



# OVERSIGHT BOARD

OF THE CITY OF LONG BEACH AS THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF LONG BEACH

333 West Ocean Blvd., 3rd Floor, Long Beach, CA 90802 Phone: 562.570.6615 Fax 562.570.6215

August 27, 2012

## OVERSIGHT BOARD MEMBERS

### RECOMMENDATION:

Adopt a resolution approving the decision of the Successor Agency to the Redevelopment Agency of the City of Long Beach to approve the request of the City of Long Beach, acting as Successor Housing Agency pursuant to Health & Safety Code Section 34176, to designate 2005 Housing bond proceeds in the aggregate amount of \$18,300,000 as available for the development of affordable housing in accordance with current law.

### DISCUSSION

On January 10, 2005, the former Redevelopment Agency of the City of Long Beach approved the issuance of bonds secured by its 20 percent housing set-aside to provide additional funds to more expeditiously implement the Housing Action Plan for the creation of affordable housing in key neighborhoods. On January 18, 2005, the City Council also authorized issuance of the bonds. As issuer of the bonds, the former Redevelopment Agency of the City of Long Beach is responsible for making the annual debt payments and the source of repayment is now the Redevelopment Property Tax Trust Fund.

On January 17, 2012, the City of Long Beach validly assumed the housing functions of the former Redevelopment Agency of the City of Long Beach as the Successor Housing Agency pursuant to AB1X 26 (Dissolution Act). The Long Beach Housing Development Company administers housing functions on behalf of the City of Long Beach as its wholly owned non-profit corporation.

On June 15, 2011, the Long Beach Housing Development Company approved (i) a loan in the amount of \$5,900,000 to a to-be-formed partnership, in which Hunt Capital Partners, LLC, or its affiliate, acts as the general partner for the acquisition and rehabilitation of Belwood Apartments at 6301 Atlantic Avenue; and (ii) a loan in the amount of \$12,400,000 to Palm Desert Development Company for the development of Ramona Park Senior Apartments at 3290 Artesia Boulevard (collectively, the "Housing Loans"). As required by Health & Safety Code Section 34176(g), the City of Long Beach, acting as Successor Housing Agency, has requested that the Successor Agency to the Redevelopment Agency of the City of Long Beach approve designating 2005 Housing bond proceeds in the aggregate amount of \$18,300,000 for use by the Long Beach Housing Development Company, in making the Housing Loans. A copy of the request letter is attached hereto as Exhibit A.

OVERSIGHT BOARD MEMBERS

August 27, 2012

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Applicable law states that bond proceeds currently held by the Successor Agency may be expended for housing projects if (i) such expenditures are consistent with applicable bond covenants, (ii) there are sufficient funds available for the projects, and (iii) such projects are included on an approved and valid Recognized Obligation Payment Schedule. Staff has reviewed the bond covenants and determined that the Housing Loans are consistent with applicable bond covenants. There are currently \$18,700,000 in Housing bond proceeds available for the projects.

This matter was approved by the Successor Agency of the City of Long Beach on August 21, 2012.

Pursuant to the authority granted by Health & Safety Code Section 34176(g), the Housing Loans were included on the most recent Recognized Obligation Payment Schedule approved by the Successor Agency to the Redevelopment Agency of the City of Long Beach on August 21, 2012. The Recognized Obligation Payment Schedule is being submitted for approval by the Oversight Board concurrently with this item.

Respectfully submitted,



PATRICK H. WEST  
CITY MANAGER

PHW:AJB:RMZ:PU:MS

S:\Successor Agency\OVERSIGHT BOARD\STAFF REPORTS Oversight Board2012\August 27 - Special Mtg\Belwood and Ramona Park Housing Loans 8.27.12 OBv2.doc

Attachments: Exhibit A - July 30, 2012 Letter Noticing the City of Long Beach's Intent to Designate Housing Bond Proceeds for Housing Loans  
Exhibit B - Indenture of Trust for 2005 Tax Allocation Bonds Resolution



# CITY OF LONG BEACH

Exhibit A

OFFICE OF THE CITY MANAGER

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802 • (562) 570-6711 • FAX (562) 570-6583

PATRICK H. WEST  
CITY MANAGER

July 31, 2012

Amy J. Bodek  
Director of Development Services  
City of Long Beach, as the Successor Agency  
to the Redevelopment Agency of the City of Long Beach  
333 W. Ocean Blvd., 3<sup>rd</sup> Floor  
Long Beach, CA 90802

RE: Belwood and Ramona Park Senior Apartments Affordable Housing Loans

Dear Ms. Bodek:

The City of Long Beach ("City") validly assumed the housing functions of the former Redevelopment Agency of the City of Long Beach ("Agency") pursuant to Health and Safety Code Section 34176. The Long Beach Housing Development Company ("LBHDC") administers the housing functions on behalf of the City.

On June 15, 2011, the LBHDC approved (i) a loan in the amount of \$5,900,000 to a to-be-formed partnership, in which Hunt Capital Partners, LLC or its affiliate acts as the general partner for the acquisition and rehabilitation of Belwood Apartments; and (ii) a loan in the amount of \$12,400,000 to Palm Desert Development Company for the development of Ramona Park Senior Apartments (collectively, the "Housing Loans").

In accordance with Health & Safety Code Section 34176(g), the City hereby gives notice to the City of Long Beach, as the Successor Agency to the Redevelopment Agency of the City of Long Beach ("Successor Agency"), of the City's intent to designate housing bond proceeds in the aggregate amount of \$18,300,000 for use by the LBHDC, acting on behalf of the City, in making the "Housing Loans."

CITY OF LONG BEACH

A handwritten signature in black ink, appearing to read "P. H. West", written over a horizontal line.

Patrick H. West  
City Manager

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INDENTURE OF TRUST

by and between the

REDEVELOPMENT AGENCY OF THE CITY OF LONG BEACH

and

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

Dated as of February 1, 2005

Relating to:  
\$55,665,000  
Redevelopment Agency of the City of Long Beach  
2005 Tax Allocation Bonds  
(Housing Projects)

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EXHIBIT B - ADDITIONAL INTEREST ON 2005 BONDS

## INDENTURE OF TRUST

THIS INDENTURE OF TRUST (this "Indenture") is made and entered into as of February 1, 2005, by and between the REDEVELOPMENT AGENCY OF THE CITY OF LONG BEACH, a public body corporate and politic duly organized and existing under the laws of the State of California (the "Agency"), and THE BANK OF NEW YORK TRUST COMPANY, N.A., a national banking association organized and existing under the laws of the United States of America, as trustee (the "Trustee").

### RECITALS:

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

WHEREAS, the Agency has determined to issue its \$55,665,000 aggregate initial principal amount of Redevelopment Agency of the City of Long Beach 2005 Tax Allocation Bonds (Housing Projects) (the "2005 Bonds") under the provisions of the Redevelopment Law to finance housing activities of the Agency; and

WHEREAS, in order to provide for the authentication and delivery of the 2005 Bonds, to establish and declare the terms and conditions upon which the 2005 Bonds are to be issued and secured and to secure the payment of the principal thereof and interest and redemption premium (if any) thereon, the Agency and the Trustee have duly authorized the execution and delivery of this Indenture; and

WHEREAS, the Agency has determined that all acts and proceedings required by law necessary to make the 2005 Bonds, when executed by the Agency, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal special obligations of the Agency, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done or taken.

### AGREEMENT:

NOW, THEREFORE, in order to secure the payment of the principal of and the interest and redemption premium (if any) on all the Outstanding Bonds under this Indenture according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the Owners thereof, and for other valuable consideration the receipt and sufficiency of which is hereby acknowledged, the Agency and the Trustee do hereby covenant and agree with one another, for the benefit of the respective Owners from time to time of the Bonds, as follows:



## ARTICLE I

### DEFINITIONS; RULES OF CONSTRUCTION

**Section 1.01. Definitions.** Unless the context otherwise requires, the capitalized terms used in this Indenture, or any Supplemental Indenture, shall have the respective meanings which are given such terms in this Section 1.01.

"Additional Allowance" means, as of the date of calculation, the amount of Tax Increment Revenues which, as evidenced by a certification or supplemental tax roll of the County, are estimated to be receivable by the Agency in the next succeeding Fiscal Year as a result of increases in the assessed valuation of taxable property in the Project Areas due to either (a) construction which has been completed but has not yet been reflected on the tax roll, or (b) transfer of ownership or any other interest in real property, which is not then reflected on the tax rolls.

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

"Agency Continuing Disclosure Agreement" shall mean that certain Continuing Disclosure Agreement pertaining to the Authority Bonds and the 2005 Bonds (as well as certain other "Local Obligations," as defined in the Authority Indenture) executed by the Agency and the Authority, and dated the date of issuance and delivery of the 2005 Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Annual Debt Service" means, for each Bond Year, the sum of (a) the interest payable on the Outstanding Bonds in such Bond Year, and (b) the principal amount of the Outstanding Bonds scheduled to be paid in such Bond Year upon the maturity or mandatory Sinking Account redemption thereof.

"Authority" means the Long Beach Bond Finance Authority, a public body, corporate and politic, duly organized and existing under a joint exercise of powers agreement entered into by the City and the Agency pursuant to the Government Code of the State.

"Authority Bonds" means, collectively, the Authority Series A Bonds and the Authority Series B Bonds.

"Authority Indenture" means the Indenture of Trust, dated as of February 1, 2005, between the Authority and the Authority Trustee.

"Authority Series A Bonds" means, collectively, the Authority's Long Beach Bond Finance Authority Revenue Bonds (Redevelopment, Housing and Gas Utility Financings), 2005 Series A-1 and Long Beach Bond Finance Authority Revenue Bonds (Redevelopment, Housing and Gas Utility Financings), 2005 Series A-2, issued and outstanding under and pursuant to the Authority Indenture.

"Authority Series B Bonds" means the Authority's Long Beach Bond Finance Authority Taxable Revenue Bonds (Redevelopment, Housing and Gas Utility Financings), 2005 Series B, issued and outstanding under and pursuant to the Authority Indenture.

"Authority Trustee" means The Bank of New York Trust Company, N.A., and any successor thereto acting in the capacity as trustee under the Authority Indenture.

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

"Bond Year" means any twelve-month period beginning on August 2 in any year and extending to the next succeeding August 1, both dates inclusive; except that the first Bond Year shall begin on the Closing Date and end on August 1, 2005.

"Bonds" means, collectively, the 2005 Bonds and any Parity Debt.

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

"Business Inventory Tax Subvention" means all amounts payable by the State to the Agency under and pursuant to the provisions of Chapter 1.5 of Part 1 of Division 4 of Title 2 (commencing with Section 16110) of the Government Code of the State.

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

"City" means the City of Long Beach, a charter city and municipal corporation organized and existing under the laws of the State.

"Closing Date" means March 2, 2005, being the date on which the 2005 Bonds are delivered by the Agency to the Original Purchaser.

"Costs of Issuance" has the meaning given such term in the Authority Indenture.

"Costs of Issuance Fund" means the fund by that name created pursuant to the Authority Indenture.

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

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

"Defeasance Securities" means (a) cash; (b) non-callable Federal Securities (including State and Local Government Securities); (c) non-callable direct obligations of the United States of America which have been stripped by the Department of the Treasury of the United States of America; (d) non-callable bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America: (i) certificates of beneficial ownership of the Farmers Home Administration; (ii) participation certificates of the General Services Administration; and (iii) guaranteed Title XI financings of the U.S. Maritime Administration.

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

"Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Tax Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) the investment is the Local Agency Investment Fund of the State of California but only if at all times during which the investment is held its yield is reasonably expected to be equal to or greater than the yield on a reasonably comparable direct obligation of the United States.

"Federal Securities" means: (a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), the payment of principal of and interest on which are unconditionally and fully guaranteed by the United States of America; (b) obligations of any agency or department of the United States of America which represent the full faith and credit of the United States of America or the timely payment of the principal of and interest on which are secured or guaranteed by the full faith and credit of the United States of America; and (c) any obligations issued by the State or any political subdivision thereof the payment of the principal of and interest and premium (if any) on which are fully secured by Federal Securities described in the preceding clauses (a) or (b).

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

"Housing Proceeds Fund" means the fund by that name established and held by the Trustee pursuant to Section 3.03.

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

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

"Independent Redevelopment Consultant" means any consultant or firm of such consultants appointed by or acceptable to the Agency and who, or each of whom: (a) is judged by the Agency to have experience in matters relating to the collection of Tax Increment Revenues or otherwise with respect to the financing of redevelopment projects; (b) is in fact independent and not under domination of the Agency; (c) does not have any

substantial interest, direct or indirect, with the Agency other than as the Original Purchaser; and (d) is not connected with the Agency as an officer or employee of the Agency, but who may be regularly retained to make reports to the Agency.

"Information Services" means Financial Information, Inc.'s "Daily Called Bond Service", 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny S&P, 55 Water Street, 45<sup>th</sup> Floor, New York, New York 10041, Attention: Notification Department; Moody's "Municipal and Government," 5250 77 Center Drive, Suite 150, Charlotte, NC 28217, Attention: Municipal News Reports; S&P's "Called Bond Record," 25 Broadway, 3<sup>rd</sup> Floor, New York, New York 10004; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to the redemption of bonds as the Agency may designate in a Request of the Agency delivered to the Trustee.

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

"Interest Payment Date" means August 1, 2005, and each February 1 and August 1 thereafter until the earlier of the redemption or final maturity of the Bonds.

"Maximum Annual Debt Service" means, as of the date of calculation, the largest amount obtained by totaling, for the current or any future Bond Year, the sum of (a) the amount of interest payable on the Bonds in such Bond Year, assuming that principal thereof is paid as scheduled and that any mandatory sinking fund payments are made as scheduled, and (b) the amount of principal payable on the Bonds in such Bond Year, including any principal required to be prepaid by operation of mandatory sinking fund payments.

For purposes of such calculation there shall be excluded the principal of and interest on any Parity Debt to the extent the proceeds thereof are then deposited in an escrow fund from which amounts may not be released to the Agency unless the amount of Tax Increment Revenues for the most recent Fiscal Year (as evidenced in a written document from an appropriate official of the Agency), plus at the option of the Agency the Additional Allowance, at least equals one hundred thirty-five percent (135%) of the sum of the amount of Maximum Annual Debt Service on the Bonds, and the Maximum Annual Debt Service on the Parity Debt (a portion of the proceeds of which were deposited to such escrow fund) assuming that the amount on deposit in the escrow fund was applied to redeem such Parity Debt.

"Minimum Rating" means, with respect to any Permitted Investment that requires a Minimum Rating, a long-term rating of "A" or better from S&P or a short-term rating which is in the highest general rating category of S&P, in any event determined without regard to any refinement or gradation of such rating by a numerical modifier, a plus or a minus sign, or otherwise.

"Moody's" means Moody's Investors Service, New York, New York, and its successors.

"Municipal Bond Insurer" has the meaning given such term in the Authority Indenture.

"Office" means the corporate trust office of the Trustee at the location identified in Section 9.08 hereof, except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the

Trustee at which, at any particular time, its corporate trust agency business shall be conducted, or at such other place or places as may be designated by the Trustee from time to time in written notice filed with the Agency.

"Original Purchaser" means the Authority, as original purchaser of the 2005 Bonds.

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

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

"Parity Debt" means, collectively (a) any loans, bonds, notes, advances or indebtedness payable from Tax Increment Revenues on a parity with the 2005 Bonds issued or incurred pursuant to and in accordance with the provisions of the first paragraph of Section 3.05, and (b) any Refunding Debt issued or incurred in accordance with the provisions of the second paragraph of Section 3.05.

"Parity Debt Instrument" means any resolution, indenture of trust, trust agreement or other instrument authorizing the issuance and/or execution and delivery of any Parity Debt.

"Participating Underwriter" shall have the meaning ascribed thereto in the Agency Continuing Disclosure Agreement.

"Permitted Investments" means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein, but only to the extent that the same are acquired at Fair Market Value:

(a) direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America, and any Defeasance Obligations.

(b) obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America, including: (i) Export-Import Bank; (ii) Rural Economic Community Development Administration; (iii) U.S. Maritime Administration; (iv) Small Business Administration; (v) U.S. Department of Housing & Urban Development (PHA's); (vi) Federal Housing Administration; and (vii) Federal Financing Bank;

(c) senior debt obligations issued by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Resolution Funding Corporation (REFCORP), and the Federal Home Loan Bank System, and senior debt obligations of other government-sponsored agencies approved by the Municipal Bond Insurer;

(d) U.S. dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks, including the Trustee and its affiliates, which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing no more

than 360 days after the date of purchase, provided that ratings on holding companies are not considered as the rating of the bank;

(e) commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P, and which matures not more than 270 days after the date of purchase;

(f) investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P, including any money market fund for which the Trustee or an affiliate receives fees for investment advisory or other services to the fund;

(g) pre-refunded municipal obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (i) which are rated, based upon an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's and S&P or any successors thereto; or (ii)(A) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (a) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (B) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to above, as appropriate;

(h) investment agreements approved in writing by the Municipal Bond Insurer, supported by appropriate opinions of counsel;

(i) the City's investment pool maintained by the City Treasurer in accordance with the City's adopted investment policy;

(j) the Local Agency Investment Fund of the State, created pursuant to section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name; and

(k) other forms of investments (including repurchase agreements) approved in writing by the Municipal Bond Insurer.

"Plan Limitations" means the limitations contained or incorporated in a Redevelopment Plan, if any, on (a) the aggregate principal amount of indebtedness payable from Tax Increment Revenues which may be outstanding at any time, (b) the aggregate amount of taxes which may be divided and allocated to the Agency pursuant to the Redevelopment Plans, and (c) the period of time for establishing indebtedness payable from Tax Increment Revenues.

"Pledged Housing Set-Aside Fund" means the fund by that name established and held by the Agency pursuant to Section 4.02.

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

"Project Areas" means, collectively, the Redevelopment Project areas described in the Redevelopment Plans.

"Qualified Reserve Account Credit Instrument" means an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company and deposited with the Trustee pursuant to Section 4.03(d), provided that all of the following requirements are met: (a) the long-term credit rating or claims paying ability of such bank or insurance company is in one of the three highest rating categories by S&P and Moody's; (b) such letter of credit or surety bond has a term of at least twelve (12) months; (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released pursuant to Section 4.03(d); and (d) the Trustee is authorized pursuant to the terms of such letter of credit or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Interest Account, the Principal Account or the Sinking Account for the purpose of making payments required pursuant to Section 4.03.

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

"Redemption Account" means the account by that name established and held by the Trustee pursuant to Section 4.03(e).

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

"Redevelopment Plans" means, collectively, (a) the Redevelopment Plan for the West Beach Redevelopment Project of the Agency, approved by Ordinance No. C-4451 enacted by the City Council of the City on July 21, 1964; (b) the Redevelopment Plan for the Poly High Redevelopment Project of the Agency, approved by Ordinance No. C-5063 enacted by the City Council of the City on April 3, 1973; (c) the Redevelopment Plan for the Downtown Redevelopment Project of the Agency, approved by Ordinance No. C-5187 enacted by the City Council of the City on June 17, 1975; (d) the Redevelopment Plan for the West Long Beach Industrial Redevelopment Project of the Agency, approved by Ordinance No. C-5188 enacted by the City Council of the City on July 1, 1975; (e) the Redevelopment Plan for the Los Altos Redevelopment Project of the Agency, approved by Ordinance No. C-6954 enacted by the City Council of the City on December 10, 1991; (f) the Redevelopment Plan for the North Long Beach Redevelopment Project of the Agency, approved by Ordinance No. C-7412 enacted by the City Council of the City on July 16, 1996; and (g) the Redevelopment Plan for the Central Long Beach Redevelopment Project of the Agency, approved by Ordinance No. C-7738 enacted by the City Council of the City on March 6, 2001; together with in each case, any amendments to such Redevelopment Plans duly authorized pursuant to the Redevelopment Law.

"Redevelopment Projects" means, collectively, the undertakings of the Agency pursuant to the Redevelopment Plans and the Redevelopment Law for the redevelopment of the project areas described in the Redevelopment Plans.

"Refunding Debt" means any loan, bond, note, advance or indebtedness the proceeds thereof are used to refund all or a portion of the 2005 Bonds or any Parity Debt (and to pay costs of issuance of and fund a reserve fund for such Refunding Debt), and the debt service due on such Refunding Debt in any Bond Year in which the Refunding Debt is Outstanding is not greater than the debt service due in such Bond Year on the portion of the 2005 Bonds or the Parity Debt refunded with the proceeds of such Refunding Debt.

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

"Report" means a document in writing signed by an Independent Accountant or an Independent Redevelopment Consultant and including: (a) a statement that the person or firm making or giving such Report has read the pertinent provisions of this Indenture to which such Report relates; (b) a brief statement as to the nature and scope of the examination or investigation upon which the Report is based; and (c) a statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable such person or firm to express an informed opinion with respect to the subject matter referred to in the Report.

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

"Reserve Account" means the account by that name established and held by the Trustee pursuant to Section 4.03(d).

"Reserve Requirement" means, as of any date of any calculation by the Agency, an amount equal to the lesser of (a) Maximum Annual Debt Service, or (b) one hundred twenty-five percent (125%) of average Annual Debt Service, or (c) ten percent (10%) of the then outstanding principal amount of the Bonds. The Reserve Requirement as of the Closing Date is \$4,053,642.00.

"Securities Depositories" means The Depository Trust Company, 55 Water Street, 50<sup>th</sup> Floor, New York, N.Y. 10041-0099 Attention: Call Notification Department, Fax (212) 855-7232; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Agency may designate in a Request of the Agency delivered by the Agency to the Trustee.

"Senior Debt" means the following obligation of the Agency, but only to the extent payable from, and secured by a pledge of, the Tax Increment Revenues: the obligation of the Agency to pay up to 43.55% of the debt service on its Redevelopment Agency of the City of Long Beach 2002 Tax Allocation Bonds (West Beach Redevelopment Project) from Tax Increment Revenues collected in the Agency's West Beach Project Area.

"Senior Debt Instruments" means the Indenture of Trust, dated as of May 1, 2002, between the Agency and The Bank of New York Trust Company, N.A., as successor Trustee, pursuant to which the Senior Debt was issued.

"Senior Refunding Debt" means any loan, bond, note, advance or indebtedness the proceeds thereof are used to refund all or a portion of the Senior Debt (and to pay costs of issuance of and fund a reserve fund for such Refunding Debt), and the debt service due on such Refunding Debt in any Bond Year in which the Refunding Debt is outstanding is not greater than the debt service due in such Bond Year on the portion of the Senior Debt refunded with the proceeds of such Refunding Debt.



"Sinking Account" means the account by that name established and held by the Trustee pursuant to Section 4.03(c).

"S&P" means Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc., New York, New York, and its successors.

"State" means the State of California.

"Subordinate Debt" means any loans, advances or indebtedness issued or incurred by the Agency in accordance with the requirements of Section 3.06, which are either: (i) payable from, but not secured by a pledge of or lien upon, the Tax Increment Revenues; or (ii) secured by a pledge of or lien upon the Tax Increment Revenues which is subordinate to the pledge of and lien upon the Tax Increment Revenues hereunder for the security of the Bonds.

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

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

"Tax Increment Revenues" means twenty percent (20%) of all taxes annually allocated and deposited in the Agency's Low and Moderate Income Housing Fund pursuant to Section 33334.3 of the Redevelopment Law, which amounts are paid to the Agency with respect to the Project Areas pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State, and all payments, subventions and reimbursements, if any, to the Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations; but excluding the Business Inventory Tax Subvention.

"Tax Regulations" means temporary and permanent regulations promulgated under Section 103 and all related provisions of the Tax Code.

"Tax Revenue Certificate" means a Certificate of the Agency identifying the amount of all Tax Increment Revenues received or to be received by the Agency in the then current Fiscal Year.

"Term Bonds" means any maturity of Parity Debt which is subject to mandatory sinking account redemption pursuant to the Parity Debt Instrument authorizing the issuance thereof.

"Trustee" means The Bank of New York Trust Company, N.A., as Trustee hereunder, or any successor thereto appointed as Trustee hereunder in accordance with the provisions of Article VI.

"2005 Bonds" means the Redevelopment Agency of the City of Long Beach 2005 Tax Allocation Bonds (Housing Redevelopment Project) issued and Outstanding under this Indenture.

**Section 1.02. Rules of Construction.** All references herein to "Articles", "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture, and the words "herein", "hereof", "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

## ARTICLE II

### AUTHORIZATION AND TERMS OF 2005 BONDS

**Section 2.01. Authorization and Purpose of 2005 Bonds.** The Agency has reviewed all proceedings heretofore taken and has found, as a result of such review, and hereby finds and determines that all things, conditions and acts required by law to exist, happen or be performed precedent to and in connection with the issuance of the 2005 Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the Agency is now duly empowered, pursuant to each and every requirement of law, including the Redevelopment Law, to issue the 2005 Bonds in the manner and form provided in this Indenture.

2005 Bonds in the aggregate initial principal amount of Fifty-Five Million Six Hundred Sixty-Five Thousand Dollars (\$55,665,000) are hereby authorized to be issued by the Agency under the Redevelopment Law for the purpose of making deposits to the Housing Proceeds Fund, the Costs of Issuance Fund and the Reserve Account, all as provided in Section 3.02. The 2005 Bonds shall be authorized and issued under, and shall be subject to the terms of, this Indenture and the Redevelopment Law. The 2005 Bonds shall be designated the "Redevelopment Agency of the City of Long Beach 2005 Tax Allocation Bonds (Housing Projects)."

**Section 2.02. Terms of the 2005 Bonds.** The 2005 Bonds shall be issued in fully registered form without coupons in denominations equal to \$1,000 or any integral multiple thereof. No 2005 Bond shall have more than one maturity date. The 2005 Bonds shall be dated the Closing Date, and shall be in the principal amounts, shall mature on August 1 in the years, and shall bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) at the respective rates of interest per annum as follows:

<u>Maturity Date</u> <u>(August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2006	\$ 645,000	3.520%
2007	670,000	3.820
2008	695,000	4.020
2009	720,000	4.160
2010	750,000	4.270
2011	785,000	4.360
2012	820,000	4.460
2013	855,000	4.560
2014	895,000	4.610
2015	935,000	4.660
2016	980,000	4.800
2017	1,025,000	4.900
2018	1,075,000	5.000
2019	1,130,000	5.080
2020	1,190,000	5.130
2021	1,250,000	5.160
2022	1,315,000	5.160
2023	1,380,000	5.160
2024	1,450,000	5.160
2025	1,525,000	5.160
2026	1,605,000	5.340
2027	1,690,000	5.340
2028	1,780,000	5.340
2029	1,875,000	5.340
2030	1,975,000	5.340
2031	2,085,000	5.340
2032	2,195,000	5.340
2033	2,310,000	5.340
2034	2,435,000	5.340
2035	2,565,000	5.340
2036	2,700,000	5.440
2037	2,850,000	5.440
2038	3,005,000	5.440
2039	3,165,000	5.440
2040	3,340,000	5.440

Interest on the 2005 Bonds pursuant to this paragraph shall be payable from the Interest Payment Date next preceding the date of authentication thereof unless (i) a Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it shall bear interest from such Interest Payment Date, (ii) a Bond is authenticated on or before the Record Date preceding the first Interest Payment Date, in which event interest thereon shall be payable from the Closing Date, or (iii) interest on any Bond is in default as of the date of authentication thereof, in which event interest thereon shall be payable from the date to which interest has been paid in full, payable on each Interest Payment Date.

In addition to the interest payable on the 2005 Bonds pursuant to the preceding paragraph, the Agency shall pay additional interest on the 2005 Bonds in the amounts and on the Interest Payment Dates set forth in Exhibit B hereto, which Exhibit is by this reference incorporated herein.

Interest (as required by the preceding two paragraphs) shall be paid on each Interest Payment Date to the persons in whose names the ownership of the Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below. Interest on any 2005 Bond (as required by the preceding two paragraphs) which is not punctually paid or duly provided for on any Interest Payment Date shall be payable to the person in whose name the ownership of such 2005 Bond is registered on the Registration Books at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice of which shall be given to such Owner not less than ten (10) days prior to such special record date.

All interest on the 2005 Bonds shall be paid by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners of the 2005 Bonds at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date; *provided, however*, that (i) at the written request of the Owner of Bonds in an aggregate principal amount of at least \$1,000,000, which written request is on file with the Trustee as of any Record Date, interest on the 2005 Bonds shall be paid on each succeeding Interest Payment Date by wire transfer in immediately available funds to such account within the United States of America as shall be specified in such written request (any such written request shall remain in effect until rescinded in writing by the Owner), and (ii) interest on any 2005 Bonds registered in the name of the Authority Trustee may be paid by debt on the books of the Authority Trustee (if the Authority Trustee and the Trustee are the same entity) or by wire transfer to an account designated in writing by the Authority Trustee to the Trustee. The principal of and premium (if any) on the 2005 Bonds shall be payable in lawful money of the United States of America by check of the Trustee upon presentation and surrender thereof at the Office of the Trustee.

**Section 2.03. Redemption of 2005 Bonds.** (a) Optional Redemption of 2005 Bonds. The 2005 Bonds shall be subject to redemption prior to maturity in whole or in part, with the prior consent of the Authority pursuant to Section 5.09(f) of the Authority Indenture, on any date on which the Authority Bonds are subject to optional redemption pursuant to Section 2.02(a) of the Authority Indenture, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the redemption date, plus a premium determined by the Authority under Section 5.09(f) of the Authority Indenture and, if required to satisfy the Asset Coverage Test (as defined in the Authority Indenture), the establishment and funding by the Agency of an escrow with the Authority Trustee as described in Section 5.09(g) of the Authority Indenture. The Agency shall specify in writing to the Trustee any adjustments to the schedule of additional interest in Exhibit B hereto to be effective from and after the redemption date, which adjustments shall be the same as the corresponding adjustments to Exhibit C to the Authority Indenture as a consequence of the optional redemption of the 2005 Bonds and as required by Section 5.09(f) of the Authority Indenture.

The Agency shall be required to give the Authority and the Trustee written notice of its intention to redeem 2005 Bonds under this subsection (a), and the manner of selecting such Bonds for redemption from among the maturities thereof, at least forty-five (45) days prior to the date fixed for such redemption unless the Trustee otherwise agrees to a shorter period for such notice.

(b) [intentionally omitted]

(c) Notice of Redemption. The Trustee on behalf and at the expense of the Agency shall mail (by first class mail, postage prepaid) notice of any redemption at least thirty (30) but not more than sixty (60) days prior to the redemption date, to (i) the Owners of any 2005 Bonds designated for redemption at their respective addresses appearing on the

Registration Books, and (ii) the Securities Depositories and to one or more Information Services (by means acceptable to the Securities Depositories and Information Services, as applicable); *provided, however*, that such mailing shall not be a condition precedent to such redemption and neither failure to receive any such notice nor any defect therein shall affect the validity of the proceedings for the redemption of such 2005 Bonds or the cessation of the accrual of interest thereon. Such notice shall state the redemption date and the redemption price, shall designate the CUSIP number of the 2005 Bonds to be redeemed, shall state the individual number of each Bond to be redeemed or state that all 2005 Bonds between two stated numbers (both inclusive) or shall state that all of the 2005 Bonds Outstanding of one or more maturities are to be redeemed, and shall require that such 2005 Bonds be then surrendered at the Office of the Trustee for redemption at the said redemption price, giving notice also that further interest on the 2005 Bonds to be redeemed will not accrue from and after the date fixed for redemption.

Notwithstanding the foregoing, no notice of redemption need be given with respect to any 2005 Bond registered in the name of the Authority or the Authority Trustee.

(d) Partial Redemption of Bonds. In the event only a portion of any 2005 Bond is called for redemption, then upon surrender thereof the Agency shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Agency, a new 2005 Bond or 2005 Bonds of the same interest rate and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the 2005 Bond to be redeemed.

(e) Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the redemption price of and interest on the 2005 Bonds so called for redemption shall have been duly deposited with the Trustee, such 2005 Bonds so called shall cease to be entitled to any benefit under this Indenture other than the right to receive payment of the redemption price and accrued interest to the redemption date, and no interest shall accrue thereon from and after the redemption date specified in such notice.

(f) Manner of Redemption. Whenever provision is made in this Indenture for the redemption of less than all of the 2005 Bonds, unless otherwise provided herein, the Authority shall determine the maturities to be redeemed consistent with the provisions of Section 5.09(f) of the Authority Indenture by written notice to the Trustee and the Agency, and the Trustee shall select the 2005 Bonds within a maturity to be redeemed by lot in any manner which the Trustee in its sole discretion shall deem appropriate. For purposes of such selection, all 2005 Bonds shall be deemed to be comprised of separate \$1,000 denominations and such separate denominations shall be treated as separate 2005 Bonds which may be separately redeemed.

**Section 2.04. Form of 2005 Bonds; Authentication and Delivery.** The 2005 Bonds, the form of Trustee's certificate of authentication, and the form of assignment to appear thereon, shall be substantially in the respective forms set forth in Exhibit A attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

The 2005 Bonds shall be executed on behalf of the Agency by the signature of its Chair and the signature of its Secretary who are in office on the date of execution and delivery of this Indenture or at any time thereafter. Either or both of such signatures may be made manually or may be affixed by facsimile thereof. If any officer whose signature appears on any 2005 Bond ceases to be such officer before the Closing Date, such signature shall nevertheless be as effective as if the officer had remained in office until the Closing Date. Any 2005 Bond may be signed and attested on behalf of the Agency by such persons

as at the actual date of the execution of such 2005 Bond shall be the proper officers of the Agency, duly authorized to execute debt instruments on behalf of the Agency, although on the date of such 2005 Bond any such person shall not have been such officer of the Agency.

Only such of the 2005 Bonds as shall bear thereon a certificate of authentication in the form set forth in Exhibit A, manually executed and dated by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee shall be conclusive evidence that such 2005 Bonds have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

**Section 2.05. Transfer of 2005 Bonds.** Any 2005 Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon presentation of such Bond to the Trustee at its Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. The cost of printing 2005 Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer shall be paid by the Agency. The Trustee shall collect any tax or other governmental charge on the transfer of any 2005 Bonds pursuant to this Section 2.05. Whenever any Bond or Bonds shall be surrendered for transfer, the Agency shall execute and the Trustee shall authenticate and deliver to the transferee a new 2005 Bond or 2005 Bonds of like maturity and aggregate principal amount of authorized denominations.

The Trustee may refuse to transfer, under the provisions of this Section 2.05, any 2005 Bonds selected by the Trustee for redemption pursuant to Section 2.03 or any 2005 Bonds during the period in which 2005 Bonds are selected for redemption.

**Section 2.06. Exchange of 2005 Bonds.** The 2005 Bonds may be presented for exchange at the Office of the Trustee for a like aggregate principal amount of 2005 Bonds of other authorized denominations and of the same maturity. The Trustee shall collect any tax or other governmental charge on the exchange of any 2005 Bonds pursuant to this Section 2.06. The cost of printing 2005 Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange shall be paid by the Agency.

The Trustee may refuse to exchange, under the provisions of this Section 2.06, any 2005 Bonds selected by the Trustee for redemption pursuant to Section 2.03 or any 2005 Bonds during the period in which 2005 Bonds are selected for redemption.

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

**Section 2.08. Temporary Bonds.** The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Agency, and may contain such reference to any of the provisions of this Indenture as may be appropriate. Every temporary Bond shall be executed by the Agency upon the same conditions and in substantially the same manner as the definitive Bonds. If the Agency issues temporary Bonds it will execute and furnish definitive Bonds without delay, and thereupon the temporary Bonds shall be surrendered for cancellation, in exchange therefor at the 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. Until so exchanged, the temporary Bonds shall be entitled to the same benefits pursuant to this Indenture as definitive Bonds authenticated and delivered hereunder.

**Section 2.09. Bonds Mutilated, Lost, Destroyed or Stolen.** If any Bond shall become mutilated, the Agency, at the expense of the Owner of such Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by it and delivered to, or upon the order of, the Agency. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence be satisfactory and indemnity for the Trustee and the Agency satisfactory to the Trustee shall be given, the Agency, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor and series in lieu of and in substitution for the Bond so lost, destroyed or stolen. The Trustee may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under this Section and of the expenses which may be incurred by the Trustee in connection therewith. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Agency whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Indenture with all other Bonds issued pursuant to this Indenture.

Notwithstanding any other provision of this Section 2.09, in lieu of delivering a new Bond for which principal has or is about to become due for a Bond which has been mutilated, lost, destroyed or stolen, the Trustee may make payment of such Bond in accordance with its terms upon receipt of the above-described indemnity.



## ARTICLE III

### DEPOSIT AND APPLICATION OF PROCEEDS OF 2005 BONDS; ISSUANCE OF PARITY DEBT

**Section 3.01. Issuance of 2005 Bonds.** Upon the execution and delivery of this Indenture, the Agency shall execute and deliver the 2005 Bonds in the aggregate initial principal amount of Fifty-Five Million Six Hundred Sixty-Five Thousand Dollars (\$55,665,000) to the Trustee and the Trustee shall authenticate and deliver the 2005 Bonds to the Original Purchaser upon receipt of a Request of the Agency therefor.

**Section 3.02. Deposit and Application of Proceeds.** On the Closing Date, the proceeds of sale of the 2005 Bonds (being \$54,224,290.44) shall be paid to the Trustee and deposited by the Trustee as follows:

(a) The Trustee shall deposit in the Housing Proceeds Fund the amount of \$49,972,049.74.

(b) The Trustee shall transfer to the Authority Trustee for deposit by the Authority Trustee in the Costs of Issuance Fund the amount of \$198,598.70.

(c) The Trustee shall deposit the amount of \$4,053,642.00 in the Reserve Account, constituting an amount equal to the Reserve Requirement as of the Closing Date.

The Trustee may, in its discretion, establish a temporary fund or account in its books and records to facilitate such transfers.

It is hereby acknowledged that the purchase price of the 2005 Bonds as of the Closing Date is \$55,377,482.37, which purchase price is comprised of the \$54,224,290.44 remitted to the Trustee by the Authority Trustee on the Closing Date, plus \$1,153,191.93 representing a portion of the Costs of Issuance equal to the allocable portion of the premium for the Bond Insurance Policy, which premium was paid by the purchaser of the Authority Bonds on behalf of the Authority. The purchase price of the 2005 Bonds takes into account \$287,517.63 of underwriter's discount, being the portion of such amount with respect to the Authority Series B Bonds allocable to the 2005 Bonds.

**Section 3.03. Housing Proceeds Fund.** There is hereby established a separate fund to be known as the "Housing Proceeds Fund", which shall be held by the Trustee. Amounts deposited to the Housing Proceeds Fund pursuant to Section 3.02(a) shall be remitted by the Trustee to the Agency from time to time, upon receipt by the Trustee of a Request of the Agency which specifies the amount to be withdrawn and the general purpose of the withdrawal. Each Request of the Agency shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. The Agency shall use all amounts withdrawn from the Housing Proceeds Fund for the financing of the housing activities of the Agency, consistent with the requirements of Section 33334.3 and other applicable provisions of the Redevelopment Law. The Agency shall maintain records as to the disposition of all amounts disbursed to it from the Housing Proceeds Fund pursuant to this Section 3.03, as necessary to comply with any applicable requirements of the Redevelopment Law.

**Section 3.04.** [intentionally omitted]

**Section 3.05. Issuance of Parity Debt.** The Agency may issue or incur Parity Debt in such principal amount as shall be determined by the Agency, subject only to the following conditions:

(a) No Event of Default shall have occurred and be continuing, and the Agency shall otherwise be in compliance with all covenants set forth in this Indenture.

(b) Subject to paragraph (d) below, the Tax Increment Revenues for the then current Fiscal Year (based on the assessed valuation of property in the Project Areas as evidenced in a written document from an appropriate official of the County) plus at the option of the Agency the Additional Allowance, shall be at least equal to one hundred thirty-five percent (135%) of the Maximum Annual Debt Service on the Bonds, any indebtedness secured by a senior lien on Tax Increment Revenues and such new Parity Debt.

Unless otherwise waived by the Municipal Bond Insurer, for purposes of the issuance of Parity Debt, Tax Increment Revenues shall be calculated by multiplying most recent assessed values certified by the County by the basic 1% tax rate (without regard to overrides) and shall be further reduced by:

(i) the amount of subventions paid by the State or any other amount appropriated by the State for the Agency;

(ii) unless the "Teeter Plan" is currently in effect and the County has made no announcement that the Teeter Plan would terminate, the percentage derived by applying the average percentage by which the actual tax collections in the Project Area were less than the amount of the tax levy in the Project Area for the immediately preceding five fiscal years; and

(iii)— the amount by which Tax Increment Revenues would be decreased if all pending assessment appeals were to be determined in favor of the property owners in a proportionate amount equal to the average percent of reductions over the most recent five years of appeals history.

(c) Subject to paragraph (d) below, the issuance of such Parity Debt shall not cause the Agency to exceed any applicable Plan Limitations. Without limiting the generality of the foregoing, the Agency shall not issue or execute and deliver any Parity Debt in the event and to the extent that either (i) the sum of the aggregate amount of debt service on all outstanding obligations of the Agency payable from Tax Increment Revenues, including such Parity Debt, exceeds the aggregate amount of Tax Increment Revenues which are eligible to be allocated and paid to the Agency while such obligations remain outstanding, or (ii) the aggregate principal amount of all outstanding obligations of the Agency, including such Parity Debt, exceeds any applicable limits in the Redevelopment Plans on the aggregate principal amount of indebtedness which the Agency is permitted to have outstanding at any one time.

(d) In computing the Maximum Annual Debt Service on the Bonds for purposes of paragraph (b) above, and the debt service for purposes of paragraph (c) above, if interest on any Bonds is payable at a variable rate the Agency shall assume that the interest rate on the variable rate debt is the maximum allowable rate under the applicable Supplemental Indenture pursuant to which such Parity Debt was

issued, and the Municipal Bond Insurer shall approve the financing documents and the assumptions used as set forth in this subsection (d).

(e) The related Parity Debt Instrument shall provide that:

(i) Interest on such Parity Debt shall be payable on February 1 and August 1 in each year in which interest is payable on such Parity Debt except the first twelve month period, during which interest may be payable on any February 1 or August 1 and provided that there shall be no requirement that such Parity Debt pay interest on a current basis;

(ii) The principal of such Parity Debt shall be payable on August 1 in any year in which principal is payable; and

(iii) Money (and/or a Qualified Reserve Fund Credit Instrument) shall be deposited in the Reserve Account in an amount such that the amount in the Reserve Account is equal to the Reserve Requirement in effect immediately following the issuance of the Parity Debt.

(f) The Agency shall deliver to the Trustee a Certificate of the Agency certifying that the conditions precedent to the issuance of such Parity Debt set forth in subsections (a), (b), (c) and (e) above have been satisfied.

Notwithstanding the foregoing, the Agency may issue or incur Refunding Debt in such principal amount as shall be determined by the Agency so long as the conditions set forth in subsections (a), (c) and (e) above are met, and the Agency delivers to the Trustee a Certificate of the Agency certifying that such conditions precedent to the issuance of such Refunding Debt set forth in subsections (a), (c) and (e) above have been met and such Refunding Debt is otherwise in accordance with the definition of Refunding Debt.

**Section 3.06. Issuance of Subordinate Debt.** From time to time the Agency may issue or incur Subordinate Debt in such principal amount as shall be determined by the Agency; provided that the issuance of such Subordinate Debt (after taking into account the Bonds and all other obligations of the Agency payable from Tax Increment Revenues) shall not cause the Agency to exceed any applicable Plan Limitations and the Agency will at all times that the Bonds are Outstanding have sufficient capacity to receive Tax Increment Revenues in an amount at least equal to the remaining Debt Service on the Bonds.

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

## ARTICLE IV

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

**Section 4.01. Security of Bonds; Equal Security.** The Bonds shall be secured by a pledge of and lien on all of the Tax Increment Revenues, without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery, subject only to the prior pledge of the Tax Increment Revenues with respect to any Senior Debt. The Bonds shall be additionally secured by a first and exclusive pledge of and lien upon all of the moneys in the Reserve Account, the Pledged Housing Set-Aside Fund, the Debt Service Fund, the Interest Account, the Principal Account, the Sinking Account and the Redemption Account. Except for the Tax Increment Revenues and amounts in the funds and accounts created hereunder including amounts in the Reserve Account and the Pledged Housing Set-Aside Fund, no funds or properties of the Agency shall be pledged to, or otherwise liable for, the payment of principal of or interest or premium (if any) on the Bonds

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

**Section 4.02. Pledged Housing Set-Aside Fund; Deposit of Tax Increment Revenues.** There is established a special fund to be known as the "Pledged Housing Set-Aside Fund", which is held by the Agency. The Agency shall deposit the Tax Increment Revenues received in any Bond Year, after satisfying the requirements of all Senior Debt Instruments, in the Pledged Housing Set-Aside Fund promptly upon receipt thereof by the Agency, until such time (if any) during any Bond Year as the amounts on deposit in the Pledged Housing Set-Aside Fund equal the aggregate amounts required to be transferred pursuant to Section 4.03 of this Indenture in any such Bond Year; and (except as may be otherwise provided in any Parity Debt Instruments) any Tax Increment Revenues received during any such Bond Year in excess of such amounts shall be released from the pledge and lien hereunder and may be used for any lawful purposes of the Agency.

Prior to the payment in full of the principal of and interest and redemption premium (if any) on the Bonds and the payment in full of all other amounts payable hereunder and under any Parity Debt Instruments, the Agency shall not have any beneficial right or interest in the moneys on deposit in the Pledged Housing Set-Aside Fund, except only as provided in this Indenture and in any Parity Debt Instruments, and such moneys shall be used and applied as set forth herein and in any Parity Debt Instruments.

**Section 4.03. Debt Service Fund; Transfer of Amounts to Trustee.** There is hereby established a special trust fund to be known as the "Debt Service Fund", which shall be held by the Trustee hereunder in trust. The Agency shall withdraw from the Pledged Housing Set-Aside Fund and transfer to the Trustee amounts required to meet the Agency's obligations under this Section 4.03. Moneys so transferred by the Agency to the Trustee shall be in the following amounts at the following times, for deposit by the Trustee in the following respective special accounts within the Debt Service Fund, which accounts are hereby established with the Trustee, in the following order of priority:

(a) Interest Account. Five (5) days before each date on which interest on the Bonds becomes due and payable, the Agency shall withdraw from the Pledged Housing Set-Aside Fund and transfer to the Trustee for deposit in the Interest Account an amount which, when added to the amount then on deposit in the Interest Account, will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding Bonds on such date. All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to this Indenture).

(b) Principal Account. Five (5) days before each date on which principal of the Bonds becomes due and payable at maturity, the Agency shall withdraw from the Pledged Housing Set-Aside Fund and transfer to the Trustee for deposit in the Principal Account an amount which, when added to the amount then on deposit in the Principal Account, will be equal to the amount of principal coming due and payable on such date on the Outstanding Bonds. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds upon the maturity thereof.

(c) Sinking Account. Five (5) days before each date on which any Outstanding Term Bonds become subject to mandatory Sinking Account redemption, the Agency shall withdraw from the Pledged Housing Set-Aside Fund and transfer to the Trustee for deposit in the Sinking Account an amount which, when added to the amount then contained in the Sinking Account, will be equal to the aggregate principal amount of the Term Bonds subject to mandatory Sinking Account redemption on such date. All moneys on deposit in the Sinking Account shall be used and withdrawn by the Trustee for the sole purpose of paying the principal of the Term Bonds as it shall become due and payable upon the mandatory Sinking Account redemption thereof.

(d) Reserve Account. In the event that the amount on deposit in the Reserve Account at any time becomes less than the Reserve Requirement, the Trustee (to the extent known to it) shall promptly notify the Agency of such fact. Promptly upon receipt of any such notice, the Agency shall transfer to the Trustee from the Pledged Housing Set-Aside Fund an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account. Amounts in the Reserve Account shall be used and withdrawn by the Trustee (i) for the purpose of making transfers to the Authority Trustee pursuant to Section 4.02(b)(iv) of the Authority Indenture (and the Agency shall receive a credit for debt service due on the 2005 Bonds in the amount of any transfer so made), (ii) for the purpose of paying debt service due on any Parity Bonds to the extent that amounts in the Interest Account or the Principal Account are not sufficient for such purpose, or (iii) at any time for the retirement of all the Bonds then Outstanding consistent with Section 9.03. So long as no Event of Default shall have occurred and be continuing, any amount in the Reserve Account in excess of the Reserve Requirement six (6) Business Days preceding each Interest Payment Date

shall be withdrawn from the Reserve Account by the Trustee and deposited in the Interest Account to be used to pay interest due on the Bonds on the immediately succeeding Interest Payment Date.

The Agency shall have the right at any time to release any funds from the Reserve Account, in whole or in part, by tendering to the Trustee: a Qualified Reserve Account Credit Instrument. Upon tender of such Qualified Reserve Account Credit Instrument to the Trustee, and upon delivery by the Agency to the Trustee of written calculation of the amount permitted to be released from the Reserve Account (upon which calculation the Trustee may conclusively rely), the Trustee shall transfer such funds from the Reserve Account to the Agency free and clear of the lien of this Indenture, for use by the Agency as required by Section 33334.3 of the Redevelopment Law. The Trustee shall comply with all documentation relating to a Qualified Reserve Account Credit Instrument as shall be required to maintain such Qualified Reserve Account Credit Instrument in full force and effect and as shall be required to receive payments thereunder in the event and to the extent required to make any payment when and as required under this subsection (d).

At least fifteen (15) days prior to the expiration of any Qualified Reserve Account Credit Instrument, the Agency shall be obligated either (i) to replace such Qualified Reserve Account Credit Instrument with a new Qualified Reserve Account Credit Instrument, or (ii) to deposit or cause to be deposited with the Trustee an amount of funds such that the amount on deposit in the Reserve Account is equal to the Reserve Requirement (without taking into account such expiring Qualified Reserve Fund Credit Instrument). In the event that the Agency shall fail to take action as specified in clause (i) or (ii) of the preceding sentence, the Trustee shall, prior to the expiration thereof, draw upon the Qualified Reserve Account Credit Instrument in full and deposit the proceeds of such draw in the Reserve Account.

In the event that the Reserve Requirement shall at any time be maintained in the Reserve Account in the form of a combination of cash and a Qualified Reserve Account Credit Instrument, the Trustee shall apply the amount of such cash to make any payment required to be made from the Reserve Account before the Trustee shall draw any moneys under such Qualified Reserve Account Credit Instrument for such purpose. In the event that the Trustee shall at any time draw funds under a Qualified Reserve Account Credit Instrument to make any payment then required to be made from the Reserve Account, the Tax Revenues thereafter received by the Trustee, to the extent remaining after making the other deposits (if any) then required to be made pursuant to Section 4.03(a), (b) and (c), shall be used to reinstate the Qualified Reserve Account Credit Instrument.

The Reserve Account may be maintained at the specific direction of the Agency in the form of one or more separate sub-accounts which are established for the purpose of holding the proceeds of separate issues of the Bonds in conformity with applicable provisions of the Tax Code.

(e) Redemption Account. Five (5) days before each date on which Bonds are subject to redemption, other than mandatory Sinking Account redemption of Term Bonds, the Agency shall withdraw from the Pledged Housing Set-Aside Fund and transfer to the Trustee for deposit in the Redemption Account an amount required to pay the principal of and premium, if any, on the Bonds to be so redeemed on such date. All moneys in the Redemption Account shall be used and withdrawn by the

Trustee solely for the purpose of paying the principal of and premium, if any, on the Bonds upon the redemption thereof, on the date set for such redemption, other than mandatory Sinking Account redemption of Term Bonds.

In addition to the deposits and transfers referred to above, the Trustee shall deposit to the Interest Account any amount received by it from the Authority Trustee and paid pursuant to the provisions of Section 4.02(b)(iii) of the Authority Indenture.

**Section 4.04. Investment By Trustee of Moneys in Funds.** Moneys in the Housing Proceeds Fund, the Debt Service Fund, the Interest Account, the Principal Account, the Sinking Account, the Reserve Account and the Redemption Account shall be invested by the Trustee in Permitted Investments specified in the Request of the Agency delivered to the Trustee at least two (2) Business Days in advance of the making of such investments; *provided, however*, that in the absence of any such direction from the Agency, the Trustee shall invest any such moneys solely in Permitted Investments described in clause (f) of the definition thereof. Moneys in the Pledged Housing Set-Aside Fund shall be invested by the Agency in any obligations in which the Agency is legally authorized to invest funds within its control.

Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account. Whenever in this Indenture any moneys are required to be transferred by the Agency to the Trustee, such transfer may be accomplished by transferring a like amount of Permitted Investments. All interest or gain derived from the investment of amounts in any of the funds or accounts held by the Trustee hereunder shall be retained in the respective fund or account from which such investment was made; *provided, however*, that (i) all interest or gain from the investment of amounts in the Reserve Account shall be deposited by the Trustee in the Interest Account as provided in the last sentence of the first paragraph of Section 4.03(d) to the extent not required to cause the balance in the Reserve Account to equal the Reserve Requirement, and (ii) so long as no Event of Default shall have occurred and be continuing, all interest or gain on investments of amounts in the Pledged Housing Set-Aside Fund shall be released from the pledge hereof and used by the Agency for any lawful purposes. For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder upon receipt by the Trustee of the Request of the Agency. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made pursuant to this Section.

The Agency acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Agency the right to receive brokerage confirmations of security transactions as they occur, the Agency specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Agency periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

The Trustee may make any investments hereunder through its own bond or investment department or trust investment department, or those of its parent or any affiliate. The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee hereunder.

**Section 4.05. Valuation and Disposition of Investments.**

(a) Except as otherwise provided in subsection (b) of this Section and subject to the provisions of subsection (d) below (which shall prevail in the event of any conflict with the provisions of this subparagraph (a)), all investments of amounts

deposited in any fund or account created by or pursuant to this Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of section 148 of the Tax Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Indenture or the Tax Code) at Fair Market Value.

(b) Amounts in all funds and accounts shall be valued by the Trustee at least semi-annually fifteen days prior to each Interest Payment Date, provided as to any such valuation made by the Trustee, such valuation shall be at the market value of such investments and the Trustee may utilize computerized securities pricing services that may be available to it, including those available through its regular accounting system.

(c) For purposes of computations required under the Code, investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Tax Code and (unless valuation is undertaken at least annually) investments in the Reserve Account shall be valued by the Agency at their present value (within the meaning of section 148 of the Tax Code).

(d) For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at fair market value determined by the Trustee based on accepted industry standards and from accepted industry providers (accepted industry providers shall include but are not limited to pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch, Citigroup, Bear Stearns, or Lehman Brothers); as to certificates of deposit and bankers' acceptances, the face amount thereof plus accrued interest thereon; and as to any investment not specified above, the value thereof established by prior agreement among the Agency, the Trustee, and the Municipal Bond Insurer.

(e) The Trustee shall have no responsibility to determine Fair Market Value or present value of any Permitted Investment, and may rely upon any determination made by or on behalf of the Agency. This Section 4.05(e) shall in no way limit the Trustee's obligations under Section 6.07 hereof.



## ARTICLE V

### OTHER COVENANTS OF THE AGENCY

**Section 5.01. Punctual Payment.** The Agency will punctually pay or cause to be paid the principal of and interest on the Bonds, together with any redemption premiums thereon, in strict conformity with the terms of this Indenture, and it will faithfully observe and perform all of the conditions, covenants and requirements of this Indenture.

**Section 5.02. Limitation on Superior Debt.** The Agency hereby covenants that, so long as the Bonds remain unpaid, the Agency shall not hereafter issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any loans, advances or indebtedness, which is in any case secured by a pledge of and lien on all or any part of the Tax Increment Revenues which is superior to the lien established hereunder for the security of the Bonds, except only Senior Refunding Debt. The Agency hereby covenants that, so long as the Bonds remain unpaid, the Agency shall not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any loans, advances or indebtedness, which is in any case secured by a pledge of and lien on all or any part of the Tax Increment Revenues which is on a parity with the lien established hereunder for the security of the Bonds, excepting only Parity Debt. Nothing herein is intended or shall be construed in any way to prohibit or impose any limitations upon the issuance by the Agency of loans, bonds, notes, advances or other indebtedness which are unsecured or which are secured by a junior lien on the Tax Increment Revenues, except as otherwise provided in Section 3.06.

**Section 5.03. Payment of Claims.** The Agency will pay and discharge, or cause to be paid and discharged, any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the properties owned by the Agency or upon the Tax Increment Revenues or any part thereof, or upon any funds in the hands of the Trustee, or which might impair the security of the Bonds. Nothing herein contained shall require the Agency to make any such payment so long as the Agency in good faith shall contest the validity of said claims.

**Section 5.04. Books and Accounts.** The Agency will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Agency and the City, in which complete and correct entries shall be made of all transactions relating to the Redevelopment Projects, the Tax Increment Revenues and the Pledged Housing Set-Aside Fund. Such books of record and accounts shall at all times during business hours be subject, upon prior written request, to the reasonable inspection of the Trustee, the Municipal Bond Insurer and the Owners of any Bonds then Outstanding, or their representatives authorized in writing. The Trustee shall have no duty to review such books of record and account.

**Section 5.05. Protection of Security and Rights.** The Agency will preserve and protect the security of the Bonds and the rights of the Trustee, the Municipal Bond Insurer and the Bond Owners. From and after the Closing Date, the Bonds shall be incontestable by the Agency.

**Section 5.06. Payments of Taxes and Other Charges.** The Agency will pay and discharge, or cause to be paid and discharged, all taxes, service charges, assessments and other governmental charges which may hereafter be lawfully imposed upon the Agency or the properties then owned by the Agency in the project area created by the Redevelopment

Plans, when the same shall become due. Nothing herein contained shall require the Agency to make any such payment so long as the Agency in good faith shall contest the validity of said taxes, assessments or charges. The Agency will duly observe and conform with all valid requirements of any governmental authority relative to the Redevelopment Projects or any part thereof.

**Section 5.07. Extension of Payment.** The Agency will not, directly or indirectly, extend or consent to the extension of the time for the payment of any Bond or claim for interest on any of the Bonds and will not, directly or indirectly, be a party to or approve any such arrangement by purchasing or funding the Bonds or claims for interest in any other manner. In case the maturity of any such Bond or claim for interest shall be extended or funded, whether or not with the consent of the Agency, such Bond or claim for interest so extended or funded shall not be entitled, in case of default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

**Section 5.08. Disposition of Property.** The Agency will not participate in the disposition of any land or real property in a Project Area to anyone which will result in such property becoming exempt from taxation because of public ownership or use or otherwise (except property dedicated for public right-of-way and except property planned for public ownership or use by a Redevelopment Plan in effect on the date of this Indenture) so that such disposition shall, when taken together with other such dispositions, aggregate more than ten percent (10%) of the land area in the applicable Redevelopment Project (calculating such ten percent against land in the respective Project Area owned by private parties as of the Closing Date) unless such disposition is permitted as hereinafter provided in this Section 5.08. If the Agency proposes to participate in such a disposition, it shall thereupon appoint an Independent Redevelopment Consultant to report on the effect of said proposed disposition. If the Report of the Independent Redevelopment Consultant concludes that the security of the Bonds and the rights of the Bond Owners and the Trustee hereunder will not be materially impaired by said proposed disposition, the Agency may thereafter make such disposition. If said Report concludes that such security will be materially impaired by said proposed disposition, the Agency shall disapprove said proposed disposition.

**Section 5.09. Maintenance of Tax Increment Revenues.** The Agency shall comply with all requirements of the Redevelopment Law to insure the allocation and payment to it of the Tax Increment Revenues, including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of the County and (in the case of supplemental revenues and other amounts payable by the State) appropriate officials of the State. The Agency shall not enter into any agreement with the County or any other governmental unit, or modify the Redevelopment Plan in any manner, unless (i) consented to in writing by the Municipal Bond Insurer, or (ii) the Agency obtains a certification by an Independent Redevelopment Consultant to the effect that, following such amendment or modification, there will be no reduction in the Tax Increment Revenues as a result of such agreement or modification.

**Section 5.10. Payment of Expenses.** The Agency shall pay to the Trustee all compensation for all services rendered under this Indenture following the receipt of a statement therefor, including but not limited to all reasonable expenses, charges, legal and consulting fees and other disbursements and those of its attorneys, agents and employees, incurred in and about the performance of its powers and duties hereunder and thereunder.

### Section 5.11. Tax Covenants.

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

(b) No Arbitrage. The Agency shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the 2005 Bond proceeds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date, would have caused the Authority Series A Bonds to be "arbitrage bonds" within the meaning of section 148 of the Tax Code.

(c) Private Activity Bond Limitation. The Agency shall assure that the proceeds of the 2005 Bonds are not so used as to cause the Authority Series A Bonds to satisfy the private business tests of section 141(b) of the Tax Code or the private loan financing test of section 141(c) of the Tax Code.

(d) Maintenance of Tax-Exemption. The Agency shall take all actions necessary to assure the exclusion of interest on the Authority Series A Bonds from the gross income of the Owners of the Authority Series A Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the date of issuance of the Authority Bonds.

**Section 5.12. Annual Review of Tax Revenues.** The Agency shall annually review the total amount of Tax Increment Revenues remaining available to be received by the Agency under the Redevelopment Plans' cumulative tax increment limitations, as well as future cumulative annual debt service. If remaining Tax Increment Revenues allocable within the Redevelopment Plans' cumulative tax increment limit are less than one hundred five percent (105%) of all future debt service on the Bonds and any other obligations of the Agency payable from Tax Increment Revenues (including the Senior Debt and any Senior Refunding Debt), the Agency shall immediately notify the Municipal Bond Insurer and all Tax Increment Revenues not needed to pay current or any past due debt service on any Agency obligations or to replenish the Reserve Account to the Reserve Requirement shall be deposited into a Trustee-held escrow account and invested in Defeasance Securities. Such fund must be used only to pay debt service on the Bonds and to pay any Parity Debt, or to redeem or prepay, as the case may be, the Bonds or such Parity Debt. The Agency shall include with its annual statement of indebtedness a statement to the effect that the foregoing calculations have been made, along with the results of the calculations. Notwithstanding anything herein to the contrary, the provisions of this paragraph may be modified or waived with the consent of the Municipal Bond Insurer.

**Section 5.13. Continuing Disclosure.** The Agency hereby covenants and agrees that it will comply with and carry out all of the obligations on its part under the Agency Continuing Disclosure Agreement. Notwithstanding any other provision of this Indenture, failure of the Agency to comply with the Agency Continuing Disclosure Agreement shall not be considered an Event of Default; however, the Trustee, at the written request of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding 2005 Bonds, shall (but only to the extent it has been indemnified to its satisfaction from any cost, claim, liability or expense, including, without limitation fees and expenses of its attorneys) or any 2005 Bondholder may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

**Section 5.14. Payment of Rebatable Amounts.** The Agency agrees to furnish all information to, and cooperate fully with, the Authority, the Authority Trustee and their respective officers, employees, agents and attorneys, in order to assure compliance with the provisions of Section 5.08 of the Authority Indenture. In the event that the Authority shall determine, pursuant to Section 5.08 of the Authority Indenture, that any amounts are due and payable to the United States of America thereunder and that neither the Authority nor the Authority Trustee has on deposit an amount of available moneys (excluding moneys on deposit in the funds and accounts established for the payment of the principal of or interest or redemption premium, if any, on the Bonds) to make such payment, the Authority shall promptly notify the Agency of such fact. Upon receipt of any such notice, the Agency shall promptly pay to the Authority Trustee from available Tax Increment Revenues or any other source of legally available funds, for deposit into the Rebate Account (as defined in the Authority Indenture), the amounts determined by the Authority to be due and payable to the United States of America as a result of the investment of amounts on deposit in any fund or account established hereunder, together with all other amounts due and payable to the United States of America, except for such amounts as are paid pursuant to any of the other Local Obligations (as such term is defined in the Authority Indenture).

**Section 5.15. Payment of Authority Expenses.** The Agency hereby agrees to pay any and all expenses of the Authority incurred in connection with the administration of the Authority Bonds, including but not limited to Authority Trustee fees and expenses, from Tax Increment Revenues or other available funds, except for such amounts as are paid pursuant to any of the other Local Obligations (as such term is defined in the Authority Indenture).

**Section 5.16. Further Assurances.** The Agency will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture, and for the better assuring and confirming unto the Owners the rights and benefits provided in this Indenture.

**Section 5.17. Reporting to the Municipal Bond Insurer.** The Agency shall provide to the Municipal Bond Insurer a copy of the Agency's annual statement of indebtedness, and, upon written request of the Municipal Bond Insurer, written confirmation of the amount of any voluntary reserve that it maintains for the Project Area. Notwithstanding any other provision of this Indenture, a failure by the Agency to comply with this Section 5.17 shall not be an Event of Default.

**Section 5.18. No Deferral of Housing Set-Aside.** The Agency hereby agrees not to make any findings under the Redevelopment Law that would allow it to defer the requirement of the Redevelopment Law that twenty percent (20%) of the tax increment revenues allocable to the Agency under each of the Redevelopment Plans be deposited to the Agency's low and moderate income housing account. The Agency hereby represents that it has satisfied the condition set forth in the second paragraph of Section 5.16 of the Indenture of Trust, dated as of May 1, 2002, between the Agency and BNY Western Trust Company, as Trustee (pursuant to which the Agency issued its 2002 Subordinate Tax Allocation Bonds (Downtown Redevelopment Project)) which release it from any obligation to make a deferral of the character described in the preceding sentence with respect to the Agency's Downtown Redevelopment Plan.

**Section 5.19. Use of Proceeds of Prior Bond Issues for Housing Purposes.** The Agency hereby represents that no proceeds of any debt outstanding for any of the Project Areas, secured by a pledge of or lien on any portion of the Tax Increment Revenues on a basis senior to or on a parity with the pledge of and lien on Tax Increment Revenues under

Section 4.01, have been used for housing purposes, except for \$3,646,133.71 of the net proceeds of the Agency's 2002 Tax Allocation Bonds (West Beach Redevelopment Project) (representing 43.55% of the net proceeds of such bond issue).

ARTICLE VI  
THE TRUSTEE

Section 6.01. Duties, Immunities and Liabilities of Trustee.

(a) The Trustee shall, prior to the occurrence of an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants shall be read into this Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use in the conduct of such person's own affairs.

(b) The Agency may remove the Trustee at any time, and shall remove the Trustee (i) if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing), or (ii) if at any time the Trustee shall cease to be eligible in accordance with subsection (e) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. In each case such removal shall be accomplished by the giving of 30 days' written notice of such removal by the Agency to the Trustee, whereupon the Agency shall appoint a successor Trustee by an instrument in writing.

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

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within forty-five (45) days following giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Owner (on behalf of himself and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture shall signify its acceptance of such appointment by executing and delivering to the Agency and to its predecessor Trustee a written acceptance thereof, and to the predecessor Trustee an instrument indemnifying the predecessor Trustee for any costs or claims arising during the time the successor Trustee serves as Trustee hereunder, and after payment by the Agency of all unpaid fees and expenses of the predecessor Trustee, such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless, upon the receipt by the predecessor Trustee of the Request of the Agency or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably

be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Agency shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Agency shall mail or cause the successor Trustee to mail, by first class mail postage prepaid, a notice of the succession of such Trustee to the trusts hereunder to the Owners at the addresses shown on the Registration Books. If the Agency fails to mail such notice within fifteen (15) days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Agency.

(e) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall (i) be a trust company, association, corporation or bank in good standing located in or organized under the laws of the State of California, or located in or organized under the laws of any other state, (ii) be authorized to exercise trust powers, (iii) have (or in the case of a corporation or trust company, included in a bank holding company system, the related bank holding company shall have) a combined capital and surplus of at least Seventy-Five Million Dollars (\$75,000,000), and (iv) be subject to supervision or examination by federal or state authority. If such bank, association, corporation 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 subsection the combined capital and surplus of such bank, association, corporation 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. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in this Section and shall assist the Agency in a transfer of the trust estate hereunder to an institution eligible to serve as Trustee hereunder, without cost to the Agency.

(f) The Trustee agrees to accept and act upon facsimile transmission of written instructions and/or directions pursuant to this Indenture provided, however, that: (i) subsequent to such facsimile transmission of written instructions and/or directions the Trustee shall forthwith receive the originally executed instructions and/or directions, (ii) 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 (iii) the Trustee shall have received a current incumbency certificate containing the specimen signature of such designated person.

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

### Section 6.03. Liability of Trustee.

(a) The recitals of facts herein and in the Bonds contained shall be taken as statements of the Agency, and the Trustee shall not assume responsibility for the correctness of the same, nor make any representations as to the validity or sufficiency of this Indenture or of the Bonds nor shall incur any responsibility in respect thereof, other than as expressly stated herein. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Trustee shall not be liable for the acts of any agents of the Trustee selected by it with due care. The Trustee may become the Owner of any Bonds with the same rights it would have if it were not Trustee and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of the Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

(b) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer.

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

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

(e) The Trustee shall not be deemed to have knowledge of any Event of Default hereunder unless and until it shall have actual knowledge thereof, or shall have received written notice thereof at its Office. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or of any of the documents executed in connection with the Bonds, or as to the existence of an Event of Default hereunder or thereunder. The Trustee shall not be responsible for the validity or effectiveness of any collateral given to or held by it.

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

(g) All indemnifications and releases from liability granted herein to the Trustee shall extend to the directors, officers, employees and agents of the Trustee.

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

(i) Before taking any action under Article VIII or this Article at the request of the Owners or the Municipal Bond Insurer the Trustee may require that a satisfactory indemnity bond be furnished by the Owners or the Municipal Bond Insurer, respectively,



for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct in connection with any action so taken.

(j) 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 an unavoidable delay in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, acts of God or of a public enemy or terrorists, acts of a government, fires, floods, epidemics, quarantine restrictions, earthquakes, explosion, mob violence, riot, condemnation, and unusually severe weather or any similar event and/or occurrences beyond the control of the Trustee.

**Section 6.04. Right to Rely on Documents.** The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties, in the absence of negligence or willful misconduct by the Trustee. The Trustee may consult with counsel, including, without limitation, Bond Counsel or other counsel of or to the Agency, with regard to legal questions, and in the absence of negligence or willful misconduct by the Trustee the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Trustee hereunder in accordance therewith.

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

Whenever in the administration of the trusts imposed upon it by this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the Agency, which shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Indenture in reliance upon such Certificate, but in its discretion the Trustee may (but shall have no duty to), in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable. The Trustee may conclusively rely on any certificate or Report of any Independent Accountant or Independent Redevelopment Consultant appointed by the Agency.

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

**Section 6.06. Compensation and Indemnification.** The Agency shall pay to the Trustee from time to time compensation for all services rendered under this Indenture and also all expenses, charges, legal and consulting fees and other disbursements and those of its attorneys, agents and employees, incurred in and about the performance of its powers and duties under this Indenture. Upon the occurrence of an Event of Default, the Trustee shall have a first lien on the Tax Increment Revenues and all funds and accounts held by the Trustee hereunder to secure the payment to the Trustee of all fees, costs and expenses, including compensation to its experts, attorneys and counsel incurred in declaring such Event of Default and in exercising the rights and remedies set forth in Article VIII.

To the extent permitted under applicable law, the Agency further covenants and agrees to indemnify and save the Trustee and its officers, directors, agents and employees, harmless against any loss, expense (including reasonable attorneys fees and expenses) and liabilities which it may incur arising out of or in the exercise and performance of its powers and duties hereunder, including the costs and expenses of defending against any claim of liability and of enforcing any remedies hereunder and under any related documents, but excluding any and all losses, expenses and liabilities which are due to the negligence or willful misconduct of the Trustee, its officers, directors, agents or employees. The obligations of the Agency under this Section 6.06 shall survive resignation or removal of the Trustee under this Indenture and payment of the Bonds and discharge of this Indenture. The Trustee shall cooperate with the Agency in connection with any litigation referred to in this paragraph, such as the sharing of information gathered in connection with any such litigation. The Trustee shall review with counsel to the Agency materials and information obtained in connection with any such litigation with the purpose of minimizing duplication of effort.

**Section 6.07. Accounting Records and Financial Statements.** The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of the Bonds and all funds and accounts established and held by the Trustee pursuant to this Indenture. Such books of record and account shall be available for inspection by the Agency and the Municipal Bond Insurer at reasonable hours, during regular business hours, with reasonable prior notice and under reasonable circumstances. The Trustee shall furnish to the Agency, at least monthly, an accounting (which may be in the form of its customary statements) of all transactions relating to the proceeds of the Bonds and all funds and accounts, valued at the then market value, held by the Trustee pursuant to this Indenture.

**Section 6.08. Appointment of Co-Trustee or Agent.** It is the purpose of this Indenture that there shall be no violation of any law of any jurisdiction (including particularly the law of the State) denying or restricting the right of banks, trust companies, national banking associations or associations to transact business as Trustee in such jurisdiction. It is recognized that in the case of litigation under this Indenture, and in particular in case of the enforcement of the rights of the Trustee on default, or in the case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Trustee or hold title to the properties, in trust, as herein granted, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional individual or institution as a separate co-Trustee. The following provisions of this Section 6.08 are adopted to these ends.

In the event that the Trustee appoints an additional individual or institution as a separate or co-Trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Indenture to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vest in such separate or co-Trustee but only to the extent necessary to enable such separate or co-Trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or co-Trustee shall run to and be enforceable by either of them.

Should any instrument in writing from the Agency be required by the separate Trustee or co-Trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to it such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered

by the Agency. In case any separate Trustee or co-Trustee, or a successor to either, shall become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate Trustee or co-Trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new Trustee or successor to such separate Trustee or co-Trustee.

The Trustee may perform any of its obligations or duties hereunder and under any related documents through agents or attorneys and shall not be responsible for the acts of any such agents or attorneys appointed by it with due care.

## ARTICLE VII

### MODIFICATION OR AMENDMENT OF THIS INDENTURE

**Section 7.01. Amendment With Consent of Owners.** This Indenture and the rights and obligations of the Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding upon adoption, without the consent of any Owners, to the extent permitted by law and only for any one or more of the following purposes:

(a) to add to the covenants and agreements of the Agency contained in this Indenture, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the Agency; or

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in this Indenture, or in any other respect whatsoever as the Agency may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not materially adversely affect the interests of the Owners in the opinion of Bond Counsel;

(c) to provide for the issuance of Parity Debt, and to provide the terms and conditions under which such Parity Debt may be issued, including but not limited to the establishment of special funds and accounts relating thereto and any other provisions relating solely thereto, subject to and in accordance with the provisions of Section 3.05 hereof; or

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

Except as set forth in the preceding paragraph, this Indenture and the rights and obligations of the Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding when the written consents of the Municipal Bond Insurer and the Owners of a majority in aggregate principal amount of the Bonds then Outstanding are delivered to the Trustee. No such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Agency to pay the principal, interest or redemption premium (if any) at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee.

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

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

**Section 7.04. Amendment by Mutual Consent.** The provisions of this Article VII shall not prevent any Owner from accepting any amendment as to the particular Bond held by such Owner, provided that due notation thereof is made on such Bond.

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

## ARTICLE VIII

### EVENTS OF DEFAULT AND REMEDIES OF OWNERS

Section 8.01. Events of Default. The following events shall constitute Events of Default hereunder:

(a) Failure to pay any installment of the principal of any Bonds when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.

(b) Failure to pay any installment of interest on any Bonds when and as the same shall become due and payable.

(c) Failure by the Agency to observe and perform any of the other covenants, agreements or conditions on its part in this Indenture or in the Bonds contained, if such failure shall have continued for a period of sixty (60) days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the Agency by the Trustee; *provided, however*, if in the reasonable opinion of the Agency the failure stated in the notice can be corrected, but not within such sixty (60) day period, such failure shall not constitute an Event of Default if corrective action is instituted by the Agency within such sixty (60) day period and the Agency shall thereafter diligently and in good faith cure such failure in a reasonable period of time.

(d) The Agency shall commence a voluntary case under Title 11 of the United States Code or any substitute or successor statute.

(e) The occurrence of an Event of Default under and as defined in any Parity Debt Instrument.

Notwithstanding the foregoing, there shall be no Event of Default as a consequence of failure to fully pay the principal and interest due on the 2005 Bonds, so long as debt service on the Authority Bonds is fully paid when due.

If an Event of Default has occurred and is continuing, the Trustee upon being indemnified to its satisfaction therefor, may with the consent of the Municipal Bond Insurer, and the Trustee shall if requested in writing by the Municipal Bond Insurer, or with the consent of the Municipal Bond Insurer by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Agency, exercise any remedies available to the Trustee and the Owners in law or at equity.

Immediately upon becoming aware of the occurrence of an Event of Default, the Trustee shall give notice of such Event of Default to the Agency and the Municipal Bond Insurer by telephone confirmed in writing. With respect to any Event of Default described in clauses (a) or (b) above the Trustee shall, and with respect to any Event of Default described in clause (c) above the Trustee in its sole discretion may, also give such notice to the Owners in the same manner as provided herein for notices of redemption of the Bonds.

Section 8.02. Application of Funds Upon Default. So long as an Event of Default exists, all sums received by the Trustee hereunder, and any other funds then held by the Trustee, shall be applied by the Trustee as follows and in the following order:

(a) To the payment of the reasonable fees, costs and expenses of the Trustee (including reasonable fees and expenses of its counsel) incurred in and about the performance of its powers and duties under this Indenture and the payment of all reasonable fees, costs and expenses owing to the Trustee pursuant to Section 6.06 hereof; and

(b) To the payment of the whole amount of interest on and principal of the Bonds then due and unpaid, with interest on overdue installments of principal and interest to the extent permitted by law at the net effective rate of interest then borne by the Outstanding Bonds; provided, however, that in the event such amounts shall be insufficient to pay in full the full amount of such interest and principal, then such amounts shall be applied in the following order of priority:

(a) *first*, to the payment of all installments of interest on the Bonds then due and unpaid, on a pro rata basis in the event that the available amounts are insufficient to pay all such interest in full,

(b) *second*, to the payment of principal of all installments of the Bonds then due and unpaid, on a pro rata basis in the event that the available amounts are insufficient to pay all such principal in full, and

(c) *third*, to the payment of interest on overdue installments of principal and interest, on a pro rata basis in the event that the available amounts are insufficient to pay all such interest in full.

**Section 8.03. Power of Trustee to Control Proceedings.** In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the Owners of a majority in principal amount of the Bonds then Outstanding it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; *provided, however*, that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in principal amount of the Outstanding Bonds hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

**Section 8.04. Limitation on Owners' Right to Sue.** No Owner of any Bond issued hereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Indenture, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of any

remedy hereunder; it being understood and intended that no one or more Owners shall have any right in any manner whatever by his or their action to enforce any right under this Indenture, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provision of this Indenture shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Bonds.

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

**Section 8.05. Non-waiver.** Nothing in this Article VIII or in any other provision of this Indenture or in the Bonds, shall affect or impair the obligation of the Agency, which is absolute and unconditional, to pay from the Tax Increment Revenues and other amounts pledged hereunder, the principal of and interest and redemption premium (if any) on the Bonds to the respective Owners when due and payable as herein provided, or affect or impair the right of action, which is also absolute and unconditional, of the Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds.

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

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

**Section 8.06. Actions by Trustee as Attorney-in-Fact.** Any suit, action or proceeding which any Owner shall have the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all Owners similarly situated and the Trustee is hereby appointed (and the successive respective Owners by taking and holding the Bonds shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact, subject to the provisions of Article VI.

**Section 8.07. Remedies Not Exclusive.** No remedy herein conferred upon or reserved to the Owners is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Redevelopment Law or any other law.



ARTICLE IX  
MISCELLANEOUS

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

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

**Section 9.03. Defeasance of Bonds.** If the Agency shall pay and discharge the entire indebtedness on any Bonds in any one or more of the following ways:

(a) by paying or causing to be paid the principal of and interest on such Bonds, as and when the same become due and payable;

(b) by irrevocably depositing with the Trustee or an escrow agent, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established pursuant to this Indenture, in the opinion or report of an Independent Accountant or Bond Counsel is fully sufficient to pay such Bonds, including all principal, interest and redemption premium, if any;

(c) by irrevocably depositing with the Trustee or an escrow agent, in trust, Defeasance Securities in such amount as an Independent Accountant or Bond Counsel shall determine will, together with the interest to accrue thereon and available moneys then on deposit in any of the funds and accounts established pursuant to this Indenture, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premium, if any) at or before maturity; or

(d) by purchasing such Bonds prior to maturity and tendering such Bonds to the Trustee for cancellation;

and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been duly given or provision satisfactory to the Trustee shall have been made for the giving of such notice, then, at the election of the Agency, and notwithstanding that any such Bonds shall not have been surrendered for payment, the pledge of the Tax Increment Revenues and other funds provided for in this Indenture and all other obligations of the Trustee and the Agency under this Indenture with respect to such Bonds shall cease and terminate, except only (a) the obligations of the Agency under Sections 5.11, 5.14 and 5.15, (b) the obligation of the Trustee to transfer and exchange Bonds hereunder, (c) the obligation of the Agency to pay or cause to be paid to the Owners of such Bonds, from the amounts so deposited with the Trustee, all sums due thereon, and (d) the

obligations of the Agency to compensate and indemnify the Trustee pursuant to Section 6.06. Notice of such election shall be filed with the Trustee. Any funds thereafter held by the Trustee, which are not required for said purpose, shall be paid over to the Agency, to be used for any lawful purpose of the Agency.

**Section 9.04. Execution of Documents and Proof of Ownership by Owners.** Any request, consent, declaration or other instrument which this Indenture may require or permit to be executed by any Owner may be in one or more instruments of similar tenor, and shall be executed by such Owner in person or by their attorneys appointed in writing.

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

The ownership of Bonds and the amount, maturity, number and date of ownership thereof shall be proved by the Registration Books.

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

**Section 9.05. Disqualified Bonds.** In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are owned or held by or for the account of the Agency or the City (but excluding Bonds held in any employees' retirement fund) shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, *provided, however,* that for the purpose of determining whether the Trustee shall be protected in relying on any such demand, request, direction, consent or waiver, only Bonds which the Trustee knows to be so owned or held shall be disregarded. Upon request of the Trustee, the Agency and the Authority shall specify to the Trustee those Bonds disqualified pursuant to this Section and the Trustee may conclusively rely on such Certificates.

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

**Section 9.07. Destruction of Canceled Bonds.** Any Bonds which have been paid or canceled pursuant to the provisions of this Indenture shall be destroyed by the Trustee and the Trustee shall furnish a certificate of such destruction to the Agency. The Agency shall be entitled to rely upon any statement of fact contained in any certificate with respect to the destruction of any such Bonds therein referred to.

**Section 9.08. Notices.** All written notices to be given under this Indenture shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective either (a) upon transmission by facsimile transmission or other form of telecommunication, (b) upon actual receipt after deposit in the United

States mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The Agency, the Municipal Bond Insurer or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the Municipal Bond Insurer:      Ambac Assurance Corporation  
One State Street Plaza, 17th Floor  
New York, New York 10004  
Attention: General Counsel or Surveillance,  
as applicable  
Phone: (212) 208-3396  
Telecopy: (212) 480-3682

If to the Agency:                              Redevelopment Agency of the City of Long  
Beach  
333 West Ocean Boulevard, 3<sup>rd</sup> Floor  
Long Beach, California 90802-4664  
Attention: Redevelopment Bureau Manager

with a copy to:                                      City of Long Beach  
333 West Ocean Boulevard, 6<sup>th</sup> Floor  
Long Beach, California 90802-4664  
Attention: Treasurer

If to the Trustee:                                      The Bank of New York Trust Company, N.A.  
700 South Flower Street, Suite 500  
Los Angeles, CA 90017  
Attention: Corporate Trust Department

**Section 9.09. CUSIP Numbers.** The Trustee and the Agency shall not be liable for any defect or inaccuracy in the CUSIP number that appears on any Bond, check, advise of payment or redemption notice and any such document may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither the Agency nor the Trustee shall be liable for any inaccuracy in such numbers.

**Section 9.10. Partial Invalidity.** If any Section, paragraph, sentence, clause or phrase of this Indenture shall for any reason be held illegal, invalid or unenforceable, such holding shall not affect the validity of the remaining portions of this Indenture. The Agency and the Trustee hereby declare that they would have entered into this Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issue of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this Indenture may be held illegal, invalid or unenforceable.

**Section 9.11. Unclaimed Moneys.** Anything contained herein to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of the interest or premium (if any) on or principal of the Bonds which remains unclaimed for two (2) years after the date when the payments of such interest, premium and principal have become payable, if such money was held by the Trustee at such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date when the interest and premium (if any) on and principal of such Bonds have become payable, shall be repaid by the Trustee to the Agency as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners

shall look only to the Agency for the payment of the principal of and interest and redemption premium (if any) on of such Bonds.

**Section 9.12. Payment on Business Days.** Whenever in this Indenture any amount is required to be paid on a day which is not a Business Day, such payment shall be required to be made on the Business Day immediately following such day, provided that interest on such payment shall not accrue from and after such day.

**Section 9.13. Article and Section Headings and References.** The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Indenture. All references herein to "Articles", "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture; the words "herein", "hereof", "hereby", "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof; and words of the masculine gender shall mean and include words of the feminine and neuter genders.

**Section 9.14. Execution in Counterparts.** This Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

**Section 9.15. Governing Law.** This Indenture shall be construed and governed in accordance with the laws of the State.

IN WITNESS WHEREOF, the REDEVELOPMENT AGENCY OF THE CITY OF LONG BEACH has caused this Indenture to be signed in its name by its Acting Treasurer, and THE BANK OF NEW YORK TRUST COMPANY, N.A. in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its officers thereunto duly authorized, all as of the day and year first above written.

REDEVELOPMENT AGENCY OF THE CITY OF LONG BEACH

By David A. Robinson  
Acting Treasurer

Approved as to form:

By: [Signature]  
Counsel to the Agency

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

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

12004.07:J7883

IN WITNESS WHEREOF, the REDEVELOPMENT AGENCY OF THE CITY OF LONG BEACH has caused this Indenture to be signed in its name by its Acting Treasurer, and THE BANK OF NEW YORK TRUST COMPANY, N.A. in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its officers thereunto duly authorized, all as of the day and year first above written.

REDEVELOPMENT AGENCY OF THE  
CITY OF LONG BEACH

By \_\_\_\_\_  
Acting Treasurer

Approved as to form:

By: \_\_\_\_\_  
Counsel to the Agency

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

By *Ceresa Petta*  
Authorized Officer

12004.07:j7883

EXHIBIT A

FORM OF 2005 BONDS

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

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

UNITED STATES OF AMERICA  
STATE OF CALIFORNIA  
COUNTY OF LOS ANGELES

REDEVELOPMENT AGENCY OF THE CITY OF LONG BEACH  
2005 TAX ALLOCATION BOND  
(HOUSING PROJECTS)

RATE OF INTEREST

\_\_\_\_\_ %

MATURITY DATE

August 1, \_\_\_\_

DATED DATE

March 2, 2005

REGISTERED OWNER:

PRINCIPAL AMOUNT:

DOLLARS

The REDEVELOPMENT AGENCY OF THE CITY OF LONG BEACH, a public body, corporate and politic, duly organized and existing under the laws of the State of California (the "Agency"), for value received, hereby promises to pay (but only out of the Tax Increment Revenues and other moneys hereafter referred to) to the Registered Owner identified above or registered assigns (the "Registered Owner"), on the Maturity Date identified above, the Principal Amount identified above in lawful money of the United States of America; and to pay interest thereon at the Rate of Interest identified above in like lawful money from the date hereof, which date shall be the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond (unless this Bond is authenticated on or before an Interest Payment Date and after the fifteenth calendar day of the month preceding such Interest Payment Date (a "Record Date"), in which event it shall bear interest from such Interest Payment Date, or unless this Bond is authenticated on or prior to July 15, 2005, in which event it shall bear interest from the Dated Date identified above; *provided, however*, that if, at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest hereon has previously been paid or made available for payment), payable semiannually on February 1 and August 1 in each year, commencing August 1, 2005 (the "Interest Payment Dates") until payment of such Principal amount in full. This Bond shall also pay interest in the amounts and as set forth in Exhibit B to the Indenture. The Principal amount hereof is payable upon presentation hereof at the Office (as defined in the Indenture) of The Bank of New York Trust Company, N.A., as trustee (the "Trustee"), or at such other place as is designated by the Trustee. Interest hereon is payable by check of the Trustee mailed by first class mail on each Interest Payment Date to the Registered Owner hereof at the address of such Registered Owner as it appears on the registration books of the Trustee as of the preceding Record Date; provided that at the written request of the owner of at least \$1,000,000 aggregate principal amount of Bonds which written request is on file with the Trustee as of any Record Date, interest on such Bonds shall be paid on the succeeding Interest Payment Date by wire transfer to such account as shall be specified in such written request.

This Bond is one of a duly authorized issue of bonds of the Agency designated as the "Redevelopment Agency of the City of Long Beach 2005 Tax Allocation Bonds (Housing Projects)" (the "Bonds") of an aggregate principal amount of Fifty-Five Million Six Hundred Sixty-Five Thousand Dollars (\$55,665,000), all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers, maturities, interest rates or redemption provisions) and all issued pursuant to the provisions of Part 1 of Division 24 of the California Health and Safety Code (the "Redevelopment Law") and pursuant to an Indenture of Trust, dated as of February 1, 2005, by and between the Agency and the Trustee (the "Indenture"). The Bonds have been authorized to be issued by the Agency pursuant to a resolution of the Agency adopted on January 18, 2005. The Agency may issue or incur additional obligations secured on a basis on a parity with the Bonds, but only subject to the terms of the Indenture. Reference is hereby made to the Indenture (copies of which are on file at the office of the Trustee) and all supplements thereto and to the Redevelopment Law for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Tax Increment Revenues, as that term is defined in the Indenture, and the rights thereunder of the owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Agency thereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds have been issued by the Agency to provide monies to finance certain housing activities of the Agency.

This Bond and the interest hereon are payable from, and are secured by a charge and lien on, the Tax Increment Revenues derived by the Agency from the Redevelopment Project (as such terms are defined in the Indenture), subordinate to the pledge thereof to pay the Senior Debt (as defined in the Indenture), and on a parity with any Parity Debt (as defined in the Indenture) at any time issued by the Agency under and in accordance with the Indenture. As and to the extent set forth in the Indenture, all of the Tax Increment Revenues are irrevocably pledged in accordance with the terms hereof and the provisions of the Indenture and the Redevelopment Law, to the payment of the principal of and interest and premium (if any) on the Bonds and any such Parity Debt. Notwithstanding the foregoing, certain amounts out of Tax Increment Revenues may be applied for other purposes as provided in any Parity Debt Instrument (as defined in the Indenture) or the Indenture.

This Bond is not a debt of the City of Long Beach, the State of California, or any of its political subdivisions, and neither said City nor said State or any of its political subdivisions is liable hereon, nor in any event shall this Bond be payable out of any funds or properties other than the Tax Increment Revenues and amounts held in certain funds and accounts under the Indenture.

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

The Bonds shall be subject to redemption in whole or in part on any date permitted under the Indenture from any available source of funds, at a redemption price determined in accordance with the Indenture.



As provided in the Indenture, if required, notice of redemption shall be mailed by the Trustee by first class mail not less than thirty (30) nor more than sixty (60) days prior to the redemption date to the respective owners of any Bonds designated for redemption at their addresses appearing on the Bond registration books of the Trustee, but neither failure to receive such notice nor any defect in the notice so mailed shall affect the sufficiency of the proceedings for redemption.

If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption, and provided that no notice of redemption need be given so long as the Bonds are registered in the name of the Long Beach Bond Finance Authority or any trustee designated by such entity.

This Bond may be presented for transfer by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at said Office of the Trustee or at such other place as is designated by the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon registration of such transfer a new Bond or Bonds, of authorized denomination or denominations, for the same aggregate Principal amount and of the same maturity will be issued to the transferee in exchange herefor.

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

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

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

IN WITNESS WHEREOF, the Redevelopment Agency of the City of Long Beach has caused this Bond to be executed in its name and on its behalf with the facsimile signature of its Chair and its seal to be impressed hereon and attested to by the facsimile signature of its Secretary, all as of the date of issuance of the Bonds.

REDEVELOPMENT AGENCY OF THE  
CITY OF LONG BEACH

By \_\_\_\_\_  
Chair

(SEAL)

Attest:

\_\_\_\_\_  
Secretary

CERTIFICATE OF AUTHENTICATION

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

Dated:

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

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

ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto

\_\_\_\_\_

\_\_\_\_\_

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

the within-mentioned registered Bond and hereby irrevocably constitute(s) and appoint(s) \_\_\_\_\_ attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

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

Signatures Guaranteed:

Note: Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Trustee.

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

## EXHIBIT B

### ADDITIONAL INTEREST ON 2005 BONDS

<u>Interest Payment Date</u>	<u>Additional Interest to be Paid*</u>
August 1, 2005	\$ 20,158.38
February 1, 2006	24,352.41
August 1, 2006	107,609.91
February 1, 2007	23,311.69
August 1, 2007	109,834.19
February 1, 2008	22,359.94
August 1, 2008	110,514.94
February 1, 2009	21,346.16
August 1, 2009	111,133.66
February 1, 2010	20,223.82
August 1, 2010	111,643.82
February 1, 2011	19,023.93
August 1, 2011	113,708.93
February 1, 2012	17,662.83
August 1, 2012	113,980.33
February 1, 2013	16,218.07
August 1, 2013	243,135.57
February 1, 2014	14,662.10
August 1, 2014	244,844.60
February 1, 2015	12,965.11
August 1, 2015	246,412.61
February 1, 2016	11,108.14
August 1, 2016	247,820.64
February 1, 2017	9,194.04
August 1, 2017	250,804.04
February 1, 2018	7,122.80
August 1, 2018	251,997.80
February 1, 2019	4,918.93
August 1, 2019	525,686.43
February 1, 2020	2,546.70
August 1, 2020	528,211.70
August 1, 2021	127,335.00
August 1, 2022	127,335.00
August 1, 2023	127,335.00
August 1, 2024	127,335.00

\* In the event that there is ever more than one Owner of the 2005 Bonds, the additional interest shall be payable pro rata to each Owner of the 2005 Bonds.

OFFICE OF THE CITY ATTORNEY  
ROBERT E. SHANNON, City Attorney  
333 West Ocean Boulevard, 11th Floor  
Long Beach, CA 90802-4664

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RESOLUTION NO. \_\_\_\_\_

A RESOLUTION OF THE OVERSIGHT BOARD OF THE CITY OF LONG BEACH AS THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF LONG BEACH APPROVING OF THE DECISION OF THE SUCCESSOR AGENCY TO DESIGNATE 2005 HOUSING BOND PROCEEDS IN THE AGGREGATE AMOUNT OF \$18,300,000 AS AVAILABLE FOR THE DEVELOPMENT OF AFFORDABLE HOUSING

WHEREAS, on January 10, 2005, the former Redevelopment Agency of the City of Long Beach approved the issuance of bonds secured by its twenty percent (20%) housing set-aside to provide additional funds to more expeditiously implement the Housing Action Plan for the creation of affordable housing in key neighborhoods; and

WHEREAS, on January 18, 2005, the City Council also authorized issuance of the bonds; and

WHEREAS, on January 17, 2012, the City of Long Beach assumed the housing functions of the former Redevelopment Agency of the City of Long Beach as the successor Housing Agency pursuant to AB1X 26; and

WHEREAS, the Long Beach Housing Development Company administers housing functions on behalf of the City of Long Beach as its wholly owned non-profit corporation; and

WHEREAS, on August 21, 2012, the Successor Agency of the City of Long Beach approved this matter;

NOW, THEREFORE, the Oversight Board of the City of Long Beach as the Successor Agency to the Redevelopment Agency of the City of Long Beach ("Oversight Board") resolves as follows:

OFFICE OF THE CITY ATTORNEY  
ROBERT E. SHANNON, City Attorney  
333 West Ocean Boulevard, 11th Floor  
Long Beach, CA 90802-4664

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Section 1. Approve the decision of the Successor Agency to the Redevelopment Agency of the City of Long Beach to approve the request of the City of Long Beach, acting as Successor Housing Agency pursuant to Health & Safety Code Section 34176, to designate 2005 Housing bond proceeds in the aggregate amount of \$18,300,000 as available for the development of affordable housing.

Section 2. This resolution shall take effect immediately upon its adoption by the Oversight Board, and the City Clerk shall certify the vote adopting this resolution.

PASSED, APPROVED, and ADOPTED at a meeting of the Oversight Board of the City of Long Beach as the Successor Agency to the Redevelopment Agency of the City of Long Beach held this 27<sup>th</sup> day of August, 2012 by the following vote:

Ayes: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Noes: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Absent: \_\_\_\_\_

\_\_\_\_\_  
Chairperson, Oversight Board

APPROVED:  
\_\_\_\_\_  
Secretary, Oversight Board