



County Executive Office
Memorandum

535A

September 18, 2008

To: Supervisor John Moorlach, Chairman
From: Thomas G. Mauk, County Executive Officer
Subject: Exception to the Rule 21

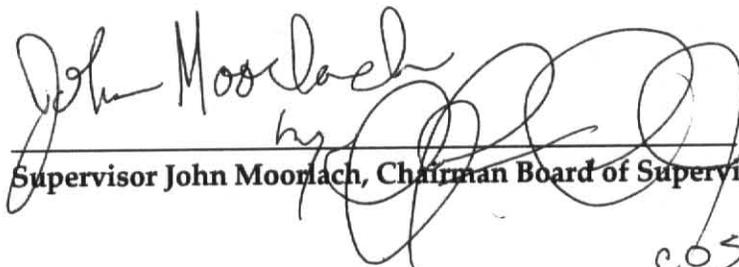
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CLERK OF THE BOARD
ORANGE COUNTY
BOARD OF SUPERVISORS

The County Executive Office is requesting a supplemental for the September 23, 2008, Board Hearing Meeting.

Agency: County Executive Office
Subject: Authorize necessary actions in connection with Teeter Plan Commercial Paper Program.
District All

Reason for supplemental: Item necessary to complete financing.

Concur:


~~Supervisor John Moorlach, Chairman Board of Supervisors~~
COS

cc: Members, Board of Supervisors
Rob Richardson, Assistant County Executive Officer
Ben De Mayo, County Counsel

535A
(Clerk's Use Only)

Agenda Item

**SUPPLEMENTAL AGENDA ITEM
AGENDA STAFF REPORT**



ASR Control

MEETING DATE: 09/23/08
LEGAL ENTITY TAKING ACTION: Board of Supervisors
BOARD OF SUPERVISORS DISTRICT(S): All Districts
SUBMITTING AGENCY/DEPARTMENT: County Executive Office
DEPARTMENT CONTACT PERSON(S): Thomas Beckett 834-5969
Jane Snyder 834-2436/Faye Watanabe 834-3047

SUBJECT: Authorize necessary actions in connection with Teeter Plan Commercial Paper Program

CEO CONCUR *[Signature]* **COUNTY COUNSEL REVIEW** **CLERK OF THE BOARD**
Discussion

Budgeted: Yes **Current Year Cost:** not to exceed \$142,640 **Annual Cost:** \$142,640

Staffing Impact: N/A **# of Positions:** N/A **Sole Source:** N/A
Current Fiscal Year Revenue:
Funding Source: Teeter Revenues

Prior Board Action: May 20, 2008

RECOMMENDED ACTION(S)

Adopt Resolution authorizing the Authorized Officers of the County to take necessary actions in connection with the Teeter Plan Obligations Commercial Paper Notes, Series A, including, but not limited to, replacing the Dealer Bank for the Notes.

SUMMARY:

The County Executive Office requests the Board of Supervisors (Board) adopt a Resolution authorizing the Authorized Officers of the County to take necessary actions in connection with the Teeter Plan Obligations Commercial Paper Notes, Series A (Notes), including, but not limited to, replacing the Dealer Bank for the Notes.

BACKGROUND INFORMATION:

On May 20, 2008 the Board adopted Resolution No. 08-061 authorizing the issuance of the Notes to refund the 1995 Teeter Bonds and 2008 -2009 Teeter Plan Notes, and to finance the County's obligation to make distributions to certain governmental agencies pursuant to tax procedure provided in the California Revenue and Taxation Code. This approval also included issuance of the Notes as well as selections of: Dexia Credit Local, New York Branch as Letter of Credit Bank; Lehman Brothers Inc. as the Commercial Paper Dealer Bank; and US Bank National Association as Issuing and Paying Agent/Trustee.

The County issued \$178,300,000 in Commercial Paper Notes on August 26, 2008. On September 15, 2008, Lehman Brother Holdings, Inc. filed for bankruptcy protection under chapter 11 of the United States Bankruptcy Code. The U.S. subsidiaries of Lehman Brothers Holdings, Inc. including Lehman Brothers Inc. (Lehman), the U. S. broker-dealer, have not, at this point, joined in the filing.

Due to the ongoing uncertainty going forward with Lehman, it is recommended that the County appoint Citigroup Global Markets Inc. (Citigroup) as replacement Commercial Paper Dealer Bank. In a recorded message to its clients, shareholders, and employees on September 15th, Citigroup made the following statements regarding its strength in capital and liquidity:

- * Citigroup has responded aggressively to the dislocated credit markets with a clear objective to solidify its balance sheet in order to serve clients during this uncertain environment from a position of strength;
- * Over the past 10 months, Citigroup has raised \$50 billion of capital from a wide range of investors around the world;
- * As of the second quarter, Citigroup's Tier 1 capital ratio stood at 8.7%, well in excess of the "well-capitalized" regulatory minimums;
- * As of the second quarter, Citigroup had a deposit base of approximately \$800 billion that was diversified across products and regions, with more than two-thirds of it outside the U.S. This diversification, including deep access to international deposits, provides an important and stable source of funding;
- * Citigroup's reserve of cash and highly liquid securities stood at \$65 billion at the end of the second quarter and is essentially the same today. This is up from \$24 billion at year end 2007;

Citigroup currently serves as dealer on 62 commercial paper programs totaling over \$9.4 billion in principal. In California, Citigroup manages 24 commercial paper programs totaling over \$5.1 billion including the State of California, County of Riverside, Orange County Water District, and the Port of Los Angeles. As commercial paper dealer of Teeter programs in both San Diego and Riverside Counties, Citigroup has extensive experience managing Teeter commercial paper programs. Citigroup is prepared to take over the County's Teeter Commercial Paper program, and has agreed to accept the same forms of documents and disclosure already approved by the Board. Citigroup's annual remarketing fee will be \$142,640 which is \$62,405 more than Lehman's annual remarketing fee, but in line with or less than what other firms are charging in the current market.

Staff recommends the Board adopt the Resolution to allow for replacement of the commercial paper deal as well as other necessary actions that may be required in the future to help ensure timely operation of the Commercial Paper program.

FINANCIAL IMPACT:

N/A

STAFFING IMPACT:

N/A

REVIEWING AGENCIES:

N/A

EXHIBIT(S):

Resolution, Dealer Agreement

ATTACHMENT(S):

A RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF ORANGE AUTHORIZING AUTHORIZED OFFICERS OF THE COUNTY TO TAKE NECESSARY ACTIONS IN REPLACING THE DEALER AND ISSUANCE AND PAYMENT AGENT FOR THE NOTES IN CONNECTION WITH THE COMMERCIAL PAPER PROGRAM

September 23, 2008

WHEREAS, the County of Orange (the "County") Board of Supervisors (the "Board") previously adopted Resolution No. 08-061 on May 20, 2008, pursuant to which the Board authorized the issuance of certain obligations, including its Teeter Plan Obligation Commercial Paper Notes, Series A (the "Notes"), for the purpose of (i) refunding the Orange County Special Financing Authority Teeter Plan Revenue Bonds, Series 1995 A (Taxable), Series B, Series C, Series D and Series E, (ii) refunding the County of Orange 2008-2009 Teeter Plan Notes, and (iii) financing the County's obligations to make distributions to certain local governmental agencies pursuant to a tax distribution procedure provided for in Sections 4701 through 4717 of the California Revenue and Taxation Code; and

WHEREAS, in connection with the issuance of the Notes, the County approved a form of a dealer agreement which it subsequently entered with Lehman Brothers Inc.; and

WHEREAS, on September 15, 2008, Lehman Brothers Holdings Inc. filed a petition in the United States Bankruptcy Court for the Southern District of New York seeking relief under chapter 11 of the United States Bankruptcy Code; and

WHEREAS, in light of the foregoing, the County desires to replace the current dealer, Lehman Brothers Inc., and would like to appoint Citigroup Global Markets Inc. as dealer under a Dealer Agreement (the "Dealer Agreement"), to be entered into with Citigroup Global Markets Inc.; and

WHEREAS, in connection with the issuance of the Notes, the County also approved a form of an issuance and payment agreement which it subsequently entered with U.S. Bank National Association; and

WHEREAS, due to recent market events and potential changes to banking entities that provide corporate trust and paying agent services, the County expects that it may have to replace its issuing and paying agent for the Notes; and

WHEREAS, a revised offering memorandum (the "Offering Memorandum") replacing the name of the dealer from Lehman Brothers Inc. to Citigroup Global Markets Inc. will be distributed to potential purchasers of the Notes; and

WHEREAS, the County desires to delegate to the Authorized Officers (defined below) of the County the authority to execute and deliver the Dealer Agreement with Citigroup Global Markets Inc. in substantially the same form as approved by the Board on May 20, 2008; and

WHEREAS, the County desires to delegate to the Authorized Officers (defined below) of the County the authority to add to and/or replace dealer(s) for the Notes, under the same or similar circumstances as the filing of Lehman Brothers Holdings Inc.'s bankruptcy or due to the dealer's consolidation or termination of business, from the Board's approved qualified panel of underwriter firms, and the authority to execute and deliver such dealer agreements in substantially the same form as approved by the Board on May 20, 2008; and

WHEREAS, the County also desires to delegate to the Authorized Officers (defined below) of the County the authority to replace the issuing and paying agent for the Notes under the same or similar circumstances as the filing of Lehman Brothers Holdings Inc.'s bankruptcy or due to the issuing and paying agent's consolidation or termination of business, with an issuance and payment agent who has trust powers, maintains a corporate trust office in California, is subject to supervision or examination by federal or state authorities, has a combined capital and surplus of at least \$50,000,000 or is a member of a bank holding company system, the lead bank of which has a combined capital and surplus of at least \$50,000,000, and delegate to the Authorized Officers the authority to execute and deliver such issuance and payment agreement in substantially the same form as approved by the Board on May 20, 2008;

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

Section 1. The form of the Dealer Agreement to be entered into with Citigroup Global Markets Inc. is hereby approved. The Chair or Vice Chair of the Board, the County Executive Officer, the County Chief Financial 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 Dealer 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.

Section 2. Lehman Brothers Inc. is hereby replaced as Dealer for the Notes and Citigroup Global Markets Inc. is hereby appointed as Dealer for the Notes. The Authorized Officers of the County are hereby authorized to revise the Offering Memorandum to reflect the name change of the Dealer.

Section 3. The Authorized Officers of the County are hereby authorized and directed, jointly and severally, to add to and/or replace dealer(s) for the Notes, under same or similar circumstances as the filing of Lehman Brothers Holdings Inc.'s bankruptcy or due to the dealer's consolidation or termination of business, from the Board's approved qualified panel of underwriter firms, and the authority to execute and deliver such dealer agreements in substantially the same form as approved by the Board on May 20, 2008.

Section 4. The Authorized Officers of the County are hereby authorized and directed, jointly and severally, to replace the issuing and paying agent for the Notes, under the same or similar circumstances as the filing of Lehman Brothers Holdings Inc.'s bankruptcy or due to the issuing and paying agent's consolidation or termination of business, with an issuance and payment agent who has trust powers, maintains a corporate trust office in California, is subject to supervision or examination by federal or state authorities, has a combined capital and

surplus of at least \$50,000,000 or is a member of a bank holding company system, the lead bank of which has a combined capital and surplus of at least \$50,000,000, and the authority to execute and deliver such issuance and payment agreement in substantially the same form as approved by the Board on May 20, 2008;

Section 5. This resolution shall take effect immediately upon its passage.

**COUNTY OF ORANGE, CALIFORNIA
TEETER PLAN OBLIGATION
COMMERCIAL PAPER NOTES, SERIES A**

DEALER AGREEMENT

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

Dear Ladies & Gentlemen:

This Dealer Agreement, dated as of October 1, 2008, confirms the agreement between the undersigned, CITIGROUP GLOBAL MARKETS INC. ("Citigroup" or the "Dealer") and the COUNTY OF ORANGE, CALIFORNIA (the "County") for the Dealer to act as exclusive dealer in connection with the County's Teeter Plan Obligation Commercial Paper Notes, Series A (the "Notes"). The Notes are to be issued by the County under and pursuant to a trust agreement (the "Trust Agreement"), dated as of August 1, 2008, between the County and U.S. Bank National Association, as trustee (the "Trustee"), and an issuance and payment agreement, dated as of August 1, 2008, between the County and the Trustee (the "Issuance and Payment Agreement"). All terms used herein and not defined herein shall have the meanings specified in the Trust Agreement or the Issuance and Payment Agreement, as the case may be.

The Notes are to be issued for the purposes of refunding certain obligations of the County and financing the County's obligation to make distributions to certain local governmental agencies pursuant to sections 4701 through 4717 of the California Revenue and Taxation Code. The aggregate principal amount of the Notes that may be outstanding at any one time is limited as provided in the Trust Agreement. The principal of and interest on the Notes shall be paid with amounts drawn upon an irrevocable transferable direct-pay letter of credit (the "Letter of Credit") to be issued by Dexia Credit Local, New York Branch (the "initial Bank" and "Provider") under and pursuant to a reimbursement agreement, dated as of August 1, 2008, between the County and the Bank (the "Reimbursement Agreement").

1. **Appointment of Dealer; Basic Responsibilities of Dealer.**

(a) Subject to the terms and conditions herein contained, the County hereby appoints the Dealer, and the Dealer hereby accepts such appointment, as exclusive dealer for the County in connection with the offering, issuance and sale of the Notes.

(b) In its capacity as dealer, the Dealer shall exercise its best efforts to solicit purchases of the Notes, on such terms and conditions, including maturity dates and interest rates (up to the Maximum Rate), as may prevail from time to time in the tax-exempt commercial paper market. On or before 12:30 P.M., New York City time, on each day on which Notes, the purchase of which has been solicited by the Dealer, are to be issued, the Dealer will notify an Authorized Officer (as defined in the Issuance and Payment Agreement) and the Trustee of the

amounts and terms and conditions of such Notes with respect to which the Dealer has received indications of interest from potential purchasers. Such amounts and terms and conditions shall be subject to the approval of an Authorized Officer. The receipt by the Dealer of such indications of interest from potential purchasers of Notes shall not constitute legal and binding commitments of such purchasers, and the giving by the Dealer of notice of such indications of interest from potential purchasers of Notes pursuant to this paragraph shall not constitute, or be construed as constituting, notice of the receipt by the Dealer of legal and binding commitments of such purchasers.

(c) Notwithstanding the provisions of paragraph (b) of this Section, if the County shall have designated the Dealer as an Authorized Officer pursuant to the Issuance and Payment Agreement, the Dealer shall exercise its best efforts to solicit purchases of the Notes, on such terms and conditions, including maturity dates and interest rates, as may prevail from time to time in the tax-exempt commercial paper market; and the Dealer shall accept, for and on behalf of the County, such combination of terms and conditions and maturity dates and interest rates as, in the opinion of the Dealer, is likely to produce the lowest overall interest cost to the County and shall give Instructions to the Trustee in conformity therewith as provided for in the Issuance and Payment Agreement.

(d) It is understood and agreed that the Dealer's responsibilities hereunder will include (i) the soliciting of purchases of Notes from investors that customarily purchase tax-exempt commercial paper, (ii) effecting and processing such purchases, (iii) causing the furnishing, by mail or otherwise (at the County's expense), of such materials as are described in Section 3 hereof, (iv) billing and receiving payment for Notes purchases, and (v) performing such other related functions as may be requested by the County and agreed to by the Dealer.

2. **The Notes.** As more fully described in the Issuance and Payment Agreement, the Notes will be issuable in denominations of \$100,000 and integrals of \$1,000 in excess of such amount and will have maturity dates on business days that are not more than 270 days from their respective dates of execution and delivery and not later than five days prior to the Termination Date of the Letter of Credit relating thereto. Except as otherwise provided in the Issuance and Payment Agreement, the Notes shall be issued in the book-entry system of The Depository Trust Company ("DTC"), and shall be registered in the name of Cede & Co., as nominee of DTC.

3. **Furnishing of Memorandum.**

(a) The County agrees to pay the cost of as many copies as the Dealer may reasonably request of the Commercial Paper Memorandum dated [October 1, 2008], pertaining to the Notes for use in connection with the offering of the Notes. The Commercial Paper Memorandum, including the cover page and all summary statements, appendices and other materials included or incorporated therein by reference or attached thereto or accompanying therewith, as it may be amended or supplemented from time to time by a Supplement or Supplements, is hereinafter referred to as the "Memorandum." The Dealer will furnish the Memorandum to each offeree of the Notes at or prior to the date on which such offeree is first offered the Notes.

(b) Simultaneously with the furnishing thereof to the Provider, the County shall furnish to the Dealer all notices, financial statements, reports and information required to be furnished to the Provider pursuant to the Reimbursement Agreement.

(c) The information relating to the County contained in any Memorandum will be true and correct in all material respects on and as of the date of such Memorandum.

4. **Conditions To Dealer's Obligations.** The obligations of the Dealer under this Dealer Agreement have been undertaken in reliance on, and shall be subject to, the due performance by the County of its obligations and agreements to be performed hereunder and to the accuracy of and compliance with the respective representations, warranties, covenants and agreements of the County contained herein, in each case on and as of the date of delivery of this Dealer Agreement and on and as of each date on which Notes are to be issued. The obligations of the Dealer hereunder with respect to each date on which Notes are to be issued are also subject, in the discretion of the Dealer, to the following further conditions precedent:

(a) The Trust Agreement, the Issuance and Payment Agreement, the Letter of Credit and the Reimbursement Agreement shall be in full force and effect; and the Notes to be issued on such date shall have the full benefits of all of the foregoing, all of which shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Dealer; and there shall be in full force and effect such additional resolutions, agreements, instruments and certificates and such opinions of counsel as may be reasonably required by the Dealer and its counsel; and there shall have been taken in connection therewith and in connection with the issuance of the Notes all such action as shall be necessary in connection with the transactions contemplated hereby.

(b) There shall have been no material adverse change in the properties, business, condition (financial or other) or results of operations of the Provider since the date of the Memorandum; and no Event of Default (as such term is defined in the Trust Agreement) shall have occurred and be continuing and no event shall have occurred and be continuing which with the passage of time or giving of notice or both, would constitute such an Event of Default and the Provider shall not have given notice of the occurrence and continuance of an Event of Default under the Reimbursement Agreement.

(c) At or prior to the first date on which Notes are to be sold pursuant to the terms of the Trust Agreement and this Dealer Agreement, the Dealer shall have received:

(i) executed copies of the Reimbursement Agreement and the Issuance and Payment Agreement; and a transcript of all proceedings relating to the authorization of the Notes certified by a duly authorized official of the County;

(ii) opinions dated as of such date of (a) Bond Counsel, (b) Sidley Austin LLP United States counsel to the Provider, (c) foreign counsel to the Provider and (d) County Counsel (each such opinion to be in form and substance as previously agreed to by each such counsel and the Dealer);

(iii) a certificate of the County, executed by any duly authorized official of the County, dated as of such date, as to the accuracy of and compliance with the

representations, warranties, covenants and agreements of the County contained in the Trust Agreement on and as of such date, which certificate may state that the certifications therein set forth are to the best knowledge and belief of such official;

(iv) a certificate of the County, executed by any duly authorized official of the County, dated as of such date, as to the accuracy of and compliance with the representations, warranties, covenants and agreements of the County contained in the Reimbursement Agreement on and as of such date, which certificate may state that the certifications therein set forth are to the best knowledge and belief of such official;

(v) a certificate of the County, executed by any duly authorized official of the County, dated as of or prior to such date, to the effect that the information concerning the County in the Memorandum contains no misstatement of any material fact and does not omit any statement necessary to make the statements contained therein, in the light of the circumstances in which such statements were made, not misleading;

(vi) a certificate of the County, executed by any duly authorized official of the County, dated as of such date, as to the accuracy of and compliance with the representations, warranties, covenants and agreements of the County contained in the Reimbursement Agreement on and as of such date, which certificate may state that the certifications therein set forth are to the best knowledge and belief of such official;

(vii) a certificate of the Provider, executed by a duly Authorized Officer of the Provider, dated as of such date, as to the correctness of information concerning the Provider which is contained in the Memorandum;

(viii) copies of all documents required by, and delivered pursuant to the Reimbursement Agreement; and

(ix) copies of such other documents, certificates and opinions as the Dealer shall have reasonably requested.

5. **Term and Termination of Dealer Agreement.**

(a) This Dealer Agreement shall become effective upon execution by the Dealer and the County and may be terminated by the Dealer or the County at any time on the earlier to occur of (i) 90 days after written notice of such termination is given by the party terminating this Dealer Agreement, or (ii) the date upon which a replacement dealer is appointed by the County and such replacement dealer has accepted such appointment. The Dealer or the County, as applicable, shall give written notice of its intent to terminate this Dealer Agreement to the Dealer or the County, as applicable, the Provider and the Trustee. The County will use its best efforts to notify Standard & Poor's Ratings Services and Moody's Investors Service (in the manner prescribed by Section 7(e) hereof) of the termination of this Dealer Agreement and any change in the dealer for the Notes.

(b) In addition, the Dealer may terminate its obligations under this Dealer Agreement or, at its option, may temporarily suspend its obligations hereunder, at any time by

notifying the County in writing or by telegram, telex or other electronic communication of their election to do so if:

(c) Legislation shall be favorably reported by a committee of the House of Representatives or the Senate of the Congress of the United States or be introduced by committee by amendment or otherwise in, or be enacted by, the House of Representatives or the Senate or be recommended by the President of the United States to the Congress of the United States for passage by the Congress of the United States, or a decision by a court established under Article III of the Constitution of the United States, or the Tax Court of the United States, shall be rendered or a ruling, regulation or order of the Treasury Department of the United States or the Internal Revenue Service or any other governmental entity having jurisdiction over the subject matter shall be made or proposed having the purpose or effect of imposing federal income taxation or any other event shall have occurred which results in the imposition of federal income taxation, upon interest received on the Notes;

(d) Legislation shall be favorably reported by a committee of the House of Representatives or the Senate of the Congress of the United States, or shall be introduced by committee by amendment or otherwise, or be introduced by the House of Representatives or the Senate or shall be recommended by the President of the United States to the Congress of the United States for passage by the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by, or on behalf of, the United States Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter should be made or proposed, to the effect that the offering or sale of obligations of the character of the Notes, as contemplated hereby, is or would be in violation of any provision of the Securities Act of 1933 as amended (the "Securities Act") and as then in effect, or the Securities Act of 1934 as amended and as then in effect, or that the Trust Agreement shall be required to be qualified under the Trust Indenture Act of 1939 as amended and as then in effect, or with the purpose or effect of otherwise prohibiting the offering for sale of obligations of the character of the Notes, or the Notes as contemplated hereby, without registration under the Securities Act or qualification of the Trust Agreement under the Trust Indenture Act of 1939, as amended;

(e) Any information shall have become known which, in the Dealer's reasonable opinion, makes untrue any statement of a material fact contained in the Memorandum prepared as provided in Section 3(a) hereof, or causes the Memorandum prepared as provided in Section 3(a) hereof, as so supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements made therein, in light of the circumstance under which they were made, not misleading;

(f) Except as provided in clauses (a) and (b) hereof, any legislation, resolution, ordinance, rule or regulation shall be introduced in, or be enacted by, any federal governmental body, department or agency of the United States or the State of California, or a decision by any court of competent jurisdiction within the United States or the State of California shall be rendered which, in the Dealer's reasonable opinion, materially adversely affects the marketability of the Notes;

(g) Additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities similar to the Notes by any governmental authority or by any national securities exchange which in the Dealer's reasonable opinion, materially adversely affects the marketability of the Notes;

(h) Any governmental authority shall impose, as to the Notes, or obligations of the character of the Notes, any material restrictions not now in force, or increase materially those now in force which, in the Dealer's reasonable opinion, materially adversely affects the marketability of the Notes;

(i) A banking moratorium shall have been established by federal, New York or California authorities;

(j) The rating of the Notes shall have been downgraded to a rating below "P-1" by Moody's Investors Service or "A-1" by Standard & Poor's Rating Services or such rating agencies shall withdraw any ratings they may have in effect with respect to the Notes;

(k) A war involving the United States shall have been declared, or any existing conflict involving the armed forces of the United States shall have escalated, or any other national emergency relating to the effective operation of government of the financial community shall have occurred, which, in the Dealer's reasonable opinion, materially adversely affects the marketability of the Notes;

(l) Any event, including without limitation, the bankruptcy or default of any issuer of, or obligor on tax-exempt securities shall have occurred which, in the Dealer's reasonable opinion, makes the marketing of the securities of the character of the Notes impossible over an extended period of time;

(m) The Trust Agreement, the Issuance and Payment Agreement or the Reimbursement Agreement shall cease to be in full force and effect or shall have been amended, modified or supplemented except as agreed to by the Dealer; or

(n) An Event of Default under the Trust Agreement has occurred and is continuing or the Provider has given notice of the occurrence and continuance of an Event of Default under the Reimbursement Agreement.

6. Payment of Fees and Expenses.

(a) In consideration of the services to be performed by the Dealer under this Dealer Agreement, the County agrees to pay to the Dealer an annual fee in the amount of the product of (i) .08% divided by 365 or 366, as applicable, times (ii) the sum of the principal amounts of such Notes outstanding on each day during the billing period described in the next sentence. It is understood and agreed that (i) payment of such fee shall be made by the County quarterly upon receipt of an invoice therefor from the Dealer and (ii) the obligation of the County to pay such fee shall survive the termination or cancellation of this Dealer Agreement to the extent that such obligation related to Notes outstanding prior to such termination or cancellation.

(b) All reasonable expenses and costs of the Dealer in effecting the authorization, preparation, issuance, offering, delivery and sale of the Notes (including, without limitation, the expenses and costs of the preparation, printing, photocopying, execution and delivery of the Notes, the Memorandum, the Reimbursement Agreement, the Issuance and Payment Agreement, this Dealer Agreement and all other agreements and documents contemplated hereby and thereby, including amendments, modifications and supplements to any such agreements and documents at any time during the term of this Dealer Agreement) shall be paid or reimbursed by the County, unless and to the extent that such expenses and costs are paid out of or reimbursed from the proceeds of the Notes.

7. **Miscellaneous.**

(a) All notices, demands and formal actions under this Dealer Agreement shall be in writing and mailed, telecopied, telegraphed or delivered to:

The Dealer:

Citigroup Global Markets Inc.
444 South Flower Street, 27th Floor
Los Angeles, CA 90071
Attention: [_____]
Phone: [_____]

The County:

County of Orange
County Executive Office
10 Civic Center Plaza, 3rd Floor
Santa Ana, CA 92701
Attention: Public Finance Manager
Telephone Number: (714) 834-2345
Facsimile Transmission Number: (714) 834-3346

provided, however, that all notices pursuant to, or contemplated by, the provisions of Section 1 of this Dealer Agreement shall be given by telephonic communication between or among Authorized Officers of the parties to this Dealer Agreement and shall be confirmed in writing and mailed, telegraphed or delivered to such parties on the later of the Business Day following the settlement, if any, of the respective transactions to which such notices relate or the Business Day following the telephonic communication. The Dealer and the County may, by notice given under this Dealer Agreement, designate other addresses to which subsequent notices, requests, reports or other communications shall be directed.

(b) Any certificate authorized by the County, signed by any authorized official or officials of the County and delivered to the Dealer shall be deemed a representation by the County to the Dealer as to the statements made therein.

(c) This Dealer Agreement will inure to the benefit of and be binding upon the County and the Dealer and their respective successors and assigns, and will not confer any

rights upon any other person, partnership, association or corporation. The term "successors" and "assigns" shall not include any purchaser of any of the Notes merely because of such purchase.

(d) All of the representations, warranties and covenants of the County and the Dealer in this Dealer Agreement shall remain operative and in full force and effect, regardless of (i) any investigation made by or on behalf of the Dealer or (ii) delivery of and any payment for any Notes hereunder.

(e) The County and the Dealer may at any time modify or amend this Dealer Agreement, provided, however, that no amendments or supplements to, or waiver or consent to waiver of any provision under, this Dealer Agreement shall be made or given if such amendment, supplement, waiver or consent may adversely affect the Provider without the prior written consent of the Provider.

(f) Section headings have been inserted in this Dealer Agreement as a matter of convenience of reference only, and it is agreed that such section headings are not a part of this Dealer Agreement and will not be used in the interpretation of any provisions of this Dealer Agreement.

(g) If any provision of this Dealer 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, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Dealer Agreement invalid, inoperative or unenforceable to any extent whatever.

(h) This Dealer Agreement may be executed in several counterparts, each of which shall be regarded as an original and all of which constitute one and the same document.

(i) This Dealer Agreement shall be governed by and construed in accordance with the laws of the State of California.

CITIGROUP GLOBAL MARKETS INC.

By: _____
Authorized Officer

COUNTY OF ORANGE, CALIFORNIA

By: _____
Authorized Officer