



*County Executive Office*  
Memorandum

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January 4, 2007

To: Bill Campbell, Chairman  
From: Thomas G. Mauk, County Executive Officer  
Subject: Exception to the Rule 21

Handwritten signature of Thomas G. Mauk in black ink.

07 JAN 05 PM 10:23

S32C

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The County Executive Office is requesting a supplemental for the January 9, 2007 Board Hearing Meeting

Subject: "Adoption of Resolution Authorizing the Execution and Delivery of the Bond Purchase Agreement for the Taxable Pension Obligation Bonds, 2007 Series A in an Amount Not to Exceed \$240,000,000 and Authorizing Other Matters Related Thereto"  
District All

Reason for supplemental: Issue bonds facilitating the early pension payment to OCERS and achieve the full 7.75% discount.

Concur: Handwritten signature of Bill Campbell in black ink.  
\_\_\_\_\_  
Bill Campbell, Chairman  
Orange County Board of Supervisors

cc: Rob Richardson  
Assistant to the County Executive Officer



SUPPLEMENTAL AGENDA ITEM
AGENDA STAFF REPORT

532C

ASR Control

MEETING DATE: January 9, 2007
LEGAL ENTITY TAKING ACTION: Board of Supervisors
BOARD OF SUPERVISORS DISTRICT(S): All
SUBMITTING AGENCY/DEPARTMENT: County Executive Office, Public Finance
DEPARTMENT CONTACT PERSON(S): Thomas L. Beckett, 834-5969
Faye Watanabe, 834-3047/Jane Snyder, 834-2436

07 JAN -5 MID: 11:15 AM

SUBJECT: Adoption of Resolution Authorizing the Execution and Delivery of the Bond Purchase Agreement for the Taxable Pension Obligation Bonds, 2007 Series A in an Amount Not to Exceed \$240,000,000, and Authorizing Other Matters Related Thereto

CEO CONCUR

COUNTY COUNSEL REVIEW

CLERK OF THE BOARD

Discussion

Handwritten signatures and notes: Resolution Approved by the Form

Budgeted: Yes

Current Year Cost: Est. \$236.7 million

Annual Cost: Est. \$236.7 million

Staffing Impact: N/A

# of Positions: N/A

Sole Source: N/A

Current Fiscal Year Revenue:

Funding Source: General Fund

Prior Board Action: 10/17/06 Minute Order - Approval of Financing in Concept and Finance Team; and 10/31/06 Resolution No. 06-209 - Execution and Delivery of a Debenture and Trust Agreement, Issuance of Taxable Pension Obligation Bonds, 2007 Series A and Filing of Judicial Validation Action in Connection with the Bonds

RECOMMENDED ACTION(S)

- 1. Adopt the Resolution authorizing the execution and delivery of the Bond Purchase Agreement for the Taxable Pension Obligation Bonds, 2007 Series A in an amount not to exceed \$240,000,000, and authorizing other matters related thereto.
2. Direct the Auditor-Controller to increase estimated revenue in 100-022-7840 in the amount of \$240,000,000 and increase appropriations in 100-022-3100 in the amount of \$239,775,000 and 100-022-3410 in the amount of \$225,000 (requires 4/5 vote).

SUMMARY:

The County Executive Office requests the Board of Supervisors adopt the Resolution authorizing the execution and delivery of the Bond Purchase Agreement for the Taxable Pension Obligation Bonds, 2007 Series A in an amount not to exceed \$240,000,000, and authorizing other matters related thereto.

## **BACKGROUND INFORMATION:**

### **Previous Actions:**

On October 17, 2006, your Board approved the FY 2007-08 taxable pension obligation financing in concept and the Financial Advisor and Bond Counsel. On October 31, 2006, the Board adopted the Resolution authorizing the issuance of one or more pension obligation debentures and the issuance of one or more series of taxable pension obligation bonds to refund such debentures; approving the form and authorizing the execution and delivery of the Trust Agreement; and authorizing the judicial validation action. Based on this Board approval, Orrick, Herrington & Sutcliffe LLP (Bond Counsel) filed the Complaint for Validation Suit with the Orange County Superior Court on behalf of the County on November 1, 2006.

### **Validation Background and Status:**

The legal basis for the last financing which was the Series 2006 Taxable Pension Obligation Bonds (2006 POBs) issued on January 30, 2006 in the amount of \$105,990,520, was the validation process previously completed for the 1994 Taxable Pension Obligation Bonds. This validation authorized the financing of a portion of the County's unfunded accrued actuarial liability (UAAL). The total UAAL is determined by an actuary to be the amount required without further payments by the County to pay benefits already earned by current and former employees who are covered by the Orange County Employees Retirement System (OCERS). This total UAAL amount for the County and all other Plan Sponsors was determined by the OCERS actuary to be approximately \$2.3 billion as of December 31, 2005. The portion of this total UAAL amount which is required for the County's employer contribution for FY 2007-08 is approximately \$120.4 million.

The new validation currently in process will provide the County the ability to finance not only a portion of the UAAL, but also the employer normal annual contribution. The normal annual contribution is determined by an actuary to be the present value of the benefits being earned by the current employees under the pension plan (the amount being earned by employees with each paycheck necessary to pay future retirement benefits). This amount is estimated to be \$135.9 million for FY 2007-08.

On December 14, 2006, the Superior Court rendered the Default Judgment in Validation Proceeding in favor of the County. On this basis, Bond Counsel anticipates the statutory appeal period will expire on January 14, 2007 if the Judgment is not appealed.

It is intended that this new validation could serve as the legal basis for additional financings of the UAAL and annual normal contributions in future years which will still be contingent on approvals by OCERS of discounts for early pension obligation payments and on this basis, approvals by the Public Financing Advisory Committee (PFAC) and the Board of the individual financings. If the appeal period currently in process is not timely completed, the County will necessarily rely on the existing validation utilized for the 2006 POBs authorizing the financing of only the UAAL portion of the employer contribution (as further described below).

### **Proposed Sale of the Taxable Pension Obligation Bonds, 2007 Series A (2007 POBs):**

As required for the validation filing, the Board action of October 31, 2006 included approval of the bond issuance and the form of the Trust Agreement. The Trust Agreement will in effect serve as a master agreement for all potential pension obligation financings, and is provided herewith for informational purposes. Whereas the form of the Agreement approved for the validation generally references the 2007

POBs, additional details on the 2007 POBs are now included, e.g., the 2007 POBs will be convertible capital appreciation bonds (described below). This Trust Agreement does not at this time include the information on the 2007 POBs which will become known at the pricing of the Bonds. At this time, the request to the Board is for approval of the Bond Purchase Agreement for the sale of the bonds, including the structure and terms of the financing.

The attached report by the Financial Advisor, Kelling, Northcross & Nobriga (KNN), details the analysis completed by the finance team in recommending the sale of the 2007 POBs. Highlights of the report are listed below.

- The financing of the early payment of the County's pension obligation for FY 2007-08 will be for the above described UAAL portion and normal annual contribution in an aggregate principal amount not to exceed \$240,000,000 which includes estimated costs of issuance in the amount of \$225,000. The total FY 2007-08 pension obligation amount is approximately \$256.3 million and with the OCERS discount of 7.75%, the early payment amount or amount to be financed is approximately \$236.5 million. The discount amount is equal to the annual assumed actuarial earnings rate of the OCERS investments.

- Similar to the 2006 POBs, the Treasurer will purchase the 2007 POBs as an investment for the County Investment Pool and Educational Pool pursuant to the Treasurer's Investment Policy Statement (IPS). The Treasurer agreed to purchase the bonds at the lowest interest cost of 5 basis points over the London Interbank Offering Rate (LIBOR). This pricing reflects inclusion of the IPS requirements for credit ratings of at least A1/P1/A+ by two rating agencies and the optional put feature. Discussions are in process with Moody's Investors Services and Standard & Poor's rating agencies, and it is estimated that the ratings will be issued about mid-January 2007. The other IPS requirement, the put feature will allow the Treasurer upon ninety days notice to liquidate the investment on February 28, 2008, although it is anticipated that this put will not be exercised.

- Prior to making the recommendation that the Treasurer could most feasibly purchase the 2007 POBs, KNN assisted CEO Public Finance in completing a Request for Interest (RFI) process. The purpose of the RFI was to consider a potential private placement of the bonds by an outside investor or a public offering through an underwritten sale. KNN invited all of the underwriting firms on the County's pension obligation list and other institutions active in pension financings to submit their indications of interest and pricing for a County financing. Fourteen (14) statements of interest were received of which the lowest bid indication was 9 basis points over LIBOR with no fees. The Treasurer's offer of 5 basis points over LIBOR will require the added cost of two credit ratings which however, are estimated to total approximately \$35,000.

- Calculation of the interest rate at 5 basis points over LIBOR will be based on an 18-month LIBOR by averaging the 1-year LIBOR and 2-year LIBOR. The estimated fixed rate of interest of the 2007 POBs is approximately 5.2% (the actual rate at pricing shall not exceed 7% as stated in the Resolution). A fixed interest rate through maturity on June 30, 2008 is recommended due to the current inverted yield curve where 30-day rates have exceeded 18-month rates by as much as 25 basis points.

- Similar to the 2006 POBs, the 2007 POBs will be convertible capital appreciation bonds. For the initial 6-month period after bond issuance in January 2007, the bonds will accrue interest. Beginning July 30, 2007, the County will pay principal and interest monthly. KNN estimates these monthly debt service payments will be \$20.75 million.

- As reflected in the table on page 4 of the KNN Report and based on the financing as described, the net savings to be derived from this financing is approximately \$7.37 million. The estimated savings amount

is calculated as the discount amount of the early payment to OCERS of approximately \$19.9 million less the costs of issuance of approximately \$225,000 and less the total interest cost of the financing of approximately \$12.3 million.

•While Bond Counsel estimates that the validation process will be completed at the end of the day on January 14, 2007, if this does not timely occur, the County will necessarily rely on the existing validation for financing only the UAAL contribution. This would reduce the amount to be financed from approximately \$236.5 million to approximately \$111.1 million and would also require a cash contribution of approximately \$7.4 million to meet the OCERS requirement of paying at least one-half of the total annual contribution as well as the costs of issuance. The Treasurer is aware of this possibility, and has indicated the intent to still purchase the bonds at the same pricing.

**Recommendation:**

Adoption of the Resolution is recommended to approve the Bond Purchase Agreement for the sale of the 2007 POBs in an amount not to exceed \$240,000,000 as described above. Additionally, the Resolution will include approval of the Bank of New York Trust Company, N.A., as Trustee which also provides trustee services for the 2006 POBs.

PFAC previously approved the financing in concept and finance team on September 20, 2006, and it is planned that PFAC will consider this agenda item during a special meeting on January 8, 2007. It is anticipated that one debenture will be issued to be refunded by one bond series. Issuance of the 2007 POBs and transfer of bond proceeds for the early payment to OCERS must be completed in January 2007 in order for the County to receive the full annual discount.

**FINANCIAL IMPACT:**

(Estimated savings of \$7.37 million for FY 2007-08 for early pension payment)

**STAFFING IMPACT:**

N/A

**REVIEWING AGENCIES:**

N/A

**EXHIBIT(S):**

KNN Report, Resolution, Bond Purchase Agreement and Trust Agreement

**ATTACHMENT(S):**



Date: December 28, 2006

To: County of Orange CEO Public Finance

From: David Brodsky, Vice President, KNN Public Finance  
Joanna Bowes, Vice President, KNN Public Finance

Subject: Report on Plan of Finance for Orange County 2007 Pension Prepayment

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On October 17, the Board appointed a financing team for the issuance of pension obligation notes to finance the payment of the County's FY 2007-08 retirement system contribution, and directed that the team draft documents for presentation to the Board. On October 31, a form of trust agreement, validation and bond issuance were approved by the Board. Since that time the plan of finance has been refined. The validation process from the superior court is estimated to be completed by January 15, 2007.

This memo outlines the basic plan of finance for this year's financing, some of the key features of which are:

- The size of the prepayment, and thus the size of the borrowing, has been increased to include not only the unfunded accrued actuarial liability (UAAL) component of the County's retirement cost, but the annual normal cost as well.
- The Orange County Treasury will again purchase the notes for the County Investment Pools. The interest rate will be relatively lower this year (5 basis points over LIBOR, rather than last year's rate of 15 basis points over LIBOR), reflecting a tightening market for such instruments.
- The interest rate on the notes will be fixed at the time of sale. The FY 2006-07 notes bore an interest rate that adjusted monthly.
- Similar to last year, the notes will be sold and delivered in January, accrue interest until the beginning of the next fiscal year, and then pay interest and principal monthly.

The total size of this year's borrowing will not exceed \$240 million, and is expected to save the County approximately \$7.4 million in pension costs. (see Table on Page 4).

## I. Background

This second financing the County has undertaken based on the offer by the Orange County Employees Retirement System (OCERS) of a discount for prepaying the County's pension obligation. OCERS has approved a plan that allows for discounting payments by the assumed actuarial earnings rate of 7.75% for FY 2007-2008. Conditions for the prepayment are that at least half of the total obligation is prepaid, and that prepayment occurs in either January or June.

Because the County does not maintain surplus reserves sufficient to make the prepayment out of its own funds, the program has been financed through a borrowing at rates substantially lower than the discount rate. The form of borrowing employed has been pension obligation bonds, since that allows the County to borrow the funds in one fiscal year and repay them in the subsequent fiscal year. These kinds of bonds are typically validated in superior court due to limited case law on the topic. Last year's program relied on a 1994 judicial validation, and was therefore limited to only financing the UAAL, representing funds owed for prior years' employment. A new validation was initiated to allow the use of financing for both the UAAL and the "normal" contribution, which is the amount owed for current employment.

Primarily as a result of the ability to finance normal contributions, the amount of this year's borrowing will be substantially larger. Last year's pension obligation notes (PON) totaled \$106 million, which represented only the UAAL portion of the obligation; that, together with an approximately \$9.1 million General Fund cash advance made up half of the overall FY 2007 obligation, net of the prepayment discount. This year's PON will total approximately \$236.5 million, the County's entire discounted FY 2008 obligation comprised of approximately \$111 million toward UAAL and approximately \$125.5 toward the "normal" contribution. The table below provides a more detailed look at the components that make up the County's FY 2008 obligation.

	Normal		UAAL	
	Gross	Net of prepayment discount	Gross	Net of prepayment discount
Plans A and B	\$4,249,104.43	\$3,919,798.83	\$2,277,119.20	\$2,100,642.46
Plans I and J (2.7 @ 55 Formula)	\$85,794,585.44	\$79,145,505.07	\$83,099,467.57	\$76,659,258.84
Plans E and F – Probation	\$12,988,761.80	\$11,982,132.76	\$6,994,911.22	\$6,452,805.60
Plans E and F - Law Enforcement	<u>\$32,879,693.39</u>	<u>\$30,331,517.15</u>	<u>\$28,033,406.07</u>	<u>\$25,860,817.10</u>
	\$135,912,145.06	\$125,378,953.81	\$120,404,904.07	\$111,073,524.00

Total Gross Contribution: \$256,317,049.13  
 Total Contribution Net of Prepayment Discount: \$236,452,477.81

The net result of this year's program is that the County will save approximately \$7.4 million in pension costs.

## **II. County Treasurer will Purchase the Notes**

Last year, the County Treasurer purchased the notes as an investment for the County Pool. The interest rate was set at what was determined to be an appropriate rate at the time – 15 basis points (0.15%) over the monthly London Interbank Offering Rate (LIBOR), a common benchmark for taxable loans. Last year’s decision to place the notes internally reflected the reasonableness of the business decision from both the lender and borrower’s side, and the need for an expedited transaction.

Because the process began earlier this year, the County was able to explore more options for selling its notes, including a private placement to a third-party investor and a public offering of notes (sold through an underwriter). To assist in the evaluation of these options, a Request for Interest was sent to all firms on the county’s pension obligation underwriter list, as well as to other firms that we identified as possible lenders. We received 14 statements of interest. These included proposals from banks and brokerages willing to make direct loans, and proposals for various private and public offerings to investors. The lowest cost proposed was 9 basis points over LIBOR with no fees.

The Treasurer expressed his desire to again purchase the notes for the County’s Investment Pools (County and Educational Investment Pools), and offered to purchase the notes at the lowest interest cost, at 5 basis points over LIBOR. As an investment for the Treasury, this was a rate above other comparable investments such as commercial paper. It should be noted that, in order to comply with the County’s investment policy, the PON’s will contain an optional put, so that the Treasury can, with ninety days notice, liquidate the investment on February 28, 2008. The pricing at 5 basis points over LIBOR took into consideration among other things, this feature.

## **III. Structure of the FY 2007-08 Notes**

While last year’s notes were structured as variable rate notes, with the interest rate readjusting monthly based on 30-day LIBOR, the FY 2007-08 Notes will have a fixed rate through maturity on June 30, 2008. The rate will be set the day before closing at 5 basis points over that day’s 18-month LIBOR (technically, the average of 1-year and 2-year LIBOR).

The decision to set this year’s notes at a fixed rate reflects the current inverted yield curve, where 30-day rates have been as high as 25 basis points over 18-month rates. Combined with current expectations that the Federal Reserve will hold interest rates at the current level for six months, and perhaps raise them once more, before beginning to lower rates, this structure is expected to reduce total interest costs on the notes.

The other key structural features of the notes will be the same as last year. The notes accrue interest during the balance of 2006-07. Beginning on July 30, 2007 the County will begin paying at the end of each month current interest, as well as amortizing principal and the interest that accreted during the prior fiscal year. The technical name for this structure is a “convertible capital appreciation note”. Monthly note payments are currently estimated at approximately \$20.75 million.

Based on these assumptions, the following is a summary of the expected costs and benefits of the FY 2007-08 PON program:

Gross OCERS Payment Liability	\$	256,317,049
Prepayment Credit (at 7.75%)		19,864,571
Net Discounted Payment		236,452,478
Issuance Cost		225,000
Spread to LIBOR		0.05%
18-month LIBOR (as of Dec 27)		5.15%
PON Interest Rate		5.20%
Total Interest Cost	\$	12,274,315
<b>Net Savings</b>		<b>7,365,256</b>

#### IV. Parameters for Approval

The final Board action required for this financing is approval of the authorizing resolution, which also approves the final structure and method of sale for this issue and the purchase contract between the County and the Treasurer. For purposes of the Board resolution, we recommended a not-to-exceed issue size of \$240 million, and a not-to-exceed interest rate of 7%.

Prior to issuance, subsequent steps include the receipt of ratings on the notes, which is required to meet the County's investment pool criteria, the expiration of the appeal period for the validation, and final pricing. The notes are scheduled to close on January 29, 2007.

A RESOLUTION OF THE BOARD OF SUPERVISORS OF THE  
COUNTY OF ORANGE AUTHORIZING THE EXECUTION AND  
DELIVERY OF A BOND PURCHASE AGREEMENT FOR TAXABLE  
PENSION OBLIGATION BONDS, 2007 SERIES A, AND  
AUTHORIZING OTHER MATTERS RELATED THERETO

January 9, 2007

**WHEREAS**, the County of Orange (the "County") adopted a retirement plan under the County Employees Retirement Law of 1937, being Chapter 3 of the Government Code of the State of California, Sections 31450 through 31898, inclusive, as amended (the "Retirement Law"); and

**WHEREAS**, the Retirement Law obligates the County (1) to make normal annual contributions to the Orange County Employees Retirement System (the "System") to fund the present value of pension benefits being earned by current employees, (2) to amortize the unfunded accrued actuarial liability with respect to pension benefits already earned by current and former employees, and (3) to appropriate funds for the purposes described in the foregoing clauses (1) and (2); and

**WHEREAS**, under and pursuant to Resolution No. 06-209 (the "POB Resolution") adopted on October 31, 2006, the Board, among other authorizations, authorized the execution and delivery of a Debenture and Trust Agreement, the issuance of 2007 Series A Bonds and the filing of a judicial validation action in connection with the bonds;

**WHEREAS**, the Superior Court of the State of California, County of Orange, entered a default judgment in the judicial validation action on December 14, 2006;

**WHEREAS**, the 2007 Series A Bonds will be issued as convertible capital appreciation bonds;

**WHEREAS**, there have been presented to this meeting the form of Bond Purchase Agreement for the 2007 Series A Bonds (the "Bond Purchase Agreement") proposed to be entered into by and between the County and the Treasurer of the County of Orange;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF THE COUNTY OF ORANGE AS FOLLOWS:

**Section 1.** The form of the Bond Purchase Agreement is hereby approved. The Chair or Vice Chair of the Board of Supervisors, the County Executive Officer or the County Public Finance Manager or any designee thereof (each an "Authorized Officer") are each hereby authorized and directed, for and in the name and on behalf of the County, to execute and deliver the Bond Purchase Agreement in substantially said form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof;

provided, that the aggregate principal amount of the 2007 Series A Bonds shall not exceed \$240 million dollars (\$240,000,000); and provided further, that the interest rate on the 2007 Series A Bonds shall not exceed seven per cent (7.0%) per annum.

**Section 2.** The Bank of New York Trust Company, N.A. is hereby appointed as trustee for the 2007 Series A Bonds.

**Section 3.** All terms, provisions and authorizations of the POB Resolution shall remain in full force and effect. The Authorized Officers and other appropriate officers and employees of the County are hereby authorized and directed, jointly and severally, to do any and all things, to execute and deliver any and all documents and certificates and to pay the costs of issuance of the Bonds, including, but not limited to paying the fees and expenses of Orrick, Herrington & Sutcliffe LLP, as Bond Counsel, Kelling, Northcross & Nobriga, a Division of Zions First National Bank, as the Financial Advisor, the Trustee and the rating agencies which they may deem necessary or advisable in order to consummate the issuance of the 2007 Series A Bonds, and otherwise to carry out, give effect to and comply with the terms and intent of this resolution. Such actions heretofore taken by such officers are hereby ratified, confirmed and approved.

**Section 4.** This resolution shall take effect immediately upon its passage.

§ \_\_\_\_\_  
**COUNTY OF ORANGE**  
**TAXABLE PENSION OBLIGATION BONDS, SERIES 2007**

**BOND PURCHASE AGREEMENT**

January \_\_, 2007

County of Orange  
10 Civic Center Plaza, 3rd Floor  
Santa Ana, CA 92701

Ladies and Gentlemen:

The Treasurer of the County of Orange (the "Purchaser") offers to enter into this Bond Purchase Agreement (the "Purchase Agreement") with the County of Orange (the "Issuer"), which, upon acceptance by the Issuer will be binding upon the Issuer and the Purchaser. This offer is made subject to acceptance of this Purchase Agreement by the Issuer on or before 11:59 p.m., California time, on the date hereof, and, if not so accepted, will be subject to withdrawal by the Purchaser upon written notice delivered to the Issuer at any time prior to such acceptance.

Capitalized terms used in this Purchase Agreement and not otherwise defined herein shall have the meanings given to such terms as set forth in the Trust Agreement, dated as of January 1, 2007 (the "Trust Agreement") between the Issuer and The Bank of New York Trust Company, N.A. (the "Trustee").

**Section 1. Purchase and Sale.** Upon the terms and conditions and upon the basis of the representations set forth in this Purchase Agreement, the Purchaser agrees to purchase from the Issuer, as principal, and the Issuer agrees to sell and deliver to the Purchaser, as principal, all (but not less than all) of the \$\_\_\_\_\_ aggregate principal amount of the County of Orange Taxable Pension Obligation Bonds, 2007 Series A (the "Bonds").

The Bonds shall be convertible capital appreciation bonds, dated their date of delivery and shall mature and bear interest at the rates per annum as set forth in Schedule I attached hereto.

The purchase price for the Bonds shall be \$\_\_\_\_\_ which is the initial principal amount of the Bonds.

**Section 2. The Bonds.** The Bonds are being issued pursuant to Articles 10 and 11 (commencing with section 53570) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Act") and the Trust Agreement.

The Issuer is obligated by the County Employees Retirement Law of 1937, Chapter 3 of the Government Code of the State of California, Sections 31450 through 31898, inclusive, as amended (the "Retirement Law"), to make payments to the Orange County Employees Retirement System (the "System") relating to pension benefits accruing to employees of the County of Orange and retirees who are members of the System. The statutory obligation of the Issuer includes, among others, the requirement to amortize the unfunded accrued actuarial liability (the "UAAL") with respect to such retirement benefits.

The proceeds of the Bonds will be used to: (i) refund the Issuer's obligation to the System as evidenced by a debenture issued by the Issuer in favor of the System (the "Debenture"), and (ii) pay certain costs associated with the issuance and delivery of the Bonds.

**Section 3. Representations, Warranties and Agreements of the Purchaser.**

(a) The Purchaser has sufficient knowledge and experience in financial and business matters, including purchase and ownership of obligations of a nature similar to the Bonds to be able to evaluate the risks and merits of the investment represented by the purchase of the Bonds;

(b) The Purchaser acknowledges that the Bonds bear restrictions as to transfer or exchange, as set forth in the Trust Agreement and that no offering document, prospectus or official statement has been prepared by or on behalf of the Issuer in connection with the sale of the Bonds;

(c) As a sophisticated investor, the Purchaser has made his own credit inquiry and analysis with respect to the Issuer and the Bonds and has made an independent credit decision based upon such inquiry and analysis. The Issuer has furnished to the Purchaser all the information which the Purchaser, as a reasonable investor, has requested of the Issuer as a result of the Purchaser having attached significance thereto in making its investment decision with respect to the Bonds, and the Purchaser has had the opportunity to ask questions of and receive answers from knowledgeable Issuer officials and other individuals concerning the Issuer and the Bonds. The Purchaser represents that it has received all information it considers material to making its investment decisions with respect to the Bonds and has made such decisions upon its own credit inquiry and analyses. The Purchaser is able and willing to bear the economic risk of the purchase and ownership of the Bonds;

(d) The Purchaser understands that the Bonds have not been registered with any federal or state securities agency or commission;

(e) The Purchaser agrees that any subsequent sales of the Bonds shall only be made to other "qualified institutional buyers" in Authorized Denominations (as defined in the Trust Agreement);

(f) The Purchaser represents that its purchase of the Bonds and its subsequent sale, if any, are exempt from SEC Rule 15c2-12; and

(g) The Purchaser acknowledges and agrees that the Issuer has not offered and has no obligation or responsibility to provide any disclosure or other information relating to the Bonds or the Issuer after issuance of the Bonds, whether in connection with any sale of the Bonds by the Purchaser or otherwise.

**Section 4. Representations, Warranties and Agreements of the Issuer.** The Issuer represents and warrants to the Purchaser that:

(a) The Issuer has taken official action by Resolution No. 06-209 and Resolution No. \_\_\_\_ (collectively, the “Resolutions”) adopted or approved by a majority of the members of the Board of Supervisors of the Issuer (the “Board of Supervisors”) at meetings duly called, noticed and conducted, at which a quorum was present and acting throughout, on October 31, 2006 and January 9, 2007, respectively, and all actions necessary to be taken by it for the authorization and issuance of the Bonds, and the execution, delivery and due performance of the Trust Agreement and this Purchase Agreement and the taking of any and all actions as may be required on the part of the Issuer to carry out, give effect to and consummate the transactions contemplated hereby has been taken, and the Resolutions have not been modified or amended and are in full force and effect;

(b) The Issuer is a political subdivision of the State of California (the “State”), organized, existing and exercising governmental functions under the laws of the State and has all necessary power and authority to adopt the Resolutions, to issue the Bonds and to enter into and perform its duties under the Trust Agreement and, when executed and delivered by the respective parties thereto, the Trust Agreement will constitute a legal, valid and binding obligation of the Issuer enforceable in accordance with its terms;

(c) This Purchase Agreement constitutes, and upon their issuance and delivery, the Bonds and the Trust Agreement will constitute, legal, valid and binding obligations of the Issuer enforceable in accordance with their terms, except as enforceability may be limited by applicable limitations of bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or equitable principles affecting the enforcement of creditor’s rights, the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities in the State of California;

(d) To the best knowledge of the Issuer as of the date hereof, there is no action, suit, proceeding or investigation before or by any California court, public board or body pending or threatened, wherein an unfavorable decision, ruling or finding would: (i) affect the creation, organization, existence or powers of the Issuer, or the titles of its members or officers, (ii) enjoin or restrain the issuance, sale and delivery of the Bonds, (iii) in any way question or affect any of the rights, powers, duties or obligations of the Issuer with respect to the monies to pay the principal of or interest on the Bonds, (iv) in any way question or affect any authority for the issuance of the Bonds, or the validity or enforceability of the Bonds, the Trust Agreement or this Purchase Agreement, or (v) in any way question or affect this Purchase Agreement, the Trust Agreement or the transactions contemplated by this Purchase Agreement, or any other agreement or instrument to which the Issuer is a party relating to the issuance of the Bonds;

(e) Any certificate signed by any official of the Issuer and delivered to the Purchaser pursuant to this Purchase Agreement or any document contemplated hereby shall be deemed a representation and warranty by the Issuer to the Purchaser as to the statements made therein and that such officer shall have been duly authorized to execute the same;

(f) The Issuer shall apply the net proceeds of the Bonds to refund the Debenture and otherwise in accordance with the Trust Agreement;

(g) The Issuer is not in material default on any bond, note or other obligation for borrowed money or any agreement under which any such obligation is outstanding;

(h) Except as disclosed to the Purchaser, there has not been any materially adverse change in the financial condition of the Issuer since June 30, 2006, and there has been no occurrence, circumstance or combination thereof which is reasonably expected to result in any such materially adverse change. The financial statements of and other financial information regarding the Issuer delivered to the Purchaser fairly present the financial position and results of the operations of the Issuer as of the dates and for the periods therein set forth, and such financial statements have been prepared in accordance with the generally accepted accounting principles consistently applied; and

(i) The default judgment dated December 14, 2006 entered in favor of the Issuer in connection with County of Orange v. All Persons Interested, etc. was duly entered, the appeal period has run without any appeal having been filed, and the default judgment is in full force and effect.

**Section 5. The Closing.** At 8:00 A.M., California time, on January 29, 2007 (the "Closing Date"), or on such earlier or later date as may be agreed upon by the Purchaser and the Issuer, the Issuer will deliver or cause to be delivered to the Purchaser, the Bonds in definitive form, duly executed, together with the other documents hereinafter mentioned, and, subject to the terms and conditions of this Purchase Agreement, the Purchaser will accept delivery of the Bonds and the other documents at the offices of Orrick, Herrington & Sutcliffe LLP in San Francisco, California or such other place as shall have been mutually agreed upon by the Purchaser and the Issuer, and pay the purchase price of the Bonds as set forth in Section 1 of this Purchase Agreement by wire transfer in immediately available funds to the order of the Trustee (or by such other form of payment in immediately available funds as shall have been mutually agreed upon by the Issuer and the Purchaser). The Bonds in definitive form shall be evidenced by typewritten, lithographed or word processed Bonds in authorized denominations.

The Bonds shall be issued in fully registered form and shall be prepared and delivered as Bonds registered in the name of Treasurer of the County of Orange.

**Section 6. Termination by Purchaser.** The Purchaser shall have the right to terminate its obligations under this Purchase Agreement to purchase, to accept delivery of and to pay for the Bonds by notifying the Issuer of its election to do so if, after the execution hereof and prior to Closing Date: (1) legislation (including any amendments thereto), resolution, rule or regulation (including any amendments thereto) shall be introduced in, considered by or be enacted by any governmental body, department or political subdivision of the State, or a decision by any court of competent jurisdiction within the State shall be rendered which, in the reasonable opinion of the Purchaser would make it impracticable or inadvisable to proceed with the offer, sale or delivery of the Bonds; (2) the outbreak or declaration of war, institution of a police action, engagement in military hostilities by the United States, or any escalation of any existing conflict or hostilities in which the United States is involved, or the occurrences of any other national emergency or calamity or crisis or any change in financial markets resulting from the foregoing, which, in the reasonable opinion of the Purchaser would make it impracticable or inadvisable to proceed with the offer, sale or delivery of the Bonds; (3) the declaration of a general banking moratorium by federal, New York or California authorities, or the general suspension or material limitation of trading on the New York Stock Exchange, the Nasdaq National Market, in any over-the-counter market or any national securities exchange which materially adversely affects the market price of the Bonds; (4) legislation enacted (or resolution passed) by or introduced or

pending legislation amended in the Congress or recommended for passage by the President of the United States, or an order, decree or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary or proposed) issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that securities of the general character of the Bonds, or the Bonds, including any or all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended, or that the Trust Agreement is not exempt from qualification under the Trust Indenture Act of 1939, as amended, or that the execution, offering or sale of obligations of the general character of the Bonds, including any or all underlying arrangements, otherwise is or would be in violation of the federal securities laws as amended and then in effect; (5) any event occurring, or information becoming known which, in the reasonable judgment of the Purchaser, makes untrue in any material respect any statements made by the Issuer to the Purchaser, or has the effect that any statements made by the Issuer to the Purchaser contains any untrue statement of a material fact or omits to state a material fact to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; (6) a material disruption in securities settlement, payment or clearance services in the United States shall have occurred and be continuing; or (7) the purchase of and payment for the Bonds by the Purchaser on the terms and conditions herein provided shall be prohibited by any applicable law, governmental authority, board, agency or commission.

**Section 7. Conditions to the Obligations of the Purchaser.** The Purchaser hereby enters into this Purchase Agreement in reliance upon the representations and warranties of the Issuer contained herein and the representations and warranties to be contained in the documents and instruments to be delivered on the Closing Date and upon the performance by the Issuer of its obligations both on and as of the date hereof and as of the Closing Date. Accordingly, the obligations of the Purchaser under this Purchase Agreement to purchase, to accept delivery of and to pay for the Bonds shall be subject, at the option of the Purchaser, to the accuracy in all material respects of the representations and warranties of the Issuer contained herein as of the date hereof and as of the Closing Date, to the accuracy in all material respects of the statements of the officers and other officials of the Issuer made in any certificate or document furnished pursuant to the provisions hereof, to the performance by the Issuer of its obligations to be performed hereunder and under the Trust Agreement at or prior to the Closing Date, and also shall be subject to the following additional conditions:

(a) On the Closing Date, the Trust Agreement shall have been duly authorized, executed and delivered by the respective parties thereto, and shall be in full force and effect; and the Resolutions shall be in full force and effect;

(b) On the Closing Date, all necessary action of the Issuer relating to the execution and delivery of the Bonds will have been taken and will be in full force and effect and will not have been amended, modified or supplemented; and

(c) At or prior to the Closing Date, the Purchaser shall have received the following documents or copies thereof, in each case satisfactory in form and substance to the Purchaser:

(1) Default Judgment. A copy of the default judgment, dated December 14, 2006, entered in favor of the Issuer in connection with County of Orange v. All Persons Interested, etc., Case No. 06CC11581 filed in the Superior Court of California, County of Orange;

(2) Trust Agreement and Resolutions. The Trust Agreement duly executed and delivered by the respective parties thereto and certified copies of the Resolutions;

(3) Opinion of Bond Counsel. The approving opinion of Bond Counsel dated the Closing Date, substantially in the form attached hereto as Exhibit A, and a reliance letter with respect thereto addressed to the Purchaser;

(4) Supplemental Opinion of Bond Counsel. A supplemental opinion of Bond Counsel, dated the Closing Date and addressed to the Purchaser, to the effect that the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Trust Agreement is exempt from qualification under the Trust Indenture Act of 1939, as amended;

(5) Opinion of the County Counsel. An opinion of the County Counsel, dated the Closing Date and addressed to the Issuer and the Purchaser, in substantially the form of Exhibit B;

(6) Issuer Bring-Down Certificate. A certificate of the Issuer dated the Closing Date and executed by a duly authorized officer of the Issuer to the effect that: (i) the representations and warranties of the Issuer contained in Section 4 hereof are true and correct in all material respects on and as of the Closing Date as if made on the Closing Date; (ii) the Issuer has duly authorized the Resolutions, the execution and delivery of the Trust Agreement and the Purchase Agreement, and the taking of any and all such action as may be required on the part of the Issuer to carry out, give effect to and consummate the transactions contemplated thereby, the Resolutions were adopted at meetings of the Board of Supervisors duly noticed and at which a quorum was present, and the Resolutions have not been modified or amended and are in full force and effect; (iii) no consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Issuer that has not been obtained is or will be required for the issuance and delivery of the Bonds or the consummation by the Issuer of the other transactions contemplated by the Trust Agreement; (iv) the execution and delivery by the Issuer of the Trust Agreement and the Purchase Agreement and compliance with the terms thereof, will not conflict with, or result in a violation or breach of, or constitute a default under, any lease, indenture, bond, note, resolution or any other agreement or instrument to which the Issuer is a party or by which it is bound, or any law or any rule, regulation, order or decree of any court or governmental agency or body having jurisdiction over the Issuer or any of its activities or properties; (v) the Issuer is not in breach of or default under any applicable law or administrative regulation of the State or the United States or any applicable judgment or decree or any lease, indenture, bond, note, resolution, agreement or other instrument to which the Issuer is a party or is otherwise subject which breach or default would materially adversely affect the ability of the Issuer to perform its obligations under the Trust Agreement, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute such a default or an event of default under any such instrument; and (vi) there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or governmental agency, public board or body pending or, to the best knowledge of the Issuer, threatened against or affecting the existence of the Issuer or seeking to prohibit, restrain or enjoin the issuance and delivery of the Bonds or in any way contesting or affecting the validity or enforceability of the Bonds, the Trust Agreement, the Purchase Agreement or contesting the powers of the Issuer to enter into, adopt or perform its obligation under any of the foregoing, wherein an unfavorable decision, ruling or finding would materially adversely affect the transactions contemplated hereby, or which, in any way, would materially adversely affect the validity of the Bonds, the Trust Agreement, the Purchase Agreement or any agreement or instrument to which the Issuer is

a party and which is used or contemplated for use in the consummation of the transactions contemplated hereby;

(7) Bylaws of Trustee. Certified copies of excerpts from the bylaws of the Trustee authorizing the execution and delivery of the Trust Agreement;

(8) Certificate of the Trustee. A certificate of the Trustee, dated the Closing Date, signed by a duly authorized official, satisfactory in form and substance to the Purchaser, to the effect that: (A) the Trustee is a national banking association organized and existing under and by virtue of the laws of the United States, having the full power and being qualified to enter into and perform its duties under the Trust Agreement; (B) the Trustee is duly authorized to enter into the Trust Agreement and to authenticate and deliver the Bonds to the Purchaser pursuant to the Trust Agreement; (C) the Bonds have been duly authenticated and delivered by the Trustee; (D) the execution and delivery of the Trust Agreement and compliance with the provisions on the part of the Trustee contained therein, does not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, material agreement or other material instrument to which the Trustee is a party or is otherwise subject (except that no representation or warranty is made with respect to any federal or state securities or blue sky laws or regulations), nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets held by the Trustee pursuant to the Trust Agreement under the terms of any such law, administrative regulation, judgment, decree, material agreement or other material instrument, except as provided by the Trust Agreement; and (E) to the best knowledge of the Trustee, it has not been served with any action, suit, proceeding, inquiry or investigation in law or in equity, before or by any court, governmental agency, public board or body, nor is any such action or other proceeding threatened against the Trustee, affecting the existence of the Trustee, or the titles of its officers to their respective offices, or contesting the powers of the Trustee or its authority to enter into, adopt or perform its obligations under any of the foregoing to which it is a party, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Bonds or the Trust Agreement, or the power and authority of the Trustee to enter into and perform its respective duties under such agreement and to authenticate and deliver the Bonds to the Purchaser;

(9) Certificate of Actuary. A certificate of an Actuary dated the Closing Date, setting forth the amount of the discounted prepayment of the annual contribution of the Issuer to the System for Fiscal Year 2007-2008;

(10) Evidence of a rating on the Bonds of at least "A+" from Standard & Poor's and "P-1" from Moody's or other such ratings acceptable to the Purchaser;

(11) Miscellaneous. Such additional legal opinions, certificates, instruments and documents as the Purchaser may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the Closing Date, of the Issuer's representations and warranties contained herein and the due performance or satisfaction by the Issuer on or prior to the Closing Date of all agreements then to be performed and all conditions then to be satisfied by the Issuer.

All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Purchase Agreement shall be deemed to be in compliance with the

provisions hereof if, but only if, they are in form and substance satisfactory to the Purchaser. Receipt of, and payment for, the Bonds shall constitute evidence of the satisfactory nature of such as to the Purchaser. The performance of any and all obligations of the Issuer hereunder and the performance of any and all conditions contained herein for the benefit of the Purchaser may be waived by the Purchaser in its sole discretion.

If the Issuer shall be unable to satisfy the conditions to the obligations of the Purchaser to purchase, accept delivery of and pay for the Bonds contained in this Purchase Agreement, or if the obligations of the Purchaser to purchase, accept delivery of and pay for the Bonds shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate, and neither the Purchaser nor the Issuer shall be under further obligation hereunder, and (ii) the respective obligations of the Issuer and the Purchaser set forth in Section 8 hereof shall continue in full force and effect.

**Section 8. Expenses.**

The Purchaser shall be under no obligation to pay, and the Issuer shall pay, the following expenses incident to the performance of the Issuer's obligations hereunder: (i) the fees and disbursements of Bond Counsel; (ii) the cost of printing and delivering the Bonds; (iii) the fees and disbursements of the Trustee and Kelling Northcross and Nobriga, as financial advisor to the Issuer, the rating agencies, any accountants or other advisers, experts or consultants retained by the Issuer; and (iv) any other expenses and costs of the Issuer incident to the performance of its obligations in connection with the authorization, issuance and sale of the Bonds, including out-of-pocket expenses and regulatory expenses, and any other expenses agreed to by the parties.

**Section 9. Notices.** Any notice or other communication to be given to the Issuer under this Purchase Agreement may be given by delivering the same in writing at the Issuer's address set forth above, and any notice or other communication to be given to the Purchaser under this Purchase Agreement may be given by delivering the same in writing to the Purchaser, Treasurer of the County of Orange.

**Section 10. Parties in Interest; Force and Effect.** This Purchase Agreement is made solely for the benefit of the Issuer and the Purchaser (including their successors and assigns), and no other person shall acquire or have any right hereunder or by virtue hereof. All of the Issuer's representations, warranties and agreements, dated as of their date, contained in this Purchase Agreement shall remain operative and in full force and effect regardless of: (a) any investigations made by or on behalf of the Purchaser; or (b) delivery of and payment for the Bonds pursuant to this Purchase Agreement. The agreements contained in this Section and in Section 8 shall survive any termination of this Purchase Agreement.

**Section 11. Unenforceable Provisions.** If any provision of this Purchase Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any constitution, statute, rule of public policy, or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperable or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Purchase Agreement invalid, inoperative or unenforceable to any extent whatsoever.

**Section 12. Counterparts.** This Purchase Agreement may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute this Purchase Agreement by signing any such counterpart.

**Section 13. Governing Law; Venue.** The validity, interpretation and performance of this Purchase Agreement shall be governed by the laws of the State. Any and all disputes or legal actions or proceedings arising out of this Purchase Agreement or any document related hereto shall be filed and maintained in a court of competent jurisdiction for matters arising in Orange County; provided that the Issuer may waive the requirement of venue. By execution of and delivery of this Purchase Agreement, the parties hereto accept and consent to the aforesaid jurisdiction.

**Section 14. Headings.** The headings of the sections of this Purchase Agreement are inserted for convenience only and shall not be deemed to be a part hereof.

(REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK)

**Section 15. Effectiveness.** This Purchase Agreement shall become effective upon the execution of the acceptance hereof by an authorized officer of the Issuer, and shall be valid and enforceable as of the time of such acceptance.

Very truly yours,

TREASURER OF THE COUNTY OF  
ORANGE

By: \_\_\_\_\_

COUNTY OF ORANGE

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

**SCHEDULE I**

**MATURITY SCHEDULE**

**\$ \_\_\_\_\_**  
**County of Orange Taxable Pension Obligation Bonds, 2007 Series A**

Maturity Date:

Interest Rate:

**EXHIBIT A**

**FORM OF OPINION OF BOND COUNSEL**

January \_\_, 2007

County of Orange  
Santa Ana, California

Re: County of Orange, Taxable Pension Obligation Bonds, 2007 Series A

Ladies and Gentlemen:

We have acted as bond counsel to the County of Orange, California (the "Issuer") in connection with the issuance by the Issuer of \$ \_\_\_\_\_ aggregate principal amount of its County of Orange Taxable Pension Obligation Bonds, 2007 Series A (the "Bonds") pursuant to Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "Act") and a Trust Agreement, dated as of January 1, 2007 (the "Trust Agreement"), between the Issuer and The Bank of New York Trust Company, N.A. (the "Trustee"). All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Trust Agreement.

In such connection, we have reviewed the Trust Agreement, opinion of counsel to the Issuer, certifications of the Issuer and the Trustee and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof, and we have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Trust Agreement.

In addition, we call attention to the fact that the rights and obligations under the Trust Agreement and the Bonds and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against counties in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents. Furthermore, we undertake no responsibility for the

accuracy, completeness or fairness of any disclosure by the Issuer relating to the Bonds and express no opinion relating thereto.

Based on and subject to the foregoing, and the default judgment rendered on December 14, 2006 by the Superior Court of California, County of Orange in the action entitled County of Orange v. All Persons Interested, etc. (Case No. 06CC11581), and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute valid and binding obligations of the Issuer.
2. The Trust Agreement has been duly executed and delivered by the Issuer and constitutes a valid and binding obligation of the Issuer.
3. The Bonds do not constitute an obligation for which the Issuer is obligated to levy or pledge any form of taxation or for which the Issuer has levied or pledged any form of taxation.
4. Interest on the Bonds is not excluded from gross income for federal income taxes purposes under Section 103 of the Internal Revenue Code of 1986, but is exempt from State of California personal income taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

**EXHIBIT B**  
**FORM OF OPINION OF COUNTY COUNSEL**

January \_\_, 2007

Treasurer of the County of Orange  
County of Orange  
Santa Ana, California

The Bank of New York Trust Company, N.A.  
Los Angeles, California

Re:     \$\_\_\_\_\_ County of Orange  
        Taxable Pension Obligation Bonds, 2007 Series A

Dear Ladies and Gentlemen:

The Office of the County Counsel provides general legal advice to the County of Orange, California (the "County"). Legal matters which require special expertise such as securities, bankruptcy or tax laws are referred to firms which specialize in those areas.

You have asked the Office of the County Counsel to render this opinion in connection with the issuance and delivery by the County of \$\_\_\_\_\_ aggregate principal amount of County of Orange Taxable Pension Obligation Bonds, 2007 Series A (the "Bonds"). In rendering this opinion, we have examined originals (or copies certified or otherwise identified to my satisfaction) of such documents, records and other instruments as deemed necessary or appropriate for the purposes of this opinion, including, without limitation: (i) those documents relating to the existence, organization and operation of the County; (ii) the default judgment entered on December 14, 2006 by the Superior Court of the State of California for the County of Orange, to the effect, among other things, that the County has the authority to issue the Bonds as obligations imposed by law and as obligations exempt from and not subject to the debt limitations set forth in Article XVI, Section 18 of the California Constitution; (iii) the Debenture of the County dated January 29, 2007 (the "Debenture"); (iv) Resolutions No. 06-209 and No. \_\_\_\_, adopted by a majority of the Board of Supervisors of the County on October 31, 2006 and January 9, 2007, respectively (collectively, the "Resolutions"); (v) a Trust Agreement, dated as of January 1, 2007, by and between the County and The Bank of New York Trust Company, N.A. (the "Trustee"); and (vi) the Bond Purchase Agreement, dated January \_\_, 2007 (the "Purchase Agreement"), by and between the County and Treasurer of the County of Orange, as the purchaser of the Bonds. All capitalized terms used herein and not otherwise defined shall have the meaning given to such terms as set forth in the Trust Agreement.

Based on the foregoing, we are of the opinion that:

1.       The County is a political subdivision of the State of California and is validly existing under the Constitution and the laws of the State of California;

2. The Resolutions have been duly adopted at meetings of the County Board of Supervisors which were called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout and have not been amended, modified or rescinded;

3. The County has the full legal right, power and authority to enter into the Trust Agreement and the Purchase Agreement and to issue the Debenture and the Bonds;

4. The Trust Agreement, the Purchase Agreement, the Debenture and the Bonds have been duly authorized, executed and delivered by the County, and assuming due authorization, execution and delivery of such documents by the other parties thereto, the Trust Agreement, the Purchase Agreement, the Debenture and the Bonds constitute legally binding obligations of the County enforceable against the County in accordance with their respective terms (except as limited herein);

5. The County has obtained all California governmental, legislative, administrative and judicial authorizations, approvals, consents and orders that are required to be obtained in connection with the County's performance of its obligations under the Trust Agreement, the Purchase Agreement, the Debenture, the Bonds and the Resolutions, unless the failure to obtain such authorizations, approvals, consents or orders would not have a material adverse effect on the due performance by the County of such obligations, provided that no opinion is rendered as to any approvals, consents and orders as may be required under Federal law or the Blue Sky laws or securities laws of any other state in connection with such performance;

6. The execution and delivery of the Trust Agreement, the Purchase Agreement, the Debenture and the Bonds do not materially conflict or constitute a material breach or default under any California law, administrative regulation or other agreement to which the County is a party or to which it is bound; and

7. No litigation is pending or, to the best of our knowledge, threatened in any California or Federal court (1) challenging the titles of the officials of the County to their respective offices; (2) contesting or affecting the validity of the Trust Agreement, the Purchase Agreement, the Debenture, the Bonds or the Resolutions; or (3) in any way contesting the power of the County to approve, execute and deliver the Trust Agreement, the Purchase Agreement, the Debenture, the Bonds or to adopt the Resolutions.

Notwithstanding anything stated to the contrary herein:

1. We expressly decline to render any opinion regarding the taxability or tax effect (under both state and federal law) of the transactions that are the subject of this letter, including, but not limited to, the Bonds, the Debenture, the Trust Agreement and the Purchase Agreement.

2. This opinion is based on the existing laws of the State of California as of this date; and we expressly decline to render any opinion as to any laws or regulations of other states or jurisdictions as they may pertain to the Bonds, the Debenture, the Trust Agreement, the Purchase Agreement, and the Resolutions, or with respect to the effect of noncompliance under any such laws and regulations of any other jurisdiction including Federal law and regulations, and Blue Sky laws.

3. This opinion is furnished for you and is solely for your benefit. It may not be relied upon by any other person or entity however organized.

4. This opinion is given as of this date, and we expressly decline any undertaking to advise you of any matters subsequent to the date hereof which would cause us to amend any portion of the foregoing in whole or in part.

5. Whenever a statement herein is qualified by "to the best of our knowledge" or similar phrase, it is intended to indicate that those attorneys in this office who have rendered legal services in connection with the Bonds do not, after reasonable investigation, have current knowledge of the inaccuracy of such statement.

6. We expressly decline to render any opinion with respect to the attachment, perfection or priority of any security interest.

7. The opinions set forth herein are subject to applicable limitations of bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or equitable principles affecting the enforcement of creditors' rights. The enforcement of the Trust Agreement, the Purchase Agreement, the Debenture, the Bonds and the Resolutions are subject to the effect of the general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities in the State of California. We express no opinion as to the enforceability of any provisions relating to indemnification, contribution or forum.

Please be advised that we are not bond counsel for the Bonds.

Very truly yours,

BENJAMIN P. de MAYO  
COUNTY COUNSEL

By: \_\_\_\_\_  
John H. Abbott, Senior Deputy

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**TRUST AGREEMENT**

**between the**

**COUNTY OF ORANGE**

**and**

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

**Dated as of January 1, 2007**

**COUNTY OF ORANGE**

**TAXABLE PENSION OBLIGATION BONDS**

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THIS TRUST AGREEMENT made and entered into as of January 1, 2007 (the "Trust Agreement") by and between BANK OF NEW YORK TRUST COMPANY, N.A., duly organized and existing under and by virtue of the laws of the United States of America, as Trustee (the "Trustee") and the COUNTY OF ORANGE (the "County"), a political subdivision duly organized validly existing, under the Constitution and laws of the State of California.

**WITNESSETH:**

**WHEREAS**, the County is obligated pursuant to the County Employees Retirement Law of 1937, being Chapter 3 of Division 4 of Title 3 of the Government Code of the State of California (the "Retirement Law"), to make payments to the Orange County Employees' Retirement System (the "System") for the payment of pension benefits accruing to the System's members and their beneficiaries; and

**WHEREAS**, the County issued its Pension Obligation Debenture (the "2007 Debenture") on January 29, 2007, in the principal amount of \$ \_\_\_\_\_ in favor of the System evidencing the County's obligation under the Retirement Law to pay all or a portion of the County's annual contribution to the System for Fiscal Year 2007-2008; and

**WHEREAS**, the County is authorized pursuant to Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California (the "Act") to issue bonds for the purpose of refunding any evidence of indebtedness of the County; and

**WHEREAS**, for the purpose of refunding the County's obligations to the System evidenced by the 2007 Debenture, the County has determined to issue its County of Orange Taxable Pension Obligation Bonds, 2007 Series A, in the aggregate principal amount of \$ \_\_\_\_\_ (the "2007 Series A Bonds"), all pursuant to and secured by this Trust Agreement in the manner provided herein; and

**WHEREAS**, the County is authorized to issue additional bonds (the "Additional Bonds" and, together with the 2007 Series A Bonds, the "Bonds") pursuant to Article III hereof for the purpose of refunding all or a portion of the County's (i) unfunded accrued actuarial liability to the System, and (ii) the County's annual contribution to the System for the Fiscal Year in which the Additional Bonds are issued and the immediately succeeding Fiscal Year;

**WHEREAS**, in order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and to secure the payment of the principal thereof and interest thereon, the County has authorized the execution and delivery of this Trust Agreement; and

**WHEREAS**, all acts and proceedings required by law necessary to make the Bonds, when executed by the County, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal obligations of the County payable in accordance with their terms, and to constitute this Trust Agreement a valid and binding agreement of the parties hereto for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this Trust Agreement have been in all respects duly authorized;

**NOW, THEREFORE, THIS TRUST AGREEMENT WITNESSETH**, that in order to secure the payment of the principal of, premium, if any, and the interest on all Bonds at any time issued and outstanding under this Trust Agreement, 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 whereof is hereby acknowledged, the County does hereby covenant and agree with the Trustee, for the benefit of the respective Owners from time to time of the Bonds, as follows:

## **ARTICLE I**

### **DEFINITIONS; EQUAL SECURITY**

**SECTION 1.01. Definitions.** Unless the context otherwise requires, the terms defined in this section shall for all purposes hereof and of any Supplemental Trust Agreement and of any certificate, opinion, request or other document herein or therein mentioned have the meanings herein specified:

#### “AA” Financial Commercial Paper Rate

The term “AA’ Financial Commercial Paper Rate,” on any date of determination for any Auction Rate Period, means:

(i) (A) for any Standard Auction Rate Period of 35 days or any Special Auction Rate Period of fewer than 49 days, the interest equivalent of the 30-day rate, and (B) for any Special Auction Rate Period of: (1) 49 or more but fewer than 70 days, the interest equivalent of the 60-day rate; (2) 70 or more but fewer than 85 days, the arithmetic average of the interest equivalent of the 60-day and 90-day rates; (3) 85 or more but fewer than 99 days, the interest equivalent of the 90-day rate; (4) 99 or more but fewer than 120 days, the arithmetic average of the interest equivalent of the 90-day and the 120-day rates; (5) 120 or more but fewer than 141 days, the interest equivalent of the 120-day rate; (6) 141 or more but fewer than 162 days, the arithmetic average of the interest equivalent of the 120-day and 180-day rates; and (7) 162 or more but fewer than 183 days, the interest equivalent of the 180-day rate, in each case on commercial paper placed on behalf of entities whose corporate bonds are rated “Aa” by Moody’s or “AA” by S&P or Fitch, or the equivalent of such rating by Moody’s, S&P or Fitch or another rating agency, as made available on a discount basis or otherwise by the Federal Reserve Bank of New York for the Business Day immediately preceding such date of determination; or

(ii) if the Federal Reserve Bank of New York does not make available any such rate, then the arithmetic average of such rates, as quoted on a discount basis or otherwise, by the Commercial Paper Dealers to the Auction Agent for the close of business on the Business Day immediately preceding such date of determination;

*provided*, that if any Commercial Paper Dealer does not quote a commercial paper rate required in order to make the foregoing determinations, the “AA” Financial Commercial Paper Rate shall be determined on the basis of such quotations as may be furnished by a substitute Commercial Paper Dealer or Dealers selected by the County. For the purpose of this definition, the “interest equivalent” means the equivalent yield of an interest-bearing security on a 360-day basis or a rate stated on a discount basis (a “discount rate”) for commercial paper of a given number of days maturity shall be equal to the product of (A) 100, times (B) the quotient (rounded upwards to the next higher one-thousandth (0.001) of 1% of ((x) the discount rate (expressed in decimals) divided by (y) the difference between (1) 1.0 and (2) a fraction, the numerator of which shall be the product of the discount rate (expressed in decimals) times the number of days in which such commercial paper matures, and the denominator of which shall be 360).

#### Accreted Value

The “Accreted Value” means, with respect to any Capital Appreciation Bond, an amount equal to the initial principal amount of such Bond, plus interest accrued thereon from its date compounded on each Interest Payment Date (through and including the maturity date of such Bond) at the “original issue yield” for such Bond; provided, that the Accreted Value on any date other than an Interest Payment Date shall be calculated by straight line interpolation of the Accreted Values as of the immediately preceding and succeeding Interest Payment Date. The term “original issue yield” means, with respect to any particular Bond, the yield to maturity of such Bond from the initial date of delivery thereof calculated on the basis of semiannual compounding on each Interest Payment Date.

“Accreted Value” means, with respect to any Convertible Capital Appreciation Index Bonds or Convertible Capital Appreciation Bonds, the sum of the initial principal amount of such Bonds and the interest accrued thereon to such date of calculation, compounded on the Interest Accrual Dates set forth in Schedule I hereto or a Supplemental Trust Agreement; provided that after the Full Accretion Date, “Accreted Value” shall mean the “Maturity Amount.”

#### Act

The term “Act” means Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California.

#### Additional Bonds

The term “Additional Bonds” means all Bonds of the County authorized by and at any time Outstanding pursuant hereto and executed, issued and delivered in accordance with Article III.

#### Aggregate Principal Amount

The term “Aggregate Principal Amount” means, as of any date of calculation, the principal amount or Accreted Value of the Bonds referred to.

### Auction Rate Securities

The term “Auction Rate Securities” means all Bonds issued in such Mode prior to their Fixed Rate Conversion Date, if any, in any one or more Tranches.

### Authorized Denominations

The term “Authorized Denominations” means (a) as to Bonds issued as Standard Bonds, \$5,000 principal amount or any integral multiple thereof; (b) as to Bonds issued as Listed Securities, \$25.00 principal amount or any integral multiple thereof; (c) as to Bonds issued as Auction Rate Securities, \$25,000 principal amount or any integral multiple thereof; (d) as to Capital Appreciation Bonds, \$5,000 Maturity Amount or any integral multiple thereof; (e) as to Bonds issued as Index Bonds, \$5,000 principal amount or any integral multiple thereof; or (f) any other principal amount or integral multiple thereof as provided in Schedule I hereto or a Supplemental Trust Agreement.

### Authorized Representative

The term “Authorized Representative” means the Chair of the Board of Supervisors, the Vice Chair of the Board of Supervisors, the County Executive Officer or the Public Finance Manager.

### Beneficial Owner

The term “Beneficial Owner” means, (a) as to Auction Rate Securities, a customer of a Broker-Dealer who is listed on the records of that Broker-Dealer (or, if applicable, the Auction Agent) as a Owner of Auction Rate Securities; and (b) as to all Bonds that are not issued in the form of Auction Rate Securities, the beneficial owner of each such Bond, determined under the rules of DTC.

### Bond Fund

The term “Bond Fund” means the Bond Fund established in Section 4.01(b) of this Trust Agreement.

### Bonds

The term “Bonds” means the 2007 Series A Bonds and all Additional Bonds.

### Business Day

The term “Business Day” means any day other than a Saturday or Sunday or day upon which the Trustee is authorized by law to remain closed.

### Calculation Agent

The term “Calculation Agent” means the Calculation Agent for Index Bonds, designated in a Supplemental Trust Agreement or in Schedule I hereto, or its successor appointed by the County.

### Capital Appreciation Bonds

The term “Capital Appreciation Bonds” means Bonds the interest on which is payable at maturity and compounded on each Interest Payment Date through and including the maturity dates thereof as specified in the Accreted Value Table for such Bonds in a Supplemental Trust Agreement.

### Certificate of the County

The term “Certificate of the County” means an instrument in writing signed by any one of the Authorized Representatives of the County or such officer’s designee, or by any other officer of the County duly authorized by action of the Board of Supervisors of the County delivered to the Trustee for that purpose. If and to the extent required by the provisions of Section 10.07, each Certificate of the County shall include the statements provided for in Section 10.07.

### Closing Date

The term “Closing Date” means the date of issuance of the affected Bonds.

### Commercial Paper Dealers

The term “Commercial Paper Dealers” means those entities designated in a Supplemental Trust Agreement or in lieu of any thereof, its affiliates or successors, if such entity is a commercial paper dealer; provided that in the event that any Commercial Paper Dealer should fail to qualify as a commercial paper dealer, the County may appoint another organization to serve as a Commercial Paper Dealer hereunder.

### Convertible Capital Appreciation Bonds

The term “Convertible Capital Appreciation Bonds” means Bonds described in Section 2.02(g).

### Convertible Capital Appreciation Index Bonds

The term “Convertible Capital Appreciation Index Bonds means Bonds described pursuant to Section 2.02(f) hereof.

### Corporate Trust Office

The term “Corporate Trust Office” means such corporate trust office of the Trustee as may be designated from time to time by written notice from the Trustee to the County,

initially being Los Angeles, California. The Trustee may designate in writing to the County and the Owner such other office or agency from time to time for purposes of registration, transfer, exchange, payment or redemption of Bonds.

#### Costs of Issuance

The term “Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the County and related to the Bonds, including, but not limited to, costs of preparation and reproduction of documents, costs of rating agencies and costs to provide information required by rating agencies, filing and recording fees, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, fees and expenses of the underwriter (including underwriter’s discount) or placement agent, fees and charges for preparation, execution and safekeeping of the Bonds, premiums for bond insurance, if any, and any other cost, charge or fee in connection with the original execution and delivery of the Bonds.

#### Costs of Issuance Fund

The term “Costs of Issuance Fund” means the Costs of Issuance Fund established in Section 2.11(b) of this Trust Agreement.

#### County

The term “County” means the County of Orange, California.

#### Defeasance Securities

The term “Defeasance Securities” means:

and (1) Cash (insured at all times by the Federal Deposit Insurance Corporation);

(2) Obligations of or obligations guaranteed as to principal and interest by, the United States or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States, including:

- U.S. Treasury obligations
- All direct or fully guaranteed obligations
- Farmers Home Administration
- General Services Administration
- Guaranteed Title XI financing
- Government National Mortgage Association (GNMA)
- State and Local Government Series

Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

### Financial Newspaper

The term “Financial Newspaper” means The Wall Street Journal or The Bond Buyer, or any other newspaper or journal printed in the English language, publishing financial news and selected by the Trustee, who shall be under no liability by reason of such selection.

### Fiscal Year

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

### Fixed Rate

The term “Fixed Rate” means a rate of interest that does not change during a specific term, without adjustment, resetting or variation due to the effects of marketing, remarketing or indices.

### Fixed Rate Bonds

The term “Fixed Rate Bonds” means those Bonds which, by their terms, have been issued in Authorized Denominations, bear interest at regular fixed rates, payable semiannually (except that the first interest period with respect thereto may be less than six months but not more than twelve months following their Closing Date), and shall include Standard Bonds.

### Full Accretion Date

The term “Full Accretion Date” means the date set forth in Schedule I hereto or in a Supplemental Trust Agreement.

### Independent Certified Public Accountant

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

- is in fact independent according to the Statement of Auditing Standards No. 1 and not under the domination of the County;
- does not have a substantial financial interest, direct or indirect, in the operations of the County; and
- is not connected with the County as a member, officer or employee of the County, but who may be regularly retained to audit the accounting records of and make reports thereon to the County.

### Index Adjustment Date

The term “Index Adjustment Date” means the first Business Day of each month, or such other date set forth in a Supplemental Trust Agreement or Schedule I hereto.

### Index Bonds

The term “Index Bonds” means those Bonds which have been issued in Authorized Denominations and bear interest at an Index Rate.

### Index Rate

The term “Index Rate” means the interest rate on Index Bonds or Convertible Capital Appreciation Index Bonds established according to LIBOR and the LIBOR Spread, as provided in Section 2.02(e) or 2.02(f) hereof.

### Index Rate Determination Date

The term “Index Rate Determination Date” means the second London Business Day immediately prior to the start of the applicable Index Rate Period, or such other date set forth in a Supplemental Trust Agreement.

### Index Rate Period

The term “Index Rate Period” means, with respect to the Index Bonds, each period commencing on an Index Adjustment Date and ending on the day preceding the following Index Adjustment Date.

### Interest Account

The term “Interest Account” means the account by that name established in Section 4.02 of this Trust Agreement.

### Interest Accrual Date

The term “Interest Accrual Date” means each date established for the accrual and compounding of interest on Capital Appreciation Bonds, Convertible Capital Appreciation Index Bonds or Convertible Capital Appreciation Bonds, initially as set forth in a Supplemental Trust Agreement or in Schedule I hereto.

### Interest Payment Date

The term “Interest Payment Date” means each date upon which interest is due on the Bonds as initially set forth in Schedule I hereto or as set forth in any Supplemental Trust Agreement.

### Interest Rate Period

The term “Interest Rate Period” means any designated period during which a Series of Bonds are Outstanding in the form of Auction Rate Securities or bear interest at the Index Rate.

### LIBOR

The term “LIBOR” on any date of determination means:

(i) the offered rate for deposits in U.S. dollars for a one-month period on the London Interbank market which appears on Telerate Page 3750 (or such other page as may replace Telerate Page 3750 or such other service as may be designated as the information vendor for purpose of displaying such offered rates for U.S. Dollar deposits on the London Interbank market), at approximately 11:00 a.m., London time, on the Index Rate Determination Date; or

(ii) if, on any Index Rate Determination Date, no rate appears on Telerate Page 3750 as specified in clause (i) above, the arithmetic average of the offered quotations of four major banks in the London Interbank market, selected by the Calculation Agent for deposits in U.S. dollars for a one-month period to prime banks in the London Interbank market at approximately 11:00 a.m., London time, on such calculation date and in a principal amount of not less than \$1,000,000 that is representative of a single transaction in such market at such time, unless fewer than two such quotations are provided, in which case, the arithmetic average of the rates quoted at approximately 11:00 a.m., New York time, on the date next preceding such Index Rate Determination Date by three major banks in the City of New York and three major banks in London, selected by the Calculation Agent, for loans in U.S. dollars to leading European banks in a principal amount of not less than \$1,000,000 that is representative of a single transaction in such market at such time.

### LIBOR Spread

The term “LIBOR Spread” means the percentage of LIBOR established on the Closing Date for the affected Bonds, as provided in a Supplemental Trust Agreement.

### Listed Securities

The term “Listed Securities” means those Bonds which, by their terms, bear interest at regular fixed rates of interest, issued in Authorized Denominations, which are listed on the New York Stock Exchange.

### London Business Day

The term “London Business Day” means a day that is a Business Day and a day on which dealings in deposits in U.S. dollars are transacted, or with respect to any future date, are expected to be transacted, in the London, U.K., interbank market.

### Maturity Amount

The term “Maturity Amount” means the Accreted Value of any Capital Appreciation Bond on its maturity date; provided that the Maturity Amount for Convertible Capital Appreciation Index Bonds or Convertible Capital Appreciation Bonds shall be the sum of the initial principal amount of such Bonds and the interest accrued thereon to the Full Accretion Date, compounded on the Interest Accrual Dates set forth in Schedule I hereto or a Supplemental Trust Agreement from the date of initial issuance at the applicable interest rates to the Full Accretion Date.

### Maximum Rate

The term “Maximum Rate” means 17% per annum.

### Mode

The term “Mode” means the Principal Amount, Authorized Denomination, interest rate provisions, including any methodology for the setting thereof, payment structure and tender provisions for any Series of Bonds.

### Opinion of Counsel

The term “Opinion of Counsel” means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the County.

### Original Purchaser of the 2007 Series A Bonds

The term “Original Purchaser of the 2007 Series A Bonds” means the Treasurer of the County of Orange.

### Outstanding

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

1. Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;
2. Bonds paid or deemed to have been paid within the meaning of Section 9.01; and
3. Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued and delivered by the County pursuant hereto.

### Owner

The term “Owner” means any person who shall be the registered owner of any Outstanding Bond.

## Permitted Investments

The term “Permitted Investments” means any of the following to the extent permitted by the laws of the State:

- (1) Defeasance Securities;
- (2) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:
  - Export-Import Bank
  - Rural Economic Community Development Administration
  - U.S. Maritime Administration
  - Small Business Administration
  - U.S. Department of Housing & Urban Development (PHA’s)
  - Federal Housing Administration
  - Federal Financing Bank;
- (3) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:
  - Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (FHLMC)
  - Obligations of the Resolution Funding Corporation (REFCORP)
  - Senior debt obligations of the Federal Home Loan Bank System
  - Senior debt obligations of other Government Sponsored Agencies;
- (4) U.S. dollar denominated deposit accounts, federal funds and bankers’ 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 Investors Service, Inc. and “A-1” or “A-1+” by Standard & Poor’s Ratings Services and which mature not more than three hundred sixty (360) calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank):
- (5) Commercial paper which is rated at the time of purchase in the single highest classification, “P-1” by Moody’s Investors Service, Inc. and “A-1+” by Standard & Poor’s Ratings Services and which matures not more than two hundred seventy (270) calendar days after the date of purchase;
- (6) Investments in a money market fund rated “AAAm” or “AAAm-G” or better by Standard & Poor’s Ratings Services, including funds for which the Trustee or its affiliates provide investment advisory or other management services;

(7) 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

(a) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's Investors Service, Inc. and Standard & Poor's Ratings Services or any successors thereto; or

(b) which are fully secured as to interest and principal and redemption premiums, if any, by an escrow consisting only of cash or obligations described in paragraph (2) of the definition of Defeasance Securities, which escrow may be applied only to the payment of such interest and principal and redemption premiums, 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 (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premiums, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(8) Municipal obligations rated "Aaa/AAA" or general obligations of States with a rating of "A2/A" or higher by both Moody's Investors Service, Inc. and Standard & Poor's Ratings Services;

(9) Investment agreements which do not adversely affect the rating on the Bonds;

(10) The County Investment Fund (as that term is defined in Section 16429.1 of the Government Code of the State, as such Section may be amended or recodified from time to time); and

(11) Other forms of investments approved in writing by the County and which do not adversely affect the rating on the Bonds.

The value of the above investments shall be determined as follows:

(b) For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at fair market value. The Trustee shall determine the fair market value 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, Salomon Smith Barney, Bear Stearns, or Lehman Brothers;

(c) As to certificates of deposit and bankers' acceptances, the face amount thereof, plus accrued interest thereon; and

(d) As to any investment not specified above, the value thereof established by prior agreement among the County and the Trustee.

Principal Account

The term “Principal Account” means the account by that name established in Section 4.02 of this Trust Agreement.

Principal Amount

The term “Principal Amount” means (a) as to any Fixed Rate Bond, Auction Rate Security or Index Bond, the principal amount thereof; or (b) as to any Capital Appreciation Bond, Convertible Capital Appreciation Index Bond or Convertible Capital Appreciation Bond, the Maturity Amount thereof.

Principal Payment Date

The term “Principal Payment Date” means a date on which principal is due on the Bonds as set forth in a Supplemental Trust Agreement or in Schedule I attached hereto.

Rating Agencies

The term “Rating Agencies” means Moody’s Investors Service, Inc., Standard & Poor’s Corporation and Fitch Investors Service, or, in the event that any such rating agency no longer maintains a rating on the Bonds, any other nationally recognized bond rating agency then maintaining a rating on the Bonds, but, in each instance, only so long as Moody’s Investors Service, Inc., Standard & Poor’s Corporation, Fitch Investors Service or other nationally recognized rating agency then maintains a rating on the Bonds.

Record Date

The term “Record Date” means the date set forth as such in a Supplemental Trust Agreement or on Schedule I attached hereto.

Refunding Fund

The term “Refunding Fund” means the fund by that name established in Section 2.11(a) of this Trust Agreement.

Reported Rate

The term “Reported Rate” means the rate that appears on Telerate Page 3750 or a successor reporter of such rates, selected by the Calculation Agent and acceptable to the County.

Retirement Law

The term “Retirement Law” means the County Employees’ Retirement Law of 1937, commencing with Section 31450 of the Government Code of the State of California, as amended.

### Serial Bonds

The term “Serial Bonds” means Bonds for which no sinking fund payments are provided.

### Series

The term “Series” means all of the Bonds designated as being within a certain series, regardless of variations in maturity date, interest rate (but within the same Mode), redemption and other provisions, and any Bonds thereafter issued in transfer or exchange for such Bonds pursuant to this Trust Agreement.

### Standard Bonds

The term “Standard Bonds” means those Fixed Rate Bonds issued in Authorized Denominations and any integral multiple thereof.

### State

The term “State” means the State of California.

### Surplus Account

The term “Surplus Account” means the account by that name established in Section 4.02 of this Trust Agreement.

### Supplemental Trust Agreement

The term “Supplemental Trust Agreement” means any trust agreement then in full force and effect which has been duly executed and delivered by the County and the Trustee amendatory hereof or supplemental hereto; but only if and to the extent that such Supplemental Trust Agreement is specifically authorized hereunder.

### System

The term “System” means the Orange County Employees’ Retirement System.

### Telerate Page 3750

The term “Telerate Page 3750” means the display designated on page 3750 on Moneyline Telerate, Inc. (or such other page as may subsequently replace the 3750 page on that service or such other service as may be nominated by the British Banker’s Association for the purpose of displaying London interbank offered rates for U.S. dollar deposits).

### Term Bonds

The term “Term Bonds” means Bonds which are payable on or before their specified maturity dates from sinking fund payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

### Tranche

The term “Tranche” means the designated portion of a Series of Bonds sharing a particular Mode and other characteristics. Each Tranche of Bonds within a Series of Bonds must be within the same Mode.

### Treasury Note Rate

The term “Treasury Note Rate” means (a) the bond equivalent yield, calculated in accordance with prevailing industry conventions, of the rate on the most recently auctioned direct obligation of the United States Government having a remaining maturity closest to the length of the applicable Auction Rate Period, as quoted in The Wall Street Journal on such date for the Business Day next preceding such date; or (b) in the event that such rate is not published in The Wall Street Journal, then the bond equivalent yield, calculated in accordance with prevailing industry conventions, as calculated by reference to the arithmetic average of the bid price quotations of the most recently auctioned direct obligation of the United States Government having a remaining maturity closest to the length of the applicable Auction Rate Period, based on bid price quotations on such date obtained by the Auction Agent from the U.S. Government Securities Dealers.

### Trust Agreement

The term “Trust Agreement” means this Trust Agreement, dated as of January 1, 2007, between the County and the Trustee, as originally executed and as it may from time to time be amended or supplemented by all Supplemental Trust Agreements executed pursuant to the provisions hereof.

### Trustee

The term “Trustee” means Bank of New York Trust Company, N.A., or any other association or corporation which may at any time be substituted in its place as provided in Section 6.01.

### 2007 Debenture

The term “2007 Debenture” means the Pension Obligation Debenture, Series 2007 dated as of January 29, 2007, issued by the County in favor of the System in the principal amount of \$ \_\_\_\_\_.

### Written Request of the County

The term “Written Request of the County” means an instrument in writing signed by any one of the Authorized Representatives of the County or such officer’s designee, or by any other officer of the County duly authorized by the Board of Supervisors of the County in writing to the Trustee for that purpose.

**SECTION 1.02. Trust Agreement Constitutes Contract.** In consideration of the acceptance of the Bonds by the Owners thereof, the Trust Agreement shall be deemed to be

and shall constitute a contract among the County, the Trustee and the Owners from time to time of all Bonds authorized, executed, issued and delivered hereunder and then Outstanding to provide for the payment of the interest on and principal of and redemption premiums, if any, on all Bonds which may from time to time be authorized, executed, issued and delivered hereunder, subject to the agreements, conditions, covenants and provisions contained herein; and all agreements and covenants set forth herein to be performed by or on behalf of the County shall be for the equal and proportionate benefit, protection and security of all Owners of the Bonds without distinction, preference or priority as to security or otherwise of any Bonds over any other Bonds by reason of the number or date thereof or the time of authorization, sale, execution, issuance or delivery thereof or for any cause whatsoever, except as expressly provided herein or therein.

## ARTICLE II

### ISSUANCE OF 2007 SERIES A BONDS; GENERAL BOND PROVISIONS

**SECTION 2.01. Authorization and Purpose of 2007 Series A Bonds.** The County has reviewed all proceedings heretofore taken relative to the authorization of the 2007 Series A Bonds and has found, as a result of such review, and hereby finds and determines that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in the issuance of the 2007 Series A Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and that the County is now duly authorized, pursuant to each and every requirement of the Act, to issue the 2007 Series A Bonds in the form and manner and for the purpose provided herein and that the 2007 Series A Bonds shall be entitled to the benefit, protection and security of the provisions hereof.

The obligations of the County under the Bonds, including the obligation to make all payments of interest and principal when due, are obligations of the County imposed by law and are absolute and unconditional, without any right of set-off or counterclaim. The Bonds do not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation. Neither the Bonds nor the obligation of the County to make payments on the Bonds constitute an indebtedness of the County, the State of California, or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

**SECTION 2.02. Terms of the 2007 Series A Bonds; General Bond Provisions.** The 2007 Series A Bonds shall be designated "County of Orange Taxable Pension Obligation Bonds, 2007 Series A" and shall be as convertible capital appreciation bonds in the aggregate principal amount of \_\_\_\_\_ dollars (\$\_\_\_\_\_). The 2007 Series A Bonds shall mature on the date and bear interest at the rate and contain the terms and provisions as set forth in Schedule I hereto.

(a) Description of Standard Bonds. The Standard Bonds shall be dated the date of original delivery, shall be issued only in fully registered form in Authorized Denominations (not exceeding the principal amount of Bonds maturing at any one time), and shall mature on the dates and in the principal amounts and bear interest at the rates as set forth in the Supplemental Trust Agreement authorizing such Bonds.

The Standard Bonds shall bear interest at the rates (based on a 360-day year of twelve 30-day months) set forth in the Supplemental Trust Agreement authorizing such Bonds, payable on the Interest Payment Dates for the Standard Bonds. The Standard Bonds shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless such date of authentication is an Interest Payment Date or during the period from the sixteenth day of the month preceding an Interest Payment Date to such Interest Payment Date, in which event they shall bear interest from such Interest Payment Date, or unless such date of authentication is prior to the first Record Date, in which event they shall bear interest from their dated date; provided, however, that if at the time of authentication of any Standard Bond interest is then in default on the Outstanding Standard Bonds, such Standard Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the Outstanding Standard Bonds. Payment of interest on the Standard Bonds due on or before the maturity or prior redemption thereof shall be made to the person whose name appears in the Bonds registration books kept by the Trustee pursuant to Section 2.08 as the registered owner thereof as of the close of business on the Record Date for an Interest Payment Date, whether or not such day is a Business Day, such interest to be paid by check mailed on the Interest Payment Date by first-class mail to such registered owner at the address as it appears in such books; provided that upon the written request of a Owner of \$1,000,000 or more in aggregate principal amount of Bonds received by the Trustee prior to the applicable Record Date, interest shall be paid by wire transfer in immediately available funds. Any such written request shall remain in effect until rescinded in writing by the Owner.

The principal of the Standard Bonds shall be payable in lawful money of the United States of America at the Corporate Trust Office of the Trustee. Payment of the principal of the Standard Bonds shall be made upon the surrender thereof at maturity or on redemption prior to maturity at the Corporate Trust Office of the Trustee.

(b) Description of Capital Appreciation Bonds. The Capital Appreciation Bonds shall be dated the date of original delivery, shall be issued only in fully registered form in Authorized Denominations, and interest thereon shall be computed at the rates, as set forth in the Supplemental Trust Agreement authorizing the Capital Appreciation Bonds.

The interest on the Capital Appreciation Bonds shall be compounded (on the basis of a 360-day year composed of twelve thirty (30)-day months) at the respective rates set forth above on the Interest Accrual Dates for the Capital Appreciation Bonds and shall be payable on their maturity date or redemption prior thereto as part of the final Accreted Value for a Capital Appreciation Bond (as set forth in the Accreted Value Table attached to the Supplemental Trust Agreement authorizing such Bonds). The Accreted Value for each Capital Appreciation Bond shall be determined by reference to the Accreted Value Table attached to the Supplemental Trust Agreement authorizing such Bonds and the interest rate set forth in the Supplemental Trust Agreement authorizing such Bonds is for illustrative purposes only.

(c) Description of Listed Securities. The Listed Securities shall be dated the date of original delivery, shall be issued only in fully registered form in Authorized Denominations (not exceeding the principal amount of Bonds maturing at any one time), and shall mature on the dates and in the principal amounts and bear interest at the rates as set forth in the Supplemental Trust Agreement authorizing such Listed Securities.

The Listed Securities shall bear interest at the rates (based on a 360-day year of twelve 30-day months) set forth in the Supplemental Trust Agreement authorizing such Bonds, payable on the Interest Payment Dates for the Listed Securities. The Listed Securities shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless such date of authentication is an Interest Payment Date or during the period from the sixteenth day of the month preceding an Interest Payment Date to such Interest Payment Date, in which event they shall bear interest from such Interest Payment Date, or unless such date of authentication is prior to the first Record Date, in which event they shall bear interest from their dated date; provided, however, that if at the time of authentication of any Listed Security interest is then in default on the Outstanding Listed Securities, such Listed Security shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the Outstanding Listed Securities. Payment of interest on the Listed Securities due on or before the maturity or prior redemption thereof shall be made to the person whose name appears in the Bonds registration books kept by the Trustee pursuant to Section 2.08 as the registered owner thereof as of the close of business on the Record Date for an Interest Payment Date, whether or not such day is a Business Day, such interest to be paid by check mailed on the Interest Payment Date by first-class mail to such registered owner at the address as it appears in such books; provided that upon the written request of a Owner of \$1,000,000 or more in aggregate principal amount of Bonds received by the Trustee prior to the applicable Record Date, interest shall be paid by wire transfer in immediately available funds. Any such written request shall remain in effect until rescinded in writing by the Owner.

The principal of the Listed Securities shall be payable in lawful money of the United States of America at the Corporate Trust Office of the Trustee. Payment of the principal of the Listed Securities shall be made upon the surrender thereof at maturity or on redemption prior to maturity at the Corporate Trust Office of the Trustee.

(d) Description of Auction Rate Securities. The Auction Rate Securities shall be dated the date of original delivery, shall be issued only in fully registered form in Authorized Denominations (not exceeding the principal amount of Auction Rate Securities maturing at any one time), and shall mature on the dates and in the principal amounts and bear interest at the rates as set forth in the Supplemental Trust Agreement authorizing such Auction Rate Securities.

The Auction Rate Securities shall bear interest at the rates, shall be payable on the dates, and shall be subject to the terms and provisions, as set forth in the Supplemental Trust Agreement authorizing such Auction Rate Securities.

The principal of the Auction Rate Securities shall be payable in lawful money of the United States of America at the Corporate Trust Office of the Trustee; *provided, however*, that payments of principal of Auction Rate Securities, at maturity or upon earlier redemption, shall be made by wire transfer of immediately available funds to the Securities Depository so long as the Auction Rate Securities are in book-entry form, unless such method of payment of principal shall have been modified by written agreement among the Trustee, the Securities Depository and the Auction Agent.

(e) Description of Index Bonds. The Index Bonds shall be dated the date of original delivery, shall be issued only in fully registered form in Authorized Denominations (not

exceeding the principal amount of Bonds maturing at any one time), and shall mature on the dates and in the principal amounts and bear interest at the rates as set forth in the Supplemental Trust Agreement authorizing such Bonds.

Unless otherwise set forth in the Supplemental Trust Agreement authorizing such Bonds, the Index Bonds shall bear interest as follows:

(i) On or immediately prior to the Closing Date, the Purchaser of the Bonds and the County shall determine the LIBOR Spread to apply to Index Bonds issued hereunder, reflected in the Supplemental Trust Agreement authorizing such Bonds.

(ii) On each Index Rate Determination Date until the end of the applicable Index Rate Period (each, an "Index Adjustment Date"), the Calculation Agent will (i) calculate the interest rate for the Index Bonds, based on the LIBOR Spread, and (ii) notify the Trustee of such interest rate, which shall apply to all Index Bonds until the immediately following Index Adjustment Date.

(iii) Promptly upon the calculation of the Index Rate by the Calculation Agent, and notification thereof to the Trustee, the Trustee will notify the County of the Index Rate for the applicable period. The Index Rate calculated by the Calculation Agent, absent manifest error, shall be binding and conclusive upon the Beneficial Owners, the Owners, the County, the Calculation Agent and the Trustee.

(iv) If the following circumstances exist on any Index Rate Determination Date, the Index Rate shall be determined by the following alternative method: (i) In the event that no Reported Rate appears on Telerate Page 3750 as of approximately 11:00 a.m., London, U.K., time, on an Index Rate Determination Date, the Index Rate for that week shall be based on the Reported Rate for the preceding week; provided, however, that if no Reported Rate appears in Telerate Page 3750 for two consecutive weeks, the Index Rate shall be determined by the Calculation Agent and shall be the minimum percentage of four-week U.S. Treasury Bills that would have been necessary (as determined in the best business judgment of the Calculation Agent, based on its examination of taxable municipal obligations comparable to the Index Bonds known by the Calculation Agent to have been priced or traded under then-prevailing marketing conditions) to permit the Calculation Agent to sell the Index Bonds on such date and at the time of such determination at their principal amount (without regard to accrued interest), if the Index Bonds were being sold on such date.

(v) If the appropriate interest rate or LIBOR Spread is not or cannot be determined for Index Bonds for whatever reason, the method of determining the interest rate for the Index Bonds shall automatically be established in accordance with paragraph (d) of this Section, until such time as the LIBOR Spread can again be determined based on the available published LIBOR.

(vi) The Index Bonds shall be subject to optional tender, if any, as set forth in the Supplemental Trust Agreement authorizing such Bonds.

The principal of the Index Bonds shall be payable in lawful money of the United States of America at the Corporate Trust Office of the Trustee. Payment of the principal of the

Index Bonds shall be made upon the surrender thereof at maturity or on redemption prior to maturity at the Corporate Trust Office of the Trustee.

(f) Description of Convertible Capital Appreciation Index Bonds. The Convertible Capital Appreciation Index Bonds shall be dated the date of original delivery, shall be issued only in fully registered form in the denominations and shall mature on the dates and in the principal amounts as set forth in the Supplemental Trust Agreement authorizing such Bonds.

Unless otherwise set forth in the Supplemental Trust Agreement authorizing such Bonds, the Convertible Capital Appreciation Index Bonds shall have the following terms:

(i) Interest Accrual Dates. Interest shall accrue and be compounded on the dates set forth in the Supplemental Trust Agreement authorizing such Bonds.

(ii) Interest Payment Dates. The Interest Payment Dates for the Convertible Capital Appreciation Index Bonds shall be set forth in the Supplemental Trust Agreement authorizing such Bonds.

(iii) Interest. The Convertible Capital Appreciation Index Bonds shall bear interest as follows:

(a) Interest on the Convertible Capital Appreciation Index Bonds shall be calculated on the basis of a 360 day year and actual days elapsed. Interest on the Convertible Capital Appreciation Index Bonds shall accrete to the Full Accretion Date and thereafter be payable by wire transfer in immediately available funds.

(b) On each Index Rate Determination Date, the Calculation Agent will (i) calculate the interest rate for the Index Bonds, based on the LIBOR Spread, and (ii) notify the County of such interest rate, which shall apply to all Index Bonds for the subsequent Interest Rate Period.

(c) The Index Rate calculated by the Calculation Agent, absent manifest error, shall be binding and conclusive upon the Owners, the County, the Calculation Agent and the Trustee.

(d) The interest rate on the Convertible Capital Appreciation Index Bonds shall not exceed the Maximum Rate.

(iv) Principal. The principal and Maturity Amount of the Convertible Capital Appreciation Index Bonds shall be payable in lawful money of the United States of America at the Corporate Trust Office of the Trustee. Payment of the principal and Maturity Amount of the Convertible Capital Appreciation Index Bonds shall be made upon the surrender thereof at maturity or on redemption prior to maturity at the Corporate Trust Office of the Trustee.

(v) Optional Tender of Convertible Capital Appreciation Index Bonds.

(a) On the purchase date set forth in the Supplemental Trust Agreement authorizing such Bonds (the "Purchase Date"), any Convertible Capital

Appreciation Index Bond or portion thereof in an authorized denomination shall be purchased, at a purchase price equal to 100% of the Maturity Amount thereof plus accrued interest from the Interest Payment Date next preceding the Purchase Date to the Purchase Date, upon delivery by the Owners to the Trustee and the County of an irrevocable notice, on any Business Day at least ninety (90) days prior to the Purchase Date, which states the Maturity Amount of such Convertible Capital Appreciation Index Bond to be tendered for purchase on the Purchase Date. Notices of tenders pursuant to this Section shall be sent to S&P and Moody's.

(b) If any Bond is to be purchased in part pursuant to (i) above, the amount so purchased and the amount not so purchased must each be an authorized denomination.

(g) Description of Convertible Capital Appreciation Bonds. The Convertible Capital Appreciation Bonds shall be dated the date of original delivery, shall be issued only in fully registered form in the denominations and shall mature on the dates and in the principal amounts as set forth in Schedule I hereto or the Supplemental Trust Agreement authorizing such Bonds.

Unless otherwise set forth in Schedule I hereto or the Supplemental Trust Agreement authorizing such Bonds, the Convertible Capital Appreciation Bonds shall have the following terms:

(i) Interest Accrual Dates. Interest shall accrue and be compounded on the dates set forth in Schedule I hereto or the Supplemental Trust Agreement authorizing such Bonds.

(ii) Interest Payment Dates. The Interest Payment Dates for the Convertible Capital Appreciation Bonds shall be set forth in Schedule I hereto or the Supplemental Trust Agreement authorizing such Bonds.

(iii) Interest. The Convertible Capital Appreciation Bonds shall bear interest as follows:

(a) Interest on the Convertible Capital Appreciation Bonds shall be calculated on the basis of a 360 day year and actual days elapsed. Interest on the Convertible Capital Appreciation Bonds shall be payable by wire transfer in immediately available funds.

(b) The interest rate on the Convertible Capital Appreciation Bonds shall not exceed the Maximum Rate.

(iv) Principal. The principal and Maturity Amount of the Convertible Capital Appreciation Bonds shall be payable in lawful money of the United States of America at the Corporate Trust Office of the Trustee. Payment of the principal and Maturity Amount of the Convertible Capital Appreciation Bonds shall be made upon the surrender thereof at maturity or on redemption prior to maturity at the Corporate Trust Office of the Trustee.

(v) Optional Tender of Convertible Capital Appreciation Index Bonds.

(a) On the purchase date set forth in Schedule I hereto or the Supplemental Trust Agreement authorizing such Bonds (the "Purchase Date"), any Convertible Capital Appreciation Bond or portion thereof in an authorized denomination shall be purchased, at a purchase price equal to 100% of the Maturity Amount thereof plus accrued interest from the Interest Payment Date next preceding the Purchase Date to the Purchase Date, upon delivery by the Owners to the Trustee and the County of an irrevocable notice, on any Business Day at least ninety (90) days prior to the Purchase Date, which states the Maturity Amount of such Convertible Capital Appreciation Bond to be tendered for purchase on the Purchase Date. Notices of tenders pursuant to this Section shall be sent to S&P and Moody's.

(b) If any Bond is to be purchased in part pursuant to (i) above, the amount so purchased and the amount not so purchased must each be an authorized denomination.

(h) Description of Other Bonds. In addition to the Bonds described in subsections (a), (b), (c), (d), (e), (f) and (g), the Bonds may be issued in any other Mode as described in the Supplemental Trust Agreement authorizing such Bonds, including but not limited to convertible capital appreciation bonds, commercial paper, variable rate demand bonds, inflation adjustment bonds, tender option bonds, or a combination thereof, the terms and provisions of which shall be set forth in the Supplemental Trust Agreement authorizing such Bonds.

**SECTION 2.03. Redemption of 2007 Series A Bonds.**

(a) Optional Redemption of Bonds. The 2007 Series A Bonds shall be subject to optional redemption as set forth in Schedule I hereto.

(b) Mandatory Sinking Fund Redemption. The 2007 Series A Term Bonds, if any, are subject to mandatory sinking fund redemption on the dates and in the amounts designated in Schedule I hereto, upon notice hereinafter provided.

(c) Selection of Bonds for Redemption. Redemption payments on the 2007 Series A Bonds, being redeemed in part will be made on a *pro rata* basis to each Owner in whose name such Bonds are registered at the close of business on the fifteenth day of the calendar month immediately preceding the redemption date. "*Pro rata*" means, in connection with any mandatory sinking fund redemption or any optional redemption in part, with respect to the allocation of amounts to be redeemed, the application to such amounts of a fraction, the numerator of which is equal to the amount of the specific maturity of the 2007 Series A Bonds held by a Owner of such Bonds, and the denominator of which is equal to the total amount of such maturity of 2007 Series A Bonds, then Outstanding.

So long as the Original Purchaser is the Owner of all 2007 Series A Bonds, neither the County nor the Trustee will have responsibility for prorating partial redemptions.

(d) Notice of Redemption. Notice of redemption of 2007 Series A Bonds shall be given as described in Schedule I hereto. Each notice of redemption shall state the date of such notice, the redemption price, if any, (including the name and appropriate address of the Trustee), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity is to be redeemed, the distinctive certificate numbers of the 2007 Series A Bonds of such maturity, to be redeemed and, in the case of 2007 Series A Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Bonds the redemption price, if any, thereof and in the case of a 2007 Series A Bond to be redeemed in part only, the specified portion of the principal amount thereof to be redeemed, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such 2007 Series A Bonds be then surrendered at the address of the Trustee specified in the redemption notice. Failure to receive such notice or any defect therein shall not invalidate any of the proceedings taken in connection with such redemption.

In the event of redemption of Bonds (other than sinking fund redemptions), the Trustee shall mail a notice of redemption upon receipt of a Written Request of the County but only after the County shall file a Certificate of the County with the Trustee that on or before the date set for redemption, the County shall have deposited with or otherwise made available to the Trustee for deposit in the Principal Account the money required for payment of the redemption price, including accrued interest, of all Bonds then to be called for redemption (or the Trustee determines that money will be deposited with or otherwise made available to it in sufficient time for such purpose), together with the estimated expense of giving such notice.

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

All Bonds redeemed pursuant to the provisions of this section shall be cancelled by the Trustee and shall be destroyed with a certificate of destruction furnished to the County and shall not be reissued.

**SECTION 2.04. Form of Bonds.** The Bonds and the authentication endorsement and assignment to appear thereon shall be substantially in the forms set forth in Exhibit A, Exhibit B, Exhibit C, Exhibit D, Exhibit E, Exhibit F and Exhibit G attached hereto and by this reference herein incorporated and in the forms set forth in a Supplemental Trust Agreement.

**SECTION 2.05. Execution of Bonds.** The Chair of the Board of Supervisors is hereby authorized and directed to execute each of the Bonds on behalf of the County and the Clerk of the Board of the County is hereby authorized and directed to countersign each of the Bonds on behalf of the County. The signatures of the Chair of the Board of Supervisors and Clerk of the Board may be by printed, lithographed, engraved or otherwise reproduced by

facsimile reproduction. In case any officer whose signature appears on the Bonds shall cease to be such officer before the delivery of the Bonds to the purchaser thereof, such signature shall nevertheless be valid and sufficient for all purposes as if such officer had remained in office until such delivery of the Bonds.

Only those Bonds bearing thereon a certificate of authentication in the form hereinbefore recited, executed manually and dated by the Trustee, shall be entitled to any benefit, protection or security hereunder or be valid or obligatory for any purpose, and such certificate of the Trustee shall be conclusive evidence that the Bonds so authenticated have been duly authorized, executed, issued and delivered hereunder and are entitled to the benefit, protection and security hereof.

**SECTION 2.06. Transfer and Payment of Bonds.** Any Bond may, in accordance with its terms, be transferred in the books required to be kept pursuant to the provisions of Section 2.08 by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bonds for cancellation at the Corporate Trustee Office of the Trustee, accompanied by delivery of a duly executed written instrument of transfer in a form acceptable to the Trustee. Whenever any Bond or Bonds shall be surrendered for transfer, the County shall execute and the Trustee shall authenticate and deliver to the transferee a new Bond or Bonds of the same series and maturity for a like aggregate principal amount. The cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer shall be paid by the County. The Trustee shall require the payment by the Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer as a condition precedent to the exercise of such privilege.

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

The Trustee shall not be required to register the transfer of or exchange any Bond which has been selected for redemption in whole or in part, from and after the day of mailing of a notice of redemption of such Bond selected for redemption in whole or in part as provided in Section 2.03.

**SECTION 2.07. Exchange of Bonds.** Bonds may be exchanged at the Corporate Trust Office of the Trustee for a like aggregate principal amount of Bonds of the same series and maturity of other authorized denominations. The cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange shall be paid by the County. The Trustee shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange as a condition precedent to the exercise of such privilege. The Trustee shall not be required to exchange any Bond which has been selected for redemption in whole or in part, from and after the day of mailing of a notice of redemption of such Bond selected for redemption in whole or in part as provided in Section 2.03.

**SECTION 2.08. Bond Registration Books.** The Trustee will keep at its Corporate Trust Office sufficient books for the registration and transfer of the Bonds which shall during normal business hours be open to inspection by the County, and upon presentation for such purpose the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer the Bonds in such books as hereinabove provided.

**SECTION 2.09. Mutilated, Destroyed, Stolen or Lost Bonds.** If any Bond shall become mutilated the Trustee at the expense of the Owner shall thereupon authenticate and deliver, a new Bond of like tenor and amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be cancelled.

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 to the Trustee and indemnity satisfactory to the Trustee shall be given, the Trustee, at the expense of the Owner, shall thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen.

The Trustee may require payment of a reasonable sum for each new Bond issued under this Section and of the expenses which may be incurred by the County and the Trustee in the premises. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of this Trust Agreement with all other Bonds of the same series secured by this Trust Agreement. Neither the County nor the Trustee shall be required to treat both the original Bond and any replacement Bond as being Outstanding for the purpose of determining the principal amount of Bonds which may be issued hereunder or for the purpose of determining any percentage of Bonds Outstanding hereunder, but both the original and replacement Bond shall be treated as one and the same.

**SECTION 2.10. Temporary Bonds.** The Bonds issued under this Trust Agreement 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 County, shall be in fully registered form and may contain such reference to any of the provisions of this Trust Agreement as may be appropriate. Every temporary Bond shall be executed and authenticated as authorized by the County, in accordance with the terms of the Act. If the County issues temporary Bonds it will execute and furnish definitive Bonds without delay and thereupon the temporary Bonds may be surrendered, for cancellation, in exchange therefor at the Corporate Trust Office of the Trustee, and the Trustee shall deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Trust Agreement as definitive Bonds delivered hereunder.

**SECTION 2.11. Procedure for the Issuance of 2007 Series A Bonds; Application of Bond Proceeds.** At any time after the sale of the 2007 Series A Bonds in accordance with the Act, the County shall execute the 2007 Series A Bonds for issuance hereunder and shall deliver them to the Trustee, and thereupon the 2007 Series A Bonds shall be

authenticated and delivered by the Trustee to the Original Purchaser of the 2007 Series A Bonds upon the Written Request of the County. The proceeds of the purchase of the 2007 Series A Bonds shall be applied as follows:

(i) \$\_\_\_\_\_ shall be deposited in the Refunding Fund, which fund is hereby established; and

(ii) \$\_\_\_\_\_ shall be deposited in the Costs of Issuance Fund, which fund is hereby created and which fund the County hereby agrees to maintain. All money in the Cost of Issuance Fund shall be used and withdrawn by the County to pay or reimburse the Costs of Issuance of the 2007 Series A Bonds. Any moneys remaining in the Costs of Issuance Fund on May 1, 2007 shall be applied by the County to pay interest on the 2007 Series A Bonds.

(a) On the Closing Date for such Bonds, the Trustee shall promptly transfer all amounts in the Refunding Fund to the System in payment of the 2007 Debenture.

(b) All money in the Costs of Issuance Fund shall be used and withdrawn by the Trustee to pay or reimburse the Costs of Issuance of the Bonds upon receipt of a Written Request of the County filed with the Trustee, each of which shall be sequentially numbered and shall state the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. On the date which is six months following the Closing Date for the Bonds or upon the earlier Written Request of the County, any remaining balance in the Costs of Issuance Fund shall be transferred to the Interest Account.

(c) Upon receipt of the purchase price of Additional Bonds, if any, the Trustee shall set aside and deposit the proceeds received from such sale as set forth in the Supplemental Trust Agreement authorizing such Additional Bonds.

**SECTION 2.12. Validity of Bonds.** The recital contained in the Bonds that the same are issued pursuant to the Act and pursuant hereto shall be conclusive evidence of their validity and of the regularity of their issuance, and all Bonds shall be incontestable from and after their issuance. The Bonds shall be deemed to be issued, within the meaning hereof, whenever the definitive Bonds (or any temporary Bonds exchangeable therefor) shall have been delivered to the purchaser thereof and the proceeds of sale thereof received.

### **ARTICLE III**

#### **ISSUANCE OF ADDITIONAL BONDS**

**SECTION 3.01. Conditions for the Issuance of Additional Bonds.** The County may at any time issue Additional Bonds on a parity with the 2007 Series A Bonds or any subsequent Additional Bonds, but only subject to the following specific conditions, which are hereby made conditions precedent to the issuance of any such Additional Bonds:

(a) The County shall be in compliance with all agreements and covenants contained herein.

(b) The issuance of such Additional Bonds shall have been authorized pursuant to the Act and shall have been provided for by a Supplemental Trust Agreement which shall specify the following:

- (1) The purpose for which such Additional Bonds are to be issued; provided that such Additional Bonds shall be applied solely for (i) the purpose of satisfying any obligation to make payments to the System pursuant to the Retirement Law, including payment of all or a portion of the unfunded accrued actuarial liability of the County and payment of the County's annual contribution to the System for the Fiscal Year in which the Additional Bonds are issued and/or the immediately succeeding Fiscal Year, (ii) payment of all costs incidental to or connected with the issuance of Additional Bonds for such purpose, and/or (iii) the purpose of refunding any Bonds then Outstanding, including payment of all costs incidental to or connected with such refunding;
- (2) Whether such Bonds are current interest fixed rate bonds, listed securities, capital appreciation bonds, index bonds, auction rate securities, convertible capital appreciation bonds, convertible capital appreciation index bonds, commercial paper, variable rate demand bonds, inflation adjustment bonds, tender option bonds or bonds in any other Mode and subject to such other terms and provisions as may be set forth in a Supplemental Trust Agreement;
- (3) The authorized principal amount and designation of such Additional Bonds;
- (4) The date and the maturity dates (provided that the Additional Bonds shall mature not later than three (3) years from their date of issuance) of and the sinking fund payment dates, if any, for such Additional Bonds;
- (5) The interest payment dates for such Additional Bonds;
- (6) The denomination or denominations of and method of numbering such Additional Bonds;
- (7) The redemption premiums, if any, and the redemption terms, if any, for such Additional Bonds;
- (8) The tender dates and terms, if any, for such Additional Bonds;
- (9) The amount, if any, to be deposited from the proceeds of sale of such Additional Bonds in the Interest Account hereinafter referred to and the Costs of Issuance Fund; and
- (10) Such other provisions (including the requirements of a book-entry Bond registration system, if any) as are necessary or appropriate and not inconsistent herewith.

**SECTION 3.02. Procedure for the Issuance of Additional Bonds.** At any time after the sale of any Additional Bonds in accordance with the Act, the County shall execute such Additional Bonds for issuance hereunder and shall deliver them to the Trustee, and

thereupon such Additional Bonds shall be delivered by the Trustee to the purchaser thereof upon the Written Request of the County, but only upon receipt by the Trustee of the following documents or money or securities, all of such documents dated or certified, as the case may be, as of the date of delivery of such Additional Bonds by the Trustee:

An executed copy of the Supplemental Trust Agreement authorizing the issuance of such Additional Bonds;

(a) A Written Request of the County as to the delivery of such Additional Bonds;

(b) An Opinion of Counsel to the effect that (1) the County has executed and delivered the Supplemental Trust Agreement, and the Supplemental Trust Agreement is valid and binding upon the County and (2) such Additional Bonds are valid and binding obligations of the County;

(c) A Certificate of the County stating that all requirements of Article III have been complied with and containing any other such statements as may be reasonably necessary to show compliance with the conditions for the issuance of such Additional Bonds contained herein;

(d) Such further documents, money or securities as are required by the provisions of the Supplemental Trust Agreement providing for the issuance of such Additional Bonds.

#### ARTICLE IV

#### FUNDS AND ACCOUNTS

**SECTION 4.01. Bond Fund; Deposits to Bond Fund.** Notwithstanding any other provisions of the Trust Agreement, including this Article IV, so long as the Original Purchaser is the sole Holder of the 2007 Series A Bonds, the County shall, in its absolute and sole discretion, pay the principal, Maturity Amount and interest on the 2007 Series A Bonds when due directly to the Original Purchaser. To the extent that the County has made such payments, such payments will be credited against the amounts the Trustee is entitled to receive or obligated to pay pursuant to the Trust Agreement

(a) The County shall deposit or cause to be deposited with the Trustee on or before each Interest Payment Date (or such earlier date as provided in a Supplemental Trust Agreement) the amount which, together with moneys transferred pursuant to Section 4.02(c) hereof, is sufficient to pay the County's debt service obligations on the Bonds payable on such Interest Payment Date.

(b) All amounts payable by the County hereunder shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "Bond Fund" which fund is hereby created and shall be held in trust by the Trustee.

**SECTION 4.02. Allocation of Moneys in Bond Fund.** On or before each Interest Payment Date or date fixed for redemption of Bonds, the Trustee shall transfer from the Bond Fund, in immediately available funds, for deposit into the following respective accounts

(each of which is hereby created and which the Trustee shall maintain in trust separate and distinct from the other funds and accounts established hereunder), the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of funds sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any deposit is made to any account subsequent in priority:

- (a) Interest Account,
- (b) Principal Account, and
- (c) Surplus Account.

All money in each of such accounts shall be held in trust by the Trustee and shall be applied, used and withdrawn only for the purposes hereinafter authorized in this section.

(a) Interest Account. On each Interest Payment Date, the Trustee shall set aside from the Bond Fund and deposit in the Interest Account that amount of money which is equal to the amount of interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date.

No deposit need be made in the Interest Account if the amount contained therein is at least equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date.

All money 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).

(b) Principal Account. On or before each Principal Payment Date, the Trustee shall set aside from the Bond Fund and deposit in the Principal Account an amount of money equal to the amount of all sinking fund payments required to be made on such Principal Payment Date into the respective sinking fund accounts for all Outstanding Term Bonds and the principal amount of all Outstanding Serial Bonds maturing on such Principal Payment Date.

No deposit need be made in the Principal Account if the amount contained therein is at least equal to the aggregate amount of the principal or Accreted Value of all Outstanding Serial Bonds maturing by their terms on such Principal Payment Date plus the aggregate amount of all sinking fund payments required to be made on such Principal Payment Date for all Outstanding Term Bonds.

The Trustee shall establish and maintain within the Principal Account a separate subaccount for the Term Bonds of each series and maturity, designated as the “\_\_ Sinking Account” (the “Sinking Account”), inserting therein the series and maturity (if more than one such account is established for such series) designation of such Bonds. With respect to each Sinking Account, on each mandatory sinking account payment date established for such Sinking Account, the Trustee shall apply the mandatory sinking account payment required on that date to the redemption (or payment at maturity, as the case may be) of Term Bonds of the series and

maturity for which such Sinking Account was established, upon the notice and in the manner provided in Article II; provided that, at any time prior to giving such notice of such redemption, the Trustee may upon the Written Request of the County, apply moneys in such Sinking Account to the purchase for cancellation of Term Bonds of such series and maturity at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account), as may be directed by the County, except that the purchase price (excluding accrued interest) shall not exceed the redemption price that would be payable for such Bonds upon redemption by application of such Mandatory Sinking Account Payment. If, during the twelve-month period immediately preceding said mandatory sinking account payment date, the Trustee has purchased Term Bonds of such series and maturity with moneys in such Sinking Account, such Bonds so purchased shall be applied, to the extent of the full principal amount or Accreted Value thereof, as applicable, to reduce said mandatory sinking account payment.

All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal or Accreted Value of the Bonds, as applicable, as they shall become due and payable, whether at maturity or redemption, except that any money in any sinking fund account shall be used and withdrawn by the Trustee only to purchase or to redeem or to pay Term Bonds for which such Sinking Account was created.

(c) Surplus Account. (i) On the Business Day following the last Interest Payment Date of each Fiscal Year, or on such other date as provided in a Supplemental Trust Agreement, any moneys remaining in the Bond Fund shall be deposited by the Trustee in the Surplus Account. The Trustee shall also transfer to the Surplus Account any other amounts deposited by the County with the Trustee for such purpose.

(ii) Amounts in the Surplus Account shall be used for the following purposes, in the following order of priority:

(a) If after any transfer required to be made from the Bond Fund to the Interest Account and the Principal Account in accordance with this Trust Agreement there exists any deficiency in any account in the Bond Fund, the Trustee shall promptly transfer funds from the Surplus Account to the applicable Account to make up such deficiency, to the extent of funds in the Surplus Account.

(b) If on any Interest Payment Date, the maturity date, redemption date or tender date, amounts in the Bond Fund are insufficient to make the payment of interest or principal due on such date, the Trustee shall promptly transfer from the Surplus Account to the appropriate account in the Bond Fund an amount sufficient, to the extent of funds in the Surplus Account, to make such payment.

(iii) Any funds remaining in the Surplus Account on the final maturity date of the Bonds shall be transferred by the Trustee to or upon the order of the County, as specified in a Written Request of the County, provided all of the County's obligations under this Trust Agreement are then otherwise satisfied.

(iv) At the option of the County, the County may, as provided in a written notice to the Trustee, from time to time deposit moneys with the Trustee for transfer to the Surplus Account. In the event amounts in the Surplus Account will not be sufficient to make the transfers from the Surplus Account to the Bond Fund required by subparagraphs (c)(ii)(a) and (c)(ii)(b) of this Section, the Trustee shall give the County written notice of such deficiency on the same day a transfer required by such subparagraph (c)(ii)(a) is required to be made and not less than six (6) Business Days prior to the date a transfer required by such subparagraph (c)(ii)(b) is required to be made, and the County shall deposit the amount of such deficiency with the Trustee not more than three (3) Business Days after the County receives such notice. Upon receipt of such amount from the County, the Trustee shall deposit such amount in the Surplus Account and promptly thereafter transfer such amount to the Bond Fund to the extent necessary to make up any deficiency.

**SECTION 4.03. Deposit and Investments of Money in Accounts and Funds.**

All money held by the Trustee in any of the accounts or funds established pursuant hereto shall be invested in Permitted Investments at the Written Request of the County. If no Written Request of the County is received, the Trustee shall invest funds held by it in Permitted Investments described in clause 6 of the definition thereof. Such investments shall, as nearly as practicable, mature on or before the dates on which such money is anticipated to be needed for disbursement hereunder. All interest, profits and other income received from any money so invested shall be deposited in the Bond Fund. The Trustee shall have no liability or responsibility for any loss resulting from any investment made or sold in accordance with the provisions of this Article IV, except for any loss due to the negligence or willful misconduct of the Trustee. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charge therefor.

**ARTICLE V**

**COVENANTS OF THE COUNTY**

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

**SECTION 5.02. Extension of Payment of Bonds.** The County shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Trust Agreement, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this Section shall be deemed to limit the right of the County to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

**SECTION 5.03. Additional Debt.** The County expressly reserves the right to enter into one or more other agreements or indentures for any of its purposes, and reserves the right to issue other obligations for such purposes.

**SECTION 5.04. Power to Issue Bonds.** The County is duly authorized pursuant to law to issue the Bonds and to enter into this Trust Agreement. The Bonds and the provisions of this Trust Agreement are the legal, valid and binding obligations of the County in accordance with their terms. The Bonds constitute obligations imposed by law.

**SECTION 5.05. Accounting Records and Reports.** The County will keep or cause to be kept proper books of record and accounts in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocation and application of moneys on deposit in the funds and accounts established hereunder.

**SECTION 5.06. Prosecution and Defense of Suits.** The County will defend against every suit, action or proceeding at any time brought against the Trustee upon any claim to the extent involving the failure of the County to fulfill its obligations hereunder; provided that the Trustee or any affected Owner at its election may appear in and defend any such suit, action or proceeding. The County, to the extent permitted by law, will indemnify and hold harmless the Trustee against any and all liability claimed or asserted by any person to the extent arising out of such failure by the County, and will indemnify and hold harmless the Trustee against any attorney's fees or other expenses which it may incur in connection with any litigation to which it may become a party by reason of its actions hereunder, except for any loss, cost, damage or expense resulting from the negligence, willful misconduct or breach of duty by the Trustee. Notwithstanding any contrary provision hereof, this covenant shall remain in full force and effect even though all Bonds secured hereby may have been fully paid and satisfied.

**SECTION 5.07. Further Assurances.** Whenever and so often as reasonably requested to do so by the Trustee or any Owner, the County will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments, and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Owners all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them hereby.

**SECTION 5.08. Waiver of Laws.** The County shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in this Trust Agreement or in the Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the County to the extent permitted by law.

## **ARTICLE VI**

### **THE TRUSTEE**

**SECTION 6.01. The Trustee.** Bank of New York Trust Company, N.A. shall serve as the Trustee for the Bonds for the purpose of receiving all money which the County is required

to deposit with the Trustee hereunder and for the purpose of allocating, applying and using such money as provided herein and for the purpose of paying the interest on and principal of and redemption premiums, if any, on the Bonds presented for payment at the Corporate Trust Office of the Trustee with the rights and obligations provided herein. The County agrees that it will at all times maintain a Trustee having a corporate trust office in Los Angeles or San Francisco, California.

The County may at any time, unless there exists any event of default as defined in Section 8.01, remove the Trustee initially appointed and any successor thereto and may appoint a successor or successors thereto by an instrument in writing; provided that any such successor shall be a bank or trust company doing business and having a corporate trust office in Los Angeles or San Francisco, California, having a combined capital (exclusive of borrowed capital) and surplus of at least one fifty million dollars (\$50,000,000) and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The Trustee may at any time resign by giving written notice of such resignation to the County and by mailing to the Owners notice of such resignation. Upon receiving such notice of resignation, the County shall promptly appoint a successor Trustee by an instrument in writing. Any removal or resignation of a Trustee and appointment of a successor Trustee shall become effective only upon the acceptance of appointment by the successor Trustee. If, within thirty (30) days after notice of the removal or resignation of the Trustee no successor Trustee shall have been appointed and shall have accepted such appointment, the removed or resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Trustee having the qualifications required hereby.

The Trustee is hereby authorized to pay or redeem the Bonds when duly presented for payment at maturity or on redemption prior to maturity. The Trustee shall cancel all Bonds upon payment thereof or upon the surrender thereof by the County and shall destroy such Bonds and a certificate of destruction shall be delivered to the County. The Trustee shall keep accurate records of all Bonds paid and discharged and cancelled by it.

The Trustee shall, prior to an event of default, and after the curing of all events of default that may have occurred, perform such duties and only such duties as are specifically set forth in this Trust Agreement and no implied duties or obligations shall be read into this Trust Agreement. The Trustee shall, during the existence of any event of default (that has not been cured), exercise such of the rights and powers vested in it by this Trust Agreement, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

**SECTION 6.02. Liability of Trustee.** The recitals of facts, agreements and covenants herein and in the Bonds shall be taken as recitals of facts, agreements and covenants of the County, and the Trustee assumes no responsibility for the correctness of the same or makes any representation as to the sufficiency or validity hereof or of the Bonds, or shall incur

any responsibility in respect thereof other than in connection with the rights or obligations assigned to or imposed upon it herein, in the Bonds or in law or equity. The Trustee shall not be liable in connection with the performance of its duties hereunder except for its own negligence, willful misconduct or breach of duty.

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 such Owner's title thereto satisfactorily established, if disputed.

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

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 Trust Agreement.

The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Trust Agreement at the request, order or direction of any of the Owners pursuant to the provisions of this Trust Agreement unless such Owners shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities that may be incurred therein or thereby. The Trustee has no obligation or liability to the Owners for the payment of interest on, principal of or redemption premium, if any, with respect to the Bonds from its own funds; but rather the Trustee's obligations shall be limited to the performance of its duties hereunder.

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 a default or event of default thereunder. The Trustee shall not be responsible for the validity or effectiveness of any collateral given to or held by it.

The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through attorneys-in-fact, agents or receivers, shall not be answerable for the negligence or misconduct or any such attorney-in-fact, agent or receiver appointed by it in accordance with the standards specified above. The Trustee shall be entitled to advice of counsel and other professionals concerning all matters of trust and its duty hereunder, but the Trustee shall not be answerable for the professional malpractice of any attorney-in-law or certified public accountant in connection with the rendering of his professional advice in accordance with the terms of this Trust Agreement, if such attorney-in-law or certified public accountant was selected by the Trustee with due care.

Whether or not therein expressly so provided, every provision of this Trust Agreement, or related documents relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Article.

The Trustee shall be protected in acting upon any notice, resolution, requisition, request (including any Written Request of the County), consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel of or to the County, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

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

No provision of this Trust Agreement shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties hereunder, or in the exercise of its rights or powers.

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

All immunities, indemnifications and releases from liability granted herein to the Trustee shall extend to the directors, employees, officers and agents thereof.

Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company shall meet the requirements set forth in Section 6.01, shall be the successor to the Trustee hereunder and vested with all of the title to the trust estate and all of the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor hereunder, without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

**SECTION 6.03. Compensation and Indemnification of Trustee.** The County covenants to pay to the Trustee from time to time, and the Trustee shall be entitled to, reasonable compensation for all services rendered by it in the exercise and performance of any of the powers and duties hereunder of the Trustee, and the County will pay or reimburse the Trustee upon its request for all expenses, disbursements and advances incurred or made by the Trustee in accordance with any of the provisions of this Trust Agreement (including the reasonable compensation and the expenses and disbursements of its counsel and of all persons not regularly in its employ) except any such expense, disbursement or advance as may arise from its negligence, default or willful misconduct, including the negligence or willful misconduct of any of its officers, directors, agents or employees. The County, to the extent permitted by law, shall

indemnify, defend and hold harmless the Trustee against any loss, damages, liability or expense incurred without negligence, willful misconduct or bad faith on the part of the Trustee, (i) arising out of or in connection with the acceptance or administration of the trusts created hereby or the exercise or performance of any of its powers or duties hereunder, and (ii) any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading in any official statement or other offering circular utilized in connection with the sale of the Bonds, including costs and expenses (including attorneys' fees) of defending itself against any claim or liability in connection with the exercise or performance of any of its powers hereunder. The rights of the Trustee and the obligations of the County under this Section shall survive the discharge of the Bonds and this Trust Agreement and the resignation or removal of the Trustee.

## **ARTICLE VII**

### **AMENDMENT OF THE TRUST AGREEMENT**

**SECTION 7.01. Amendment of the Trust Agreement.** The Trust Agreement and the rights and obligations of the County and of the Owners may be amended at any time by a Supplemental Trust Agreement which shall become binding when the written consents of the Owners of a majority in Aggregate Principal Amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 7.02, are filed with the Trustee. No such amendment shall (1) extend the maturity of or reduce the interest rate on or amount of interest on or principal of or redemption premium, if any, or extend the time of payment on any Bond without the express written consent of the Owner of such Bond, or (2) reduce the percentage of Bonds required for the written consent to any such amendment.

The Trust Agreement and the rights and obligations of the County and of the Owners may also be amended at any time by a Supplemental Trust Agreement which shall become binding upon adoption without the consent of any Owners, but only to the extent permitted by law and after receipt of an approving Opinion of Counsel, for any purpose that will not materially adversely affect the interests of the Owners, including (without limitation) for any one or more of the following purposes --

(a) to add to the agreements and covenants required herein to be performed by the County other agreements and covenants thereafter to be performed by the County, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power reserved herein to or conferred herein on the County;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained herein and in any Supplemental Trust Agreement or in regard to questions arising hereunder which the County may deem desirable or necessary and not inconsistent herewith;

(c) to provide for the issuance of any Additional Bonds and to provide the terms of such Additional Bonds, subject to the conditions and upon compliance with the procedure set forth in Article III (which shall be deemed not to adversely affect Owners);

(d) to modify, amend or add to the provisions herein or in any Supplemental Trust Agreement to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statutes hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by such statute or similar statute;

(e) to modify, amend or add to the provisions herein or in any Supplemental Trust Agreement pertaining to the terms or operations of interest on the Bonds at a variable rate, as the County may deem necessary or desirable in order to conform to common market practices for such bonds; or

(f) to modify, amend or supplement this Trust Agreement and any Supplemental Trust Agreement in any manner that does not materially adversely affect the interest of Owners of Bonds.

The Trustee shall not be required to enter into or consent to any supplemental trust agreement which, in the sole judgment of the Trustee, may adversely affect the rights, obligations, powers, privileges, indemnities and immunities provided the Trustee herein.

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

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

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

**SECTION 7.05. Attorney's Opinion Regarding Supplemental Agreements.** The Trustee may obtain an opinion of counsel that any amendments or supplements to the Trust Agreement complies with the provisions of this Article VII and the Trustee may conclusively rely upon such opinion.

## ARTICLE VIII

### EVENTS OF DEFAULT AND REMEDIES OF OWNERS

**SECTION 8.01. Events of Default.** If one or more of the following events (herein called “events of default”) shall happen, that is to say:

(a) if default shall be made by the County in the due and punctual payment of the interest on any Bond when and as the same shall become due and payable;

(b) if default shall be made by the County in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed or by proceedings for redemption;

(c) if default shall be made by the County in the performance of any of the agreements or covenants required herein to be performed by the County, and such default shall have continued for a period of sixty (60) days after the County shall have been given notice in writing of such default by the Trustee or the Owners of not less than twenty-five (25%) in Aggregate Principal Amount of the Bonds at the time Outstanding, specifying such default and requiring the same to be remedied, provided, however, if the default stated in the notice can be corrected, but not within the applicable period, the Trustee and such Owners shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the County within the applicable period and diligently pursued until the default is corrected; or

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

**SECTION 8.02. Institution of Legal Proceedings by Trustee.** If one or more of the events of default shall happen and be continuing, the Trustee may, and upon the written request of the Owners of not less than fifty-one percent (51%) in Aggregate Principal Amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Owners of Bonds under this Trust Agreement by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights and duties hereunder.

**SECTION 8.03. Non-Waiver.** Nothing in this article or in any other provision hereof or in the Bonds shall affect or impair the obligation of the County, which is absolute and

unconditional, to pay the interest on and principal of and redemption premiums, if any, on the Bonds to the respective Owners of the Bonds at the respective dates of maturity or upon prior redemption as provided herein, or shall affect or impair the right of such Owners, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied herein and in the Bonds.

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

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

**SECTION 8.04. Actions by Trustee as Attorney-in-Fact.** Any action, proceeding or suit 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, whether or not the Trustee is a Owner, and the Trustee is hereby appointed (and the successive Owners, by taking and holding the Bonds issued hereunder, shall be conclusively deemed to have so appointed it) the true and lawful attorney-in-fact of the Owners for the purpose of bringing any such action, proceeding or suit and for the purpose of doing and performing any and all acts and things for and on behalf of the Owners as a class or classes as may be advisable or necessary in the opinion of the Trustee as such attorney-in-fact.

**SECTION 8.05. Remedies Not Exclusive.** No remedy herein conferred upon or reserved to the Owners is intended to be exclusive of any other remedy, and each 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 Act or any other law.

**SECTION 8.06. Limitation on BondOwners' Right to Sue.** No Owner of any Bond issued hereunder shall have the right to institute any suit, action or proceeding at law or equity, for any remedy under or upon this Trust Agreement, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an event of default as defined in Section 8.01 hereunder; (b) the Owners of at least 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 suit, action or proceeding in its own name; (c) said Owners shall have tendered to the Trustee reasonable security or indemnity 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 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 Bonds of any remedy hereunder; it being understood and intended that no one or more owners of Bonds shall have any right in any manner whatever by his or their action to enforce any right under this Trust Agreement, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provision of the Trust Agreement shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Bonds.

**SECTION 8.07. Absolute Obligation of County.** Nothing in this Section or in any other provision of this Trust Agreement or in the Bonds contained shall affect or impair the obligation of the County, which is absolute and unconditional, to pay the principal of, premium, if any and interest on the Bonds to the respective Owners of the Bonds at their respective due dates as herein provided.

## **ARTICLE IX**

### **DEFEASANCE**

#### **SECTION 9.01. Discharge of Bonds.**

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

(b) Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section if (1) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the County shall have given to the Trustee in form satisfactory to it irrevocable instructions to provide notice in accordance with Section 2.03, (2) there shall have been deposited with the Trustee either (A) money in an amount which shall be sufficient or (B) Defeasance Securities which are not subject to redemption prior to maturity (including any such Defeasance Securities issued or held in book-entry form on the books of the County or the Treasury of the United States of America), the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall be sufficient, in the opinion of an Independent Certified Public Accountant, to pay when due the interest to become due on such Bonds on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and redemption premiums, if any, on such Bonds, and (3) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the County shall have given the Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the Owners of

such Bonds that the deposit required by clause (2) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this section and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and redemption premiums, if any, on such Bonds.

**SECTION 9.02. Unclaimed Money.** Anything contained herein to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of any of the Bonds or interest thereon which remains unclaimed for two (2) years after the date when such Bonds or interest thereon have become due and payable, either at their stated maturity dates or by call for redemption prior to maturity, if such money was held by the Trustee 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 such Bonds have become due and payable, shall be repaid by the Trustee to the County as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall not look to the Trustee for the payment of such Bonds; provided, however, that before being required to make any such payment to the County, the Trustee may, and at the request of the County shall, at the expense of the County, cause to be published once a week for two (2) successive weeks in a Financial Newspaper of general circulation in Los Angeles and in San Francisco, California and in the same or a similar Financial Newspaper of general circulation in New York, New York a notice that such money remains unclaimed and that, after a date named in such notice, which date shall not be less than thirty (30) days after the date of the first publication of each such notice, the balance of such money then unclaimed will be returned to the County.

## ARTICLE X

### MISCELLANEOUS

**SECTION 10.01. Benefits of the Trust Agreement Limited to Parties.** Nothing contained herein, expressed or implied, is intended to give to any person other than the County, the Trustee and the Owners any right, remedy or claim under or by reason hereof. Any agreement or covenant required herein to be performed by or on behalf of the County or any member, officer or employee thereof shall be for the sole and exclusive benefit of the Trustee and the Owners.

**SECTION 10.02. Successor Is Deemed Included in All References to Predecessor.** Whenever herein either the County or any member, officer or employee thereof or the Trustee is named or referred to, such reference shall be deemed to include the successor or assigns thereof, and all agreements and covenants required hereby to be performed by or on behalf of the County or the Trustee, or any member, officer or employee thereof, shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

**SECTION 10.03. Execution of Documents by Owners.** Any declaration, request or other instrument which is permitted or required herein to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or his attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to make

acknowledgments of deeds to be recorded in the state or territory in which he purports to act that the person signing such declaration, request 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 any Bonds and the amount, maturity, number and date of holding the same may be proved by the registration books relating to the Bonds at the office of the Trustee.

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

**SECTION 10.04. Waiver of Personal Liability.** No member, officer or employee of the County or the County shall be individually or personally liable for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds by reason of their issuance, but nothing herein contained shall relieve any such member, officer or employee from the performance of any official duty provided by the Act or any other applicable provisions of law or hereby.

**SECTION 10.05. Destruction of Cancelled Bonds.** Whenever provision is made for the return to the County of any Bonds which have been cancelled pursuant to the provisions hereof, the Trustee shall destroy such Bonds and furnish to the County a certificate of such destruction.

**SECTION 10.06. Content of Certificates.** Every Certificate of the County with respect to compliance with any agreement, condition, covenant or provision provided herein shall include (a) a statement that the person or persons making or giving such certificate have read such agreement, condition, covenant or provision and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements contained in such certificate are based; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such agreement, condition, covenant or provision has been complied with; and (d) a statement as to whether, in the opinion of the signers, such agreement, condition, covenant or provision has been complied with.

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

**SECTION 10.07. Publication for Successive Weeks.** Any publication required to be made hereunder for successive weeks in a Financial Newspaper may be made in each

instance upon any Business Day of the first week and need not be made on the same Business Day of any succeeding week or in the same Financial Newspaper for any subsequent publication, but may be made on different Business Days or in different Financial Newspapers, as the case may be.

**SECTION 10.08. Accounts and Funds; Business Days.** Any account or fund required herein to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to all such accounts and funds shall at all times be maintained in accordance with sound accounting practice and with due regard for the protection of the security of the Bonds and the rights of the Owners. Any action required to occur hereunder on a day which is not a Business Day shall be required to occur on the next succeeding Business Day.

**SECTION 10.09. Notices.** All written notices to be given hereunder shall be given by mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other party in writing from time to time, namely:

If to the County:

County of Orange  
County Executive Office  
10 Civic Center Plaza, 3rd Floor  
Santa Ana, CA 92701  
Attention: Public Finance Manager

If to the Trustee:

Bank of New York Trust Company, N.A.  
700 S. Flower Street, Suite 500  
Los Angeles, CA 90017  
Corporate Trust Administration

**SECTION 10.10. Article and Section Headings and References.** The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof. All references herein to "Articles," "Sections" and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words "hereby," "herein," "hereof," "hereto," "herewith," "hereunder" and other words of similar import refer to the Trust Agreement as a whole and not to any particular article, section, subdivision or clause hereof.

**SECTION 10.11. Partial Invalidity.** If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the County or the Trustee shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the

remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof or of the Bonds, and the Owners shall retain all the benefit, protection and security afforded to them under the Act or any other applicable provisions of law. The County and the Trustee hereby declare that they would have executed and delivered the Trust Agreement and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the issuance of the Bonds pursuant hereto irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

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

**SECTION 10.13. Governing Law.** This Trust Agreement shall be governed by and construed in accordance with the laws of the State of California without reference to conflict of law provisions.

**SECTION 10.14. CUSIP Numbers.** Neither the Trustee nor the County shall be liable for any defect or inaccuracy in the CUSIP number that appears on any Bond or in any redemption notice. The Trustee may, in its discretion, include in any redemption notice a statement to the effect that the CUSIP numbers on the Bonds have been assigned by an independent service and are included in such notice solely for the convenience of the Owners and that neither County nor the Trustee shall be liable for any inaccuracies in such numbers.

**SECTION 10.15. Term of Trust Agreement.** In the event that Bonds are no longer Outstanding, it is the intent of the County and the Trustee that the trust created hereby and this Trust Agreement shall nevertheless continue and not terminate until such time as the County delivers a Written Request of the County which directs the termination of the trust and this Trust Agreement.

IN WITNESS WHEREOF, the COUNTY OF ORANGE has caused this Trust Agreement to be signed in its name by the Authorized Officer and BANK OF NEW YORK TRUST COMPANY, N.A., in token of its acceptance of the trusts created hereunder, has caused this Trust Agreement to be signed by the officer thereunder duly authorized, all as of the day and year first above written.

COUNTY OF ORANGE

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

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

By \_\_\_\_\_  
Authorized Representative

**EXHIBIT A**

**[FORM OF STANDARD BOND]**

**COUNTY OF ORANGE  
TAXABLE PENSION OBLIGATION BONDS  
[SERIES DESIGNATION]**

No. R- \_\_\_\_\_

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

THE OBLIGATIONS OF THE COUNTY OF ORANGE HEREUNDER, INCLUDING THE OBLIGATION TO MAKE ALL PAYMENTS OF INTEREST AND PRINCIPAL WHEN DUE, ARE OBLIGATIONS OF THE COUNTY OF ORANGE IMPOSED BY LAW AND ARE ABSOLUTE AND UNCONDITIONAL, WITHOUT ANY RIGHT OF SET-OFF OR COUNTER CLAIM. THIS BOND DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY OF ORANGE FOR WHICH THE COUNTY OF ORANGE IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY OF ORANGE HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATION OF THE COUNTY OF ORANGE TO MAKE PAYMENTS ON THE BONDS CONSTITUTE AN INDEBTEDNESS OF THE COUNTY OF ORANGE, THE STATE OF CALIFORNIA, OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Interest  
Rate

Maturity  
Date

Original  
Issue Date

CUSIP

REGISTERED OWNER:

PRINCIPAL SUM: DOLLARS

The County of Orange, duly organized and validly existing under and pursuant to the Constitution and laws of the State of California (the "County"), for value received hereby, promises to pay to the registered owner identified above or registered assigns, on the maturity date specified above (subject to any right of prior redemption hereinafter provided for) the principal sum specified above, together with interest on such principal sum from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond (unless this Bond is authenticated as of an Interest Payment Date or during the period from the sixteenth day of the month preceding an Interest Payment Date to such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless this Bond is

authenticated prior to the first Interest Payment Date, in which event it shall bear interest from the original issue date specified above) until the principal hereof shall have been paid at the interest rate per annum specified above, payable on \_\_\_\_\_, \_\_\_\_\_ and semiannually thereafter on each \_\_\_\_\_ and \_\_\_\_\_ (each an "Interest Payment Date"). Interest due on or before the maturity or prior redemption of this Bond shall be payable only by check mailed on the Interest Payment Date by first-class mail to the registered owner hereof; provided that upon the written request of a registered owner of \$1,000,000 or more in aggregate principal amount of Bonds received by the Trustee (as hereinafter defined) prior to the applicable record date, interest shall be paid by wire transfer in immediately available funds. The principal hereof is payable in lawful money of the United States of America at the Corporate Trust Office of Bank of New York Trust Company, N.A., as Trustee.

This Bond is one of a duly authorized issue of bonds of the County designated as its "Taxable Pension Obligation Bonds, [Series Designation]" (the "Bonds") in aggregate principal amount of \_\_\_\_\_ dollars (\$\_\_\_\_\_), all of like tenor and date (except for variations relating to numbers, maturities and interest rates), and is issued under and pursuant to the provisions of Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California and all laws amendatory thereof or supplemental thereto (the "Act") and under and pursuant to the provisions of a trust agreement, dated as of January 1, 2007 (the "Trust Agreement"), between the County and Bank of New York Trust Company, N.A., as trustee (the "Trustee") (copies of which are on file at the Corporate Trust Office of the Trustee). The Bonds and Additional Bonds may be issued as Standard Bonds, Capital Appreciation Bonds, Listed Securities, Auction Rate Securities, Index Bonds, Convertible Capital Appreciation Index Bonds, Convertible Capital Appreciation Bonds and Bonds with other Modes as set forth in a Supplemental Trust Agreement; this Bond is a Standard Bond.

Under the Trust Agreement, Additional Bonds and other obligations may be issued on a parity with the Bonds, but subject to the conditions and upon compliance with the procedures set forth in the Trust Agreement. The Bonds and any bonds or other obligations issued on a parity with the Bonds are obligations imposed by law payable from funds to be appropriated by the County pursuant to the County Employees Retirement Law of 1937, being Chapter 3 of Division 4 of Title 3 of the Government Code of the State of California, as amended (the "Retirement Law"). Reference is hereby made to the Act and to the Trust Agreement and any and all amendments thereof and supplements thereto for a description of the terms on which the Bonds are issued, the rights of the registered owners of the Bonds, security for payment of the Bonds, remedies upon default and limitations thereon, and amendment of the Trust Agreement (with or without consent of the registered owners of the Bonds); and all the terms of the Trust Agreement are hereby incorporated herein and constitute a contract between the County and the registered owner of this Bond, to all the provisions of which the registered owner of this Bond, by acceptance hereof, agrees and consents.

The Bonds are subject to redemption on the dates, at the redemption prices and pursuant to the terms set forth in the Trust Agreement. Notice of redemption of any Bonds or any portions thereof shall be given as set forth in the Trust Agreement. Failure by the Trustee to give notice pursuant to the Trust Agreement to any one or more of the Information Services, or the insufficiency of any such notice or the failure of any registered owner to receive any

redemption notice mailed to such registered owner or any immaterial defect in the notice so mailed shall not affect the sufficiency of the proceedings for the redemption of any Bonds.

This Bond is transferable only on a register to be kept for that purpose at the above-mentioned office of the Trustee by the registered owner hereof in person or by his duly authorized attorney upon payment of the charges provided in the Trust Agreement and upon surrender of this Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney, and thereupon a new fully registered Bond or Bonds in the same aggregate principal amount of authorized denominations will be issued to the transferee in exchange therefor. The County and the Trustee may deem and treat the registered owner hereof as the absolute owner hereof for the purpose of receiving payment of the interest hereon and principal hereof and for all other purposes, whether or not this Bond shall be overdue, and neither the County nor the Trustee shall be affected by any notice or knowledge to the contrary; and payment of the interest on and principal of this Bond shall be made only to such registered owner, which payments shall be valid and effectual to satisfy and discharge liability on this Bond to the extent of the sum or sums so paid.

This Bond shall not be entitled to any benefit, protection or security under the Trust Agreement or become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been executed and dated by the Trustee.

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

IN WITNESS WHEREOF, the COUNTY OF ORANGE has caused this Bond to be executed in its name and on its behalf by the facsimile signature of the respective officers and to be countersigned by the facsimile signature of the Clerk of the Board of the County of Orange, and has caused this Bond to be dated as of the original issue date specified above.

COUNTY OF ORANGE

By \_\_\_\_\_

Countersigned

\_\_\_\_\_  
Clerk of the Board

[FORM OF CERTIFICATE OF AUTHENTICATION]

This is one of the Bonds described in the within-mentioned Trust Agreement which has been authenticated on \_\_\_\_\_.

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

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

[FORM OF ASSIGNMENT]

For value received the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_ (Taxpayer Identification Number: \_\_\_\_\_) the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer the within bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated:

Note: The signature to this Assignment must correspond with the name as written on the face of the Bond in every particular, without alteration or enlargement or any change whatever.

Signature Guaranteed: \_\_\_\_\_

Notice: Signature must be guaranteed by an eligible guarantor institution.

**EXHIBIT B**

**[FORM OF CAPITAL APPRECIATION BOND]**

**COUNTY OF ORANGE  
TAXABLE PENSION OBLIGATION BONDS  
[SERIES DESIGNATION]**

No. R- \_\_\_\_\_

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

THE OBLIGATIONS OF THE COUNTY OF ORANGE HEREUNDER, INCLUDING THE OBLIGATION TO MAKE ALL PAYMENTS OF INTEREST AND PRINCIPAL WHEN DUE, ARE OBLIGATIONS OF THE COUNTY OF ORANGE IMPOSED BY LAW AND ARE ABSOLUTE AND UNCONDITIONAL, WITHOUT ANY RIGHT OF SET-OFF OR COUNTER CLAIM. THIS BOND DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY OF ORANGE FOR WHICH THE COUNTY OF ORANGE IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY OF ORANGE HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATION OF THE COUNTY OF ORANGE TO MAKE PAYMENTS ON THE BONDS CONSTITUTE AN INDEBTEDNESS OF THE COUNTY OF ORANGE, THE STATE OF CALIFORNIA, OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Original Issue Date</u>	<u>CUSIP</u>
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REGISTERED OWNER:

PRINCIPAL SUM:            DOLLARS

ACCRETED VALUE AT MATURITY:

The County of Orange, duly organized and validly existing under and pursuant to the Constitution and laws of the State of California (the "County"), for value received hereby, promises to pay to the registered owner identified above or registered assigns, on the maturity date specified above (subject to any right of prior redemption hereinafter provided for) the Accreted Value specified above. Interest on the principal sum specified above at approximately the interest rate specified above from the Original Issue Date specified above based on a 360-day year of twelve 30-day months, shall be compounded on \_\_\_\_\_, and semiannually thereafter on \_\_\_\_\_ and \_\_\_\_\_ in each year to the maturity date specified above, and shall be payable at maturity or at the earlier redemption hereof. Payment of such principal and interest shall be in accordance with the amounts set forth in the Accreted Value Table hereinafter set

forth and for payments between compounding dates by straight line interpolations. The Accreted Value hereof is payable in lawful money of the United States of America at the Corporate Trust Office of Bank of New York Trust Company, N.A., as Trustee.

This Bond is one of a duly authorized issue of bonds of the County designated as its "Taxable Pension Obligation Bonds, [Series Designation]" (the "Bonds") in aggregate principal amount of \_\_\_\_\_ dollars (\$\_\_\_\_\_), all of like tenor and date (except for variations relating to numbers, maturities and interest rates), and is issued under and pursuant to the provisions of Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California and all laws amendatory thereof or supplemental thereto (the "Act") and under and pursuant to the provisions of a trust agreement, dated as of January 1, 2007 (the "Trust Agreement"), between the County and Bank of New York Trust Company, N.A., as trustee (the "Trustee") (copies of which are on file at the Corporate Trust Office of the Trustee). The Bonds and any Additional Bonds may be issued as Standard Bonds, Capital Appreciation Bonds, Listed Securities, Auction Rate Securities, Index Bonds, Convertible Capital Appreciation Index Bonds, Convertible Capital Appreciation Bonds and Bonds with other Modes as set forth in a Supplemental Trust Agreement; this Bond is a Capital Appreciation Bond.

Under the Trust Agreement, Additional Bonds and other obligations may be issued on a parity with the Bonds, but subject to the conditions and upon compliance with the procedures set forth in the Trust Agreement. The Bonds and any bonds or other obligations issued on a parity with the Bonds are obligations imposed by law payable from funds to be appropriated by the County pursuant to the County Employees Retirement Law of 1937, being Chapter 3 of Division 4 of Title 3 of the Government Code of the State of California, as amended (the "Retirement Law"). Reference is hereby made to the Act and to the Trust Agreement and any and all amendments thereof and supplements thereto for a description of the terms on which the Bonds are issued, the rights of the registered owners of the Bonds, security for payment of the Bonds, remedies upon default and limitations thereon, and amendment of the Trust Agreement (with or without consent of the registered owners of the Bonds); and all the terms of the Trust Agreement are hereby incorporated herein and constitute a contract between the County and the registered owner of this Bond, to all the provisions of which the registered owner of this Bond, by acceptance hereof, agrees and consents.

The Bonds are subject to redemption on the dates, at the redemption prices and pursuant to the terms set forth in the Trust Agreement. Notice of redemption of any Bonds or any portions thereof shall be given as set forth in the Trust Agreement. Failure by the Trustee to give notice pursuant to the Trust Agreement to any one or more of the Information Services, or the insufficiency of any such notice or the failure of any registered owner to receive any redemption notice mailed to such registered owner or any immaterial defect in the notice so mailed shall not affect the sufficiency of the proceedings for the redemption of any Bonds.

This Bond is transferable only on a register to be kept for that purpose at the above-mentioned office of the Trustee by the registered owner hereof in person or by his duly authorized attorney upon payment of the charges provided in the Trust Agreement and upon surrender of this Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney, and thereupon a new fully

registered Bond or Bonds in the same aggregate principal amount of authorized denominations will be issued to the transferee in exchange therefor. The County and the Trustee may deem and treat the registered owner hereof as the absolute owner hereof for the purpose of receiving payment of the interest hereon and principal hereof and for all other purposes, whether or not this Bond shall be overdue, and neither the County nor the Trustee shall be affected by any notice or knowledge to the contrary; and payment of the interest on and principal of this Bond shall be made only to such registered owner, which payments shall be valid and effectual to satisfy and discharge liability on this Bond to the extent of the sum or sums so paid.

This Bond shall not be entitled to any benefit, protection or security under the Trust Agreement or become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been executed and dated by the Trustee.

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

IN WITNESS WHEREOF, the COUNTY OF ORANGE has caused this Bond to be executed in its name and on its behalf by the facsimile signature of the Authorized Officer and to be countersigned by the facsimile signature of the Clerk of the Board of County of Orange, and has caused this Bond to be dated as of the original issue date specified above.

COUNTY OF ORANGE

By \_\_\_\_\_

Countersigned

\_\_\_\_\_  
Clerk of the Board

[FORM OF CERTIFICATE OF AUTHENTICATION]

This is one of the Bonds described in the within-mentioned Trust Agreement which has been authenticated on \_\_\_\_\_.

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

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

[FORM OF ASSIGNMENT]

For value received the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_ (Taxpayer Identification Number: \_\_\_\_\_) the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer the within bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated:

Note: The signature to this Assignment must correspond with the name as written on the face of the Bond in every particular, without alteration or enlargement or any change whatever.

Signature Guaranteed: \_\_\_\_\_

Notice: Signature must be guaranteed by an eligible guarantor institution.

**EXHIBIT C**

**[FORM OF LISTED SECURITY]**

(CONSISTING OF \$ \_\_\_\_\_ IN \$25 DENOMINATIONS OF)

**COUNTY OF ORANGE  
TAXABLE PENSION OBLIGATION BONDS  
[SERIES DESIGNATION]**

No. R-\_\_

Maximum Number of Bonds  
issued as of \_\_\_\_\_

THE OBLIGATIONS OF THE COUNTY OF ORANGE HEREUNDER, INCLUDING THE OBLIGATION TO MAKE ALL PAYMENTS OF INTEREST AND PRINCIPAL WHEN DUE, ARE OBLIGATIONS OF THE COUNTY OF ORANGE IMPOSED BY LAW AND ARE ABSOLUTE AND UNCONDITIONAL, WITHOUT ANY RIGHT OF SET-OFF OR COUNTER CLAIM. THIS BOND DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY OF ORANGE FOR WHICH THE COUNTY OF ORANGE IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY OF ORANGE HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATION OF THE COUNTY OF ORANGE TO MAKE PAYMENTS ON THE BONDS CONSTITUTE AN INDEBTEDNESS OF THE COUNTY OF ORANGE, THE STATE OF CALIFORNIA, OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

REGISTERED OWNER:

PRINCIPAL SUM:            DOLLARS

The County of Orange, duly organized and validly existing under and pursuant to the Constitution and laws of the State of California (the "County"), for value received hereby, promises to pay to the registered owner identified above or registered assigns, on the maturity date specified above (subject to any right of prior redemption hereinafter provided for) the principal sum specified above, together with interest on such principal sum from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond (unless this Bond is authenticated as of an Interest Payment Date or during the period from the

sixteenth day of the month preceding an Interest Payment Date to such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless this Bond is authenticated prior the first Interest Payment Date, in which event it shall bear interest from the original issue date specified above) until the principal hereof shall have been paid at the interest rate per annum specified above, payable on \_\_\_\_\_, and thereafter on each \_\_\_\_\_ (each an "Interest Payment Date"). Interest due on or before the maturity or prior redemption of this Bond shall be payable only by check mailed on the Interest Payment Date by first-class mail to the registered owner hereof; provided that upon the written request of a registered owner of \$1,000,000 or more in aggregate principal amount of Bonds received by the Trustee (as hereinafter defined) prior to the applicable record date, interest shall be paid by wire transfer in immediately available funds. The principal hereof is payable in lawful money of the United States of America at the Corporate Trust Office of Bank of New York Trust Company, N.A., as Trustee.

This Bond is one of a duly authorized issue of bonds of the County designated as its "Taxable Pension Obligation Bonds, [Series Designation]" (the "Bonds") in aggregate principal amount of \_\_\_\_\_ dollars (\$\_\_\_\_\_), all of like tenor and date (except for variations relating to numbers, maturities and interest rates), and is issued under and pursuant to the provisions of Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California and all laws amendatory thereof or supplemental thereto (the "Act") and under and pursuant to the provisions of a trust agreement, dated as of January 1, 2007 (the "Trust Agreement"), between the County and Bank of New York Trust Company, N.A., as trustee (the "Trustee") (copies of which are on file at the Corporate Trust Office of the Trustee). The Bonds and any Additional Bonds may be issued as Standard Bonds, Capital Appreciation Bonds, Listed Securities, Auction Rate Securities, Index Bonds, Convertible Capital Appreciation Index Bonds, Convertible Capital Appreciation Bonds and Bonds with other Modes as set forth in a Supplemental Trust Agreement; this Bond is a Listed Security.

Under the Trust Agreement, Additional Bonds and other obligations may be issued on a parity with the Bonds, but subject to the conditions and upon compliance with the procedures set forth in the Trust Agreement. The Bonds and any bonds or other obligations issued on a parity with the Bonds are obligations imposed by law payable from funds to be appropriated by the County pursuant to the County Employees Retirement Law of 1937, being Chapter 3 of Division 4 of Title 3 of the Government Code of the State of California, as amended (the "Retirement Law"). Reference is hereby made to the Act and to the Trust Agreement and any and all amendments thereof and supplements thereto for a description of the terms on which the Bonds are issued, the rights of the registered owners of the Bonds, security for payment of the Bonds, remedies upon default and limitations thereon, and amendment of the Trust Agreement (with or without consent of the registered owners of the Bonds); and all the terms of the Trust Agreement are hereby incorporated herein and constitute a contract between the County and the registered owner of this Bond, to all the provisions of which the registered owner of this Bond, by acceptance hereof, agrees and consents.

The Bonds are subject to redemption on the dates, at the redemption prices and pursuant to the terms set forth in the Trust Agreement. Notice of redemption of any Bonds or any portions thereof shall be given as set forth in the Trust Agreement. Failure by the Trustee to

give notice pursuant to the Trust Agreement to any one or more of the Information Services, or the insufficiency of any such notice or the failure of any registered owner to receive any redemption notice mailed to such registered owner or any immaterial defect in the notice so mailed shall not affect the sufficiency of the proceedings for the redemption of any Bonds.

This Bond is transferable only on a register to be kept for that purpose at the above-mentioned office of the Trustee by the registered owner hereof in person or by his duly authorized attorney upon payment of the charges provided in the Trust Agreement and upon surrender of this Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney, and thereupon a new fully registered Bond or Bonds in the same aggregate principal amount of authorized denominations will be issued to the transferee in exchange therefor. The County and the Trustee may deem and treat the registered owner hereof as the absolute owner hereof for the purpose of receiving payment of the interest hereon and principal hereof and for all other purposes, whether or not this Bond shall be overdue, and neither the County nor the Trustee shall be affected by any notice or knowledge to the contrary; and payment of the interest on and principal of this Bond shall be made only to such registered owner, which payments shall be valid and effectual to satisfy and discharge liability on this Bond to the extent of the sum or sums so paid.

This Bond shall not be entitled to any benefit, protection or security under the Trust Agreement or become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been executed and dated by the Trustee.

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

IN WITNESS WHEREOF, the COUNTY OF ORANGE has caused this Bond to be executed in its name and on its behalf by the facsimile signature of the Authorized Officer and to be countersigned by the facsimile signature of the Clerk of the Board of County of Orange, and has caused this Bond to be dated as of the original issue date specified above.

COUNTY OF ORANGE

By \_\_\_\_\_

Countersigned

\_\_\_\_\_  
Clerk of the Board

[FORM OF CERTIFICATE OF AUTHENTICATION]

This is one of the Bonds described in the within-mentioned Trust Agreement which has been authenticated on \_\_\_\_\_.

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

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

[FORM OF ASSIGNMENT]

For value received the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_ (Taxpayer Identification Number: \_\_\_\_\_) the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer the within bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated:

Note: The signature to this Assignment must correspond with the name as written on the face of the Bond in every particular, without alteration or enlargement or any change whatever.

Signature Guaranteed: \_\_\_\_\_

Notice: Signature must be guaranteed by an eligible guarantor institution.

**EXHIBIT D**

**[FORM OF AUCTION RATE SECURITY]**

**COUNTY OF ORANGE  
TAXABLE PENSION OBLIGATION BONDS  
[SERIES DESIGNATION]**

No. R-\_\_

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

THE OBLIGATIONS OF THE COUNTY OF ORANGE HEREUNDER, INCLUDING THE OBLIGATION TO MAKE ALL PAYMENTS OF INTEREST AND PRINCIPAL WHEN DUE, ARE OBLIGATIONS OF THE COUNTY OF ORANGE IMPOSED BY LAW AND ARE ABSOLUTE AND UNCONDITIONAL, WITHOUT ANY RIGHT OF SET-OFF OR COUNTER CLAIM. THIS BOND DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY OF ORANGE FOR WHICH THE COUNTY OF ORANGE IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY OF ORANGE HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATION OF THE COUNTY OF ORANGE TO MAKE PAYMENTS ON THE BONDS CONSTITUTE AN INDEBTEDNESS OF THE COUNTY OF ORANGE, THE STATE OF CALIFORNIA, OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Original Issue Date</u>	<u>CUSIP</u>
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REGISTERED OWNER:

PRINCIPAL SUM:            DOLLARS

The County of Orange, duly organized and validly existing under and pursuant to the Constitution and laws of the State of California (the "County"), for value received hereby, promises to pay to the registered owner identified above or registered assigns, on the maturity date specified above (subject to any right of prior redemption hereinafter provided for) the principal sum specified above, together with interest on such principal sum from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond (unless this Bond is authenticated as of an Interest Payment Date or during the period from the sixteenth day of the month preceding an Interest Payment Date to such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless this Bond is

authenticated prior to the first Interest Payment Date, in which event it shall bear interest from the original issue date specified above) until the principal hereof shall have been paid. The principal hereof is payable in lawful money of the United States of America at the Corporate Trust Office of Bank of New York Trust Company, N.A., as Trustee.

This Bond is issued as an Auction Rate Security, and will initially bear interest at the Applicable Auction Rate established pursuant to the Auction and Settlement Procedures set forth in the Auction Agent Agreement. Interest on Auction Rate Securities will accrue for each Auction Interest Period or portion thereof and will be payable in arrears on each succeeding Interest Payment Date. The length of an Auction Interest Period may be adjusted pursuant to the Trust Agreement.

While this Bond is an Auction Rate Security, except as otherwise specifically provided in the Trust Agreement, the provisions of the Trust Agreement and the Auction and Settlement Procedures set forth in the Auction Agent Agreement shall govern the interest rates per annum and the payment terms of this Bond. Interest due on or before the maturity or prior redemption of this Bond shall be payable only by check mailed on the Interest Payment Date by first-class mail to the registered owner hereof by Bank of New York Trust Company, N.A., as trustee (the "Trustee") provided that upon the written request of an Owner of \$1,000,000 or more in aggregate principal amount of Bonds received by the Trustee prior to the applicable record date, interest shall be paid to such Owner by wire transfer in immediately available funds. The principal hereof is payable in lawful money of the United States of America at the Corporate Trust Office of the Trustee.

This Bond is one of a duly authorized issue of bonds of the County designated as its "Taxable Pension Obligation Bonds, [Series Designation]" (the "Bonds") in aggregate principal amount of \_\_\_\_\_ dollars (\$ \_\_\_\_\_), all of like tenor and date (except for variations relating to numbers, maturities and interest rates), and is issued under and pursuant to the provisions of Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California and all laws amendatory thereof or supplemental thereto (the "Act") and under and pursuant to the provisions of a trust agreement, dated as of January 1, 2007 (the "Trust Agreement"), between the County and Bank of New York Trust Company, N.A., as trustee (the "Trustee") (copies of which are on file at the Corporate Trust Office of the Trustee). The Bonds and any Additional Bonds may be issued as Standard Bonds, Capital Appreciation Bonds, Listed Securities, Auction Rate Securities, Index Bonds, Convertible Capital Appreciation Index Bonds, Convertible Capital Appreciation Bonds and Bonds with other Modes as set forth in a Supplemental Trust Agreement; this Bond is an Auction Rate Security Bond.

Under the Trust Agreement, Additional Bonds and other obligations may be issued on a parity with the Bonds, but subject to the conditions and upon compliance with the procedures set forth in the Trust Agreement. The Bonds and any bonds or other obligations issued on a parity with the Bonds are obligations imposed by law payable from funds to be appropriated by the County pursuant to the Public Employees' Retirement Law, commencing with Section 20000 of the Government Code of the State of California, as amended (the "Retirement Law"). Reference is hereby made to the Act and to the Trust Agreement and any and all amendments thereof and supplements thereto for a description of the terms on which the

Bonds are issued, the rights of the registered owners of the Bonds, security for payment of the Bonds, remedies upon default and limitations thereon, and amendment of the Trust Agreement (with or without consent of the registered owners of the Bonds); and all the terms of the Trust Agreement are hereby incorporated herein and constitute a contract between the County and the registered owner of this Bond, to all the provisions of which the registered owner of this Bond, by acceptance hereof, agrees and consents.

Interest on Auction Rate Securities shall accrue for each Interest Period and shall be payable in arrears, on each succeeding Interest Payment Date. An "Interest Payment Date" for the Bonds means, during the Initial Interest Period, \_\_\_\_\_, \_\_\_\_\_ and thereafter each \_\_\_\_\_ and \_\_\_\_\_ until \_\_\_\_\_ and thereafter \_\_\_\_\_; and shall also mean the maturity date of Auction Rate Securities. An "Interest Period" means, (i) unless otherwise changed as described in the Trust Agreement, the period commencing on the date of the original issuance of the Bonds through and including the last day of the initial Interest Period, the Initial Auction Period and thereafter each successive period of \_\_\_\_\_ days, commencing on a \_\_\_\_\_ (or the day following the last Interest Period, if the prior Interest Period does not end on a \_\_\_\_\_) and ending on (and including) a \_\_\_\_\_ (unless such \_\_\_\_\_ is not followed by a Business Day, in which case the next succeeding day (need not be consecutive) that is followed by a Business Day), and (ii) if the Auction Periods are changed as provided for in the Trust Agreement, each period commencing on an Interest Payment Date and ending on, but excluding, the next succeeding Interest Payment Date. Interest Payment Dates may change in the event of a change in the length of one or more Auction Periods.

Interest on the Bonds during the initial Interest Period and during any Auction Period shall be computed by the Trustee on the basis set forth in a Supplemental Trust Agreement. The Trustee shall make the calculation described above not later than the close of business of each Auction Date.

The rate of interest on the Auction Rate Securities during the Initial Interest Period (which ends on \_\_\_\_\_, \_\_\_\_\_) shall be the rate of \_\_\_\_\_% per annum. The rate of interest on Auction Rate Securities for each Interest Period following the Initial Interest Period (including the Initial Auction Period), shall be equal to the per annum rate of interest that results from implementation of the Auction Procedures described in the Trust Agreement unless the Auction Rate exceeds the Maximum Auction Rate, in which case the rate of interest shall be the Maximum Rate; provided that if on any Auction Date, an Auction is not held for any reason, then the rate of interest for the next succeeding Interest Period will be determined as set forth in a Supplemental Trust Agreement. Notwithstanding the foregoing, (i) if the ownership of Auction Rate Securities is no longer maintained in book-entry form by DTC, the rate of interest on Auction Rate Securities for any Auction Period commencing after the delivery of certificates representing Auction Rate Securities shall equal the Maximum Auction Rate on the Business Day immediately preceding the first day of such Interest Period or (ii) if a Payment Default occurs, Auctions will be suspended and the interest rate for the Interest Period commencing on or after such Payment Default and for each Interest Period thereafter to and including the Interest Period, if any, during which, or commencing less than two Business Days after, such Payment Default is cured will equal the Default Rate. Notwithstanding anything herein to the contrary, no Auction Rate shall exceed the Maximum Auction Rate.

Notwithstanding anything herein to the contrary, if the Auction Rate Securities, or portion thereof, have been selected for redemption during the next succeeding Interest Period, such Auction Rate Security or portion thereof will not be included in the Auction preceding such redemption date, and will bear interest until the redemption date at the rate established for the Interest Period prior to said Auction.

By purchasing Auction Rate Securities, whether in an Auction or otherwise, each prospective purchaser or its Broker-Dealer must agree and will be deemed to have agreed: (i) to participate in Auctions on the terms set forth in the Trust Agreement; (ii) so long as the beneficial ownership of the Auction Rate Securities is maintained in book-entry form by DTC, to sell, transfer or otherwise dispose of Auction Rate Securities only pursuant to a Bid or a Sell Order in an Auction, or to or through a Broker-Dealer, provided that in the Auction Rate Securities so transferred, its Participant or its Broker-Dealer advises the Auction Agent of such transfer; and (iii) to have its beneficial ownership of Bonds maintained at all times in book-entry form by the purchaser for the account of its Participants, which in turn will maintain records of such beneficial ownership, and to authorize such Participants to disclose to the Auction Agent such information with respect to such beneficial ownership as the Auction Agent may request.

Following the Initial Interest Period, Auction Rate Securities will bear interest at the applicable Auction Rate, which will be established for the Initial Auction Period and each Subsequent Auction Period in accordance with the Auction Procedures described in the Trust Agreement; provided, however, that as of the Initial Auction Date, each Existing Owner of Auction Rate Securities will be automatically deemed by the Auction Agent to have submitted a Sell Order for all of the Auction Rate Securities then owned by such Existing Owner unless such Existing Owner, prior to the Submission Deadline, submits a Hold Order to a Broker-Dealer indicating the principal amount of Auction Rate Securities which such Existing Owner desires to continue to hold regardless to the Auction Rate for the next succeeding Interest Period.

During the Initial Interest Period, this Bond is transferable as provided in the Trust Agreement, only upon the books of the Trustee kept for the purpose at the principal corporate trust office of the Trustee, by the registered owner hereof in person, or by his or her duly authorized attorney, upon surrender of this Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his or her duly authorized attorney, and thereupon a new registered Bond or Bonds, in the same aggregate principal amount, Mode and maturity, in the same denomination, or in different authorized denominations equal in the aggregate to the principal amount of this Bond, shall be issued to the transferee in exchange therefor as provided in the Trust Agreement, and upon payment of the charges therein prescribed. During the Initial Interest Period, the Trustee shall not be required to register the transfer or exchange of any Bond during the 15 day period next preceding selection of Bonds for redemption (if applicable) or as to any Bond selected for any redemption.

Following the Initial Interest Period and so long as the ownership of the Auction Rate Securities is maintained in book-entry form by DTC, an Existing Owner may sell, transfer or otherwise dispose of the Bonds only pursuant to a Bid or Sell Order (as defined in the Trust Agreement) placed in an Auction or through a Broker-Dealer, provided that, in the case of all transfers other than pursuant to Auctions, such Existing Owner, its Broker-Dealer or its Participant advises the Auction Agent of such transfer. An Auction shall be conducted on each

Auction Date, if there is an Auction Agent on such Auction Date, in the manner described in the Trust Agreement.

Following the Initial Interest Period, the Market Agent, with the written consent of the County, may change from time to time the length of one or more Auction Periods (an "Auction Period Adjustment"). The Market Agent shall initiate the Auction Period Adjustment by giving written notice to the Trustee, the Auction Agent, the County and DTC at least 10 days prior to the Auction Date for such Auction Period. Any such changed Auction Period shall not be less than seven days.

On any Interest Payment Date, at the option of the County, all, but not less than all, of the Bonds of a [Series][Tranche] may be converted from Auction Rate Securities to Bonds bearing interest at fixed interest rates and on such date (the "Fixed Rate Conversion Date"), the Auction Rate Securities of such [Series][Tranche] will be subject to mandatory tender for purchase at a price of par, plus accrued but unpaid interest (the "Tender Price"). Upon satisfaction of certain conditions set forth in the Trust Agreement, the affected Auction Rate Securities shall be purchased or deemed purchased at their Tender Price.

The Bonds are subject to redemption on the dates, at the redemption prices and pursuant to the terms set forth in the Trust Agreement. Notice of redemption of any Bonds or any portions thereof shall be given as set forth in the Trust Agreement. Failure by the Trustee to give notice pursuant to the Trust Agreement to any one or more of the Information Services, or the insufficiency of any such notice or the failure of any registered owner to receive any redemption notice mailed to such registered owner or any immaterial defect in the notice so mailed shall not affect the sufficiency of the proceedings for the redemption of any Bonds.

This Bond is transferable only on a register to be kept for that purpose at the above-mentioned office of the Trustee by the registered owner hereof in person or by his duly authorized attorney upon payment of the charges provided in the Trust Agreement and upon surrender of this Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney, and thereupon a new fully registered Bond or Bonds in the same aggregate principal amount of authorized denominations will be issued to the transferee in exchange therefor. The County and the Trustee may deem and treat the registered owner hereof as the absolute owner hereof for the purpose of receiving payment of the interest hereon and principal hereof and for all other purposes, whether or not this Bond shall be overdue, and neither the County nor the Trustee shall be affected by any notice or knowledge to the contrary; and payment of the interest on and principal of this Bond shall be made only to such registered owner, which payments shall be valid and effectual to satisfy and discharge liability on this Bond to the extent of the sum or sums so paid.

This Bond shall not be entitled to any benefit, protection or security under the Trust Agreement or become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been executed and dated by the Trustee.

It is hereby certified that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do

exist, have happened and have been performed in due time, form and manner as required by law and that the amount of this Bond, together with all other indebtedness of the County, does not exceed any limit prescribed by the Constitution or laws of the State of California and is not in excess of the amount of Bonds permitted to be issued under the Trust Agreement.

IN WITNESS WHEREOF, the COUNTY OF ORANGE has caused this Bond to be executed in its name and on its behalf by the facsimile signature of the Authorized Officer and to be countersigned by the facsimile signature of the Clerk of the Board of County of Orange, and has caused this Bond to be dated as of the original issue date specified above.

COUNTY OF ORANGE

By \_\_\_\_\_

Countersigned

\_\_\_\_\_  
Clerk of the Board

[FORM OF CERTIFICATE OF AUTHENTICATION]

This is one of the Bonds described in the within-mentioned Trust Agreement which has been authenticated on \_\_\_\_\_.

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

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

[FORM OF ASSIGNMENT]

For value received the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_ (Taxpayer Identification Number: \_\_\_\_\_) the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer the within bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated:

Note: The signature to this Assignment must correspond with the name as written on the face of the Bond in every particular, without alteration or enlargement or any change whatever.

Signature Guaranteed: \_\_\_\_\_

Notice: Signature must be guaranteed by an eligible guarantor institution.

[FORM OF NOTICE OF PAYMENT DEFAULT]

VIA FACSIMILE OR E-MAIL

To: Auction Agent

Broker Dealer(s)

NOTICE IS HEREBY GIVEN that a Payment Default has occurred in connection with the above-referenced Bonds of the County of Orange (the "County") as specified in the Trust Agreement, dated as of January 1, 2007, between the County and Bank of New York Trust Company, N.A., as trustee (the "Trustee"), and has not been cured.

Determination of the interest rate on the Auction Rate Securities pursuant to the Auction Procedures will be suspended. The interest rate on the Auction Rate Securities for each Auction Interest Period commencing after will equal the Non-Payment Rate as it is determined by the Trustee on the first day of such Auction Interest Period. All terms used herein and not otherwise defined shall have the meanings given such terms in the Trust Agreement.

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

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

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

cc: County of Orange

[NOTICE OF CURE OF PAYMENT DEFAULT]

VIA FACSIMILE OR E-MAIL

To: Auction Agent

Broker Dealer(s)

NOTICE IS HEREBY GIVEN that the Payment Default previously reported in connection with the above-referenced Bonds of the County of Orange (the "County") as specified in the Trust Agreement, dated as of January 1, 2007, between the County and Bank of New York Trust Company, N.A., as trustee (the "Trustee"), has been cured.

Dated:

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

By \_\_\_\_\_

Authorized Signatory

cc: County of Orange

**EXHIBIT E**

**[FORM OF INDEX BOND]**

**COUNTY OF ORANGE  
TAXABLE PENSION OBLIGATION BONDS  
[SERIES DESIGNATION]**

No. R-\_\_

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

THE OBLIGATIONS OF THE COUNTY OF ORANGE HEREUNDER, INCLUDING THE OBLIGATION TO MAKE ALL PAYMENTS OF INTEREST AND PRINCIPAL WHEN DUE, ARE OBLIGATIONS OF THE COUNTY OF ORANGE IMPOSED BY LAW AND ARE ABSOLUTE AND UNCONDITIONAL, WITHOUT ANY RIGHT OF SET-OFF OR COUNTER CLAIM. THIS BOND DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY OF ORANGE FOR WHICH THE COUNTY OF ORANGE IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY OF ORANGE HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATION OF THE COUNTY OF ORANGE TO MAKE PAYMENTS ON THE BONDS CONSTITUTE AN INDEBTEDNESS OF THE COUNTY OF ORANGE, THE STATE OF CALIFORNIA, OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Original Issue Date</u>	<u>CUSIP</u>
LIBOR plus ____%			

REGISTERED OWNER:

PRINCIPAL SUM:           DOLLARS

The County of Orange, duly organized and validly existing under and pursuant to the Constitution and laws of the State of California (the "County"), for value received hereby, promises to pay to the registered owner identified above or registered assigns, on the maturity date specified above (subject to any right of prior redemption hereinafter provided for) the principal sum specified above, together with interest on such principal sum from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond (unless this Bond is authenticated as of an Interest Payment Date or during the period from the

sixteenth day of the month preceding an Interest Payment Date to such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless this Bond is authenticated prior to the first Interest Payment Date, in which event it shall bear interest from the original issue date specified above) until the principal hereof shall have been paid. This Bond is issued as an Index Bond, and will bear interest at the Index Rate established pursuant to the Trust Agreement. Interest on Index Bonds will accrue for each Index Rate Period or portion thereof and will be payable in arrears on each succeeding Interest Payment Date. The length of an Index Rate Period may be adjusted pursuant to the Trust Agreement. Interest due on or before the maturity or prior redemption of this Bond shall be payable only by check mailed on the Interest Payment Date by first-class mail to the registered owner hereof; provided that upon the written request of an Owner of \$1,000,000 or more in aggregate principal amount of Bonds received by the Trustee prior to the applicable record date, interest shall be paid to such Owner by wire transfer in immediately available funds. The principal hereof is payable in lawful money of the United States of America at the Corporate Trust Office of the Trustee. \_\_\_\_\_ shall serve as initial Calculation Agent for the Index Bonds (the "Calculation Agent"); for so long as there are Index Bonds, either \_\_\_\_\_ or another designated member of the National Association of Securities Dealers shall serve the County in the capacity of Calculation Agent.

On each Index Rate Determination Date following the date of delivery of this Bond, until the end of the applicable Interest Rate Period for Index Bonds (each, an "Index Adjustment Date"), the Calculation Agent will (i) calculate the interest rate applicable to this Bond, based on the above LIBOR Percentage (being the designated percentage of LIBOR or LIBOR Spread, as set forth in a Supplemental Trust Agreement), and (ii) notify the Trustee of such interest rate for the upcoming Interest Rate Period.

The Trust Agreement provides for the setting of an alternate rate for Index Bonds, in the event that LIBOR is no longer a published index.

This Bond is one of a duly authorized issue of bonds of the County designated as its "Taxable Pension Obligation Bonds, [Series Designation]" (the "Bonds") in aggregate principal amount of \_\_\_\_\_ dollars (\$ \_\_\_\_\_), all of like tenor and date (except for variations relating to numbers, maturities and interest rates), and is issued under and pursuant to the provisions of Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California and all laws amendatory thereof or supplemental thereto (the "Act") and under and pursuant to the provisions of a trust agreement, dated as of January 1, 2007 (the "Trust Agreement"), between the County and Bank of New York Trust Company, N.A., as trustee (the "Trustee") (copies of which are on file at the Corporate Trust Office of the Trustee). The Bonds and any Additional Bonds may be issued as Standard Bonds, Capital Appreciation Bonds, Listed Securities, Auction Rate Securities, Index Bonds, Convertible Capital Appreciation Index Bonds, Convertible Capital Appreciation Bonds and Bonds with other Modes as set forth in a Supplemental Trust Agreement; this Bond is an Index Bond.

Under the Trust Agreement, Additional Bonds and other obligations may be issued on a parity with the Bonds, but subject to the conditions and upon compliance with the procedures set forth in the Trust Agreement. The Bonds and any bonds or other obligations issued on a parity with the Bonds are obligations imposed by law payable from funds to be

appropriated by the County pursuant to the County Employees Retirement Law of 1937, being Chapter 3 of Division 4 of Title 3 of the Government Code of the State of California, as amended (the "Retirement Law"). Reference is hereby made to the Act and to the Trust Agreement and any and all amendments thereof and supplements thereto for a description of the terms on which the Bonds are issued, the rights of the registered owners of the Bonds, security for payment of the Bonds, remedies upon default and limitations thereon, and amendment of the Trust Agreement (with or without consent of the registered owners of the Bonds); and all the terms of the Trust Agreement are hereby incorporated herein and constitute a contract between the County and the registered owner of this Bond, to all the provisions of which the registered owner of this Bond, by acceptance hereof, agrees and consents.

The Bonds are subject to redemption on the dates, at the redemption prices and pursuant to the terms set forth in the Trust Agreement. Notice of redemption of any Bonds or any portions thereof shall be given as set forth in the Trust Agreement. Failure by the Trustee to give notice pursuant to the Trust Agreement to any one or more of the Information Services, or the insufficiency of any such notice or the failure of any registered owner to receive any redemption notice mailed to such registered owner or any immaterial defect in the notice so mailed shall not affect the sufficiency of the proceedings for the redemption of any Bonds.

This Bond is transferable only on a register to be kept for that purpose at the above-mentioned office of the Trustee by the registered owner hereof in person or by his duly authorized attorney upon payment of the charges provided in the Trust Agreement and upon surrender of this Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney, and thereupon a new fully registered Bond or Bonds in the same aggregate principal amount of authorized denominations will be issued to the transferee in exchange therefor. The County and the Trustee may deem and treat the registered owner hereof as the absolute owner hereof for the purpose of receiving payment of the interest hereon and principal hereof and for all other purposes, whether or not this Bond shall be overdue, and neither the County nor the Trustee shall be affected by any notice or knowledge to the contrary; and payment of the interest on and principal of this Bond shall be made only to such registered owner, which payments shall be valid and effectual to satisfy and discharge liability on this Bond to the extent of the sum or sums so paid.

This Bond shall not be entitled to any benefit, protection or security under the Trust Agreement or become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been executed and dated by the Trustee.

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

IN WITNESS WHEREOF, the COUNTY OF ORANGE has caused this Bond to be executed in its name and on its behalf by the facsimile signature of the Authorized Officer and to be countersigned by the facsimile signature of the Clerk of the Board of County of Orange, and has caused this Bond to be dated as of the original issue date specified above.

COUNTY OF ORANGE

By \_\_\_\_\_

Countersigned

\_\_\_\_\_  
Clerk of the Board

[FORM OF CERTIFICATE OF AUTHENTICATION]

This is one of the Bonds described in the within-mentioned Trust Agreement which has been authenticated on \_\_\_\_\_.

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

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

**EXHIBIT F**

**FORM OF CONVERTIBLE CAPITAL APPRECIATION  
INDEX BOND**

**COUNTY OF ORANGE  
TAXABLE PENSION OBLIGATION BONDS  
[SERIES DESIGNATION]**

No. R-\_\_

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

THE OBLIGATIONS OF THE COUNTY OF ORANGE  
HEREUNDER, INCLUDING THE OBLIGATION TO MAKE  
ALL PAYMENTS OF INTEREST AND PRINCIPAL WHEN  
DUE, ARE OBLIGATIONS OF THE COUNTY OF ORANGE  
IMPOSED BY LAW AND ARE ABSOLUTE AND  
UNCONDITIONAL, WITHOUT ANY RIGHT OF SET-OFF OR  
COUNTER CLAIM. THIS BOND DOES NOT CONSTITUTE  
AN OBLIGATION OF THE COUNTY OF ORANGE FOR  
WHICH THE COUNTY OF ORANGE IS OBLIGATED TO  
LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR  
WHICH THE COUNTY OF ORANGE HAS LEVIED OR  
PLEGGED ANY FORM OF TAXATION. NEITHER THE  
BONDS NOR THE OBLIGATION OF THE COUNTY OF  
ORANGE TO MAKE PAYMENTS ON THE BONDS  
CONSTITUTE AN INDEBTEDNESS OF THE COUNTY OF  
ORANGE, THE STATE OF CALIFORNIA, OR ANY OF ITS  
POLITICAL SUBDIVISIONS WITHIN THE MEANING OF  
ANY CONSTITUTIONAL OR STATUTORY DEBT  
LIMITATION OR RESTRICTION.

**Index Rate                      Maturity Date                      Original Issue Date                      Full Accretion Date**

The County of Orange (the "County"), organized and existing under the Constitution and laws of the State of California, for value received hereby promises to pay in lawful money of the United States of America to the registered owner specified above, or registered assigns, the Maturity Amount (as defined in the Trust Agreement) on the Maturity Date specified above, or upon earlier redemption or tender thereof, calculated as set forth in the Trust Agreement (as hereinafter defined), in lawful money of the United States of America, and interest on such Maturity Amount after the Full Accretion Date specified above payable in like money at the Index Rates established pursuant to the procedures set forth in the Trust Agreement.

This Bond is issued as a convertible capital appreciation index bond. Prior to the Full Accretion Date, this Bond shall not pay current interest but shall compound interest at Index Rates on the basis of a 360 day year and actual days elapsed, compounded on the first Business Day of each month commencing \_\_\_\_\_ 1, \_\_\_\_\_, until the Full Accretion Date. On the Full Accretion Date, this Bond shall be converted to an index bond bearing interest on the Maturity Amount at an initial Index Rate set by the Calculation Agent as set forth in the Trust Agreement, payable on (i) the first Business Day of each month, commencing \_\_\_\_\_ 1, \_\_\_\_\_, and (ii) the date any Bonds mature or are redeemed or are otherwise paid in full (the "Interest Payment Date").

The Index Rate calculated by the Calculation Agent, absent manifest error, shall be binding and conclusive upon the Owners, the County, the Calculation Agent and the Trustee. The interest rate on the Series 2006 Bonds shall not exceed the Maximum Rate.

This Bond is one of a duly authorized issue of bonds of the County designated as its "Taxable Pension Obligation Bonds, [Series Designation]" (the "Bonds") in aggregate principal amount of \_\_\_\_\_ dollars (\$ \_\_\_\_\_), all of like tenor and date (except for variations relating to numbers, maturities and interest rates), and is issued under and pursuant to the provisions of Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California and all laws amendatory thereof or supplemental thereto (the "Act") and under and pursuant to the provisions of a trust agreement, dated as of January 1, 2007 (the "Trust Agreement"), between the County and Bank of New York Trust Company, N.A., as trustee (the "Trustee") (copies of which are on file at the Corporate Trust Office of the Trustee). The Bonds and Additional Bonds may be issued as Standard Bonds, Capital Appreciation Bonds, Listed Securities, Auction Rate Securities, Index Bonds, Convertible Capital Appreciation Index Bonds, Convertible Capital Appreciation Bonds and Bonds with other Modes as set forth in a Supplemental Trust Agreement; this Bond is a Convertible Capital Appreciation Index Bond.

Under the Trust Agreement, Additional Bonds and other obligations may be issued on a parity with the Bonds, but subject to the conditions and upon compliance with the procedures set forth in the Trust Agreement. The Bonds and any bonds or other obligations issued on a parity with the Bonds are obligations imposed by law payable from funds to be appropriated by the County pursuant to the County Employees Retirement Law of 1937, being Chapter 3 of Division 4 of Title 3 of the Government Code of the State of California, as amended (the "Retirement Law"). Reference is hereby made to the Act and to the Trust Agreement and any and all amendments thereof and supplements thereto for a description of the terms on which the Bonds are issued, the rights of the registered owners of the Bonds, security for payment of the Bonds, remedies upon default and limitations thereon, and amendment of the Trust Agreement (with or without consent of the registered owners of the Bonds); and all the terms of the Trust Agreement are hereby incorporated herein and constitute a contract between the County and the registered owner of this Bond, to all the provisions of which the registered owner of this Bond, by acceptance hereof, agrees and consents.

The Bonds are subject to redemption on the dates, at the redemption prices and pursuant to the terms set forth in the Trust Agreement. Notice of redemption of any Bonds or any portions thereof shall be given as set forth in the Trust Agreement. Failure by the Trustee to

give notice pursuant to the Trust Agreement to any one or more of the Information Services, or the insufficiency of any such notice or the failure of any registered owner to receive any redemption notice mailed to such registered owner or any immaterial defect in the notice so mailed shall not affect the sufficiency of the proceedings for the redemption of any Bonds.

This Bond is transferable only on a register to be kept for that purpose at the above-mentioned office of the Trustee by the registered owner hereof in person or by his duly authorized attorney upon payment of the charges provided in the Trust Agreement and upon surrender of this Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney, and thereupon a new fully registered Bond or Bonds in the same aggregate principal amount of authorized denominations will be issued to the transferee in exchange therefor. The County and the Trustee may deem and treat the registered owner hereof as the absolute owner hereof for the purpose of receiving payment of the interest hereon and principal hereof and for all other purposes, whether or not this Bond shall be overdue, and neither the County nor the Trustee shall be affected by any notice or knowledge to the contrary; and payment of the interest on and principal of this Bond shall be made only to such registered owner, which payments shall be valid and effectual to satisfy and discharge liability on this Bond to the extent of the sum or sums so paid.

This Bond shall not be entitled to any benefit, protection or security under the Trust Agreement or become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been executed and dated by the Trustee.

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

IN WITNESS WHEREOF, the COUNTY OF ORANGE has caused this Bond to be executed in its name and on its behalf by the facsimile signature of the respective officers and to be countersigned by the facsimile signature of the Clerk of the Board of the County of Orange, and has caused this Bond to be dated as of the original issue date specified above.

COUNTY OF ORANGE

By \_\_\_\_\_

Countersigned

\_\_\_\_\_  
Clerk of the Board

[FORM OF CERTIFICATE OF AUTHENTICATION]

This is one of the Bonds described in the within-mentioned Trust Agreement which has been authenticated on \_\_\_\_\_.

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

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

[FORM OF ASSIGNMENT]

For value received the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_ (Taxpayer Identification Number: \_\_\_\_\_) the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer the within bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated:

Note: The signature to this Assignment must correspond with the name as written on the face of the Bond in every particular, without alteration or enlargement or any change whatever.

Signature Guaranteed: \_\_\_\_\_

Notice: Signature must be guaranteed by an eligible guarantor institution.

**EXHIBIT G**

**FORM OF CONVERTIBLE CAPITAL APPRECIATION BOND**

**COUNTY OF ORANGE  
TAXABLE PENSION OBLIGATION BONDS  
[SERIES DESIGNATION]**

No. R-\_\_

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

THE OBLIGATIONS OF THE COUNTY OF ORANGE  
HEREUNDER, INCLUDING THE OBLIGATION TO MAKE  
ALL PAYMENTS OF INTEREST AND PRINCIPAL WHEN  
DUE, ARE OBLIGATIONS OF THE COUNTY OF ORANGE  
IMPOSED BY LAW AND ARE ABSOLUTE AND  
UNCONDITIONAL, WITHOUT ANY RIGHT OF SET-OFF OR  
COUNTER CLAIM. THIS BOND DOES NOT CONSTITUTE  
AN OBLIGATION OF THE COUNTY OF ORANGE FOR  
WHICH THE COUNTY OF ORANGE IS OBLIGATED TO  
LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR  
WHICH THE COUNTY OF ORANGE HAS LEVIED OR  
PLEDGED ANY FORM OF TAXATION. NEITHER THE  
BONDS NOR THE OBLIGATION OF THE COUNTY OF  
ORANGE TO MAKE PAYMENTS ON THE BONDS  
CONSTITUTE AN INDEBTEDNESS OF THE COUNTY OF  
ORANGE, THE STATE OF CALIFORNIA, OR ANY OF ITS  
POLITICAL SUBDIVISIONS WITHIN THE MEANING OF  
ANY CONSTITUTIONAL OR STATUTORY DEBT  
LIMITATION OR RESTRICTION.

<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Original Issue Date</b>	<b>Full Accretion Date</b>	<b>Maturity Amount</b>
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The County of Orange (the "County"), organized and existing under the Constitution and laws of the State of California, for value received hereby promises to pay in lawful money of the United States of America to the registered owner specified above, or registered assigns, the Maturity Amount specified above on the Maturity Date specified above, or upon earlier redemption or tender thereof, calculated as set forth in the Trust Agreement (as hereinafter defined), in lawful money of the United States of America, and interest on such Maturity Amount after the Full Accretion Date specified above payable in like money at the Interest Rate specified above.

This Bond is issued as a convertible capital appreciation bond. Prior to the Full Accretion Date, this Bond shall not pay current interest but shall compound interest at the interest rate of \_\_\_% per annum on the basis of a 360 day year and actual days elapsed, compounded on the first Business Day of each month commencing \_\_\_\_\_ 1, \_\_\_\_, until the Full Accretion Date. On the Full Accretion Date, this Bond shall be converted to a bond bearing interest on the Maturity Amount, which shall be payable on (i) the first Business Day of each month, commencing \_\_\_\_\_ 1, \_\_\_\_, and (ii) the date any Bonds mature or are redeemed or are otherwise paid in full (the "Interest Payment Date").

This Bond is one of a duly authorized issue of bonds of the County designated as its "Taxable Pension Obligation Bonds, [Series Designation]" (the "Bonds") in aggregate principal amount of \_\_\_\_\_ dollars (\$\_\_\_\_\_), all of like tenor and date (except for variations relating to numbers, maturities and interest rates), and is issued under and pursuant to the provisions of Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California and all laws amendatory thereof or supplemental thereto (the "Act") and under and pursuant to the provisions of a trust agreement, dated as of January 1, 2007 (the "Trust Agreement"), between the County and Bank of New York Trust Company, N.A., as trustee (the "Trustee") (copies of which are on file at the Corporate Trust Office of the Trustee). The Bonds and Additional Bonds may be issued as Standard Bonds, Capital Appreciation Bonds, Listed Securities, Auction Rate Securities, Index Bonds, Convertible Capital Appreciation Index Bonds, Convertible Capital Appreciation Bonds and Bonds with other Modes as set forth in a Supplemental Trust Agreement; this Bond is a Convertible Capital Appreciation Bond.

Under the Trust Agreement, Additional Bonds and other obligations may be issued on a parity with the Bonds, but subject to the conditions and upon compliance with the procedures set forth in the Trust Agreement. The Bonds and any bonds or other obligations issued on a parity with the Bonds are obligations imposed by law payable from funds to be appropriated by the County pursuant to the County Employees Retirement Law of 1937, being Chapter 3 of Division 4 of Title 3 of the Government Code of the State of California, as amended (the "Retirement Law"). Reference is hereby made to the Act and to the Trust Agreement and any and all amendments thereof and supplements thereto for a description of the terms on which the Bonds are issued, the rights of the registered owners of the Bonds, security for payment of the Bonds, remedies upon default and limitations thereon, and amendment of the Trust Agreement (with or without consent of the registered owners of the Bonds); and all the terms of the Trust Agreement are hereby incorporated herein and constitute a contract between the County and the registered owner of this Bond, to all the provisions of which the registered owner of this Bond, by acceptance hereof, agrees and consents.

The Bonds are subject to redemption on the dates, at the redemption prices and pursuant to the terms set forth in the Trust Agreement. Notice of redemption of any Bonds or any portions thereof shall be given as set forth in the Trust Agreement. Failure by the Trustee to give notice pursuant to the Trust Agreement to any one or more of the Information Services, or the insufficiency of any such notice or the failure of any registered owner to receive any redemption notice mailed to such registered owner or any immaterial defect in the notice so mailed shall not affect the sufficiency of the proceedings for the redemption of any Bonds.

The Bonds are subject to optional tender on the date, at the tender price and pursuant to the terms set forth in the Trust Agreement.

This Bond is transferable only on a register to be kept for that purpose at the above-mentioned office of the Trustee by the registered owner hereof in person or by his duly authorized attorney upon payment of the charges provided in the Trust Agreement and upon surrender of this Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney, and thereupon a new fully registered Bond or Bonds in the same aggregate principal amount of authorized denominations will be issued to the transferee in exchange therefor. The County and the Trustee may deem and treat the registered owner hereof as the absolute owner hereof for the purpose of receiving payment of the interest hereon and principal hereof and for all other purposes, whether or not this Bond shall be overdue, and neither the County nor the Trustee shall be affected by any notice or knowledge to the contrary; and payment of the interest on and principal of this Bond shall be made only to such registered owner, which payments shall be valid and effectual to satisfy and discharge liability on this Bond to the extent of the sum or sums so paid.

This Bond shall not be entitled to any benefit, protection or security under the Trust Agreement or become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been executed and dated by the Trustee.

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

IN WITNESS WHEREOF, the COUNTY OF ORANGE has caused this Bond to be executed in its name and on its behalf by the facsimile signature of the respective officers and to be countersigned by the facsimile signature of the Clerk of the Board of the County of Orange, and has caused this Bond to be dated as of the original issue date specified above.

COUNTY OF ORANGE

By \_\_\_\_\_

Countersigned

\_\_\_\_\_  
Clerk of the Board

[FORM OF CERTIFICATE OF AUTHENTICATION]

This is one of the Bonds described in the within-mentioned Trust Agreement which has been authenticated on \_\_\_\_\_.

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

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

[FORM OF ASSIGNMENT]

For value received the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_ (Taxpayer Identification Number: \_\_\_\_\_) the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer the within bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated:

Note: The signature to this Assignment must correspond with the name as written on the face of the Bond in every particular, without alteration or enlargement or any change whatever.

Signature Guaranteed: \_\_\_\_\_

Notice: Signature must be guaranteed by an eligible guarantor institution.

## EXHIBIT H

### PROVISIONS RELATING TO AUCTION RATE SECURITIES

The following definitions shall apply to this Exhibit H in addition to the definitions found in Section 1.01 of this Trust Agreement.

#### All-Hold Rate

The term "All-Hold Rate" means, on any date of determination, the interest rate per annum equal to the percentage set forth in a Supplemental Trust Agreement; provided that in no event shall the All-Hold Rate be more than the Maximum Auction Rate.

#### Applicable Auction Rate

The term "Applicable Auction Rate" means the rate per annum at which interest accrues with respect to the Auction Rate Securities of each Tranche for any Auction Interest Period.

#### Applicable Percentage

The term "Applicable Percentage" means, on any date of determination, the percentage (as such percentage may be adjusted pursuant hereto) based upon the prevailing rating of the Auction Rate Securities in effect at the close of business on the Business Day immediately preceding such date.

PREVAILING RATINGS	APPLICABLE PERCENTAGE
"Aaa"/"AAA"	[Set forth in a Supplemental Trust Agreement]
"Aa"/"AA"	
"A"/"A"	
"Baa"/"BBB"	
Below "Baa"/Below "BBB"	

For purposes of this definition, the "prevailing rating" of the Auction Rate Securities will be:

(iii) "AAA"/ "Aaa," if the Auction Rate Securities have a rating of "AAA" by S&P or Fitch and a rating of "Aaa" by Moody's, or the equivalent of such ratings by a substitute rating agency or agencies selected as provided below:

(iv) if not "AA"/ "Aaa," then "AA"/ "Aa," if the Auction Rate Securities have a rating of "AA-" or better by S&P or Fitch and a rating of "Aa" or better by Moody's, or the equivalent of such ratings by a substitute Rating Agency or Agencies selected as provided below;

(v) if not "AAA"/ "Aaa" or "AA"/ "Aa," then "A"/ "A," if the Auction Rate Securities have a rating of "A-" or better by S&P or Fitch and a rating of "A" or

better by Moody's, or the equivalent of such ratings by a substitute Rating Agency or Agencies selected as provided below;

(vi) if not "AAA"/ "Aaa," "AA"/ "Aa," or "A"/ "A," then "BBB"/ "Baa" If the Auction Rate Securities have a rating of "BBB-" or better by S&P or Fitch and a rating of "Baa" or better by Moody's, or the equivalent of such ratings by a substitute Rating Agency or Agencies selected as provided below; and

(vii) if not any of the foregoing ratings, then below "BBB"/"Baa," whether or not the Auction Rate Securities are rated by any Rating Agency.

#### Auction

The term "Auction" means the implementation of the Auction Procedures on an Auction Date.

#### Auction Agent Agreement

The term "Auction Agent Agreement" means the initial Auction Agent Agreement for Auction Rate Securities identified in a Supplemental Trust Agreement, unless and until a substitute Auction Agent Agreement acceptable to the Broker-Dealer and the Insurer is entered into, after which "Auction Agent Agreement" shall mean such substitute Auction Agent Agreement in each case as from time to time amended or supplemented.

#### Auction Agent

The term "Auction Agent" means the initial Auction Agent for the Auction Rate Securities identified in a Supplemental Trust Agreement, unless and until a substitute Auction Agent Agreement, acceptable to the Broker-Dealer and the Insurer, becomes effective, after which "Auction Agent" shall mean the related substitute Auction Agent.

#### Auction Agent Fee

The term "Auction Agent Fee" means the fee set forth in the applicable Auction Agent Agreement.

#### Auction Date

The term "Auction Date" means the Business Day immediately preceding the first day of each Auction Interest Period for each Tranche of Auction Rate Securities, other than:

(a) each Auction Interest Period for each Tranche commencing after the ownership of the Auction Rate Securities is no longer maintained in book-entry form by the Securities Depository; or

(b) each Auction Interest Period commencing after the occurrence and during the continuance of a Payment Default; or

(c) any Auction Interest Period commencing less than two Business Days after the cure or waiver of a Payment Default.

#### Auction Documents

The term “Auction Documents” means, collectively, the Auction Agent Agreement, each Broker-Dealer Agreement and each Market Agent Agreement, in each case, as supplemented or amended from time to time.

#### Auction Interest Period

The term “Auction Interest Period” or “Interest Period” means, as to the applicable Auction Rate Securities of a Tranche, each period during which a specific Auction Rate is in effect, as a result of an Auction, for such Tranche of Auction Rate Securities, which Auction Interest Period may be a 7-, 14-, 21-, 28- or 35-day period or such other period as may be designated from time to time by the County and the Market Agent with the consent of the Insurer pursuant to an Auction Period Adjustment for a Tranche of Auction Rate Securities, each Auction Interest Period running from, and including, the Rate Adjustment Date and ending on, and including, the day immediately preceding the next succeeding Rate Adjustment Date; provided that the initial Auction Interest Period, if any, shall be as stated in a Supplemental Trust Agreement.

#### Auction Period Adjustment

The term “Auction Period Adjustment” means an adjustment to the length of an Auction Interest Period implemented by the County and the Market Agent pursuant to this Trust Agreement and the Market Agent Agreement as described below under Section 2.10 of this Exhibit H.

#### Auction Procedures

The term “Auction Procedures” means the Auction and Settlement Procedures set forth in the Auction Agent Agreement.

#### Auction Rate

The term “Auction Rate” means, as to the interest rate with respect to the applicable Tranche of Auction Rate Securities, the rate of interest per annum that results from implementation of the Auction Procedures with respect to such Tranche of Auction Rate Securities, and determined as described in Section 2.03 or 2.04 of this Exhibit H; provided, however, that the Auction Rate shall not exceed 17% per annum or the Maximum Auction Rate, if lower than 17% per annum.

#### Auction Rate Period

The term “Auction Rate Period” means the Initial Auction Rate Period and any Subsequent Auction Rate Period, including 7-, 14-, 21-, 28- and 35-day periods.

### Broker-Dealer

The term “Broker-Dealer” means any broker or dealer (each as defined in the Securities Exchange Act of 1934), commercial bank or other entity permitted by law to perform the functions required of a Broker-Dealer set forth in the Auction Procedures which is an “Authorized Broker-Dealer” under the Broker-Dealer Agreement, and which:

(d) is a Securities Depository System Participant (or an affiliate of a Securities Depository System Participant);

(e) has been appointed as such by the County and approved by the Insurer pursuant to Section 2.16 of this Exhibit H; and

(f) has entered into a Broker-Dealer Agreement that is in effect on the date of reference.

When used herein at a time when more than one Broker-Dealer is acting under the Trust Agreement, the term “the Broker-Dealer” shall mean, as the context dictates, either all such Broker-Dealers collectively, or only each Broker-Dealer acting with respect to the applicable Auction Rate Securities.

### Broker-Dealer Agreement

The term “Broker-Dealer Agreement” means each agreement between the Auction Agent and the applicable Broker-Dealer relating to the Auction Rate Securities pursuant to which the Broker-Dealer agrees to participate in Auctions as set forth in the Auction Procedures, as from time to time amended or supplemented, with the consent of the Insurer.

### Broker-Dealer Fee

The term “Broker-Dealer Fee” means the fee set forth in the applicable Broker-Dealer Agreement.

### Date of Interest Accrual

The term “Date of Interest Accrual” means the first day of any Rate Period for Auction Rate Securities.

### Existing Owners

The term “Existing Owners” means, with respect to Auction Rate Securities, those registered owners of such Auction Rate Securities as of the day prior to each Auction Date.

### Existing Owners Registry

The term “Existing Owners Registry” means, with respect to each Tranche of Auction Rate Securities, the registry of Persons who are Existing Owners of the related Tranche

of Auction Rate Securities, maintained by the Auction Agent as provided in the applicable Auction Agent Agreement.

Fixed Rate Conversion

The term “Fixed Rate Conversion” means the conversion of the interest rate mode for the Bonds issued as Auction Rate Securities to a Fixed Rate.

Fixed Rate Conversion Date

The term “Fixed Rate Conversion Date” means the date upon which a Fixed Rate Conversion occurs.

Initial Auction Rate Period

The term “Initial Auction Rate Period” means with respect to Auction Rate Securities, the period from and including the Closing Date on such Auction Rate Securities to but excluding the later of (a) the Initial Interest Payment Date or (b) the first day of the subsequent Auction Rate Period for such Auction Rate Securities.

Initial Interest Payment Date

The term “Initial Interest Payment Date,” with respect to Auction Rate Securities, refers to the initial Interest Payment Date for such Auction Rate Securities set forth in a Supplemental Trust Agreement.

Insurer

The term “Insurer,” means the municipal bond insurer or other credit enhancer, if any, for a Series of Auction Rate Securities.

Market Agent

The term “Market Agent” means the market agent or market agents appointed pursuant to Section 2.14 of this Exhibit H, their successors and assigns.

Market Agent Agreement

The term “Market Agent Agreement” means any Market Agent Agreement entered into with respect to Auction Rate Securities, including that certain Market Agent Agreement delivered on the Closing Date, as it may from time to time be amended or supplemented, with the Insurer’s consent.

Maximum Auction Rate

The term “Maximum Auction Rate,” on any date of determination for any Auction Rate Period, means the interest rate per annum equal to the lowest on such date of:

- (viii) the Applicable Percentage of LIBOR on such date, unless:

- such Auction Rate Period is proposed to be a Special Auction Rate Period, in which case, the Applicable Percentage is applied to:

- (ix) the higher of (I) the Reference Rate for an Auction Rate Period equal in length to the then-ending Auction Rate Period on such date and (II) LIBOR, if any, for an Auction Rate Period equal in length to the then-ending Auction Rate Period on such date;

- (x) the higher of (I) the Reference Rate for such Special Auction Rate Period on such date and (II) LIBOR, if any, for such Special Auction Rate Period on such date; and

- (xi) the higher of (I) the Reference Rate for a Standard Auction Rate Period on such date and (II) LIBOR, if any, for a Standard Auction Rate Period on such date; or

- such Auction Rate Period succeeds a Special Auction Rate Period and an Auction for a Standard Auction Rate Period at which Sufficient Clearing Bids existed has not occurred since such Special Auction Rate Period, in which case, the higher of:

- (xii) the Auction Rate for the then-ending Auction Rate Period; and

- (xiii) the Applicable Percentage of the higher of (I) the higher of (aa) the Reference Rate for an Auction Rate Period equal in length to the then-ending Auction Rate Period on such date and (bb) LIBOR, if any, for an Auction Rate Period equal in length to the then-ending Auction Rate Period on such date and (II) the higher of (aa) the Reference Rate for an Auction Rate Period equal in length to such Special Auction Rate Period and (bb) LIBOR, if any, for an Auction Rate Period equal in length to such Special Auction Rate Period;

- (xiv) 17% per annum; and

- (xv) the maximum rate, if any, established under the laws of the State for obligations of public agencies such as the County.

#### Minimum Auction Rate

The term “Minimum Auction Rate,” on any date of determination, means the rate per annum as set forth in a Supplemental Trust Agreement; provided, however, that in no event shall such Minimum Auction Rate exceed the lesser of (i) 17% per annum, and (ii) the maximum rate, if any, established under the laws of the State for obligations of public agencies such as the County.

#### Non-Payment Rate

The term “Non-Payment Rate” means, for Auction Rate Securities of each Tranche, on any date of determination, the interest rate per annum equal to the Maximum

Auction Rate, provided that in no event shall the Non-Payment Rate be more than the maximum rate permitted by State law.

#### Notice of Cure of Payment Default

The term “Notice of Cure of Payment Default” means a notice substantially in the form appended to the form of Auction Rate Security in Exhibit D.

#### Notice of Payment Default

The term “Notice of Payment Default” means a written notice as to a payment default of Auction Rate Securities, in form and substance acceptable to the applicable Auction Agent.

#### Notice of Percentage Change

The term “Notice of Percentage Change” means a written notice to the Trustee, the Broker-Dealer and the Auction Agent substantially in the form set forth in Exhibit I hereto.

#### Overdue Rate

The term “Overdue Rate” means, as to any Auction Rate Securities, on any date of determination and for any Standard Auction Rate Period, the interest rate per annum equal to 265% of the Reference Rate equal in length to the then-ending Standard Auction Rate Period, and for any Special Auction Rate Period, the interest rate per annum equal to 265% of LIBOR equal in length to the then-ending Special Auction Rate Period; provided that in no event shall the Overdue Rate exceed the lesser of (1) 17% per annum and (2) the maximum rate on such date permitted by State law for public agencies such as the County.

#### Payment Default

The term “Payment Default” means the default of the County in the due and punctual payment of (a) any installment of interest on the Bonds or (b) any principal of, premium, if any, or interest on, the Bonds at their maturity (whether on the Stated Maturity Date, prior redemption or otherwise), which default shall continue for a period of two Business Days and which, in either case, is followed by the failure of the applicable Insurer to make, in accordance with the related Insurance Policy, due and punctual payments to or on behalf of the Owners of the Bonds of such installments or payments described in clause (a) or (b), if so required under such Insurance Policy.

#### Potential Beneficial Owner

The term “Potential Beneficial Owner” shall mean a customer of a Broker-Dealer that is not a Beneficial Owner of Auction Rate Securities but that wishes to purchase Auction Rate Securities, or that is a Beneficial Owner of Auction Rate Securities that wishes to purchase an additional principal amount of Auction Rate Securities.

### Potential Owner

The term “Potential Owner” shall mean a Broker-Dealer (or any such other person as may be permitted by the County) that is not an Existing Owner or that is an Existing Owner that wishes to become the Existing Owner of an additional principal amount of Auction Rate Securities.

### Rate Adjustment Date

The term “Rate Adjustment Date” means with respect to each Tranche of the Auction Rate Securities, the date on which a new Interest Rate becomes effective with respect to such Tranche of Auction Rate Securities, and shall mean the initial Rate Adjustment Date and, thereafter, the first Business Day following each Rate Determination Date (which, until an Auction Period Adjustment, generally is each fourth Wednesday, or the next Business Day if such Wednesday is not a Business Day).

### Rate Determination Date

The term “Rate Determination Date” means, initially, those dates set forth for the Tranches of Auction Rate Securities in a Supplemental Trust Agreement, and thereafter, the Business Day immediately preceding the first day of each related Auction Interest Period, other than: (i) an Auction Interest Period which commences on a Fixed Rate Conversion Date; (ii) each Auction Interest Period commencing after the ownership of Auction Rate Securities is no longer maintained in Book-Entry Form; (iii) each Auction Interest Period commencing after and during the continuance of a Payment Default; or (iv) an Auction Interest Period commencing less than two Business Days after the cure or waiver of a Payment Default. Notwithstanding the foregoing, the Rate Determination Date for one or more Auction Interest Periods may be changed as described below under Section 2.10 of this Exhibit H.

### Rate Period

The term “Rate Period” means that period commencing on a Date of Interest Accrual and ending on the earlier of the Fixed Rate Conversion Date or the stated maturity date of the affected Auction Rate Security.

### Rate Period Days

The term “Rate Period Days” means for any Auction Rate Period or Interest Period, shall mean the number of days that would constitute such Auction Rate Period or Interest Period but for the application of Section 2.10 of this Exhibit H.

### Reference Rate

The term “Reference Rate” means (i) for a Standard Auction Rate Period or any Special Auction Rate Period of at least 35 but fewer than 180 Rate Period Days, the “AA” Financial Commercial Paper Rate or the Applicable LIBOR Percentage for such Auction Rate Period, whichever is lesser; (ii) for an Auction Rate Period of more than 180 but fewer than 365 Rate Period Days, the Treasury Note Rate for such Auction Rate Period; and (iii) for an Auction

Rate Period of more than 364 Rate Period Days, the Treasury Note Rate for such Auction Rate Period.

#### Regular Record Date

The term “Regular Record Date” means, with respect to Auction Rate Securities, the second Business Day immediately preceding each Interest Payment Date.

#### Sell Order

The term “Sell Order” has the meaning given to such term in the Auction Procedures.

#### Special Auction Rate Period

The term “Special Auction Rate Period” means a Subsequent Auction Rate Period, other than a Standard Auction Rate Period, designated pursuant to Section 2.11 of this Exhibit H that consists of a specified number of Rate Period Days not fewer than 28 and not more than 1,820 and evenly divisible by 7, subject to adjustment as provided in said Section, provided that the consent of the Insurer shall be required for the establishment of any Auction Rate Period which exceeds 35 days.

#### Standard Auction Rate Period

The term “Standard Auction Rate Period” means any Auction Rate Period consisting of 7, 14, 21, 28 or 35 Rate Period Days.

#### Stated Maturity Date

The term “Stated Maturity Date” means the date given as the stated maturity date on each Bond.

#### Submission Deadline

The term “Submission Deadline” means 1:00 p.m., New York time, on any Auction Date or such other time on any Auction Date by which Broker-Dealers are required to submit Orders (as defined in Section 2.05(a)(i) of this Exhibit H) to the Auction Agent, as specified by the Auction Agent from time to time.

#### Subsequent Auction Rate Period

The term “Subsequent Auction Rate Period” means the period from and including the Initial Interest Payment Date for Auction Rate Securities to but excluding the next Interest Payment Date for Auction Rate Securities and each period thereafter from and including one Interest Payment Date to but excluding the next succeeding Interest Payment Date; provided that if any Subsequent Auction Rate Period is a Special Auction Rate Period consisting of more than 91 days, such term shall mean the period commencing on the first day of such Special Auction Rate Period and ending on the last day of the last Interest Period thereof; provided, further, that

the Subsequent Auction Rate Period shall normally begin on the respective Interest Payment Date after the end of such Special Auction Rate Period, and the Auction therefor shall normally be held on the preceding Business Day.

#### Substitute Commercial Paper Dealer

The term “Substitute Commercial Paper Dealer” means the dealer identified in a Supplemental Trust Agreement, or their affiliates or successors, if such affiliate or successor is a commercial paper dealer, provided that neither such person nor any of its affiliates or successors shall be a Commercial Paper Dealer.

#### Sufficient Clearing Bids

The term “Sufficient Clearing Bids” shall have the meaning set forth in this Exhibit H.

#### Tender Price

The term “Tender Price” means the price at which Auction Rate Securities are tendered for purchase upon conversion to Fixed Rate Bonds, comprised of the principal amount thereof, plus interest, if any, accrued to the date of purchase, being payable solely from the proceeds of remarketing of said Auction Rate Securities in the form of Fixed Rate Bonds.

#### Undelivered Bond

The term “Undelivered Bond” means any Auction Rate Security which constitutes an Undelivered Bond under the provisions of the Trust Agreement.

**SECTION 2.01.** Auction Interest Periods. After the Initial Auction Rate Period for any Bonds issued as Auction Rate Securities, each Auction Interest Period shall be that period established in accordance with the definition of Subsequent Auction Interest Period.

**SECTION 2.02.** Dated Date of Auction Rate Securities, Initial Accrual of Interest. Each Auction Rate Security shall be dated its date of delivery. Interest thereon shall be payable from the Interest Payment Date next preceding the date of execution thereof, unless:

(a) it is executed on an Interest Payment Date, in which event interest with respect thereto shall be payable from such Interest Payment Date; or

(b) it is executed after a Regular Record Date and on or before the following Interest Payment Date, in which event interest with respect thereto shall be payable from such Interest Payment Date; or

(c) it is executed on or before the first Regular Record Date, in which event interest with respect thereto shall be payable from its Dated Date;

*provided, however,* that if, as of the date of execution of any Auction Rate Security, interest is in default with respect to any Outstanding Auction Rate Security, interest on such Auction Rate

Security shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment with respect to the Outstanding Auction Rate Securities.

**SECTION 2.03.** Interest on Auction Rate Securities – General.

(a) Auction Rate Securities shall bear interest at an Auction Rate (computed on the basis set forth in a Supplemental Trust Agreement).

(b) Interest on Auction Rate Securities shall accrue at the Auction Rate for each Auction Rate Period and shall be payable in arrears, commencing on the Initial Interest Payment Date specified in a Supplemental Trust Agreement and payable on each Interest Payment Date for the Bonds, from the date of delivery of such Auction Rate Securities, or, as to Auction Rate Securities delivered following the applicable Closing Date, from the most recent Interest Payment Date to which interest thereon has been paid. More specifically interest is payable on the dates set forth in a Supplemental Trust Agreement.

**SECTION 2.04.** Interest on Auction Rate Securities During Subsequent Auction Rate Periods. The rate of interest on Auction Rate Securities during each Subsequent Auction Rate Period therefor shall be equal to the Auction Rate; provided that:

(a) if a Notice of Percentage Change and the Applicable Percentage used to determine the Maximum Auction Rate shall have been given by the applicable Market Agent in accordance with Section 2.09 of this Exhibit H and because of a failure to satisfy the condition set forth in clause (ii) of Section 2.09(c) of this Exhibit H, such adjustment shall not have taken effect, an Auction shall not be held on the Auction Date immediately preceding the next succeeding Subsequent Auction Rate Period, the rate of interest for such Subsequent Auction Rate Period shall equal the Maximum Auction Rate on such Auction Date, and the length of such Subsequent Auction Rate Period shall be 7 Rate Period Days, provided, that if such Maximum Auction Rate shall be in effect for the lesser of (a) three such Auction Rate Periods or (b) 35 days, following which, the County shall initiate proceedings to convert such Auction Rate Securities to a Fixed Rate;

(b) if a notice of Fixed Rate Conversion of the Auction Rate Securities shall have been given by the County in accordance with Section 2.02 of this Exhibit H and because of the failure to satisfy one or more of the conditions set forth in the applicable Section, such Conversion shall not have taken effect, the rate of interest for the next succeeding Subsequent Auction Rate Period shall equal the Maximum Auction Rate on the proposed effective Fixed Rate Conversion Date and the length of such Subsequent Auction Rate Period shall be 7 Rate Period Days, provided, that if such Maximum Auction Rate shall be in effect for the lesser of (a) three such Auction Rate Periods or (b) 35 days, following which, the County shall initiate proceedings to convert such Auction Rate Securities to a Fixed Rate;

(c) if on any Auction Date, an Auction is not held for any other reason, the rate of interest for the next succeeding Subsequent Auction Rate Period and the length of such Subsequent Auction Rate Period shall be as set forth in a Supplemental Trust Agreement; and

(d) if a notice of a change in the length of a Standard Auction Rate Period shall have been given by the County in accordance with Section 2.10 of this Exhibit H and

because of a failure to satisfy the condition set forth in clause (c) of Section 2.10 of this Exhibit H, such change in length of the Standard Auction Rate Period shall not have taken effect, the rate of interest for the next succeeding Subsequent Auction Rate Period shall equal the Maximum Auction Rate on the proposed date of such change in length of the Standard Auction Rate Period, and the length of such Subsequent Auction Rate Period will be 7 Rate Period Days, provided that if such Maximum Auction Rate shall be in effect for the lesser of (a) three such Auction Rate Periods or (b) 35 days, following which, the County shall initiate proceedings to convert such Auction Rate Securities to a Fixed Rate.

(e) Notwithstanding the foregoing, if:

(i) the ownership of Auction Rate Securities is no longer maintained in book-entry form by the Securities Depository, no further Auctions will be held, and the applicable Auction Rate for any Subsequent Auction Rate Period commencing after the delivery of certificated securities representing the Auction Rate Securities shall equal the Maximum Auction Rate as determined by the Auction Agent on the Business Day immediately preceding the first day of such Subsequent Auction Rate Period, and the length of such Subsequent Auction Rate Period shall be 7 Rate Period Days; provided, that if such Maximum Auction Rate shall be in effect for the lesser of (a) three such Auction Rate Periods or (b) 35 days, following which, the County shall initiate proceedings to convert such Auction Rate Securities to a Fixed Rate;

(ii) a Payment Default shall have occurred during any Auction Rate Period (other than an Auction Rate Period consisting of more than 364 Rate Period Days), the rate of interest for each Subsequent Auction Rate Period commencing thereafter to and including the Subsequent Auction Rate Period, if any, during which, or commencing less than two Business Days after all such Payment Defaults are cured, shall equal the Overdue Rate for a Standard Auction Rate Period on the first day of each such Subsequent Auction Rate Period; or

(iii) a Payment Default shall have occurred during a Special Auction Rate Period consisting of more than 364 Rate Period Days, (i) the rate of interest for the portion of such Special Auction Rate Period during which such Payment Default shall not have been cured shall equal the Overdue Rate for such Special Auction Rate Period on the day of the occurrence of such Payment Default and (ii) if such Payment Default shall have not been cured at least two Business Days prior to the next succeeding Subsequent Auction Rate Period, the rate of interest for such Subsequent Auction Rate Period and for each Subsequent Auction Rate Period commencing thereafter, to and including the Subsequent Auction Rate Period, if any, during which, or commencing less than two Business Days after, such Payment Default is cured, shall equal the Overdue Rate for such Special Auction Rate Period on the first day of each such Subsequent Auction Rate Period.

Following the Trustee's delivery of a Notice of Cure of Payment Default to the Auction Agent, the restrictions set forth in clauses (ii) and (iii) above shall be suspended and the interest rate shall be established pursuant to the Auction Procedures.

**SECTION 2.05.** Auction Procedures. Subject to the provisions of subsection (b) of this Section, Auctions shall be conducted on each Auction Date in the following manner:

- (a) (i) Prior to the Submission Deadline on each Auction Date:
  - (A) each Beneficial Owner of Auction Rate Securities may submit to a Broker-Dealer by telephone or facsimile transmission information as to:
    - (I) the principal amount of Outstanding Auction Rate Securities, if any, held by such Beneficial Owner which such Beneficial Owner desires to continue to hold, without regard to the Auction Rate for the next succeeding Auction Rate Period;
    - (II) the principal amount of Outstanding Auction Rate Securities, if any, which such Beneficial Owner offers to sell, if the Auction Rate for the next succeeding Auction Rate Period shall be less than the rate per annum specified by such Beneficial Owner; and/or
    - (III) the principal amount of Outstanding Auction Rate Securities, if any, held by such Beneficial Owner which such Beneficial Owner offers to sell, without regard to the Auction Rate that may be set for the next succeeding Auction Rate Period; and
  - (B) one or more Broker-Dealers may contact Potential Beneficial Owners to determine the principal amount of Auction Rate Securities which each such Potential Beneficial Owner offers to purchase if the Auction Rate for the next succeeding Auction Rate Period shall not be less than the rate per annum specified by such Potential Beneficial Owner.

For the purposes hereof, the communication to a Broker-Dealer of information referred to in paragraphs (A) or (B) of this clause is hereinafter referred to as an "Order" and each Beneficial Owner and each Potential Beneficial Owner placing an Order is hereinafter referred to as a "Bidder;" an Order containing the information referred to (x) in paragraph (A)(I) hereof is hereinafter referred to as a "Hold Order," (y) in paragraph (A)(II) or (B) hereof is hereinafter referred to as a "Bid," and (z) in paragraph (A)(III) hereof is hereinafter referred to as a "Sell Order." The submission by a Broker-Dealer of an Order to the Auction Agent shall likewise be referred to herein as an "Order," and an Existing Owner or Potential Owner who places an Order with the Auction Agent or on whose behalf an Order is Placed with the Auction Agent shall likewise be referred to herein as a "Bidder."

- (ii) (A) Subject to the provisions of subsection (b) of this Section, a Bid by a Beneficial Owner or an Existing Owner shall constitute an irrevocable offer to sell:

(I) the principal amount of Outstanding Auction Rate Securities specified in such Bid if the Auction Rate determined as provided in this Section shall be less than the rate specified therein; or

(II) such principal amount or a lesser principal amount of Outstanding Auction Rate Securities to be determined as set forth in subsection (d)(i)(D) of this Section if the Auction Rate determined as provided in this Section shall be equal to the rate specified therein; or

(III) such principal amount of Outstanding Auction Rate Securities if the rate specified therein shall be higher than the Maximum Auction Rate, or such principal amount or a lesser principal amount of Outstanding Auction Rate Securities to be determined as set forth in subsection (d)(ii)(C) of this Section if the rate specified therein shall be higher than the Maximum Auction Rate and Sufficient Clearing Bids do not exist.

(B) Subject to the provisions of subsection (b) of this Section, a Sell Order by a Beneficial Owner shall constitute an irrevocable offer to sell:

(I) the principal amount of Outstanding Auction Rate Securities specified in such Sell Order if Sufficient Clearing Bids exist; or

(II) such principal amount or a lesser principal amount of Outstanding Auction Rate Securities as set forth in clause (C) of paragraph (ii) of subsection (d) of this Section if Sufficient Clearing Bids do not exist.

(C) Subject to the provisions of subsection (b) of this Section, a Bid by a Potential Beneficial Owner or a Potential Owner shall constitute an irrevocable offer to purchase:

(I) the principal amount of Outstanding Auction Rate Securities specified in such Bid if the Auction Rate determined as provided in this Section shall be higher than the rate specified therein; or

(II) such principal amount or a lesser principal amount of Outstanding Auction Rate Securities as set forth in subsection (d)(i)(E) of this Section if the Auction Rate determined as provided in this Section shall be equal to the rate specified therein.

(b) (i) Each Broker-Dealer shall submit in writing to the Auction Agent prior to the Submission Deadline on each Auction Date all Orders obtained by such Broker-Dealer, designating itself (unless otherwise permitted by the County) as an Existing Owner in respect of the principal amount of Auction Rate Securities subject to Orders submitted or deemed submitted to it by Beneficial Owners or by Potential Beneficial Owners, and shall specify with respect to each such Order:

(A) the name of the Bidder placing such Order (which shall be the Broker-Dealer, unless otherwise permitted by the County);

(B) the aggregate principal amount of Auction Rate Securities that are the subject of such Order;

(C) to the extent that such Bidder is an Existing Owner:

(I) the principal amount of Auction Rate Securities, if any, subject to any Hold Order placed by such Existing Owner;

(II) the principal amount of Auction Rate Securities, if any, subject to any Bid placed by such Existing Owner and the rate specified in such Bid; and

(III) the principal amount of Auction Rate Securities, if any, subject to any Sell Order placed by such Existing Owner; and

(D) to the extent such Bidder is a Potential Owner, the rate specified in such Potential Owner Bid.

(ii) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next highest one thousandth (.001) of 1%.

(iii) If an Order or Orders covering all Outstanding Auction Rate Securities held by any Existing Owner is not submitted to the Auction Agent prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Existing Owner covering the principal amount of Outstanding Auction Rate Securities held by such Existing Owner and not subject to an Order submitted to the Auction Agent.

(iv) None of the County, the Trustee or the Auction Agent shall be responsible for any failure of a Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Owner, Beneficial Owner, Potential Owner or Potential Beneficial Owner, nor shall any such party be responsible for failure by a Securities Depository to effect any transfer or to provide the Auction Agent with current information regarding registration of transfers.

(v) If any Existing Owner submits to the Auction Agent, through a Broker-Dealer, one or more Orders covering in the aggregate more than the principal amount of Outstanding Auction Rate Securities held by such Existing Owner, such Orders shall be considered valid as follows and in the following order of priority:

(A) all Hold Orders shall be considered valid, but only up to and including in the aggregate the principal amount of Auction Rate Securities held by such Existing Owner, and if the aggregate principal amount of Auction Rate Securities subject to such Hold Orders exceeds

the aggregate principal amount of Outstanding Auction Rate Securities held by such Existing Owner, the aggregate principal amount of Auction Rate Securities subject to each such Hold Order shall be reduced pro rata to cover the aggregate principal amount of Outstanding Auction Rate Securities held by such Existing Owner;

(B) (II) any Bid shall be considered valid up to and including the excess of the principal amount of Outstanding Auction Rate Securities held by such Existing Owner over the aggregate principal amount of Auction Rate Securities subject to any Hold Orders referred to in clause (A) of this paragraph (v);

(III) subject to subclause (I) of this clause (B), if more than one Bid with the same rate is submitted on behalf of such Existing Owner and the aggregate principal amount of Outstanding Auction Rate Securities subject to such Bids is greater than such excess, such Bids shall be considered valid up to and including the amount of such excess, and the principal amount of Auction Rate Securities subject to each Bid with the same rate shall be reduced pro rata to cover the principal amount of Auction Rate Securities equal to such excess;

(IV) subject to subclause (I) and (II) of this clause (B), if more than one Bid with different rates is submitted on behalf of such Existing Owner, such Bids shall be considered valid first in the ascending order of their respective rates until the highest rate is reached at which such excess exists and then at such rate up to and including the amount of such excess; and

(V) in any such event, the aggregate principal amount of Outstanding Auction Rate Securities, if any, subject to Bids not valid under this clause (B) shall be treated as the subject of a Bid by a Potential Owner at the rate therein specified; and

(C) all Sell Orders shall be considered valid up to and including the excess of the principal amount of Outstanding Auction Rate Securities held by such Existing Owner over the aggregate principal amount of Auction Rate Securities subject to Hold Orders referred to in clause (A) of this paragraph and valid Bids referred to in clause (B) of this paragraph.

(vi) If more than one Bid for Auction Rate Securities is submitted by or on behalf of any Potential Owner, each Bid submitted shall be a separate Bid with the rate and principal amount therein specified.

(vii) Any Bid or Sell Order submitted by an Existing Owner covering an aggregate principal amount of Auction Rate Securities not equal to \$25,000 or an integral multiple thereof shall be rounded down to the nearest integral multiple of \$25,000. Any Bid submitted by a Potential Owner covering an aggregate principal

amount of Auction Rate Securities not equal to \$25,000 or an integral multiple thereof shall be rounded down to the nearest integral multiple of \$25,000.

(viii) Any Bid submitted by an Existing Owner or a Potential Owner specifying a rate lower than the Minimum Rate, if any, shall be treated as a Bid specifying the Minimum Rate, if any.

(c) (i) Not earlier than the Submission Deadline on each Auction Date, the Auction Agent shall assemble all valid Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer being hereinafter referred to individually as a "Submitted Hold Order," a "Submitted Bid" or a "Submitted Sell Order," as the case may be, or as a "Submitted Order") and shall determine:

(A) the excess of the total principal amount of Outstanding Auction Rate Securities over the sum of the aggregate principal amount of Outstanding Auction Rate Securities subject to Submitted Hold Orders (such excess being hereinafter referred to as the "Available Auction Rate Securities"); and

(B) from the Submitted Orders whether:

(I) the aggregate principal amount of Outstanding Auction Rate Securities subject to Submitted Bids by Potential Owners specifying one or more rates equal to or lower than the Auction Rate Securities Maximum Auction Rate;

exceeds or is equal to the sum of:

(II) the aggregate principal amount of Outstanding Auction Rate Securities subject to Submitted Bids by Existing Owners specifying one or more rates higher than the Maximum Auction Rate; and

(III) the aggregate principal amount of Outstanding Auction Rate Securities subject to Submitted Sell Orders

(in the event such excess or such equality exists (other than because the sum of the principal amounts of Auction Rate Securities in subclauses (II) and (III) above is zero because all of the Outstanding Auction Rate Securities are subject to Submitted Hold Orders), such Submitted Bids in subclause (I) above being hereinafter referred to collectively as "Sufficient Clearing Bids"); and

(C) if Sufficient Clearing Bids exist, the lowest rate specified in such Submitted Bids (the "Winning Bid Rate") which if:

(I) (aa) each such Submitted Bid from Existing Owners specifying such lowest rate and (bb) all other Submitted Bids from Existing Owners specifying lower rates were rejected, thus entitling

such Existing Owners to continue to hold the principal amount of Auction Rate Securities subject to such Submitted Bids; and

(II) (aa) each such Submitted Bid from Potential Owners specifying such lowest rate and (bb) all other Submitted Bids from Potential Owners specifying lower rates were accepted, would result in such Existing Owners described in clause (B)(I) above continuing to hold an aggregate principal amount of Outstanding Auction Rate Securities which, when added to the aggregate principal amount of Outstanding Auction Rate Securities to be purchased by such Potential Owners described in clause (B)(II) above, would equal not less than the Available Auction Rate Securities.

(ii) Promptly after the Auction Agent has made the determinations pursuant to subsection (c)(i) hereof, the Auction Agent, by telecopy confirmed in writing, shall advise the County and the Trustee of the Maximum Auction Rate and the Minimum Rate, if any, and the components thereof on the Auction Date and, based on such determinations, the Auction Rate for the next succeeding Auction Rate Period as follows:

(A) if Sufficient Clearing Bids exist, that the Auction Rate for the next succeeding Auction Rate Period shall be equal to the Winning Bid Rate so determined;

(B) if Sufficient Clearing Bids do not exist (other than because all of the Outstanding Auction Rate Securities are subject to Submitted Hold Orders), that the Auction Rate for the next succeeding Auction Rate Period shall be equal to the Maximum Auction Rate, which succeeding Auction Rate Period shall be 7 Rate Period Days; or

(C) if all Outstanding Auction Rate Securities are subject to Submitted Hold Orders, that the Auction Rate for the next succeeding Auction Rate Period shall be equal to the All-Hold Rate on such Auction Date.

(d) Existing Owners shall continue to hold the principal amount of Auction Rate Securities that are subject to Submitted Hold Orders, and, based on the determinations made pursuant to subsection (c)(i) of this Section, Submitted Bids and Submitted Sell Orders shall be accepted or rejected and the Auction Agent shall take such other action as set forth below:

(i) If Sufficient Clearing Bids have been made, all Submitted Sell Orders shall be accepted and, subject to the provisions of subsection (d)(iv) and (v) hereof, Submitted Bids shall be accepted or rejected as follows in the following order of priority and all other Submitted Bids shall be rejected:

(A) Any Existing Owner's Submitted Bids specifying any rate that is higher than the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to sell the aggregate principal amount of Auction Rate Securities subject to such Submitted Bids;

(B) Any Existing Owner's Submitted Bids specifying any rate that is lower than the Winning Bid Rate shall be rejected, thus entitling each such Existing Owner to continue to hold the aggregate principal amount of Auction Rate Securities subject to such Submitted Bids;

(C) Any Potential Owner's Submitted Bids specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the aggregate principal amount of Auction Rate Securities subject to such Submitted Bids;

(D) Any Existing Owner's Submitted Bid specifying a rate that is equal to the Winning Bid Rate shall be rejected, thus entitling such Existing Owner to continue to hold the aggregate principal amount of Auction Rate Securities subject to such Submitted Bid, unless the aggregate principal amount of Outstanding Auction Rate Securities subject to all such Submitted Bids shall be greater than the principal amount of Auction Rate Securities (the "remaining principal amount") equal to the excess of the Available Auction Rate Securities over the aggregate principal amount of Auction Rate Securities subject to Submitted Bids described in clauses (B) and (C) of this paragraph (i), in which event such Submitted Bid of such Existing Owner shall be rejected in part, and such Existing Owner shall be entitled to continue to hold the principal amount of Auction Rate Securities subject to such Submitted Bid, but only in an amount equal to the aggregate principal amount of Auction Rate Securities obtained by multiplying the remaining principal amount by a fraction, the numerator of which shall be the principal amount of Outstanding Auction Rate Securities held by such Existing Owners subject to such Submitted Bid and the denominator of which shall be the sum of the principal amount of Outstanding Auction Rate Securities subject to such Submitted Bids made by all such Existing Owners that specified a rate equal to the Winning Bid Rate; and

(E) Each Potential Owner's Submitted Bid specifying a rate that is equal to the Winning Bid Rate shall be accepted but only in an amount equal to the principal amount of Auction Rate Securities obtained by multiplying the excess of the aggregate principal amount of Available Auction Rate Securities over the aggregate principal amount of Auction Rate Securities subject to Submitted Bids described in clauses (B), (C) and (D) of this paragraph by a fraction, the numerator of which shall be the aggregate principal amount of Outstanding Auction Rate Securities subject to such Submitted Bids and the denominator of which shall be the sum of the principal amount of Outstanding Auction Rate Securities subject to Submitted Bids made by all such Potential Owners that specified a rate equal to the Winning Bid Rate.

(ii) If Sufficient Clearing Bids have not been made (other than because all of the Outstanding Auction Rate Securities are subject to Submitted Hold

Orders), subject to the provisions of paragraph (iv) of this subsection, Submitted Orders shall be accepted or rejected as follows in the following order of priority and all other Submitted Bids shall be rejected:

(A) Any Existing Owner's Submitted Bids specifying any rate that is equal to or lower than the Maximum Auction Rate shall be rejected, thus entitling such Existing Owners to continue to hold the aggregate principal amount of Auction Rate Securities subject to such Submitted Bids;

(B) Any Potential Owner's Submitted Bids specifying any rate that is equal to or lower than the Maximum Auction Rate shall be accepted and any rate that is higher than the Maximum Auction Rate shall be rejected, thus requiring such Potential Owners to purchase the aggregate principal amount of Auction Rate Securities subject to such Submitted Bids; and

(C) Each Existing Owner's Submitted Bid specifying any rate that is higher than the Maximum Auction Rate and the Submitted Sell Order of each Existing Owner shall be accepted, thus entitling each Existing Owner that submitted any such Submitted Bid or Submitted Sell Order to sell the subject to such Submitted Bid or Submitted Sell Order, but in both cases only in an amount equal to the aggregate principal amount of Auction Rate Securities obtained by multiplying the aggregate principal amount of Auction Rate Securities subject to Submitted Bids described in clause (B) of this paragraph by a fraction, the numerator of which shall be the aggregate principal amount of Outstanding Auction Rate Securities held by such Existing Owner subject to such Submitted Bid or Submitted Sell Order and the denominator of which shall be the aggregate principal amount of Outstanding Auction Rate Securities subject to all such Submitted Bids and Submitted Sell Orders.

(iii) If all Outstanding Auction Rate Securities are subject to Submitted Hold Orders, all Submitted Bids shall be rejected.

(iv) If, as a result of the procedures described in paragraphs (i) or (ii) of this subsection, any Existing Owner would be entitled or required to sell, or any Potential Owner would be entitled or required to purchase, a principal amount of Auction Rate Securities that is not equal to \$25,000 or an integral multiple thereof the Auction Agent shall, in such manner as, in its sole discretion, it shall determine, round up or down the principal amount of Auction Rate Securities to be purchased or sold by any Existing Owner or Potential Owner so that the principal amount of Auction Rate Securities purchased or sold by each Existing Owner or Potential Owner shall be equal to \$25,000 or an integral multiple thereof.

(v) If, as a result of the procedures described in paragraph (ii) of this subsection, any Potential Owner would be entitled or required to purchase less than

\$25,000 principal amount or an integral multiple thereof of Auction Rate Securities, the Auction Agent shall, in such manner as, in its sole discretion, it shall determine, allocate Auction Rate Securities for purchase among Potential Owners so that only Auction Rate Securities in principal amounts of \$25,000 or an integral multiple thereof are purchased by any Potential Owner, even if such allocation results in one or more of such Potential Owners not purchasing any Auction Rate Securities.

(e) Based on the results of each Auction, and in accordance with the Settlement Procedures set forth in the applicable Auction Agent Agreement, the Auction Agent shall determine the aggregate principal amount of Auction Rate Securities to be purchased and the aggregate principal amount of Auction Rate Securities to be sold by Potential Owners and Existing Owners and, with respect to each Potential Owner and Existing Owner, to the extent that such aggregate principal amount of Auction Rate Securities to be sold differs from such aggregate principal amount of Auction Rate Securities to be purchased, determine to which other Potential Owner(s) or Existing Owner(s) they shall deliver, or from which other Potential Owner(s) or Existing Owner(s) they shall receive, as the case may be, Auction Rate Securities.

**SECTION 2.06.** Deposit and Application of Interest Payments. The following times and dates are modified as required by the terms of any Insurance Policy applicable to the Bonds at the time payments of interest are required to be made to the respective Owners thereof. The Trustee is instructed to comply with the particular terms of the Insurance Policy in order to insure timely and full payment of interest on the Bonds covered thereby.

(a) During any period while Auction Rate Securities are Outstanding, the County shall pay to the Trustee not later than 5:00 P.M., New York time, on the third Business Day next preceding each Interest Payment Date an aggregate amount of funds available on such Interest Payment Date in New York equal to the aggregate amount of interest payable on the Auction Rate Securities on such Interest Payment Date.

(b) Not later than 12:15 P.M., New York time, on the third Business Day next preceding each Interest Payment Date that is immediately preceded by an Auction Date, the Trustee shall determine the payment (or nonpayment, as the case may be) of the aggregate amount of interest payable on the Auction Rate Securities on such Interest Payment Date. So long as no Payment Default with respect to the Auction Rate Securities has previously occurred and is continuing and the ownership of the Auction Rate Securities is maintained in book-entry form by the Securities Depository, (i) if the Trustee determines that a Payment Default has occurred, the Trustee shall immediately send a notice thereof in substantially the form of the appropriate exhibit to the Auction Agent and to the Owners of the Auction Rate Securities by telecopy or similar means, and (ii) if all such nonpayments are cured prior to 1:00 P.M., New York time, on such Interest Payment Date, the Trustee shall immediately send a notice thereof in substantially the form of the appropriate exhibit to the Auction Agent and to the Owners of the Auction Rate Securities by telecopy or similar means.

(c) The Trustee shall calculate the amount of interest due and payable on each Interest Payment Date by 10:00 A.M., New York time, on the third Business Day next preceding such Interest Payment Date or date set for purchase, as the case may be and shall immediately notify the County of such amount. In preparing such calculation, the Trustee may rely on

calculations or other services provided by the Market Agent, the Auction Agent, the County or any person or persons selected by the Trustee in its discretion.

**SECTION 2.07.**     Calculation of Maximum Auction Rate, Minimum Rate, All-Hold Rate and Overdue Rate During Auction Rate Period. The Auction Agent shall calculate the Maximum Auction Rate, the All-Hold Rate and the Minimum Rate, if any, on each Auction Date. If the ownership of the Auction Rate Securities is no longer maintained in book-entry form by DTC, the Auction Agent shall calculate the Maximum Auction Rate on the Business Day immediately preceding the first day of each Subsequent Auction Rate Period commencing after the delivery of certificates representing the Auction Rate Securities pursuant to this Trust Agreement. If a Payment Default shall have occurred, the Auction Agent shall calculate the Overdue Rate (i) as of the first day of the Subsequent Auction Rate Period commencing after the occurrence of and during the continuance of such Payment Default, (ii) on the date of the occurrence of a Payment Default during a Special Auction Rate Period consisting of more than 364 Rate Period Days and (iii) as of the first day of any Subsequent Auction Rate Period commencing after the occurrence of a Payment Default to and including the Subsequent Auction Rate Period, if any, commencing less than two Business Days after all such Payment Defaults are cured.

**SECTION 2.08.**     Notification of Payment Dates. Promptly after the Date of Interest Accrual and each Interest Payment Date and in any event at least 10 days prior (unless the then current Auction Rate Period is a Standard Auction Rate Period of 7 Rate Period Days, in which case, at least 6 days prior) to the next Interest Payment Date following the Date of Accrual or such Interest Payment Date, as the case may be, the Auction Agent shall advise the Trustee and any Paying Agent, so long as no Payment Default has occurred and is continuing and the ownership of the Auction Rate Securities is maintained in book-entry form by DTC, of such next succeeding Interest Payment Date. In the event that any day that is scheduled to be an Interest Payment Date shall be changed after the Auction Agent shall have given the notice referred to in the preceding sentence, not later than 9:15 A.M., New York time, on the Business Day next preceding the earlier of the new Interest Payment Date or the previous Interest Payment Date, the Auction Agent will, by such means as the Auction Agent deems practicable, give notice of such change to the Trustee and to any Paying Agent, so long as no Payment Default has occurred and is continuing and the ownership of the Auction Rate Securities is maintained in book-entry form by DTC.

**SECTION 2.09.**     Adjustment in Percentages.

(a)     During any period while Auction Rate Securities are Outstanding, the Market Agent may, with the consent of the Insurer, adjust the percentage used in determining the Minimum Rate and the Applicable Percentage used in determining the Maximum Auction Rate if any such adjustment is necessary, in the judgment of the Market Agent, to reflect any Change of Preference Law such that the Maximum Auction Rate and Minimum Rate shall have substantially equal market values before and after such Change of Preference Law. In making any such adjustment, the Market Agent shall take the following factors, as in existence both before and after such Change of Preference Law, into account:

- rates;
- (i) short-term taxable market rates and indices of such short-term rates;
  - (ii) the market supply and demand for short-term taxable securities;
  - (iii) yield curves for short-term and long-term taxable securities or obligations having a credit rating that is comparable to the Auction Rate Securities;
  - (iv) general economic conditions; and
  - (v) economic and financial factors present in the securities industry that may affect or that may be relevant to the Auction Rate Securities.

(b) The Market Agent shall communicate its determination to adjust the percentage used in determining the Minimum Rate and the Applicable Percentage used in determining the Maximum Auction Rate pursuant to subsection (a) of this Section by means of Notice of Percentage Change delivered at least 10 days prior to the Auction Date on which the Market Agent desires to effect the change to the County, the Trustee and the Auction Agent in substantially the form set forth herein as Exhibit I.

(c) An adjustment in the percentage used to determine the Minimum Rate and the Applicable Percentage used to determine the Maximum Auction Rate shall take effect on an Auction Date only if:

(i) the Trustee, the Insurer and the Auction Agent receive, by 11:00 A.M., New York time, on the Business Day immediately preceding such Auction Date, a certificate from the Market Agent by telecopy or similar means, authorizing the adjustment of the percentage used to determine the Minimum Rate and the Applicable Percentage used to determine the Maximum Auction Rate which shall be specified in such authorization; and

(ii) the Trustee, the Insurer and the Auction Agent receive by 9:30 A.M., New York time, on such Auction Date, an opinion of Bond Counsel to the effect that the adjustment in the percentage used to determine the Minimum Rate and the Applicable Percentage used to determine the Maximum Auction Rate is authorized by this Agreement.

**SECTION 2.10.**      Change in Standard Auction Rate Period.

(a) While any Auction Rate Securities are Outstanding, the County, at its option, with the consent of the Insurer, may from time to time on any Interest Payment Date change the length of the Standard Auction Rate Period on all or a portion of any Auction Rate Securities from one period to another in order to accommodate economic and financial factors that may affect or be relevant to the length of the Standard Auction Rate Period and the interest rate borne by such Auction Rate Securities. The County shall initiate the change in the length of a Standard Auction Rate Period by giving written notice to the Trustee, the Auction Agent, the Broker-Dealers, the Insurer and the Securities Depository that the Standard Auction Rate Period will change if the conditions described below are satisfied and the proposed effective date of the

change, at least ten Business Days prior to the Auction Date for such Standard Auction Rate Period and that such Auction Rate Securities are subject to mandatory tender for purchase on the Interest Payment Date immediately following the Auction Date on which there has been a successful Auction of such Auction Rate Securities for the first Standard Auction Rate Period.

(b) The change in the length of a Standard Auction Rate Period shall not be allowed unless Sufficient Clearing Bids existed at both the Auction before the date which the notice of the proposed change was given as provided in (a) above and the Auction immediately preceding the proposed change.

(c) The change in length of a Standard Auction Rate Period shall take effect only if (A) the Trustee and the Auction Agent receive by 11:00 a.m., New York time, on the Business Day before the Auction Date for the first such Standard Auction Rate Period, a certificate from the County Representative, authorizing the change in the length of the Standard Auction Rate Period specified in such certificate, and (B) Sufficient Clearing Bids exist at the Auction on the Auction Date for such first Standard Auction Rate Period. If the condition referred to in (A) above is not met, the Auction Rate for the next Auction Rate Period shall be determined pursuant to the Auction Procedures and the Auction Rate Period shall be the Auction Rate Period determined without reference to the proposed change. If the condition referred to in (B) above is not met, the Auction Rate for the next Auction Rate Period shall be established at the Maximum Auction Rate for the lesser of (a) three Standard Auction Periods or (b) 35 days, following which period, the County shall initiate proceedings to convert such Auction Rate Securities to a Fixed Rate.

(d) Any Auction Rate Securities for which the Standard Auction Rate Period is changed shall be subject to mandatory tender for purchase on the Interest Payment Date immediately following the Auction Date on which there has been a successful Auction of such Auction Rate Securities (subject to the availability of funds sufficient to pay the Tender Price of such Auction Rate Securities having been provided to the Trustee through the remarketing of such Auction Rate Securities to new Owners) at a price equal to the principal amount being tendered and accrued interest thereon.

**SECTION 2.11.** Designation of Special Auction Rate Periods.

(a) The County, at its option, with the consent of the Insurer, may designate any succeeding Subsequent Auction Rate Period as a Special Auction Rate Period. A designation of a Special Auction Rate Period shall be effective only if (i) notice thereof shall have been given in accordance with subsection (c) and subsection (d)(i) of this Section, (ii) an Auction shall have been held on the Auction Date for such Special Auction Rate Period and Sufficient Clearing Bids shall have existed in such Auction, and (iii) if any notice of redemption shall have been mailed by the Trustee, the related redemption price shall be on deposit with the Trustee.

(b) In the event the County wishes to designate a Subsequent Auction Rate Period as a Special Auction Rate Period, but the day following what would otherwise be the last day of such Special Auction Rate Period is not the day set forth in a Supplemental Trust Agreement that is a Business Day, then the County shall designate such Subsequent Auction

Rate Period as a Special Auction Rate Period consisting of the period commencing on the first day following the end of the immediately preceding Auction Rate Period and ending on the first preceding day that is followed by the day set forth in a Supplemental Trust Agreement that is a Business Day preceding what would otherwise be such last day.

(c) If the County proposes to designate any succeeding Subsequent Auction Rate Period as a Special Auction Rate Period pursuant to subsection (a) of this Section, not less than 20 (or such lesser number of days as may be agreed to from time to time by the Auction Agent and the Insurer) nor more than 30 days prior to the date the County proposes to designate as the first day of such Special Auction Rate Period (which shall be the day that would otherwise be the first day of the next succeeding Auction Rate Period), the County shall give written notice thereof to the Trustee, the Insurer, the Auction Agent, the Market Agent and the Securities Depository. Each such notice shall state (i) that the County may exercise its option to designate a succeeding Subsequent Auction Rate Period as a Special Auction Rate Period, specifying the first and last days thereof, and the conditions thereto and (ii) that the County will, by 11:00 A.M., New York time, on the second Business Day next preceding the first day of such proposed Special Auction Rate Period (or by such later time or date, or both, as may be agreed to by the Auction Agent) notify the Auction Agent of either (x) its determination, to exercise such option, in which case, the County Representative shall specify the Special Auction Rate Period designated, or (y) its determination not to exercise such option.

(d) No later than 11:00 A.M., New York time, on the second Business Day next preceding the first day of any proposed Special Auction Rate Period as to which notice has been given as set forth in subsection (c) of this Section (or such later time or date, or both, as may be agreed to by the Auction Agent), the County Representative shall deliver to the Auction Agent either:

(i) (A) a notice stating (1) that the County has determined to designate the next succeeding Auction Rate Period as a Special Auction Rate Period, specifying the same and the first day thereof, (2) the Auction Date immediately prior to the first day of such Special Auction Rate Period, (3) that such Special Auction Rate Period shall not commence if (x) an Auction shall not be held on such Auction Date for any reason or (y) an Auction shall be held on such Auction Date but Sufficient Clearing Bids shall not exist in such Auction, (4) the Interest Payment Dates during such Special Auction Rate Period and (B) an opinion of Bond Counsel to the effect that such designation of a Special Auction Rate Period is authorized by this Trust Agreement; or

(ii) a notice stating that the County has determined not to exercise its option to designate a Special Auction Rate Period and that the next succeeding Auction Rate Period shall be a Standard Auction Rate Period.

(e) If the County fails to deliver either of the notices or the opinion described in subsection (d)(i) or (ii) of this Section with respect to any designation of any proposed Special Auction Rate Period to the Auction Agent by 11:00 A.M., New York time, on the second Business Day next preceding the first day of such proposed Special Auction Rate Period (or by such later time or date, or both, as may be agreed to by the Auction Agent), the County shall be

deemed to have delivered a notice to the Auction Agent with respect to such Special Auction Rate Period to the effect set forth in paragraph (ii) of subsection (d) of this Section.

**SECTION 2.12.** Conversion of Auction Rate Securities to Fixed Interest Rate Bonds. (a) At the option of the County, with the prior written consent of the Insurer, all but not less than all of any Series of Bonds may be converted from Auction Rate Securities to Fixed Rate Bonds as follows:

(i) The Fixed Rate Conversion Date shall be an Interest Payment Date.

(ii) The County shall give written notice of any such conversion to the Trustee, the applicable Auction Agent and the Insurer and the applicable Broker-Dealer not less than fifteen (15) days nor more than thirty (30) days prior to the date on which the Trustee is required to notify the affected Owners of the conversion of the applicable Tranche or Series pursuant to subparagraph (iii) immediately below. Such notice shall specify the proposed Fixed Rate Conversion Date of the applicable Tranche and the principal amount of Auction Rate Securities to be converted to Fixed Rate Bonds bearing interest at fixed interest rates. Together with such notice, the County shall file with the applicable Broker-Dealer and the Trustee a form of Opinion of Counsel addressed to the Broker-Dealer, the Trustee, the County and the Insurer to the effect that the conversion of the Auction Rate Securities of the applicable Tranche to fixed interest rates will not adversely affect the validity of the Fixed Rate Bonds under State law. No conversion shall become effective unless on or before the proposed Fixed Rate Conversion Date, the County shall also file with the Trustee an Opinion of Counsel addressed to the Trustee, the County and the Insurer substantially in the form described in the immediately preceding sentence, dated the Fixed Rate Conversion Date, and subject to the availability of funds sufficient to pay the Tender Price of such Auction Rate Securities having been provided to the Trustee through the remarketing of such Auction Rate Securities to new Owners.

(iii) Not fewer than forty (40) days prior to the Fixed Rate Conversion Date established for the applicable Series or Tranche, the Trustee shall mail a written notice of the conversion to the Owners of all Auction Rate Securities (with a copy to the Insurer and the Auction Agent) of the applicable Series or Tranche to be converted, which notice shall:

(1) specify the Fixed Rate Conversion Date established for the affected Bonds;

(2) notify such Owners that the Auction Rate Securities of the applicable Series or Tranche to be converted will be subject to mandatory tender for purchase on such Fixed Rate Conversion Date at a price equal to 100% of the principal amount of such Auction Rate Securities, plus interest accrued and unpaid with respect thereto, if any, to but not including the Fixed Rate Conversion Date;

(3) notify such Owners that in the event of a failed conversion, or in the event the County exercises its right of election to revoke the conversion pursuant to subparagraph (v) below, such Auction Rate Securities will not be subject to mandatory tender, will be returned to their Owners, will automatically convert to the Auction Interest Period in effect immediately prior to the Fixed Rate Conversion Date and will bear interest at the Maximum Auction Rate;

(4) set forth the time, the place and the manner for tendering such Auction Rate Securities for purchase; and

(5) set forth any other matters required to be stated pursuant to this paragraph.

(iv) Not later than 12:00 noon, New York time, on the Business Day immediately preceding the Fixed Rate Conversion Date established for the applicable Series or Tranche, at the direction of the County, the applicable Broker-Dealer shall determine, by offering for sale and using at least its best efforts to find purchasers for the Tranches of Auction Rate Securities which are to be converted to Fixed Rate Bonds:

(1) the Fixed Rate(s) applicable to such Bonds after such Fixed Rate Conversion Date;

(2) the allocation of such Bonds between Serial Bonds and Term Bonds, which allocation shall be subject to the approval of the Insurer and shall be made in such manner as shall:

(A) produce the lowest aggregate interest payable with respect to the Auction Rate Securities to be converted to Fixed Rate Bonds;

(B) establish mandatory Redemption Dates and related principal amounts for Serial Bonds, if any, and establish mandatory redemption dates and related Principal Amounts for Term Bonds other than Serial Bonds, if any, which are consistent, on a pro rata basis, with the principal of such Bonds prior to such Fixed Rate Conversion Date;

(C) permit Bond Counsel to render the opinion described in subparagraph (ii) above;

provided, however, that if Bond Counsel is unable to render such opinion because of the allocation procedures set forth in this subparagraph (iv), all such converted Bonds shall be redesignated as Serial Bonds with mandatory redemption dates and related principal amounts which are consistent, on a pro rata basis, with the applicable principal of such Bonds prior to the Fixed Rate Conversion Date, subject to the Insurer's approval of the new redemption dates and principal amounts.

Such determination shall be conclusive and binding upon the County, the Trustee and the Owners of the Auction Rate Securities of the applicable Series or Tranche to be converted to which such rate or rates will be applicable. Not later than 5:00 p.m., New York time, on the date of determination of the fixed interest rate(s), as provided in the first sentence of this subparagraph, the applicable Broker-Dealer shall notify the County and the Trustee of the following by facsimile notice:

(3) the aggregate principal amount of the Bonds bearing interest at fixed rates as a result of such Fixed Rate Conversion;

(4) a schedule of the mandatory redemption dates and related principal amounts of converted Bonds which the County has redesignated as Serial Bonds and which the Insurer has approved; and

(5) a schedule of the mandatory redemption dates and related principal amounts of converted Bonds which are to be Term Bonds, if any, and which the Insurer has approved.

If necessary or appropriate in the Opinion of Counsel, the County shall execute and deliver a supplement to this Trust Agreement setting forth, among other things, the terms of the Fixed Rate Bonds;

(v) The County may revoke its election to effect a conversion of the applicable Series or Tranche of the Auction Rate Securities to Fixed Rate Bonds by giving written notice of such revocation to the Trustee and the Insurer, and the applicable Broker-Dealer and at any time prior to the Business Day immediately preceding the Fixed Rate Conversion Date.

(vi) Auction Rate Securities of the applicable Series or Tranche which are to be converted to Fixed Rate Bonds shall be subject to mandatory tender for purchase on a proposed Fixed Rate Conversion Date (subject to the availability of funds sufficient to pay the Tender Price of such Auction Rate Securities having been provided to the Trustee through the remarketing of such Bonds) at a price equal to 100% of the principal amount of such Auction Rate Securities, if any, plus interest accrued and unpaid with respect thereto, but not including, the Fixed Rate Conversion Date.

(vii) If on a proposed Fixed Rate Conversion Date, any condition precedent to such conversion required under this paragraph shall not be satisfied, the Trustee shall give written notice by first-class mail, postage prepaid, as soon as practicable and in any event not later than the next succeeding Business Day to the Owners of the applicable Series or Tranche to be converted that such conversion has not occurred, that the particular Auction Rate Securities to be converted shall not be purchased on the failed Fixed Rate Conversion Date, that the Auction Agent shall continue to implement the Auction Procedures on the Auction Dates with respect to the Auction Rate Securities which otherwise would have been converted, excluding, however, the Auction Date falling on the Business Day next preceding the failed Fixed Rate Conversion Date, and that the interest rate with respect to the affected Bonds shall

continue to be the applicable Auction Rate; provided, however, that the interest rate on the Auction Rate Securities during the Auction Interest Period commencing on such failed Fixed Rate Conversion Date shall be established at the Maximum Auction Rate for the lesser of (a) three Standard Auction Periods or (b) 35 days, following which period, the County shall initiate new proceedings to convert such Auction Rate Securities to a Fixed Rate.

(b) Purchase of Auction Rate Securities.

(1) Mandatory Tender for Purchase Upon Conversion to Fixed Interest Rates. The Auction Rate Securities shall be subject to mandatory tender for purchase if at any time the Trustee gives written notice mailed to the Owners of the affected Auction Rate Securities, in accordance with the procedures set forth in subsection (2) immediately below, that, at the option of the County, particular Auction Rate Securities are to be converted to a Fixed Rate pursuant to the provisions of the immediately preceding paragraph; subject to the availability of funds sufficient to pay the Tender Price of such Auction Rate Securities having been provided to the Trustee through the remarketing of such Auction Rate Securities. The Auction Rate Securities of such Series or Tranche subject to mandatory tender shall be purchased or deemed purchased at the Tender Price.

(2) Notice of Mandatory Tender for Purchase. In connection with any mandatory tender for purchase of any Auction Rate Securities of any Series or Tranche in accordance with the immediately preceding paragraphs, the Trustee shall give written notice to the affected Owners and to the Auction Agent by facsimile transmission, to be received no later than 2:00 p.m. New York time, on the day the notice is sent:

- (A) that the Tender Price of any Auction Rate Security subject to mandatory tender for purchase shall be payable only upon surrender of that Auction Rate Security to the Trustee at its Principal Office for delivery of Auction Rate Securities, accompanied by an instrument of transfer, in form satisfactory to the Trustee, executed in blank by the duly authorized attorney for such Owner or Owners, with such signature guaranteed in the manner set forth in the form attached to the Auction Rate Securities;
- (B) that, provided that moneys sufficient to effect such purchase have been provided to the Trustee through the remarketing of such Auction Rate Securities by the applicable Broker-Dealer, and provided that the County has not exercised its right of election to revoke the conversion pursuant to paragraph (a)(v) of this Section, Auction Rate Securities subject to

mandatory tender for purchase shall be purchased on the Tender Date;

- (C) that if any Owner of an Auction Rate Security subject to mandatory tender for purchase does not in fact surrender such Auction Rate Security to the Trustee for purchase on the Tender Date, then such Auction Rate Security, on and after such Tender Date, shall be deemed to be an Undelivered Auction Rate Security, that no interest shall accrue with respect to such Auction Rate Security on and after such Tender Date and that the Auction Rate Security shall have no rights under the Trust Agreement other than to receive payment of the Tender Price; and
- (D) that, in the event moneys sufficient to pay the Tender Price of such Auction Rate Securities have not been provided to the Trustee through the remarketing of such Auction Rate Securities, such Auction Rate Securities shall not be purchased or deemed purchased and shall continue to have interest accrue with respect thereto as if such failed purchase had not occurred.
- (E) If the circumstances described in clause D above should occur, then the affected Auction Rate Securities shall not be purchased or deemed purchased and shall continue to have interest accrue thereon as described in clause D above. The Insurance Policy may not be drawn upon to purchase any Auction Rate Securities hereunder.

(3) Undelivered Auction Rate Securities. The following provisions shall apply to Auction Rate Securities not delivered by a date established for its surrendered, properly endorsed by its Owner (each, an “Undelivered Auction Rate Security”):

- (A) The Trustee may refuse to accept delivery of any Undelivered Auction Rate Security for which a proper instrument of transfer has not been provided; provided, however, that such refusal shall not affect the validity of the purchase of such Undelivered Auction Rate Security.
- (B) If funds in the amount of the purchase price of the Undelivered Auction Rate Security are available for

payment to the Owners thereof on the Tender Date and at the time specified, then, from and after the Tender Date and time of such required delivery:

(1) such Undelivered Auction Rate Security shall be deemed to be purchased and shall no longer be deemed to be Outstanding under this Trust Agreement;

(2) interest shall no longer accrue with respect to such Undelivered Auction Rate Security; and

(3) funds in the amount of the purchase price of the Undelivered Auction Rate Security shall be held uninvested by the Trustee for the benefit of the Owner thereof (provided that such Auction Rate Security shall have no right to any investment proceeds derived from such funds), to be paid on delivery (and proper endorsement) of such Undelivered Auction Rate Security to the Trustee at its Principal Office for delivery of the Auction Rate Securities. Any money which the Trustee segregates and holds in trust for the payment of the Tender Price of any Auction Rate Security which remains unclaimed for two years after the date of purchase shall be paid to the County. After the payment of such unclaimed money to the County, the former Owner of such Auction Rate Security shall look only to the County for the payment of the Tender Price. The County shall not be liable for any interest on unclaimed money and shall not be regarded as a trustee of such money.

(c) Determination by Trustee; Notice of Tender. For purposes of this Section, the Trustee shall determine timely and proper delivery of Auction Rate Securities and the proper endorsement of Auction Rate Securities delivered. Such determination shall be binding on the Owners of such Auction Rate Securities, the County, and the Broker-Dealer, absent manifest error.

**SECTION 2.13.**      Transfer and Exchange of Auction Rate Securities.

(a) The registration of any Auction Rate Security 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 his attorney duly authorized in writing upon surrender of such Auction Rate Security for cancellation at the Office of the Trustee, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. Whenever any Auction Rate Security shall be surrendered for registration of transfer, the Trustee shall execute and deliver a new Auction Rate Security or Auction Rate Securities for a like aggregate principal

amount in authorized denominations. The Trustee shall require the payment by the Auction Rate Security Owners requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer. The cost of printing any Auction Rate Securities and any services rendered or any expenses incurred by the Trustee in connection with any transfer shall be paid by the County. The Trustee shall not be required to transfer:

(i) any Auction Rate Securities during the period between the date fifteen (15) days prior to the date of selection of Auction Rate Securities for redemption and such date of selection, or

(ii) any Auction Rate Securities selected for redemption.

(b) Auction Rate Securities may be exchanged, upon surrender thereof, at the Office of the Trustee for a like aggregate principal amount of Auction Rate Securities of other Authorized Denominations of the same maturity. Whenever any Auction Rate Security or Auction Rate Securities shall be surrendered for exchange, the Trustee shall execute and deliver a new Auction Rate Security or Auction Rate Securities for like aggregate principal amount in Authorized Denominations. The Trustee shall require the payment by the Auction Rate Security Owners requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. The cost of printing any Auction Rate Securities and any services rendered or any expenses incurred by the Trustee in connection with any exchange shall be paid by the County. The Trustee shall not be required to exchange:

(i) any Auction Rate Securities during the period between the date fifteen (15) days prior to the date of selection of Auction Rate Securities for redemption and such date of selection, or

(ii) any Auction Rate Securities selected for redemption.

**SECTION 2.14.** Market Agent. The County hereby authorizes and expressly directs the Trustee, as agent for the Beneficial Owners of the Auction Rate Securities, to enter into a Market Agent Agreement relating to any Auction Rate Securities with a Market Agent, with the consent of the Insurer. The Market Agent shall serve in such capacity under the terms and provisions hereof and of the applicable Market Agent Agreement. The Market Agent shall be a member of the National Association of Securities Dealers, Inc., having capitalization of at least \$25,000,000, and be authorized by law to perform all the duties imposed upon it by this Trust Agreement and the Market Agent Agreement. The Market Agent will promptly resign following receipt of a request by the Trustee or the Insurer (with a copy to the County and the Trustee) or at any time, with the prior written consent of the Insurer, upon and pursuant to the written direction of the Beneficial Owners of at least two-thirds of the aggregate principal amount of the Auction Rate Securities then Outstanding filed with the Market Agent, the Insurer, and the County, provided that such removal shall not take effect until the appointment by the County of a substitute Market Agent and the successors acceptance of their duties and obligations pursuant to appropriate documentation. The Market Agent may also resign upon 30 days' prior written notice delivered to the Trustee, provided that such resignation shall not take effect until the appointment by the County of a substitute Market Agent. If the County is unable to appoint a substitute Market Agent within 30 days following receipt of such written notice of

resignation, the Market Agent may petition the appropriate court having jurisdiction to appoint a substitute Market Agent. Notwithstanding the provisions of this paragraph, the Market Agent may be removed at any time, at the request of the County with the consent of the Insurer, for any breach of its obligations under this Section or under the Market Agent Agreement. Any substitute Market Agent must be approved by the Insurer.

The periodic fees of the Market Agent shall be invoiced to the Trustee with a copy to the County, and paid from the Service Account. The Trustee may conclusively rely upon the determinations made by the Market Agent with regard to its compensation and any representations made in such invoice.

The Trustee shall not be liable under any circumstances for any action taken, suffered or omitted by the Market Agent and shall be indemnified as set forth herein.

**SECTION 2.15.**     Auction Agent.

(a)     The County authorizes and expressly directs the Trustee, as agent for the Beneficial Owners of the Auction Rate Securities, to enter into an Auction Agent Agreement relating to Auction Rate Securities with a designated Auction Agent, including any Auction Agent for Auction Rate Securities as may be appointed in a Supplemental Trust Agreement. Any Auction Agent shall be:

(i)             subject to the written approval of the applicable Broker-Dealer and the Insurer; and either:

(A)     a bank or trust company duly organized under the laws of the United States of America or any state or territory thereof having its principal place of business in New York, New York, or such other location as approved by the Trustee and the Market Agent in writing and having a combined capital stock or surplus of at least \$15,000,000; or

(B)     a member of the National Association of Securities Dealers, Inc., having a capitalization of at least \$15,000,000, and, in either case, authorized by law to perform all the duties imposed upon it under the applicable Auction Agent Agreement and Section 2.05 of this Exhibit H. The Auction Agent may at any time resign and be discharged of its duties as Auction Agent and obligations under the Auction Agent Agreement by giving at least 90 days' prior notice to the Trustee, the County, the Insurer, and the Market Agent. The Auction Agent may be removed at any time by a request of the Trustee or the Insurer (with a copy to the Trustee and the County) and upon thirty days' notice to the Auction Agent or upon the written direction of the County or, with the prior written consent of the Insurer, the Beneficial Owners of at least two-thirds of the aggregate principal amount of the Auction Rate Securities then Outstanding, by an instrument signed by such Beneficial Owners or their attorneys and filed with the Auction Agent, the applicable Broker-Dealer, the Trustee, the Insurer, and the Market Agent upon at least 30 days' prior notice. Neither

resignation nor removal of the Auction Agent pursuant to the provisions of the preceding two sentences shall be effective until and unless a Substitute Auction Agent has been appointed and has accepted such appointment. A substitute Auction Agent Agreement shall be entered into with any substitute Auction Agent. Notwithstanding the foregoing, the Auction Agent may terminate the Auction Agent Agreement if, within 45 days after notifying the Trustee, the applicable Broker-Dealer, the County, the Insurer and the Market Agent in writing that it has not received payment of any Auction Agent Fee due it in accordance with the terms of the Auction Agent Agreement, the Auction Agent does not receive such payment. The Trustee shall not be liable for any action taken, suffered or omitted by the Auction Agent.

(b) The periodic fees of the Auction Agent shall be invoiced to the Trustee, with a copy to the County. The Trustee may conclusively rely upon the determinations made by the Auction Agent with regard to its compensation and any representations made in such invoice.

(c) If the Auction Agent shall resign or be removed or be dissolved, or if the property or affairs of the Auction Agent shall be taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, the Trustee, at the direction of the County, with the consent of the Insurer, shall use its best efforts to appoint a substitute Auction Agent for such Series of Bonds.

(d) The Auction Agent is acting as agent for the Beneficial Owners of the Auction Rate Securities in connection with Auctions. In the absence of bad faith, negligent failure to act or negligence on its part, the applicable Auction Agent shall not be liable for any action taken, suffered or omitted or any error of judgment made by it in the performance of its duties under the Auction Agent Agreement and shall not be liable for any error of judgment made in good faith unless the Auction Agent shall have been guilty of gross negligent in ascertaining (or failing to ascertain) the pertinent facts.

(e) Notwithstanding the provisions of paragraph (a) of this Section, the Auction Agent may be removed at any time, at the request of the County, with the consent of the Insurer, for any breach of its obligations under this Trust Agreement or under the related Auction Agent Agreement.

**SECTION 2.16.**     Broker-Dealers.

(a) The Auction Agent will enter into a Broker-Dealer Agreement with a Broker-Dealer for the Auction Rate Securities, including any Broker-Dealer Agreement with a Broker-Dealer appointed in a Supplemental Trust Agreement. The County may, from time to time, with the consent of the Insurer approve one or more additional Persons to serve as Broker-Dealers under Broker-Dealer Agreements and shall be responsible for providing such Broker-Dealer Agreements to the Trustee and the applicable Auction Agent, promptly following the execution thereof.

(b) The periodic fees of the Broker-Dealer shall be invoiced to the Trustee, with a copy to the County, and paid from the Service Account. The Trustee may conclusively rely upon the determinations made by the Broker-Dealer with regard to its compensation and any representations made in such invoice.

(c) Any Broker-Dealer may be removed at any time, at the request of the County, for any breach of its obligations hereunder or under the Broker-Dealer Agreement, provided that at least one Broker-Dealer Agreement must be in effect immediately following such removal.

**SECTION 2.17.** No County or Trustee Liability for Auction Failures.

Neither the County nor the Trustee shall be responsible for any failure of a Broker-Dealer to submit an Order (as defined in the applicable Auction Agent Agreement) to the Auction Agent on behalf of any Owners or prospective Owners, nor shall the County nor the Trustee be responsible for failure by any Securities Depository to effect any transfer or to provide the Auction Agent with current information regarding registration of transfers. The County shall have no liability if there are not Sufficient Clearing Bids (as such term is defined in the applicable Auction Agent Agreement) from time to time pursuant to the Auction Procedures.

**EXHIBIT I**

**FORM OF NOTICE OF PERCENTAGE CHANGE**

**\$ \_\_\_\_\_  
COUNTY OF ORANGE  
TAXABLE PENSION OBLIGATION BOND**

**NOTICE OF CHANGE IN LIBOR RATE**

CUSIP NUMBER(S):

NOTICE IS HEREBY GIVEN by \_\_\_\_\_, as Trustee in connection with the referenced Bonds that the following LIBOR rate will become effective \_\_\_\_\_ through \_\_\_\_\_.

[SPREAD]

One-Month LIBOR Rate Currently in Effect:	Rate Reset:	____% (Month Rate)
Fixed Spread to LIBOR	____%	____%
Rate Determination		____%

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

## SCHEDULE I

### TERMS OF 2007 SERIES A BONDS

The following provisions shall apply to the 2007 Series A Bonds:

- (a) Form. The 2007 Series A Bonds shall be convertible capital appreciation bonds issued in the aggregate principal amount of \_\_\_\_\_ Dollars (\$\_\_\_\_\_). The 2007 Series A Bonds and the authentication endorsement and assignment to appear thereon shall be substantially in the form set forth in Exhibit G hereto and by this reference herein incorporated. The 2007 Series A Bonds shall be in physical form and shall not be subject to any book-entry system.
- (b) Date. The 2007 Series A Bonds shall be dated the date of original delivery.
- (c) Denomination. The 2007 Series A Bonds shall be issued only in fully registered form in denominations of one million dollars (\$1,000,000) of initial principal amount or any multiple of one dollar in excess thereof; provided, however, the 2007 Series A Bonds may be Outstanding in a denomination of less than \$1,000,000 following the redemption of the 2007 Series A Bonds pursuant to Section 2.08 of the Trust Agreement.
- (d) Maturity. The 2007 Series A Bonds shall mature on June 30, 2008, and shall be subject to redemption and tender as set forth in this Schedule I.
- (e) Interest. The 2007 Series A Bonds shall bear interest at the rate of \_\_\_\_\_% per annum, calculated on the basis of a 360 day year and actual days elapsed. The 2007 Series A Bonds shall not pay interest prior to the Full Accretion Date but shall compound interest on the Interest Accrual Dates from the date of delivery thereof to and including the Full Accretion Date. As of the Full Accretion Date, the 2007 Series A Bonds shall bear interest on the Maturity Amount, payable on the Interest Payment Dates.
- (f) Full Accretion Date. The Full Accretion Date is June 30, 2007.
- (g) Maturity Amount. The Maturity Amount is \$\_\_\_\_\_.
- (h) Interest Accrual Dates. Interest shall accrue from the date of original delivery and shall be compounded on the last Business Day of each month, commencing February 28, 2007 and ending on the Full Accretion Date.
- (i) Interest Payment Dates. Interest on the 2007 Series A Bonds shall be payable on (i) the last Business Day of each month, commencing July 31, 2007, and (ii) the date any Bonds mature or are redeemed or tendered or are otherwise paid in full. Interest on the 2007 Series A Bonds shall be payable by wire transfer in immediately available funds.
- (j) Transfer and Exchange of 2007 Series A Bonds. The terms and provisions of Sections 2.06 and 2.07 of the Trust Agreement shall apply to the 2007 Series A Bonds. Notwithstanding the foregoing, the 2007 Series A Bonds shall be transferred only to a "qualified institutional buyer" as defined in Regulation 230.144a of the Securities Act of 1933 ("QIB").

(k) Bond Registration Books. The terms and provisions of Section 2.08 of the Trust Agreement shall apply to the 2007 Series A Bonds.

(l) Mutilated, Destroyed, Stolen or Lost Bonds. The terms and provisions of Section 2.08 of the Trust Agreement shall apply to the 2007 Series A Bonds.

(m) Mandatory Sinking Fund Redemption. The 2007 Series A Bonds shall be subject to mandatory sinking fund redemption on the dates and in the Maturity Amounts as follows:

Date	Maturity Amount

(n) Optional Redemption of 2007 Series A Bonds. The 2007 Series A Bonds are subject to optional redemption prior to their maturity at the option of the County, in denominations of \$250,000 of Accreted Value (as calculated by the Calculation Agent) or any integral multiple of \$5,000 in excess of \$250,000, in whole or in part (pro rata among Holders) on any date, commencing March 1, 2007, at a redemption price equal to one hundred percent (100%) of the Accreted Value thereof to be redeemed (without premium), plus accrued interest thereon. Notice of redemption shall be given at least five (5) and not more than sixty (60) days preceding the redemption date pursuant to Section 4.05 of the Trust Agreement.

(o) Optional Tender of 2007 Series A Bonds.

(i) On February 28, 2008 (the "Purchase Date"), any 2007 Series A Bond or portion thereof in an authorized denomination shall be purchased, at a purchase price equal to 100% of the Maturity Amount thereof plus accrued interest from the Interest Payment Date next preceding the Purchase Date to the Purchase Date, upon delivery by the Holders to the Trustee and the County of an irrevocable notice, on any Business Day at least ninety (90) days prior to the Purchase Date, which states the Maturity Amount of such 2007 Series A Bond to be tendered for purchase on the Purchase Date. Notices of tenders pursuant to this Section shall be sent to S&P and Moody's.

(ii) If any Bond is to be purchased in part pursuant to (i) above, the amount so purchased and the amount not so purchased must each be an authorized denomination.

(p) Calculation Agent. The Calculation Agent shall be the Treasurer of the County of Orange.

(q) Record Date. The record date of the 2007 Series A Bonds is the 15th day of the month preceding each Interest Payment Date.

(r) Direct Payments by County to Treasurer. Notwithstanding anything to the contrary contained herein or in the Trust Agreement, so long as the Original Purchaser is the sole Holder of the 2007 Series A Bonds, the County shall, in its absolute and sole discretion, pay the principal, Maturity Amount and interest on the 2007 Series A Bonds when due directly to the Original Purchaser. To the extent that the County has made such payments, such payments will be credited against the amounts the Trustee is entitled to receive or obligated to pay pursuant to the Trust Agreement.