Mayor” means the Mayor of the City.

### Moody’s

“Moody’s” means Moody’s Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors or assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Moody’s” shall be deemed to refer to any other nationally recognized municipal securities rating agency selected by the City.

### Opinion of Counsel

“Opinion of Counsel” means a written opinion of counsel (including, without limitation, counsel for the City) retained by the City.

### Outstanding

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 7.02) all Bonds except --

- (1) Bonds cancelled and destroyed by the Trustee or delivered to the Trustee for cancellation and destruction;
- (2) Bonds paid or deemed to have been paid within the meaning of Section 9.01; and
- (3) Bonds in lieu of or in substitution for which other Bonds shall have been executed by the City and authenticated and delivered by the Trustee pursuant to Section 2.07.

#### Principal Corporate Trust Office

“Principal Corporate Trust Office” means the principal office of the Trustee in San Francisco, California, at which at any particular time its corporate trust business is being administered, except that with respect to presentation of Bonds for registration, payment, redemption, transfer or exchange, such term shall mean such other office designated by the Trustee from time to time as its Principal Corporate Trust Office.

#### Rebate Fund

“Rebate Fund” means the City of Sacramento College Square Community Facilities District No. 2005-01, 2007 Special Tax Bonds Rebate Fund established pursuant to Section 5.03 (to be maintained by the City Treasurer).

#### Required Bond Reserve

“Required Bond Reserve” means, as of any date of calculation, the least of (a) ten per cent (10%) of the initial principal amount of the Bonds, or (b) the maximum Debt Service payable hereunder in the current or in any future Bond Year, or (c) one hundred twenty-five per cent (125%) of the average annual Debt Service payable hereunder in the current and in all future Bond Years, all as determined by the City under the Code and specified in writing to the Trustee.

#### Resolution of Formation

“Resolution of Formation” means the City Council’s Resolution No. 2005-483 adopted on June 21, 2005 establishing the Community Facilities District.

#### Sinking Fund Account

“Sinking Fund Account” means the account in the Bond Redemption Fund referred to by that name established pursuant to Section 4.02.

#### Sinking Fund Account Payments

“Sinking Fund Account Payments” means the payments required hereunder to be deposited in the Sinking Fund Account for the payment of the Term Bonds.

### Special Tax

“Special Tax” means the special tax described in the Resolution of Formation.

### Special Tax Formula

“Special Tax Formula” means the Rate and Method of Apportionment of Special Tax set forth in Exhibit D to the Resolution of Formation.

### Special Tax Fund

“Special Tax Fund” means the City of Sacramento College Square Community Facilities District No. 2005-01, 2007 Special Tax Bonds Special Tax Fund established pursuant to Section 4.01 (to be maintained by the City Treasurer).

### Standard & Poor’s

“Standard & Poor’s” means Standard & Poor’s Ratings Services, a division of The McGraw Hill-Companies, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors or assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Standard & Poor’s” shall be deemed to refer to any other nationally recognized municipal securities rating agency selected by the City.

### Supplemental Indenture

“Supplemental Indenture” means any indenture then in full force and effect that has been made and entered into by the City and the Trustee, amendatory of or supplemental hereto; but only to the extent that such Supplemental Indenture is specifically authorized hereunder.

### Taxable Land

“Taxable Land” means all land within the Community Facilities District taxable under the Act and under the Special Tax Formula.

### Tax Certificate

“Tax Certificate” mean the certificate delivered upon the issuance of the Bonds relating to Section 148 of the Code, or any functionally similar replacement certificate.

### Trustee

“Trustee” means The Bank of New York Trust Company, N.A., a banking corporation duly organized and existing under and by virtue of the laws of the United States and authorized to accept and execute trusts of the character herein set forth, at its Principal Corporate Trust Office, and its successors or assigns, or any other bank or trust company having a corporate

trust office in Los Angeles or in San Francisco, California which may at any time be substituted in its place as provided in Section 6.01.

### Written Request of the City

“Written Request of the City” means an instrument in writing signed by the City Manager or the City Treasurer, or by any other officer of the City duly authorized by the City Council for that purpose.

SECTION 1.02. Equal Security. In consideration of the acceptance of the Bonds by the Holders thereof, the Indenture shall be deemed to be and shall constitute a contract between the City and the Holders from time to time to secure the full and final payment of the interest on and principal of and redemption premiums, if any, on all Bonds which may from time to time be authorized, sold, executed, authenticated and delivered hereunder, subject to the agreements, conditions, covenants and terms contained herein; and all agreements, conditions, covenants and terms contained herein required to be observed or performed by or on behalf of the City shall be for the equal and proportionate benefit, security and protection of all Holders without distinction, preference or priority as to security or otherwise of any Bonds over any other Bonds by reason of the number thereof or the time of execution, authentication or delivery thereof or otherwise for any cause whatsoever, except as expressly provided herein or therein.

## ARTICLE II

### ISSUANCE OF BONDS

SECTION 2.01. Authorization and Purpose of Bonds. The City Council has reviewed all proceedings heretofore taken relative to the authorization of the Bonds and has found, as a result of such review, and hereby finds and determines that all acts, conditions and things required by law to exist, happen and be performed precedent to and in the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by the Act, and the City is now authorized, pursuant to each and every requirement of the Act and hereof, to issue the Bonds pursuant to the Act and pursuant hereto for the purpose of financing the acquisition and construction of the Facilities, including costs incidental to or connected with such acquisition and construction, and the payment of the Fees, and to pay the Costs of Issuance, which Bonds shall be entitled to the benefit, protection and security of the Act and hereof. The Bonds shall be designated the “City of Sacramento College Square Community Facilities District No. 2005-01, 2007 Special Tax Bonds.”

From and after the issuance of the Bonds, the findings and determinations of the City Council respecting the Bonds shall be conclusive evidence of the existence of the facts so found and determined in any action or proceeding in any court in which the validity of any Bonds is at issue, and no bona fide purchaser of any Bonds shall be required to see to the existence of any fact or to the performance of any condition or to the taking of any proceeding required prior to such issuance or to the application of the purchase price paid for such Bonds, and the validity of the issuance of any Bonds shall not be dependent on or affected in any way by any proceedings taken by the City for the acquisition and construction of any Facilities, or any



both days inclusive, in which event it shall bear interest from such interest payment date, or unless it is authenticated on a day on or before the fifteenth (15<sup>th</sup>) day of the month next preceding the first interest payment date on the Bonds, in which event it shall bear interest from its date; provided, that if at the time of authentication of any Bond interest is then in default on any Outstanding Bonds, such Bond shall bear interest from the interest payment date to which interest has previously been paid or made available for payment of interest on such Outstanding Bonds. Payment of interest on the Bonds due on or before the maturity or prior redemption thereof shall be made only to the person whose name appears in the registration books required to be kept by the Trustee pursuant to Section 2.06 as the registered owner thereof at the close of business on the fifteenth (15<sup>th</sup>) day of the month next preceding each interest payment date, such interest to be paid by check mailed by first class mail to such registered owner at his address as it appears on such books (except that in the case of a Holder of one million dollars (\$1,000,000) or more in aggregate principal amount of Bonds, payment shall be made at such Holder's option by federal wire transfer of immediately available funds according to written instructions provided by such Holder to the Trustee prior to the fifteenth (15<sup>th</sup>) day of the month next preceding such interest payment date to an account in a state or national bank that is a member of the Federal Reserve System and that is located in the United States of America). Payment of the principal of and redemption premiums, if any, on the Bonds shall be made only to the person whose name appears in the registration books required to be kept by the Trustee pursuant to Section 2.06 as the registered owner thereof, such principal and redemption premiums, if any, to be paid only on the surrender of the Bonds at the Principal Corporate Trust Office of the Trustee at maturity or on redemption prior to maturity.

Sinking Fund Account Payments are hereby established for the mandatory redemption and payment of the Term Bonds, which payments shall become due during the years ending on the dates and in the amounts as set forth in the following schedule (except that if any of the Term Bonds shall have been optionally redeemed pursuant to Section 2.03, the amounts of the Sinking Fund Account Payments shall be reduced proportionately by the principal amount of all such Term Bonds so optionally redeemed), namely:

<u>Year Ending</u> <u>September 1</u>	<u>Sinking Fund</u> <u>Account Payment</u>
20__	\$ _____
20__	_____
20__	_____
20__	_____
20__	_____
20__ (maturity)	_____

<u>Year Ending</u> <u>September 1</u>	<u>Sinking Fund</u> <u>Account Payment</u>
20__	\$_____
20__	_____
20__	_____
20__	_____
20__	_____
20__ (maturity)	_____

All such Sinking Fund Account Payments shall be deposited in the Sinking Fund Account, and all money in the Sinking Fund Account may be used and withdrawn by the Trustee (upon receipt of a Written Request of the City) at any time for the purchase of the Term Bonds at public or private sale as and when and at such prices (including brokerage and other charges) as the City may in its discretion determine, but not to exceed the principal amount of such Term Bonds. All money in the Sinking Fund Account on September 1 of each year during the period beginning on September 1, 20\_\_, and ending on September 1, 20\_\_, both days inclusive, shall be used and withdrawn by the Trustee on such September 1 for the mandatory redemption or payment of the Term Bonds; and the City hereby agrees and covenants with the Holders of the Bonds to call and redeem in accordance with Article III or to pay the Term Bonds pursuant to this paragraph whenever on September 1 of any year, beginning on September 1, 20\_\_, there is money in the Sinking Fund Account available for such purpose.

SECTION 2.03. [Redemption Prices of Bonds.](#)

(a) The Term Bonds are subject to mandatory redemption by the City prior to their maturity date in part on September 1 in each of the years 20\_\_ through 20\_\_, both years inclusive, solely from Sinking Fund Account Payments deposited in the Sinking Fund Account, upon mailed notice as provided herein, at a redemption price equal to one hundred per cent (100%) of the principal amount thereof called for redemption, together with accrued interest thereon to the date of redemption, without a redemption premium.

The Bonds maturing on or after September 1, 20\_\_, are subject to optional redemption by the City prior to their respective stated maturity dates, as a whole or in part on any interest payment date on or after September 1, 20\_\_, from any source of available funds other than Sinking Fund Account Payments, upon mailed notice as provided herein, at the following redemption prices (expressed as a percentage of the principal amount of Bonds or portions thereof called for redemption), together with accrued interest thereon to the date of redemption:

<u>Redemption Date</u>	<u>Redemption Price</u>
September 1, 20__, or March 1, 20__	____%
September 1, 20__, or March 1, 20__	____
September 1, 20__, or thereafter	____

(b) The Bonds are subject to extraordinary redemption by the City prior to September 1, 20\_\_, as a whole or in part on any interest payment date, solely from prepayments of the Special Tax, upon mailed notice as provided herein, at a redemption price equal to one hundred three per cent (103%) of the principal amount thereof called for redemption, together with accrued interest thereon to the date of redemption. After that date the Bonds are subject to optional redemption from prepayments of the Special Tax.

SECTION 2.04. Form of Bonds. The Bonds and the certificate of authentication, the assignment and the DTC endorsement to appear thereon shall be substantially in the following forms, respectively:

[FORM OF BOND]

No. \_\_\_\_\_

\$ \_\_\_\_\_

UNITED STATES OF AMERICA  
STATE OF CALIFORNIA  
COUNTY OF SACRAMENTO

CITY OF SACRAMENTO  
COLLEGE SQUARE  
COMMUNITY FACILITIES DISTRICT NO. 2005-01,  
2007 SPECIAL TAX BOND

<u>Interest</u> <u>Rate</u>	<u>Maturity</u> <u>Date</u>	<u>Dated</u> <u>Date</u>	<u>CUSIP</u>
_____ %	September 1, _____	August __, 2007	_____

REGISTERED OWNER: Cede & Co.

PRINCIPAL AMOUNT: \_\_\_\_\_ DOLLARS

The City of Sacramento, a municipal corporation duly organized and existing under and pursuant to the Constitution and laws of the State of California (the "City"), by and through its College Square Community Facilities District No. 2005-01, for value received hereby promises to pay (but only out of the proceeds of the Special Tax hereinafter referred to and certain other funds hereinafter referred to) to the registered owner set forth above on the maturity date set forth above (subject to any right of prior redemption hereinafter provided for) the principal amount set forth above, together with interest thereon from the interest payment date next preceding the date of authentication of this Bond (unless this Bond is authenticated on a day during the period from the sixteenth (16th) day of the month next preceding an interest payment date to such interest payment date, both days inclusive, in which event it shall bear interest from such interest payment date, or unless this Bond is authenticated on a day on or before the fifteenth (15th) day of the month next preceding the first interest payment date on the Bonds, in which event it shall bear interest from its date) until the principal hereof shall have been paid, at the interest rate per annum set forth above (computed on a 360-day year of twelve (12) thirty (30)-day calendar months), payable on March 1, 2008, and semiannually thereafter on September 1 and March 1 in each year. The interest on and principal of and redemption premium, if any, on this Bond are payable in lawful money of the United States of America at the principal office of The Bank of New York Trust Company, N.A. (the "Trustee"), in San Francisco, California. The interest on this Bond due on or before the maturity or prior redemption hereof shall be payable only to the person whose name appears in the registration books required to be kept by the Trustee as the registered owner hereof at the close of business on the fifteenth (15th) day of the month next preceding each interest payment date, such interest to be paid by check mailed by

first class mail to such registered owner at his address as it appears on such books, except that in the case of a registered owner of one million dollars (\$1,000,000) or more in aggregate principal amount of Bonds, payment shall be made at such owner's option by federal wire transfer of immediately available funds according to written instructions provided by such owner to the Trustee prior to the fifteenth (15th) day of the month next preceding such interest payment date to an account in a state or national bank that is a member of the Federal Reserve System and that is located in the United States of America. The principal of and redemption premium, if any, on this Bond shall be payable only to the person whose name appears in such registration books as the registered owner hereof, such principal and redemption premium, if any, to be paid only on the surrender of this Bond at the office of the Trustee at maturity or on redemption prior to maturity.

This bond is one of a duly authorized issue of bonds in the aggregate principal amount of \_\_\_\_\_ dollars (\$\_\_\_\_\_) issued by the City Council of the City for the City of Sacramento College Square Community Facilities District No. 2005-01 (the "Community Facilities District") located in the City, designated the "City of Sacramento College Square Community Facilities District No. 2005-01, 2007 Special Tax Bonds" (the "Bonds"), under and pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (being Sections 53311 et seq. of the Government Code of the State of California), and all laws amendatory thereof or supplemental thereto (the "Act"), and under and pursuant to an Indenture (the "Indenture") dated as of August 1, 2007, by and between the City and the Trustee, all of like tenor and date (except for such variations, if any, as may be required to designate varying numbers, denominations, maturities, interest rates or redemption provisions). All the Bonds are equally and ratably secured in accordance with the Act and the terms and conditions of the Indenture (copies of which are on file at the office of the City Clerk and at the above-mentioned office of the Trustee), and reference is hereby made to the Act and to the Indenture and any and all amendments thereof and supplements thereto for a description of the terms on which the Bonds are issued and for the rights of the registered owners of the Bonds; and all the terms of the Act and the Indenture are hereby incorporated herein and constitute a contract between the City and the registered owner from time to time of this Bond, to all the provisions of which the registered owner of this Bond, by his acceptance hereof, agrees and consents; and each taker and subsequent registered owner hereof shall have recourse to all the provisions of the Act and the Indenture and shall be bound by all the conditions and terms thereof.

The Bonds are issued to provide money to finance the acquisition and construction of certain public improvements to help mitigate the impacts on public infrastructure systems of the development expected to take place within the Community Facilities District. These include road improvements, water distribution lines, drainage facilities, storm water treatment facilities, sewer lines and public dry utilities, all with necessary appurtenances. The Bonds will also provide money to pay certain City fees levied within the Community Facilities District. The Bonds are issued in accordance with the Indenture, and are special tax obligations of the City. The interest on and principal of and redemption premiums, if any, on the Bonds are payable solely from the proceeds of the Special Tax (as that term is defined in the Indenture, and herein the "Special Tax") and certain other funds as provided in the Indenture for such payment, and the City is not obligated to pay the Bonds except from the proceeds of the Special Tax and such other funds.

**The General Fund of the City is not liable and the full faith and credit of the City is not pledged for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds, and no tax or assessment other than the Special Tax shall ever be levied or collected to pay the interest on or principal of or redemption premiums, if any, on the Bonds. The Bonds are not secured by a legal or equitable pledge of or charge, lien or encumbrance upon any property of the City or any of its income or receipts except the money in the Special Tax Fund established under the Indenture and other funds established under the Indenture, and neither the payment of the interest on or principal of or redemption premiums, if any, on the Bonds is a general debt, liability or obligation of the City.**

The Bonds maturing by their terms on September 1, 20\_\_, are subject to mandatory redemption by the City prior to their maturity date in part on September 1 in each of the years 20\_\_ through 20\_\_, both years inclusive, solely from Sinking Fund Account Payments deposited in the Sinking Fund Account (as those terms are defined in and as provided in the Indenture), upon mailed notice as described herein, at a redemption price equal to one hundred per cent (100%) of the principal amount thereof called for redemption, together with accrued interest thereon to the date of redemption.

The Bonds maturing by their terms on September 1, 20\_\_, are subject to mandatory redemption by the City prior to their maturity date in part on September 1 in each of the years 20\_\_ through 20\_\_, both years inclusive, solely from Sinking Fund Account Payments deposited in the Sinking Fund Account (as those terms are defined in and as provided in the Indenture), upon mailed notice as described herein, at a redemption price equal to one hundred per cent (100%) of the principal amount thereof called for redemption, together with accrued interest thereon to the date of redemption.

The Bonds maturing on or after September 1, 20\_\_, are subject to optional redemption by the City prior to their respective stated maturity dates, as a whole or in part on any interest payment date on or after September 1, 20\_\_, from any source of available funds other than Sinking Fund Account Payments, upon mailed notice as provided herein, at the following redemption prices (expressed as a percentage of the principal amount of Bonds or portions thereof called for redemption), together with accrued interest thereon to the date of redemption:

<u>Redemption Date</u>	<u>Redemption Price</u>
September 1, 20__, or March 1, 20__	___%
September 1, 20__, or March 1, 20__	___
September 1, 20__, or thereafter	___

(a) The Bonds are subject to extraordinary redemption by the City prior to September 1, 20\_\_, as a whole or in part on any interest payment date, solely from prepayments of the Special Tax, upon mailed notice as provided herein, at a redemption price equal to one hundred three per cent (103%) of the principal amount thereof called for redemption, together with accrued interest thereon to the date of redemption. After that date the Bonds are subject to optional redemption from prepayments of the Special Tax.

If less than all the outstanding Bonds are to be redeemed at any one time, the City shall select the maturity date or dates of the Bonds to be redeemed, and if less than all the outstanding Bonds of any one maturity date are to be redeemed at any one time, the Trustee shall select the Bonds or portions thereof of such maturity date to be redeemed in integral multiples of five thousand dollars (\$5,000) in any manner that it deems appropriate and fair; provided, that any such partial redemption shall result in Debt Service (as that term is defined in the Indenture and herein "Debt Service") on the Bonds in each Bond Year (as that term is defined in the Indenture, and herein a "Bond Year") after the redemption that is proportional to the then existing Debt Service in the corresponding Bond Year prior to such redemption unless the Trustee shall have first received a report of an Independent Special Tax Consultant (as that term is defined in the Indenture) prepared at the expense of the requesting party to the effect that the proceeds of the Special Tax that would be available to the City if the Special Tax were to be levied and collected at its maximum rate and amount on all Taxable Land (as that term is defined in the Indenture, and herein the "Taxable Land") in the Community Facilities District, based upon the Special Tax Formula (as that term is defined in the Indenture) as applied on the date of the proposed partial redemption, would be equal to at least one hundred ten per cent (110%) of the Maximum Annual Debt Service (as that term is defined in the Indenture) on the Bonds in each Bond Year after giving effect to the partial redemption.

Notice of redemption of any Bond or any portion thereof shall be mailed by first class mail not less than thirty (30) days nor more than ninety (90) days before the redemption date to the registered owner thereof and to all securities information services selected by the City in accordance with the Indenture and to the original purchaser or underwriter of the Bonds, but neither failure to receive any such mailed notice nor any immaterial default contained therein shall affect the sufficiency or validity of any such notice of redemption. If a notice of redemption has been duly given as aforesaid, then this Bond or the portion thereof to be redeemed shall, on the redemption date designated in such notice, become due and payable at the above-described redemption price; and from and after the date so designated interest on this Bond or the portion thereof to be redeemed shall cease to accrue and the registered owner of this Bond shall have no rights in respect hereof except to receive payment of the redemption price of this Bond or the portion thereof to be redeemed, and upon surrender of this Bond if redeemed in part only, the City shall execute and the Trustee shall authenticate and deliver to the registered owner hereof at the expense of the City a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of this Bond so surrendered.

The City has covenanted that, so long as any Bonds are outstanding, it will annually levy the Special Tax against all Taxable Land in the Community Facilities District and make provision for the collection of the Special Tax in amounts which will be sufficient, after making reasonable allowances for contingencies and errors in the estimates, to yield proceeds equal to the amounts required for compliance with all agreements, conditions, covenants and

terms contained in the Indenture, and which in any event will be sufficient to pay the interest on and principal of and Sinking Fund Account Payments for and redemption premiums, if any, on the Bonds as they become due and payable and to replenish the Bond Reserve Fund established under the Indenture and to pay all Expenses (as that term is defined in the Indenture) as they become due and payable in accordance with the provisions and terms of the Indenture.

The Bonds are issuable in the form of fully registered Bonds in the denomination of five thousand dollars (\$5,000) or any integral multiple thereof (except that no Bond shall have principal maturing on more than one maturity date). The registered owner of any Bond or Bonds may surrender the same (together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney) in exchange for an equal aggregate principal amount of Bonds of the same maturity date of any other authorized denominations in the manner, subject to the conditions and upon payment of the charges provided in the Indenture.

The registration of this Bond is transferable on the registration books kept by the Trustee by the registered owner hereof or by his duly authorized attorney upon surrender of this Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney, and thereupon a new Bond or Bonds of the same maturity date of authorized denominations in the same aggregate principal amount will be issued to the transferee in exchange therefor in the manner, subject to the conditions and upon payment of the charges provided in the Indenture. The City and the Trustee may deem and treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the interest hereon and principal hereof and redemption premium, if any, hereon and for all other purposes.

The Indenture and the rights and obligations of the City and of the registered owners of the Bonds may be amended or supplemented at any time in the manner, to the extent and upon the terms provided in the Indenture; provided, that no such amendment or supplement shall (1) extend the maturity of or reduce the interest rate on or otherwise alter or impair the obligation of the City to pay the interest on or the principal of or any Sinking Fund Account Payment for or the redemption premium, if any, on this Bond at the time and place and at the rate and in the currency and from the funds provided herein without the express written consent of the registered owner of this Bond, or (2) permit the issuance by the City of any obligations payable from the proceeds of the Special Tax other than the Bonds as provided in the Indenture, or jeopardize the ability of the City to levy and collect the Special Tax, or (3) reduce the percentage of the Bonds required for the written consent to any such amendment or supplement, or (4) modify any rights or obligations of the Trustee without its prior written assent thereto; all as more fully set forth in the Indenture.

The Bonds do not constitute an indebtedness of the City within the meaning of any constitutional or statutory debt limitation or restriction, and neither the members of the City Council of the City nor any officer or employee of the City shall be liable for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds other than from the proceeds of the Special Tax and the other funds provided in the Indenture.

This Bond shall not be entitled to any benefits under the Indenture or become valid or obligatory for any purpose until the certificate of authentication hereon endorsed shall have been signed by the Trustee.

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

IN WITNESS WHEREOF, the City of Sacramento, by and through its College Square Community Facilities District No. 2005-01, has caused this Bond to be executed on its behalf by the signature of the Mayor of the City and countersigned by the signature of the City Clerk, and has caused its seal to be impressed hereon, and has caused this Bond to be dated August \_\_, 2007.

CITY OF SACRAMENTO

By \_\_\_\_\_  
Mayor

(Seal)

Countersigned:

\_\_\_\_\_  
City Clerk

[FORM OF CERTIFICATE OF AUTHENTICATION  
TO APPEAR ON BONDS]

This is one of the Bonds described in the within-mentioned Indenture which has been authenticated and registered on the date indicated below.

Date: \_\_\_\_\_

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

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

[FORM OF ASSIGNMENT TO APPEAR ON BONDS]

For value received the undersigned do(es) hereby sell, assign and transfer unto \_\_\_\_\_ the within Bond and do(es) hereby irrevocably constitute and appoint \_\_\_\_\_ attorney to transfer the same on the bond register of the Trustee, with full power of substitution in the premises.

\_\_\_\_\_

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

SIGNATURE GUARANTEED BY:

\_\_\_\_\_

Note: The signature(s) to 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, and the signature(s) must be guaranteed by an eligible guarantor institution.

Social Security Number, Taxpayer Identification Number or other identifying number of Assignee: \_\_\_\_\_

[FORM OF DTC ENDORSEMENT TO APPEAR ON BONDS]

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

SECTION 2.05. [Execution of Bonds](#). The Bonds shall be signed on behalf of the City by the manual or a facsimile signature of the Mayor and countersigned by the manual or a facsimile signature of the City Clerk, and the seal of the City shall be impressed thereon or imprinted thereon by facsimile reproduction. In case any officer of the City who shall have signed any of the Bonds shall cease to be such officer before the Bonds so signed shall have been delivered to the purchaser by the Trustee, such Bonds may nevertheless be delivered and issued and, upon such delivery and issuance, shall be as binding upon the City as though the officer who signed the same had continued to be such officer until such delivery and issuance. Also, any Bond may be signed on behalf of the City by any officer of the City who on the actual date of the execution of such Bond shall be the proper officer of the City, although on the nominal date of such Bond such person shall not have been such officer of the City. Only those Bonds that bear thereon a certificate of authentication executed by the Trustee shall be entitled to any benefit, protection or security hereunder or be valid or obligatory for any purpose, and such certificate of authentication of the Trustee shall be conclusive evidence that the Bonds so authenticated have been duly authorized, sold, executed and delivered hereunder and are entitled to the benefits hereof.

SECTION 2.06. [Transfer and Exchange of Bonds](#). The Trustee will keep at its Principal Corporate Trust Office sufficient books for the transfer and exchange of the Bonds, which books shall at all times during normal business hours with reasonable prior notice be open to inspection by the City or by any Holder. Any Bond may, in accordance with its terms, be transferred or exchanged on such books by the person in whose name it is registered, in person or by his duly authorized attorney, upon payment by the Holder requesting such transfer or exchange of any tax or other governmental charge required to be paid with respect to such transfer or exchange and upon surrender of such Bond for cancellation accompanied by delivery of a duly executed written instrument of transfer or exchange in a form acceptable to the Trustee. Whenever any Bond or Bonds shall be surrendered for transfer or exchange, the City shall execute and the Trustee shall authenticate and deliver a new Bond or Bonds of the same maturity date and of authorized denominations for the same aggregate principal amount, except that neither the City nor the Trustee shall be required (i) to transfer or exchange any Bonds during the fifteen-day period prior to the selection of any Bonds for redemption under Article III, or (ii) to transfer or exchange any Bond which has been selected for redemption in whole or in part, except the unredeemed portion of such Bond selected for redemption in part, from and after the day that such Bond has been selected for redemption in whole or in part under Article III.

The City and the Trustee may deem and treat the registered owner of any Bond as the absolute owner of such Bond for all purposes hereof, whether such Bond shall be overdue or not, and neither the City nor the Trustee shall be affected by any notice or knowledge to the contrary; and payment of the interest on and principal of and redemption premium, if any, on such Bond shall be made only to the registered owner thereof as provided herein, which payments shall be valid and effectual to satisfy and discharge the liability on such Bond to the extent of the sum or sums so paid.

SECTION 2.07. [Mutilated, Destroyed, Stolen or Lost Bonds](#). In case any Bond shall become mutilated or shall be believed by the Trustee to have been destroyed, stolen or lost, upon proof of ownership satisfactory to the Trustee and upon the surrender of such mutilated Bond at the Principal Corporate Trust Office of the Trustee, or upon the receipt of

evidence satisfactory to the Trustee of such destruction, theft or loss and upon receipt of indemnity satisfactory to the Trustee, and also upon payment of all expenses incurred by the City and the Trustee in the premises, the City shall execute and the Trustee shall authenticate and deliver at its Principal Corporate Trust Office a new Bond or Bonds of the same maturity date for the same aggregate principal amount of like tenor and date and bearing such numbers and notations as the Trustee shall determine in exchange and substitution for and upon cancellation of the mutilated Bond or in lieu of and in substitution for the Bond so destroyed, stolen or lost.

If any such destroyed, stolen or lost Bond shall have matured or shall have been called for redemption, payment of the amount due thereon may be made by the Trustee upon receipt of like proof, indemnity and payment of expenses.

Any replacement Bond issued pursuant to this section shall be entitled to equal and proportionate benefits with all other Bonds issued hereunder, and the City and the Trustee shall not be required to treat both the original Bond and any replacement Bond as being Outstanding for the purpose of determining the principal amount of Bonds which may be issued hereunder or for the purpose of determining any percentage of Bonds Outstanding hereunder, but both the original and the replacement Bond shall be treated as one and the same.

SECTION 2.08. [Temporary Bonds](#). Any Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery, which temporary Bonds shall be typewritten, shall be of such denominations as may be determined by the City, shall be issued in fully registered form, shall contain such reference to any of the provisions hereof as may be appropriate and shall be executed by the City 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 may be surrendered in exchange therefor at the Principal Corporate Trust Office of the Trustee, and the Trustee shall deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations of the same maturity date or dates, and until so exchanged, the temporary Bonds shall be entitled to the same benefits as definitive Bonds issued hereunder.

SECTION 2.09. [Use of Depository for Bonds](#).

(a) The Depository Trust Company, in New York, New York, is hereby appointed depository for the Bonds, and the Bonds shall be initially registered in the name of "Cede & Co.," as nominee of The Depository Trust Company, and shall be initially issued as one Bond for each of the maturities in the principal amounts set forth herein, and registered ownership of the Bonds, or any portion thereof, may not thereafter be transferred except:

(i) To any successor of Cede & Co., as nominee of The Depository Trust Company, or its nominee, or to any substitute depository designated pursuant to clause (ii) of this section (a "substitute depository"); provided, that any successor of Cede & Co., as nominee of The Depository Trust Company, or any substitute depository, shall be qualified under any applicable laws to provide the services proposed to be provided by it;

(ii) To any substitute depository not objected to by the Trustee, upon (1) the resignation of The Depository Trust Company or its successor (or any substitute depository or its successor) from its functions as depository, or (2) a determination by the City to substitute another depository for The Depository Trust Company or its successor because The Depository Trust Company or its successor (or any substitute depository or its successor) is no longer able to carry out its functions as depository; provided, that any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(iii) To any person as provided below, upon (1) the resignation of The Depository Trust Company or its successor (or any substitute depository or its successor) from its functions as depository, or (2) a determination by the City to remove The Depository Trust Company or its successor (or any substitute depository or its successor) from its functions as depository.

(b) In the case of any transfer pursuant to clause (i) or clause (ii) of subsection (a) hereof, upon receipt of the Bonds by the Trustee, together with a Written Request of the City to the Trustee, a new Bond for each maturity date of the Bonds shall be executed by the City and authenticated and delivered by the Trustee in the aggregate principal amount of the Bonds so received, in such denominations and registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such Written Request of the City. In the case of any transfer pursuant to clause (iii) of subsection (a) hereof, upon receipt of the Bonds by the Trustee, together with a Written Request of the City to the Trustee, a new Bond or Bonds for each maturity date of the Bonds shall be executed by the City and authenticated and delivered by the Trustee in the aggregate principal amount of the Bonds so received, in such denominations and registered in the names of such persons as are requested in such Written Request of the City, subject to the limitations of Section 2.02, and thereafter, the Bonds shall be transferred pursuant to Section 2.06; provided, that the Trustee shall not be required to deliver such new Bonds on a date prior to sixty (60) days after receipt of such Written Request of the City.

(c) The City and the Trustee shall be entitled to treat the person in whose name any Bond is registered as the owner thereof for all purposes hereof and any applicable laws, notwithstanding any notice to the contrary received by the City or the Trustee; and the City and the Trustee shall have no responsibility for transmitting payments to, communication with, notifying, or otherwise dealing with any beneficial owners of the Bonds, and neither the City nor the Trustee shall have any responsibility or obligation, legal or otherwise, to the beneficial owners or to any other party, including The Depository Trust Company or its successor (or any substitute depository or its successor), except to The Depository Trust Company or its successor (or any substitute depository or its successor) as a Holder of the Bonds.

(d) So long as any Bonds are registered in the name of Cede & Co. or its registered assigns, the City and the Trustee shall cooperate with Cede & Co., as sole Holder, or its registered assigns, in effecting payment of the interest on and principal of and redemption premiums, if any, on such Bonds by arranging for payment in such manner that funds for such payments are properly identified and are made immediately available on the date they are due.

SECTION 2.10. Acquisition and Construction Fund. There is hereby established in the treasury of the City a fund to be known as the “City of Sacramento College Square Community Facilities District No. 2005-01, 2007 Special Tax Bonds Acquisition and Construction Fund,” into which fund shall be deposited the amount required to be deposited therein by the provisions hereof. All money in the Acquisition and Construction Fund shall be applied by the City Treasurer in the manner provided by the Act for paying the costs of the acquisition and construction of the Facilities (or for making reimbursements to the City for such costs theretofore paid by it), including payment of costs incidental to or connected with such acquisition and construction, or for the repayment of funds advanced to or for the Community Facilities District, or for the payment of the Fees; provided, that any money remaining in the Acquisition and Construction Fund after the completion of the payment of the costs of the acquisition and construction of the Facilities (but not prior to \_\_\_\_\_ \_\_, 20\_\_ ) shall be withdrawn by the City Treasurer from the Acquisition and Construction Fund and deposited by the City Treasurer in the Special Tax Fund.

SECTION 2.11. Costs of Issuance Account. There is hereby established in the Acquisition and Construction Fund an account to be known as the “City of Sacramento College Square Community Facilities District No. 2005-01, 2007 Special Tax Bonds Costs of Issuance Account,” into which account shall be deposited the amount required to be deposited therein by the provisions hereof. All money in the Costs of Issuance Account shall be applied by the City Treasurer in the manner provided by law for payment of Costs of Issuance; provided, that any money remaining in the Costs of Issuance Account after the completion of the payment of the Costs of Issuance (but not later than February \_\_, 2008) shall be withdrawn by the City Treasurer from the Costs of Issuance Account and deposited by the City Treasurer in the Special Tax Fund, and the Costs of Issuance Account shall be closed.

SECTION 2.12. Application of Proceeds of Sale of Bonds. Upon the receipt of payment of the proceeds of sale of the Bonds when the same shall have been duly sold by the City, the Trustee shall (upon receipt of a Written Request of the City) set aside and deposit the proceeds of sale of the Bonds in the following accounts and funds (or in a temporary account or fund in its books used to facilitate such deposits and transfers) in the following order:

(a) The Trustee shall deposit in the Bond Reserve Fund a sum which is equal to the Required Bond Reserve;

(b) The Trustee shall transfer to the City Treasurer for deposit in the Acquisition and Construction Fund the sum of \_\_\_\_\_ dollars (\$\_\_\_\_\_); and

(c) The Trustee shall transfer to the City Treasurer for deposit in the Costs of Issuance Account the remaining proceeds of sale of the Bonds.

## ARTICLE III

### REDEMPTION OF BONDS

SECTION 3.01. [Selection of Bonds for Redemption](#). If less than all the Outstanding Bonds to be redeemed at any one time, the City Treasurer shall select the maturity date or dates of the Bonds to be redeemed, and if less than all the Outstanding Bonds of any one maturity date are to be redeemed at any one time, the Trustee shall select the Bonds or portions thereof of such maturity date to be redeemed in integral multiples of five thousand dollars (\$5,000) in any manner that it deems appropriate and fair; provided, that any such partial redemption shall result in Debt Service on the Bonds in each Bond Year after such redemption that is proportional to the then existing Debt Service in the corresponding Bond Year prior to such redemption (as set forth in a Certificate of the City) unless the Trustee shall have first received a report of an Independent Special Tax Consultant prepared at the expense of the requesting party to the effect that the proceeds of the Special Tax that would be available to the City if the Special Tax was to be levied and collected at its maximum rate and amount on all Taxable Land in the Community Facilities District, based upon the Special Tax Formula as applied on the date of the proposed partial redemption, would be equal to at least one hundred ten per cent (110%) of the Maximum Annual Debt Service on the Bonds in each Bond Year (after giving effect to such partial redemption).

SECTION 3.02. [Notice of Redemption](#). The Trustee shall mail a notice of redemption pursuant to Section 10.09 to the respective Holders of all Bonds selected for redemption in whole or in part and to all securities information services selected by the City Treasurer and designated to the Trustee in writing to comply with custom or the rules of any securities exchange or commission or brokerage board or otherwise as may be determined by the City in its sole discretion and to the original underwriter or first purchaser of the Bonds selected for redemption. Such notice shall state the date of such notice, the name of the Bonds to be redeemed, the date of issue of such Bonds, the redemption date, the redemption price, the place of redemption (being the address of the Principal Corporate Trust Office of the Trustee), the CUSIP number (if any) of the maturity or maturities and, if less than all of any such maturity, the numbers of the Bonds of such maturity to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed, and shall give notice that further interest on such Bonds or the portions thereof redeemed will not accrue from and after the redemption date, and shall require that such Bonds be surrendered at the Principal Corporate Trust Office of the Trustee for payment of the redemption price thereof. If any Bond so chosen for redemption shall not be redeemable in whole, such notice shall also state that such Bond is to be redeemed in part only and that upon presentation of such Bond for redemption there will be issued in lieu of the unredeemed portion of principal thereof a new Bond or Bonds and maturity date of authorized denominations equal in aggregate principal amount to such unredeemed portion.

SECTION 3.03. [Partial Redemption of Bonds](#). Upon surrender of any Bond redeemed in part only, the City shall execute and the Trustee shall authenticate and deliver to the registered owner thereof at the expense of the City a new Bond or Bonds of the same maturity date and of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

SECTION 3.04. Effect of Redemption of Bonds. If notice of redemption has been duly given as aforesaid and money for the payment of the redemption price of the Bonds or portions thereof called for redemption is held by the Trustee, then on the redemption date designated in such notice such Bonds or such portions thereof shall become due and payable, and from and after the date so designated interest on the Bonds or such portions thereof so called for redemption shall cease to accrue and the Holders of such Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof on the redemption date.

## ARTICLE IV

### PAYMENT OF BONDS

SECTION 4.01. Deposit of Proceeds of the Special Tax in the Special Tax Fund. The City agrees and covenants that all proceeds of the Special Tax, when and as received, will be received and held by it in trust hereunder, and will be deposited as and when received in the "City of Sacramento College Square Community Facilities District No. 2005-01, 2007 Special Tax Bonds Special Tax Fund," which fund is hereby established in the treasury of the City and which fund the City hereby agrees and covenants to maintain with the City Treasurer so long as any Bonds are Outstanding hereunder, and all money in the Special Tax Fund shall be accounted for separately and apart from all other accounts, funds, money or other resources of the City, and shall be disbursed, allocated and applied solely to the uses and purposes hereinafter set forth in this article.

SECTION 4.02. Allocation of Money in the Special Tax Fund. All money in the Special Tax Fund shall be set aside by the City Treasurer in the following respective funds (each of which funds the City agrees and covenants to maintain with the City Treasurer or the Trustee, as the case may be, so long as any Bonds are Outstanding hereunder) in the following order of priority, and all money in each of such funds shall be applied, used and withdrawn only for the purposes hereinafter authorized in this section, namely:

- (1) City of Sacramento College Square Community Facilities District No. 2005-01, 2007 Special Tax Bonds Expense Fund (maintained by the City Treasurer); and
- (2) City of Sacramento College Square Community Facilities District No. 2005-01, 2007 Special Tax Bonds Bond Redemption Fund (maintained by the Trustee); and
- (3) City of Sacramento College Square Community Facilities District No. 2005-01, 2007 Special Tax Bonds Bond Reserve Fund (maintained by the Trustee).

(1) Expense Fund. On September 1 in each year, beginning in September 2008, the Treasurer shall, from the then remaining money in the Special Tax Fund, transfer to and deposit in the Expense Fund a sum equal to the amount required by the City for the payment of budgeted Expenses during the twelve-month period beginning on such date, or to reimburse the City for the payment of any unbudgeted Expenses during the prior twelve-month period). All money in the Expense Fund shall be used and

withdrawn by the Treasurer only for transfer to or for the account of the City to pay budgeted Expenses as herein provided, or to reimburse the City for the payment of unbudgeted Expenses as herein provided, or to pay interest on or principal of or redemption premiums, if any, on the Bonds in the event that no other money is available therefor.

(2) Bond Redemption Fund. On or before the first (1st) day in March and September in each year, beginning in March 2008, the City Treasurer shall, from the money in the Special Tax Fund, transfer to the Trustee for deposit in the Bond Redemption Fund an amount of money equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such March 1 or September 1, as the case may be. On or before the first (1st) day in September 1 in each year, beginning in September 2008, the City Treasurer shall, from the then remaining money in the Special Tax Fund, transfer to the Trustee for deposit in the Bond Redemption Fund an amount of money equal to the aggregate amount of principal becoming due and payable on all Outstanding Serial Bonds on such September 1 or the Sinking Fund Account Payment required to be made on such September 1 into the Sinking Fund Account (which the Trustee agrees and covenants to maintain), as the case may be. All of the payments shall be made without priority of any payment over any other payment, and in the event that the money in the Bond Redemption Fund on any March 1 or September 1 is not equal to the amount of interest becoming due on all Bonds on such date, or in the event that the money in the Bond Redemption Fund on any September 1 is not equal to the aggregate amount of principal of the Bonds becoming due on such date or the Sinking Fund Account Payment required to be made on such date, as the case may be, then such money shall be applied pro rata in such proportion as the interest and principal or Sinking Fund Account Payments bear to each other. No deposit need be made into the Bond Redemption Fund if the amount of money contained therein is at least equal to the amount required by the terms of this paragraph to be deposited therein at the times and in the amounts provided herein.

All money in the Bond Redemption Fund shall be used and withdrawn by the Trustee solely to pay the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity) plus the principal of and redemption premiums, if any, on the Bonds as they shall mature or upon the prior redemption thereof, except that any money in the Sinking Fund Account shall be used only to purchase or redeem or retire the Term Bonds.

(3) Bond Reserve Fund. On or before the first (1st) day in September in each year, beginning in September 2008, the City Treasurer shall, from the then remaining money in the Special Tax Fund, transfer to the Trustee for deposit in the Bond Reserve Fund the amount of money that is required to restore the Bond Reserve Fund to an amount equal to the Required Bond Reserve; and for this purpose all investments in the Bond Reserve Fund shall (beginning in September 2008) be valued on or before September 1 of each year at the face value thereof if such investments mature within twelve (12) months from the date of valuation, or if such investments mature more than twelve (12) months after the date of valuation, at the price at which such investments are redeemable by the holder at his option, if so redeemable, or if not so redeemable, at the

lesser of (i) the cost of such investments, or (ii) the market value of such investments, and in making any valuations hereunder, the Trustee may use and rely on computerized securities pricing services that may be available to it, including those available through its regular accounting system; provided, that no deposit need be made into the Bond Reserve Fund if the amount contained therein is at least equal to the Required Bond Reserve.

All money in the Bond Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on or principal of the Bonds in the event there is insufficient money in the Bond Redemption Fund available for this purpose; provided, that if as a result of any of the foregoing valuations it is determined that the amount of money in the Bond Reserve Fund exceeds the Required Bond Reserve, the Trustee shall withdraw the amount of money representing such excess from such fund and shall deposit such amount of money in the Special Tax Fund.

All money remaining in the Special Tax Fund on September 1 of each year, beginning in September 2008, after transferring all of the sums required to be transferred therefrom on or prior to such date by the provisions of Sections 4.02(1), (2) and (3), shall be withdrawn from the Special Tax Fund by the City Treasurer and deposited in the "City of Sacramento College Square Community Facilities District No. 2005-01, 2007 Special Tax Bonds Community Facilities Fund," which fund the City hereby agrees and covenants to maintain with the City Treasurer so long as any Bonds are Outstanding hereunder, and all money in the Community Facilities Fund shall be used and withdrawn by the City solely for the purposes authorized by the Community Facilities District in accordance with the Act; provided, that the City Treasurer shall not make any such withdrawal of money in the Special Tax Fund if and when (to the City Treasurer's actual knowledge) an Event of Default is then existing hereunder.

## ARTICLE V

### COVENANTS OF THE CITY

SECTION 5.01. Punctual Payment and Performance. The City will punctually pay the interest on and principal of and redemption premium, if any, to become due on every Bond issued hereunder in strict conformity with the terms of the Act and hereof and of the Bonds, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained herein and in the Bonds required to be observed and performed by it.

SECTION 5.02. Against Indebtedness and Encumbrances. The City will not issue any evidences of indebtedness payable from the proceeds of the Special Tax except the Bonds as provided herein, and will not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon any money in the Special Tax Fund other than as provided herein; provided, that the City may at any time, or from time to time, issue evidences of indebtedness for any lawful purpose of the Community Facilities District which are payable from any money in the Community Facilities Fund as may from time to time be deposited therein (as provided in Section 4.02) so long as any payments due thereunder shall be subordinate in all respects to the use of the proceeds of the Special Tax as provided herein.

SECTION 5.03. [Against Federal Income Taxation.](#)

(a) The City will not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, and specifically the City will not directly or indirectly use or make any use of the proceeds of the Bonds or any other funds of the City or take or omit to take any action that would cause the Bonds to be “arbitrage bonds” subject to federal income taxation by reason of Section 148 of the Code or “private activity bonds” subject to federal income taxation by reason of Section 141(a) of the Code or obligations subject to federal income taxation because they are “federally guaranteed” as provided in Section 149(b) of the Code; and to that end the City, with respect to the proceeds of the Bonds and such other funds, will comply with all requirements of such sections of the Code; provided, that if the City shall obtain an opinion of nationally recognized bond counsel to the effect that any action required under this section is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, the City may rely conclusively on such opinion in complying with the provisions hereof. In the event that at any time the City is of the opinion that for purposes of this section it is necessary to restrict or limit the yield on the investment of any money held by the City Treasurer or the Trustee hereunder or otherwise the City shall so instruct the City Treasurer or the Trustee, as the case may be, in writing, and the City Treasurer or the Trustee, as the case may be, shall take such action as may be necessary in accordance with such instructions.

(b) Without limiting the generality of the foregoing, the City will pay from time to time all amounts required to be rebated to the United States of America pursuant to Section 148(f) of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent that such regulations are, at the time, applicable and in effect, which obligation shall survive payment in full or defeasance of the Bonds, and to that end, there is hereby established in the treasury of the City a fund to be known as the “City of Sacramento College Square Community Facilities District No. 2005-01, 2007 Special Tax Bonds Rebate Fund” to be held in trust and administered by the City Treasurer. The City will comply with the provisions of the Tax Certificate with respect to making deposits in the Rebate Fund, and all money held in the Rebate Fund is pledged to provide payments to the United States of America as provided herein and in the Tax Certificate and no other person shall have claim to such money except as provided in the Tax Certificate.

SECTION 5.04. [Payment of Claims.](#) The City will pay and discharge any and all lawful claims which, if unpaid, might become payable from the proceeds of the Special Tax or any part thereof or any and all lawful claims upon any funds in the hands of the City Treasurer or the Trustee allocated to the payment of the interest on or principal of or redemption premiums, if any, on the Bonds, or which might impair the security of the Bonds.

SECTION 5.05. [Expense Budgets.](#) The City Council will, on or before September 1 in each year, beginning in September 2008, adopt a budget setting forth the costs of the estimated Expenses for the twelve-month period from such September 1 through the next succeeding August 31 (or for the reimbursement to the City for the payment of any unbudgeted Expenses made during any prior twelve-month period); provided, that any budget adopted in accordance with this section may be amended by the City Council at any time.

SECTION 5.06. [Accounting Records; Financial Statements and Other Reports.](#)

(a) The City will keep, or in the case of transactions made by the Trustee it will cause the Trustee to keep, appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the receipt, investment, disbursement, allocation and application of the proceeds of the Special Tax and of the proceeds of the Bonds, which accounting records shall at all times during normal business hours with reasonable prior notice be subject to the inspection of any Holder (or his representative authorized in writing).

(b) The City will prepare annually not more than one hundred eighty (180) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2008) a summary report showing in reasonable detail the proceeds of the Special Tax levied and collected and the costs of the Expenses for the preceding Fiscal Year and containing a general statement of the physical condition of the Facilities. The City will furnish a copy of such summary report without charge to any Holder (or his representative authorized in writing) and to any investment banker, security dealer or other person interested in the Bonds requesting a copy thereof.

(c) The City will prepare annually not later than October 30 of each year and file with the California Debt and Investment Advisory Commission by mail, postage prepaid, all necessary information required to be filed under the Act (see Section 53359.5), including:

- (1) The principal amount of the Outstanding Bonds;
- (2) The balance in the Bond Reserve Fund;
- (3) The balance in the Bond Redemption Fund constituting capitalized interest, if any;
- (4) The number of parcels securing the Bonds which are delinquent with respect to their Special Tax payments, the amount that each delinquent parcel is delinquent, the total amount of special taxes due on the delinquent parcels, the length of time that each delinquent parcel has been delinquent, when foreclosure was commenced for each delinquent parcel, the total number of foreclosure parcels for each date specified, and the total amount of tax due on the foreclosure parcels for each date specified; and
- (5) The balance in the Acquisition and Construction Fund;
- (6) The assessed value of all parcels subject to the levy of the Special Tax to repay the Bonds, as shown on the most recent equalized assessment roll, the date of assessed value reported, and that the information comes from the County Assessor's Office of the County of Sacramento;
- (7) The total amount of special taxes due, the total amount of unpaid special taxes, and whether the special taxes are paid under the County's Teeter Plan; and
- (8) Contact information for the City official providing the information.

Additionally, the City will notify the California Debt and Investment Advisory Commission by mail, postage prepaid, or by any other method approved by the California Debt and Investment Advisory Commission, within ten (10) days if the Trustee fails to pay any interest on or principal of any of the Bonds on any scheduled payment date, or if funds are withdrawn from the Bond Reserve Fund to pay any interest on or principal of the Bonds.

SECTION 5.07. [Protection of Security and Rights of Holders](#). The City will preserve and protect the security of the Bonds and the rights of the Holders and will warrant and defend their rights against all claims and demands of all persons.

SECTION 5.08. [Payment of Governmental Charges and Compliance with Governmental Regulations](#). The City will pay and discharge all taxes or payments in lieu of taxes, assessments and other governmental charges or liens that may be levied, assessed or charged upon the Facilities or any part thereof promptly as and when the same shall become due and payable, except that the City shall not be required to pay any such governmental charges so long as the application or validity thereof shall be contested in good faith and the City shall have set aside reserves to cover such charges. The City will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Facilities or any part thereof, except that the City shall not be required to comply with any such regulations or requirements so long as the application or validity thereof shall be contested in good faith.

SECTION 5.09. [Levy and Collection of the Special Tax](#). The City, so long as any Bonds are Outstanding, will annually levy the Special Tax against all Taxable Land in the Community Facilities District and make provision for the collection of the Special Tax in amounts which will be sufficient, after making reasonable allowances for contingencies and errors in the estimates, to yield proceeds equal to the amounts required for compliance with all the agreements, conditions, covenants and terms contained herein, and which in any event will be sufficient to pay the interest on and principal of and Sinking Fund Account Payments for and redemption premiums, if any, on the Bonds as they become due and payable and to replenish the Bond Reserve Fund and to pay all Expenses as they become due and payable in accordance with the provisions and terms hereof. The Special Tax shall be collected in the same manner as ordinary ad valorem property taxes for the County of Sacramento are collected and, except as otherwise provided in Section 5.10 or by the Act, shall be subject to the same penalties and the same collection procedure, sale, and lien priority in case of delinquency as is provided for ad valorem property taxes.

SECTION 5.10. [Foreclosure of Special Tax Liens](#). The City will annually on or before October 1 of each year review the public records of the County of Sacramento relating to the collection of the Special Tax in order to determine the amount of the Special Tax collected in the prior Fiscal Year, and (a) on the basis of such review the City will, not later than the succeeding December 1, institute foreclosure proceedings as authorized by the Act against all parcels of Taxable Land that are delinquent in the payment of such Special Tax in such Fiscal Year by one thousand dollars (\$1,000) or more in order to enforce the lien of such delinquent Special Tax, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale, and (b) on the further basis of such review, if the City determines that the total amount so collected is less than ninety-five per cent (95%) of the total amount of the Special Tax levied

in such Fiscal Year, the City will, not later than the succeeding December 1, institute foreclosure proceedings as authorized by the Act against all parcels of Taxable Land that are delinquent in the payment of such Special Tax in such Fiscal Year to enforce the lien of such delinquent Special Taxes, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale; provided, that any actions taken to enforce delinquent Special Tax liens shall be taken only consistent with the Act; and provided further, that the City shall not be obligated to enforce the lien against any parcel of Taxable Land of any delinquent Special Tax in any Fiscal Year in which the City shall have received one hundred per cent (100%) of the amount of such delinquent Special Tax from the County of Sacramento pursuant to the so-called "Teeter Plan."

SECTION 5.11. Continuing Disclosure Certificate. The City will comply with and carry out all of the provisions of the Continuing Disclosure Certificate executed by the City and dated the date of the execution, authentication and initial delivery of the Bonds issued hereunder, as originally executed and as it may be amended from time to time in accordance with the terms thereof, and notwithstanding any other provision hereof, failure of the City to comply with such Continuing Disclosure Certificate shall not be considered an Event of Default hereunder; provided, that any Holder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this section.

SECTION 5.12. Further Assurances. The City will adopt, deliver, execute, make and file any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof and for the better assuring and confirming unto the Holders of the rights and benefits provided herein, including without limitation the filing of all financing statements, agreements, instruments or other documents in the forms and in the locations necessary to perfect and protect, and to continue the perfection of, the pledge of the Special Taxes provided herein to the fullest extent possible under applicable law of the State of California.

## ARTICLE VI

### THE TRUSTEE

SECTION 6.01. The Trustee. The Bank of New York Trust Company, N.A., at its Principal Corporate Trust Office, is hereby appointed Trustee for the purpose of receiving all money which the City is required to transfer to it hereunder and for applying and using such money as provided herein for the purpose of paying the interest on and principal of and redemption premiums, if any, on the Bonds. The City agrees that it will at all times maintain a Trustee having a Principal Corporate Trust Office in either Los Angeles or in San Francisco, California.

The City may at any time remove the Trustee initially appointed and any successor thereto and may appoint a successor or successors thereto by an instrument in writing; provided, that any such successor shall be a bank or trust company doing business and having a corporate trust office in either Los Angeles or San Francisco, California, with a combined capital (exclusive of borrowed capital) and surplus of at least one hundred million dollars

(\$100,000,000) and subject to supervision or examination by a federal or state banking authority, and if such bank 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 purpose of this section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The Trustee may at any time resign by giving written notice of such resignation to the City and by giving notice of such resignation by mail pursuant to Section 10.09 to the Holders, and upon receiving such notice of resignation the City shall promptly appoint a successor Trustee by an instrument in writing having the qualifications required hereby. Any resignation or removal of a Trustee and appointment of a successor Trustee shall become effective only upon the acceptance of appointment by the successor Trustee. If within thirty (30) days after notice of the removal or resignation of the Trustee no successor Trustee shall have been appointed by the City and shall have accepted such appointment, the removed or resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Trustee having the qualifications required hereby.

Notwithstanding anything to the contrary contained herein, any corporation or association into which the Trustee may be merged or with which it may be consolidated, or any corporation or association resulting from any merger or consolidation to which the Trustee shall be a party, or any corporation or association succeeding to the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto.

The Trustee is hereby authorized to pay interest on the Bonds due on or before the maturity or prior redemption thereof to the Holders, as their names appear at the close of business on the fifteenth (15<sup>th</sup>) day of the month next preceding each interest payment date on the registration books required to be kept by it pursuant to Section 2.06, as the registered owners thereof, such interest to be paid by check mailed by first class mail to the Holders at their addresses appearing on such books (except that in the case of a Holder of one million dollars (\$1,000,000) or more in principal amount of Bonds, payment shall be made at such Holder's option by wire transfer of immediately available funds to an account in a state or national bank that is a member of the Federal Reserve System and that is located in the United States of America according to written instructions provided by such Holder to the Trustee prior to the fifteenth (15<sup>th</sup>) day of the month next preceding such interest payment date) and to pay to the Holders the principal of and redemption premiums, if any, on the Bonds upon presentation and surrender of the Bonds to the Trustee at maturity or on redemption prior to maturity. The Trustee shall cancel and destroy all Bonds paid by it at maturity or on redemption prior to maturity and all Bonds surrendered to it by the City, and shall (if requested by the City) deliver to the City a certificate of such destruction, and the Trustee shall keep accurate records of all Bonds cancelled and destroyed by it hereunder. All money held by or on behalf of the Trustee for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds, whether at maturity or on prior redemption, shall be held in trust for the account of the Holders thereof, and the Trustee shall not be required to pay Holders or the City any interest on, or be liable to the City, the Holders or any other person for any interest earned on, any money so held.

The City shall from time to time, subject to any agreement between the City and the Trustee then in force, pay the Trustee compensation for its services, reimburse the Trustee for all its advances and expenditures, including but not limited to advances to and fees and expenses of independent accountants, counsel and engineers or other experts employed by it in the exercise and performance of its rights and obligations hereunder, and indemnify and save the Trustee harmless against loss, expenses, costs, claims and liabilities (including without limitation those of its attorneys and agents) not arising from its own negligence or willful misconduct which it may incur in the exercise and performance of its rights and obligations hereunder, which obligation shall survive the resignation or removal of any Trustee or the payment or defeasance of the Bonds.

SECTION 6.02. [Liability of the Trustee](#). The recitals of facts, agreements and covenants contained herein and in the Bonds shall be taken as statements, agreements and covenants of the City, and the Trustee does not assume any responsibility for the correctness of the same and does not make any representation as to the sufficiency or validity hereof or of the Bonds or of the Special Tax, or as to the financial or technical feasibility of the acquisition and construction of any of the Facilities, and shall not incur any responsibility in respect thereof other than in connection with the rights and obligations expressly assigned to or imposed upon it herein or in the Bonds, and shall not be liable in connection with the performance of its rights or obligations hereunder except for its own negligence or willful misconduct. The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer thereof, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts, and no provision hereof shall require the Trustee to expend or risk its own funds or otherwise incur any liability for the performance of its rights or obligations hereunder, or in the exercise of any of its rights or obligations hereunder. The Trustee shall be entitled to advice of counsel concerning all matters of trust and its duties hereunder; provided, that the Trustee shall not be answerable for the negligence or misconduct of any attorney or certified public accountant selected by it with due care.

The Trustee shall perform only those obligations expressly set forth herein, and no implied obligations shall be read herein against the Trustee. The Trustee shall have no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds. No provision hereof shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its obligations hereunder, or in the exercise of any of its rights hereunder, 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.

The Trustee shall not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of enforced delay (“unavoidable delay”) in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of Nature or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others

relating to zoning or other governmental action or inaction pertaining to the project, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

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

SECTION 6.03. Notice to the Trustee. The Trustee shall be protected in acting upon any Bond, certificate, consent, electronic mail, facsimile transmission, notice, opinion, report, request, resolution or other document or paper believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, including, without limitation, counsel to the City, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection with respect to any action taken or suffered hereunder in good faith and in accordance therewith. The Trustee shall not be deemed to have knowledge of any default or Event of Default hereunder unless and until an officer of the Trustee at its Principal Corporate Trust Office responsible for the administration of its obligations hereunder shall have actual knowledge thereof or the Trustee shall have received written notice thereof at its Principal Corporate Trust Office.

Whenever in the administration of its rights and obligations hereunder the Trustee shall deem it necessary or desirable that a matter be established or proved prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of bad faith on the part of the Trustee, be deemed to be conclusively established or proved by a Certificate of the City or an Accountant's Report, which shall be full warrant to the Trustee for any action taken or suffered under the provisions hereof upon the faith thereof, and on which the Trustee may conclusively rely, except that in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

## ARTICLE VII

### AMENDMENT OF OR SUPPLEMENT TO THE INDENTURE

SECTION 7.01. Procedure for Amendment of or Supplement to the Indenture.

(a) Amendment or Supplement With Consent of Holders. The Indenture and the rights and obligations of the City and of the Holders hereunder may be amended or supplemented at any time by the execution and delivery of a Supplemental Indenture by the City and the Trustee, which Supplemental Indenture shall become binding when the written consents

of the Holders of sixty per cent (60%) or more in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 7.02, shall have been filed with the Trustee; provided, that no such amendment or supplement shall (1) extend the maturity of or reduce the interest rate on or otherwise alter or impair the obligation of the City to pay the interest on or principal of or any Sinking Fund Account Payment for or redemption premium, if any, on any Bond at the time and place and at the rate and in the currency and from the funds provided herein without the express written consent of the Holder of such Bond, or (2) permit the issuance by the City of any obligations payable from the proceeds of the Special Tax other than the Bonds as provided herein, or jeopardize the ability of the City to levy and collect the Special Tax, or (3) reduce the percentage of the Bonds required for the written consent to any such amendment or supplement, or (4) modify any rights or obligations of the Trustee without its prior written assent thereto.

(b) Amendment or Supplement Without Consent of Holders. The Indenture and the rights and obligations of the City and of the Holders may also be amended or supplemented at any time by the execution and delivery of a Supplemental Indenture by the City and the Trustee, which Supplemental Indenture shall become binding upon execution without the prior written consent of any Holders, but only to the extent permitted by law and after receiving an approving Opinion of Counsel and only for any one or more of the following purposes --

(i) To add to the agreements and covenants required herein to be performed by the City other agreements and covenants thereafter to be performed by the City which shall not (in the opinion of the City) adversely affect the interests of the Holders, or to surrender any right or power reserved herein to or conferred herein upon the City which shall not (in the opinion of the City) adversely affect the interests of the Holders;

(ii) To make such provisions for the purpose of curing any ambiguity or of curing, correcting or supplementing any defective provision contained herein or in regard to questions arising hereunder which the City may deem desirable or necessary and not inconsistent herewith and which shall not (in the opinion of the City) adversely affect the interests of the Holders;

(iii) To authorize the issuance under and subject to the Act of any refunding bonds for any of the Bonds and to provide the conditions and terms under which such refunding bonds may be issued;

(iv) To make such additions, deletions or modifications as may be necessary or appropriate to insure compliance with Section 148(f) of the Code relating to the required rebate of excess investment earnings to the United States of America, or otherwise as may be necessary to insure the exclusion from gross income for purposes of federal income taxation of the interest on the Bonds or the exemption of such interest from State of California personal income taxes; or

(v) To make such additions, deletions or modifications as may be necessary or appropriate to maintain any then current rating on the Bonds.

SECTION 7.02. Disqualified Bonds. Bonds owned or held for the account of the City shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided for in this article or in Article VIII, and shall not be entitled to consent to or take any other action provided for in this article or in Article VIII.

SECTION 7.03. Endorsement or Replacement of Bonds After Amendment or Supplement. After the effective date of any action taken as provided in this Article, the City may determine that the Bonds may bear a notation by endorsement in form approved by it as to such action, and in that case upon demand of the Holder of any Bond Outstanding on such effective date and presentation of his Bond for such purpose at the Principal Corporate Trust Office of the Trustee a suitable notation as to such action shall be made on such Bond. If the City shall so determine, new Bonds so modified as, in the opinion of the City, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Holder of any Bond Outstanding on such effective date such new Bonds shall, upon surrender of such Outstanding Bonds, be exchanged at the Principal Corporate Trust Office of the Trustee, without cost to each Holder, for Bonds then Outstanding.

SECTION 7.04. Amendment or Supplement by Mutual Consent. The provisions of this article shall not prevent any Holder from accepting any amendment or supplement as to any particular Bonds held by him; provided, that due notation thereof is made on such Bonds.

## ARTICLE VIII

### EVENTS OF DEFAULT AND REMEDIES OF HOLDERS

SECTION 8.01. Events of Default and Remedies of Holders. If one or more of the following events (herein "Events of Default") shall happen, that is to say --

(a) if default shall be made by the City in the due and punctual payment of any interest on or principal of or Sinking Fund Account Payment for or redemption premium, if any, on any Bond when and as the same shall become due and payable;

(b) if default shall be made by the City in the observance or performance of any of the other agreements or covenants contained herein required to be observed or performed by it, and such default shall have continued for a period of thirty (30) days after the City shall have been given notice in writing of such default by the Trustee; or

(c) if the City shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the City seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the City or of the whole or any substantial part of its property;

then in each and every such case during the continuance of such Event of Default any Holder shall have the right for the equal benefit and protection of all Holders similarly situated --

(a) by mandamus or other suit or proceeding at law or in equity to enforce his rights against the City Council or any of the officers or employees of the City, and to compel the City Council or any officers or employees of the City to perform and carry out their duties under the Act and the agreements and covenants with the Holders contained herein;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Holders; or

(c) by suit in equity upon the nonpayment of the Bonds to require the City Council or the officers and employees of the City to account as the trustee of an express trust.

SECTION 8.02. Non-waiver. Nothing in this article or in any other provision herein or in the Bonds shall affect or impair the obligation of the City, which is absolute and unconditional, to pay the interest on and principal of and redemption premiums, if any, on the Bonds to the respective Holders of the Bonds at the respective dates of maturity or upon redemption prior to maturity as provided herein from the proceeds of the Special Tax and the other funds as provided herein, or shall affect or impair the right of such Holders, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied herein and in the Bonds.

A waiver of any Event of Default or breach of duty or contract by any Holder shall not affect any subsequent Event of Default or breach of duty or contract and shall not impair any rights or remedies on any subsequent Event of Default or breach of duty or contract. No delay or omission by any Holder to exercise any right or remedy accruing upon any Event of Default or breach of duty or contract shall impair any right or remedy or shall be construed to be a waiver of any Event of Default or breach of duty or contract or an acquiescence therein. Every right and remedy conferred upon the Holders by the Act or hereby may be enforced and exercised from time to time and as often as shall be deemed expedient by the Holders.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned or determined adversely to any Holder, the City and the Holder shall be restored to their former positions, rights and remedies as if the action, proceeding or suit had not been brought or taken.

SECTION 8.03. [Remedies Not Exclusive](#). No remedy herein conferred upon or reserved to the Holders is intended to be exclusive of any other remedy, and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

## ARTICLE IX

### [DEFEASANCE](#)

#### SECTION 9.01. [Discharge of Bonds](#).

(a) If the City shall pay or cause to be paid or there shall otherwise be paid to the Holders of all Outstanding Bonds the interest thereon and principal thereof and redemption premiums, if any, thereon at the times and in the manner stipulated therein and herein, then all agreements, covenants and other obligations of the City to the Holders of such Bonds hereunder shall thereupon cease, terminate and become void and be discharged and satisfied; and in that event, the Trustee shall execute and deliver to the City all instruments as may be necessary or desirable to evidence the discharge and satisfaction, and the Trustee shall pay over or deliver to the City for deposit in the Community Facilities Fund all money or securities held by it pursuant hereto which are not required for the payment of the interest on and principal of and redemption premiums, if any, on such Bonds.

(b) Any Outstanding Bonds shall on or prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section if there shall be on deposit with the Trustee money which is sufficient to pay the interest due on the Bonds on their maturity date or redemption date and the principal and redemption premiums, if any, due on the Bonds on their maturity date or redemption date.

(c) Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in subsection (a) of this section if (1) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the City shall have agreed to mail a notice of redemption pursuant to Section 10.09 to the respective Holders of all such Outstanding Bonds and to those securities information services selected by it pursuant to Section 3.02 and to the original purchaser or underwriter of the Bonds, (2) there shall have been deposited with an escrow agent or the Trustee either money in an amount which shall be sufficient or Federal Securities which are not subject to redemption except by the holder thereof prior to maturity (including any Federal Securities issued or held in book-entry form on the books of the Department of the Treasury of the United States of America), the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the escrow agent or the Trustee at the same time, shall be sufficient to pay when due the interest to become due on such Bonds on and prior to the maturity dates or redemption dates thereof, as the case may be, and the principal of or redemption prices of such Bonds on and prior to the maturity dates or the redemption dates thereof, as the case may be, as evidenced by an Accountant's Report on file with the City and the

Trustee, and an Opinion of Counsel to the effect that the payment of such Bonds has been provided for in the manner set forth herein and that all obligations of the City hereunder with respect to such Bonds have been discharged and satisfied, shall have been filed with the City and the Trustee, and (3) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the City shall have agreed to mail pursuant to Section 10.09 a notice to the Holders of such Bonds and to the securities information services selected by it pursuant to Section 3.02 and to the original purchaser or underwriter of the Bonds that the deposit required by clause (2) above has been made with the escrow agent or the Trustee and that such Bonds are deemed to have been paid in accordance with this section and stating the maturity dates or redemption dates, as the case may be, upon which money will be available for the payment of the principal of or redemption prices of such Bonds.

SECTION 9.02. Unclaimed Money. Anything contained herein to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of any of the Bonds or any interest thereon which remains unclaimed for two (2) years after the date when such Bonds or interest thereon have become due and payable, either at their stated maturity dates or by call for redemption prior to maturity, if such money was held by the Trustee on such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date when such Bonds or interest thereon became due and payable, shall be repaid by the Trustee to the City as its absolute property free from trust for deposit in the Community Facilities Fund and for use in accordance with the Act, and the Trustee shall thereupon be released and discharged with respect thereto and the Holders shall look only to the City for the payment of such Bonds and interest thereon; provided, that before the Trustee shall be required to make any such repayment the City shall mail pursuant to Section 10.09 a notice to the Holders of all Outstanding Bonds and to such securities information services selected by the City pursuant to Section 3.02 and to the original purchaser or underwriter of the Bonds that such money remains unclaimed and that after a date named in such notice, which date shall not be less than thirty (30) days after the date of the mailing of such notice, the balance of such money then unclaimed will be returned to the City for deposit in the Community Facilities Fund.

## ARTICLE X

### MISCELLANEOUS

SECTION 10.01. Liability of City Limited to Proceeds of the Special Tax and Certain Other Funds. Notwithstanding anything contained herein, the City shall not be required to advance any money derived from any source of income other than the proceeds of the Special Tax and the other funds provided herein for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds.

The Bonds are special tax obligations of the City and the interest on and principal of and redemption premiums, if any, on the Bonds are payable solely from the proceeds of the Special Tax and the other funds established under the Indenture, and the City is not obligated to pay them except from the proceeds of the Special Tax and such other funds. The General Fund of the City is not liable and the full faith and credit of the City is not pledged for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds, and no tax or

assessment other than the Special Tax shall ever be levied or collected to pay the interest on or principal of or redemption premiums, if any, on the Bonds. The Bonds are not secured by a legal or equitable pledge of or charge, lien or encumbrance upon any property of the City or any of its income or receipts except the proceeds of the Special Tax and the other funds established under the Indenture, and neither the payment of the interest on or principal of or redemption premiums, if any, on the Bonds is a general debt, liability or obligation of the City. The Bonds do not constitute an indebtedness of the City within the meaning of any constitutional or statutory debt limitation or restriction, and neither the City Council nor any officer or employee of the City shall be liable for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds other than from the proceeds of the Special Tax and such other funds as provided herein.

SECTION 10.02. [Benefits of the Indenture Limited to Certain Parties.](#) Nothing contained herein, express or implied, is intended to give to any entity or person other than the City Council, the City, the City Treasurer, the Trustee and the Holders any right, remedy or claim under or by reason hereof, and any agreement or covenant required herein to be performed by or on behalf of the City Council or the City or any officer or employee thereof shall be for the sole and exclusive benefit of the Trustee and the Holders.

SECTION 10.03. [Successor is Deemed Included in All References to Predecessor.](#) Whenever either the City Council or the City or any officer or employee of the City is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions with respect to the administration, control and management of the Community Facilities District and the Facilities that are presently vested in the City Council or the City or such officer or employee of the City, and all agreements and covenants required herein to be performed by or on behalf of the City Council or the City or any officer or employee of the City shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

SECTION 10.04. [Execution of Documents by Holders.](#) Any declaration, request, consent or other instrument which is permitted or required herein to be executed by Holders may be in one or more instruments of similar tenor, and may be executed by Holders in person or by their attorneys duly authorized in writing. The fact and date of the execution by any Holder or his attorney of any declaration, request, consent or other instrument or of any 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 or territory in which he purports to act that the person signing such declaration, request, consent or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness to such execution duly sworn to before such notary public or other officer. The ownership of Bonds and the amount, maturity, number and date of holding the same shall be provided by the registration books required to be kept by the Trustee pursuant to Section 2.06.

Any declaration, request, consent or other instrument or writing of the Holder of any Bond shall bind all future Holders of such Bond with respect to anything done or suffered to be done by the City in good faith and in accordance therewith.

SECTION 10.05. [Deposit and Investment of Money in Accounts and Funds.](#)

All money held by the City Treasurer in any fund established herein shall be deposited by the City Treasurer in time or demand deposits in any state or national bank, including the Trustee or its affiliates, and shall be secured at all times by such obligations as are required by law to the fullest extent required by law; provided, that any money in the Acquisition and Construction Fund (and the Costs of Issuance Account therein), in the Special Tax Fund and in the Expense Fund may be invested by the City Treasurer in Legal Investments. All money held by the Trustee in the Bond Redemption Fund shall be invested by the Trustee pursuant to a Written Request of the City received by the Trustee at least two (2) days before making any such investment in those Legal Investments specified in such Written Request of the City that mature not later than the date on which it is estimated that such money will be required to be paid out hereunder, and all money held by the Trustee in the Bond Reserve Fund shall be invested by the Trustee pursuant to a Written Request of the City received by the Trustee at least two (2) days before making any such investment in those Federal Securities specified in such Written Request of the City, and the Trustee may conclusively rely that any investment specified in such Written Request of the City is a Legal Investment or a Federal Security hereunder, as the case may be; provided, that in the absence of receipt of any such Written Request of the City, the Trustee shall, to the extent practicable, invest such money in units of a taxable government money-market portfolio composed of or secured by Federal Securities. The Trustee (or any of its affiliates) may act as principal or agent or as sponsor, advisor or manager in connection with the making of any investment by the Trustee hereunder and may impose its customary charges therefor, and the Trustee shall not be responsible for any loss suffered in connection with any investment made in accordance herewith; provided, that for investment purposes the Trustee may commingle the accounts and funds which it invests hereunder, as long as the Trustee accounts for each such account and fund separately.

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; provided, that the Trustee will furnish the City periodic cash transaction statements which include details for all investment transactions made by the Trustee hereunder.

All interest received on any such money so deposited or invested which exceeds the requirements of the fund from which such money was deposited or invested shall (subject to the provisions of Section 2.12 and Section 5.03) be deposited in the Special Tax Fund, and all losses on any such money so deposited or invested shall be borne by the fund from which the deposit or investment was made.

SECTION 10.06. [Waiver of Personal Liability.](#) No member of the City Council or officer or employee of the City shall be individually or personally liable for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds, but nothing herein contained shall relieve any member of the City Council or officer or employee of the City from the performance of any official duty provided by the Act or hereby or by any other applicable provisions of law.

SECTION 10.07. [Acquisition of Bonds by City](#). All Bonds acquired by the City, whether by purchase or gift or otherwise, shall be surrendered to the Trustee for cancellation and destruction by it.

SECTION 10.08. [Content of Certificates and Reports](#). Every certificate or report with respect to compliance with an agreement, condition, covenant or term provided herein shall include (a) a statement that the person or persons making or giving such certificate or report have read such agreement, condition, covenant or term and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the opinion contained in such certificate or report is based; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such agreement, condition, covenant or term has been complied with; and (d) a statement as to whether, in the opinion of the signers, such agreement, condition, covenant or term has been complied with.

Any such certificate made or given by an officer of the City may be based, insofar as it relates to legal matters, upon a representation made in an Opinion of Counsel unless such officer knows that the representation with respect to the matters upon which his certificate may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous. Any such Opinion of Counsel may be based, insofar as it relates to factual matters information with respect to which is in the possession of the City, upon a representation by an officer or officers of the City unless the counsel giving such Opinion of Counsel knows that the representation with respect to the matters upon which his representation may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous.

SECTION 10.09. [Notice by Mail](#). Any notice required to be given by mail to any Holders or to any securities information services or to the original purchaser or underwriter of the Bonds shall be given by mailing a copy of such notice, first class postage prepaid, to such Holders at their addresses appearing in the books required to be kept by the Trustee pursuant to the provisions of Section 2.06 or to such securities information services or to such purchaser or underwriter not less than thirty (30) days nor more than ninety (90) days following the action or prior to the event concerning which notice thereof is required to be given; provided, that neither failure to receive any such mailed notice nor any immaterial defect contained therein shall affect the sufficiency or validity of any such notice.

SECTION 10.10. [Maintenance of Accounts and Funds](#). Any account or fund required herein to be established and maintained by the City Treasurer or the Trustee may be maintained by the City Treasurer or the Trustee, as the case may be, in its accounting records in its customary manner either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any financial reports or statements with respect thereto, be treated either as an account or as a fund; but all such accounting records with respect to all such accounts and funds shall at all times be maintained by the City Treasurer and the Trustee in accordance with industry standards and with due regard for the protection of the security of the Bonds and the rights of the Holders.

SECTION 10.11. [Article and Section Headings, Gender and References](#). The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the construction, effect or meaning hereof, and words of any gender shall be deemed and construed to include all genders, and all references herein to “Articles,” “Sections” and other subdivisions are to the corresponding articles, sections or subdivisions hereof; and the words “hereby,” “herein,” “hereof,” “hereto,” “herewith” and “hereunder” and other words of similar import refer to the Indenture as a whole and not to any particular article, section or subdivision hereof.

SECTION 10.12. [Partial Invalidity](#). If any one or more of the agreements, conditions, covenants or terms, or portions thereof, required hereby to be observed or performed by the City or the Trustee should be contrary to law, then such agreement or agreements, such condition or conditions, such covenant or covenants or such term or terms, or such portions thereof, shall be null and void and shall be deemed separable from the remaining agreements, conditions, covenants or terms or portions thereof and shall in no way affect the validity hereof or of the Bonds; and the Holders shall retain all the rights and benefits accorded to them under the Act or any other applicable provisions of law. The City hereby declares that it would have executed the Indenture and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the issuance of the Bonds pursuant hereto irrespective of the fact that any one or more of the articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

SECTION 10.13. [Execution in Counterparts](#). The Indenture may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

SECTION 10.14. [Governing Law](#). The Indenture shall be governed by and construed and interpreted in accordance with the laws of the State of California.

SECTION 10.15. [Notices](#). All written notices to be given hereunder shall be given by first class mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

If to the City:

City of Sacramento  
915 “I” Street  
HCH Third Floor, #0900  
Sacramento, California 95814-2704  
Attention: City Treasurer

If to the Trustee:

The Bank of New York Trust Company, N.A.  
550 Kearny Street, Suite 600  
San Francisco, CA 94108  
Attention: Corporate Trust Administration

SECTION 10.16. [Effective Date of the Indenture](#). The Indenture shall take effect from and after its execution and delivery.

IN WITNESS WHEREOF, the City of Sacramento has caused the Indenture to be signed in its name by its City Treasurer and its seal to be hereunto affixed, and to be attested by its City Clerk, and The Bank of New York Trust Company, N.A., as Trustee, in token of its acceptance of the trusts created hereunder, has caused the Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the date and year first above written.

CITY OF SACRAMENTO

By \_\_\_\_\_  
City Treasurer

[SEAL]

ATTEST:

\_\_\_\_\_  
City Clerk

APPROVED AS TO FORM:

\_\_\_\_\_  
City Attorney

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

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

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