

TO: James L. App, City Manager
FROM: Mike Compton, Director of Administrative Services
SUBJECT: General Obligation Bond Refunding
DATE: May 15, 2007

Needs: For the City Council to adopt a resolution authorizing the refunding of Series A and C bonds of the 1998 General Obligation Bonds.

Facts:

1. In June 1998, Paso Robles voters authorized the sale of \$38 million in general obligation bonds.
2. The bonds were sold in three series.
3. Only Series A and C are refundable. Series B bonds were sold as non-callable and must remain outstanding until final maturity in August 1, 2027.
4. Current market conditions provide an opportunity to modestly reduce property owner tax liability for bonded indebtedness.
5. The Council at their April 3, 2007 meeting authorized staff to proceed with refunding Series A and C of the 1998 General Obligation Bonds.
6. Adoption of the attached resolution provides the formal authorization for the City Treasurer to proceed with all necessary actions to refund the bonds.

Analysis
and
Conclusion:

Current market conditions for long-term interest rates provide an opportunity for the City to refund Series A and C of the General Obligation bonds. Think of it as refinancing your home.

Two scenarios were analyzed and presented to the Council at their April 3, 2007 meeting, "level savings" and "back loaded savings". The Council chose the "level savings" option as the preferred method to refund the bonds. Adoption of the attached resolution authorizes the "level savings" scenario. Under this scenario the refunding savings is spread evenly over the remaining life of the outstanding bonds. As an example, a homeowner with an assessed valuation of \$450,000, assuming an ongoing annual increase in assessed valuation of 2%, the homeowner would receive a \$56 reduction in tax liability beginning in fiscal year 2008 but would decline over the

remaining life of the bonds to an estimated annual savings of \$37. Total projected savings would be \$900 over the remaining life of the bonds.

Adoption of the enclosed resolution would:

1. Authorize the sale of \$34 million in refunding bonds
2. Directs the redemption of a portion of the Series A and C bonds
3. Establishes the terms and conditions of the bonds
4. Approves the Preliminary Official Statement, an Escrow Agreement and a Continuing Disclosure Certificate
5. Appoints Union Bank of California as the Paying Agent
6. Establishes procedures for advertising the Bonds for public sale
7. Provides for the Bond Form (Exhibit "A")

Fiscal

Impact:

The "level savings" scenario would save property owners about \$900 over the remaining life of the bonds, ranging from \$56 per year initially and decreasing over time to about \$37 based upon a residence with assessed valuation of \$450,000.

The "backend savings" scenario previously rejected by Council would save \$1,129 over the last three years by eliminating payment of the GO bond tax entirely. Use of the reserve fund to eliminate additional years at the backend would likely double savings to about \$2,200.

Options:

- a. That the Council adopt Resolution No. 07-XX Authorizing the Issuance and Sale of Not To Exceed \$34,000,000 Aggregate Original Principal Amount of 2007 General Obligation Refunding Bonds, Approving a Preliminary Official Statement, a Continuing Disclosure Certificate and an Escrow Agreement and all Other Authorizing Actions Related Thereto based upon the "level savings" scenario; or
- b. That the Council adopt Resolution No. 07-XX Authorizing the Issuance and Sale of Not To Exceed \$34,000,000 Aggregate Original Principal Amount of 2007 General Obligation Refunding Bonds, Approving a Preliminary Official Statement, a Continuing Disclosure Certificate and an Escrow Agreement and all Other Authorizing Actions Related Thereto based upon the "backend savings" scenario; or
- c. Amend, modify, or reject the above option.

Law Office of
ROBERT M. HAIGHT
ATTORNEY AT LAW

Municipal Bond Counsel

April 24, 2007

MEMORANDUM

**CITY OF EL PASO DE ROBLES
2007 GENERAL OBLIGATION REFUNDING BONDS (THE "BONDS")**

TO: MICHAEL COMPTON
COPY: INTERESTED PARTIES
FROM: ROBERT M. HAIGHT, BOND COUNSEL
RE: BOND COUNSEL STAFF REPORT FOR AGENDA OF MAY 1, 2007

Presented herewith are the following documents:

1. Resolution of the City Council of the City of El Paso De Robles Authorizing the Issuance and Sale of Not To Exceed \$34,000,000 Aggregate Original Principal Amount of 2007 General Obligation Refunding Bonds, Approving A Preliminary Official Statement, A Continuing Disclosure Certificate, and An Escrow Agreement, and Authorizing Actions Related Thereto
2. Escrow Agreement

Larry Jensen, as Disclosure Counsel, will be presenting the following documents:

3. Preliminary Official Statement
4. Continuing Disclosure Certificate

The resolution as presented accomplishes the following:

1. Authorizes the sale of not to exceed \$34,000,000 of Bonds.
2. Directs the redemption of a portion of the outstanding Series A and Series C Bonds.
3. Establishes the terms and conditions of the Bonds.

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E-Mail: rmhaight@sbcglobal.net

Michael Compton
City of El Paso de Robles
April 24, 2007

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4. Approves a Preliminary Official Statement, an Escrow Agreement and a Continuing Disclosure Certificate.
5. Appoints a Paying Agent (Union Bank of California, N.A.).
6. Establishes the procedures for advertising the Bonds for public sale.
7. Provides for the Bond form as Exhibit "A."

The Preliminary Official Statement as presented by Larry Jensen, will contain all the information required by law to be included in a sale document. Also, the Continuing Disclosure Certificate will require the City to keep the dissemination agents aware of it's current financial conditions and to report any material events.

I will be present at the May 1, 2007 Council meeting to further discuss the above.

RESOLUTION NO. _____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF EL PASO DE ROBLES AUTHORIZING THE ISSUANCE AND SALE OF NOT TO EXCEED \$34,000,000 AGGREGATE ORIGINAL PRINCIPAL AMOUNT OF 2007 GENERAL OBLIGATION REFUNDING BONDS, APPROVING A PRELIMINARY OFFICIAL STATEMENT, A CONTINUING DISCLOSURE CERTIFICATE, AND AN ESCROW AGREEMENT, AND AUTHORIZING ACTIONS RELATED THERETO

WHEREAS, pursuant to Article 4.5 (commencing with Section 53506) of Division 2 of Title 5 of the Government Code of the State of California (the "Bond Law"), the City of El Paso de Robles (the "City") has issued general obligation bonds which were authorized by two-thirds of the electors voting on the proposition; and

WHEREAS, more than two-thirds of the electors voting at a special municipal election held on June 2, 1998, voted for a proposition authorizing the issuance by the City of general obligation bonds in the aggregate principal amount of \$38,000,000 for the purpose of providing funds for certain municipal improvements, including bridge expansions, public safety center, Barney Schwartz Park, airport industrial improvements, senior center and veterans facility; and

WHEREAS, the City has issued its \$22,999,597.80 1999 General Obligation Bonds (Election 1998) Series A Capital Appreciation Bonds (the "Series A Bonds") and its \$8,000,000 2002 General Obligation Bonds (Election of 1998) Series C Bonds (the "Series C Bonds"); and

WHEREAS, the City Council wishes at this time to authorize the issuance and sale of general obligation refunding bonds pursuant to such authority in an aggregate original principal amount of not to exceed \$34,000,000 (the "Refunding Bonds") pursuant to this Resolution and in conformity with the Bond Law and to refund the outstanding Series A and Series C Bonds; and

WHEREAS, the City desires to comply with SEC Rule 15c2-12(b)(5) and a Continuing Disclosure Certificate has been presented for approval; and

WHEREAS, the City desires to select Union Bank of California, N.A. to act as Paying Agent to make payments on and authenticate the Refunding Bonds and as Escrow Agent pursuant to an Escrow Agreement by and between the City and the Escrow Agent.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of El Paso de Robles as follows:

ARTICLE I
DEFINITIONS; AUTHORITY

SECTION 1.01. DEFINITIONS

The terms defined in this Section 1.01, as used and capitalized herein, shall, for all purposes of this Resolution, have the meanings ascribed to them below, unless the context clearly requires some other meaning.

“Bond Counsel” means (a) Robert M. Haight, Attorney at Law, or (b) any other attorney or firm of attorneys nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities.

“Bond Law” means Article 4.5 of Division 2 of Title 5 of the Government Code of the State of California, commencing with Section 53506 of said Code, as in effect on the date of adoption hereof and as amended hereafter.

“Bond Proposition” means the proposition submitted to and approved by more than two-thirds of the voters, pursuant to which the issuance of the Series A and Series C Bonds has been authorized.

“Bond Year” means the one-year period beginning on August 1 in each year and ending on the next succeeding July 31; except that the first Bond Year shall begin on the Closing Date and end on July 31, 2007.

“City” means the City of El Paso de Robles, a general law city and municipal corporation organized under the Constitution and laws of the State of California, and any successor thereto.

“City Representative” means the City Manager or Administrative Services Director/City Treasurer of the City, or any other person authorized by resolution of the City Council of the City to act on behalf of the City with respect to this Resolution and the Refunding Bonds.

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

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the City and related to the authorization, issuance, sale and delivery of the Refunding Bonds, including but not limited to the costs of preparation and reproduction of documents, printing expenses, filing and recording fees, initial fees and charges of the Paying Agent and its counsel, initial fees and charges of the Escrow Agent and its counsel, legal fees and charges, fees and disbursements of consultants and professionals, rating agency fees, refunding bond insurance premiums, fees and charges for preparation, execution and safekeeping of the Refunding Bonds and any other cost, charge or fee in connection with the original issuance of the Refunding Bonds.

“Costs of Issuance Fund” means the fund by that name established and held by the Paying Agent pursuant to Section 4.01.

“County” means the County of San Luis Obispo, a political subdivision of the State of California, duly organized and existing under the Constitution and laws of the State of California.

4.03. “Debt Service Fund” means the account established and held by the City pursuant to Section

“Defeasance Obligations” means (a) cash, or (b) non-callable Federal Securities.

“Depository” means (a) initially, DTC, and (b) any other Securities Depository acting as Depository pursuant to Section 2.09.

“Depository System Participant” means any participant in the Depository’s book-entry system.

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“Federal Securities” means direct general obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America, and CATS and TGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

“Information Services” means Financial Information, Inc.’s Financial Daily Called Bond Service; Interactive Data Corporation’s Bond Service; Kenny Information Service’s Called Bond Service; Moody’s Municipal and Government; or Standard & Poor’s Called Bond Record.

“Interest Payment Date” means August 1, 2007, and the first day of each succeeding February and August.

“Original Purchaser” means, collectively, the original purchaser of the Refunding Bonds at public sale thereof.

“Outstanding,” when used as of any particular time with reference to Refunding Bonds, means all Refunding Bonds except: (a) Refunding Bonds theretofore canceled by the Paying Agent or surrendered to the Paying Agent for cancellation; (b) Refunding Bonds paid or deemed to have been paid within the meaning of Section 9.02; and (c) Refunding Bonds in lieu of or in substitution for which other Refunding Bonds shall have been authorized, executed, issued and delivered by the City pursuant to this Resolution.

“Owner,” whenever used herein with respect to a Refunding Bond, means the person in whose name the ownership of such Refunding Bond is registered on the Registration Books.

“Paying Agent” means the Paying Agent appointed by the City and acting as paying agent, registrar and authenticating agent for the Refunding Bonds, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in Section 6.01.

“Principal Office” means the office or offices of the Paying Agent for the payment of the Refunding Bonds and the administration of its duties hereunder, as such office or offices shall be identified in a written notice filed with the City by the Paying Agent.

“Principal Payment Date” means August 1, 2007 and the first day of each succeeding August.

“Record Date” means the fifteenth (15th) day of the month preceding an Interest Payment Date, whether or not such day is a business day.

“Refunding Bonds” means Refunding Bonds designated as such in Section 2.01, the interest component of which is payable semiannually on each Interest Payment Date and the principal component is payable annually on each Principal Payment Date.

“Registration Books” means the records maintained by the Paying Agent for the registration of ownership and registration of transfer of the Refunding Bonds pursuant to Section 2.08.

“Resolution” means this Resolution, as originally adopted by the City Council and including all amendments hereto and supplements hereof which are duly adopted by the City Council from time to time in accordance herewith.

“Securities Depositories” means The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Facsimile transmission: (516) 227-4039, (516) 227-5190 with Cede & Co. as its nominee or such other addresses and/or such other securities depositories as the City may designate in a Written Certificate of the City delivered to the Paying Agent.

“Series A Escrow Fund” means the escrow fund established and held by the City pursuant to Section 4.02.

“Series C Escrow Fund” means the escrow fund established and held by the City pursuant to Section 4.03.

“Supplemental Resolution” means any resolution supplemental to or amendatory of this Resolution, adopted by the City in accordance with Article VIII.

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

“Written Request of the City” means an instrument in writing signed by a City Representative or by any other officer of the City duly authorized to act on behalf of the City pursuant to a written certificate of a City Representative.

SECTION 1.02. INTERPRETATION

(a) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(c) All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Resolution; the words “herein,” “hereof,” “hereby,” “hereunder” and other words of similar import refer to this Resolution as a whole and not to any particular Article, Section or subdivision hereof.

SECTION 1.03. AUTHORITY FOR THIS RESOLUTION; FINDINGS

This Resolution is entered into pursuant to the provisions of the Bond Law. It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of Refunding Bonds do exist, have happened or have been performed in due and regular time and manner as required by the laws of the State of California, and that the amount of Refunding Bonds, together with all other indebtedness of the City, does not exceed any limit prescribed by any laws of the State of California.

SECTION 1.04. APPROVAL OF ESCROW AGREEMENT

The Escrow Agreement is approved in substantially the form presented at this meeting. A City Representative is authorized and directed, for and in the name of the City, to execute and deliver the Escrow Agreement with such changes, insertions and omissions as the City Representative may approve, such approval to be conclusively evidenced by the execution and delivery thereof.

ARTICLE II THE REFUNDING BONDS

SECTION 2.01. AUTHORIZATION

Refunding Bonds in the aggregate original principal amount of not to exceed Thirty-Four Million Dollars (\$34,000,000) are hereby authorized by the City to be issued by the City under and subject to the terms of the Bond Law and this Resolution, for the purpose of raising money for the advanced redemption of the Series A Bonds and the Series C Bonds in accordance with this Resolution, and to pay the Costs of Issuance incurred in connection therewith. This Resolution constitutes a continuing agreement between the City and the Owners of all of Refunding Bonds issued or to be issued hereunder and then Outstanding to secure the full and final payment of principal of and interest and premium, if any, on all Refunding Bonds which may be Outstanding hereunder, subject to the covenants, agreements, provisions and conditions herein contained. The Bonds shall be issued as Refunding Bonds in the form of current interest bonds, to be designated the "City of El Paso de Robles 2007 General Obligation Refunding Bonds."

SECTION 2.02. TERMS OF REFUNDING BONDS

(a) Refunding Bonds. The Refunding Bonds shall be issued in fully registered form without coupons in amounts of \$5,000 or any integral multiple thereof, maturing on August 1 in each of the years and in the maturity amounts as shall be determined upon the sale thereof. Interest on the Refunding Bonds shall be payable on an Interest Payment Date or upon earlier redemption thereof as hereinafter provided.

Each Refunding Bond shall be dated as of the Closing Date. The Refunding Bonds and any redemption premium thereon shall be payable solely at maturity or earlier redemption thereof to the Owners thereof upon presentation and surrender thereof at the Principal Office of the Paying Agent. The Refunding Bonds shall be payable in lawful money of the United States of America upon presentation and surrender thereof at the Principal Office of the Paying Agent.

(b) CUSIP Identification Numbers. “CUSIP” identification numbers shall be imprinted on Refunding Bonds, but such numbers shall not constitute a part of the contract evidenced by Refunding Bonds and any error or omission with respect thereto shall not constitute cause for refusal of any purchaser to accept delivery of and pay for Refunding Bonds. In addition, failure on the part of the City to use such CUSIP numbers in any notice to Owners of Refunding Bonds shall not constitute an event of default or any violation of the City’s contract with such Owners and shall not impair the effectiveness of any such notice.

SECTION 2.03. REDEMPTION

(a) Redemption Dates and Prices. The Refunding Bonds maturing on or before August 1, 2015 shall not be subject to redemption prior to their respective stated maturities. The Bonds maturing on or after August 1, 2016, shall be subject to redemption prior to maturity, at the option of the City, in whole or in part among maturities on such basis as shall be designated by the City and by lot within a maturity, from any available source of funds, on August 1, 2015, and on any business date thereafter, at a redemption price as set forth in the following table, together with interest accrued thereon to the date fixed for redemption.

<u>Redemption Dates</u>	<u>Redemption Price</u>
August 1, 2015 through July 31, 2016	102.0%
August 1, 2016 through July 31, 2017	101.0%
August 1, 2017 and thereafter	100.0%

(b) Mandatory Sinking Fund Redemption. In the event and to the extent specified in the bid of the winning bidder for the Refunding Bonds, any maturity of such Refunding Bonds shall be designated as “Term Bonds” and shall be subject to mandatory sinking fund redemption on August 1 in each of the years and in the respective principal amounts set forth in such bid, at a redemption price equal to one hundred percent (100%) of the Refunding Bonds to be redeemed, in each case without premium, together with interest accrued thereon to the date fixed for redemption. If some but not all of such Term Bonds have been redeemed pursuant to the preceding subsection (a) of this Section, the aggregate principal amount of such Term Bonds to be redeemed in each year pursuant to this subsection (b) shall be reduced on a pro rata basis in integral multiples of \$5,000, as shall be designated pursuant to written notice filed by the City with the Paying Agent.

(c) Selection of Refunding Bonds for Redemption. Whenever less than all of the Outstanding Bonds of any one maturity are designated for redemption, the Paying Agent shall select the Outstanding Bonds of such maturity to be redeemed by lot in any manner deemed fair by the Paying Agent. For purposes of such selection, each Refunding Bond shall be deemed to consist of individual Bonds of \$5,000 each, which may be separately redeemed.

(d) Redemption Procedure. The Paying Agent shall cause notice of any redemption to be mailed by first class mail, postage prepaid, at least thirty (30) days but not more than sixty (60) days prior to the date fixed for redemption, to (i) one or more of the Information Services, and (ii) to the respective Owners of any Refunding Bonds designated for redemption, at their addresses appearing on the Registration Books; but such mailing shall not be a condition precedent to such redemption and failure to mail or to receive any such notice shall not affect the validity of the proceedings for the redemption of such Refunding Bonds or the cessation of accrual and compounding of interest thereon from and after the redemption date. In addition, notice of redemption shall be given by telecopy or

certified, registered or overnight mail to each of the Securities Depositories at least two (2) days prior to such mailing to the Refunding Bond Owners.

Such notice shall state the redemption date and the redemption price and, if less than all of the then Outstanding Bonds are to be called for redemption, shall designate the serial numbers of Refunding Bonds to be redeemed by giving the individual number of each Refunding Bond or by stating that all Refunding Bonds between two stated numbers, both inclusive, or by stating that all of Refunding Bonds of one or more maturities have been called for redemption, and shall require that such Refunding Bonds be then surrendered at the Principal Office of the Paying Agent for redemption at the said redemption price, giving notice also that further interest on such Refunding Bonds will not accrue from and after the redemption date.

Upon surrender of Refunding Bonds redeemed in part only, the City shall execute and the Paying Agent shall authenticate and deliver to the Owner, at the expense of the City, a new Refunding Bond or Refunding Bonds, of the same maturity, of the unredeemed portion of the Refunding Bond or Refunding Bonds.

From and after the date fixed for redemption, if notice of such redemption shall have been duly given and funds available for the payment of the principal of and interest (and premium, if any) on Refunding Bonds so called for redemption shall have been duly provided, such Refunding Bonds so called shall cease to be entitled to any benefit under this Resolution other than the right to receive payment of the redemption price, and no interest shall accrue thereon on or after the redemption date specified in such notice. All Refunding Bonds redeemed pursuant to this Section 2.03 shall be canceled by the Paying Agent, and a certificate of cancellation shall be submitted by the Paying Agent to the City.

SECTION 2.04. FORM OF REFUNDING BONDS

The Refunding Bonds, the form of the Paying Agent's certificate of authentication and registration and the form of assignment to appear thereon shall be substantially in the forms, respectively, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Resolution, as are set forth in Exhibit A attached hereto.

SECTION 2.05. EXECUTION OF REFUNDING BONDS

The Refunding Bonds shall be signed by the facsimile signature of the Mayor of the City and shall be attested by the facsimile signature of the City Clerk of the City, and the seal of the City shall be reproduced thereon. No Refunding Bond shall be valid or obligatory for any purpose or shall be entitled to any security or benefit under this Resolution unless and until the certificate of authentication printed on the Refunding Bond is signed by the Paying Agent as authenticating agent.

Only such Refunding Bonds as shall bear thereon a certificate of authentication and registration in the form set forth in Exhibit A attached hereto, executed and dated by the Paying Agent, shall be valid or obligatory for any purpose or entitled to the benefits of this Resolution, and such certificate of the Paying Agent shall be conclusive evidence that Refunding Bonds so registered have been duly authenticated, registered and delivered hereunder and are entitled to the benefits of this Resolution.

SECTION 2.06. TRANSFER OF REFUNDING BONDS

Any Refunding Bond may, in accordance with its terms, be transferred upon the Registration Books by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Refunding Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Paying Agent. The Paying Agent shall not be obligated to make any transfer of Refunding Bonds during the period established by the Paying Agent for the selection of Refunding Bonds for redemption, or with respect to any Refunding Bonds selected for redemption.

Whenever any Refunding Bond or Refunding Bonds shall be surrendered for transfer, the City shall execute and the Paying Agent shall authenticate and deliver to the transferee a new Refunding Bond or Refunding Bonds of like maturity.

SECTION 2.07. EXCHANGE OF REFUNDING BONDS

The Refunding Bonds may be exchanged at the Principal Office of the Paying Agent for a like original principal amount of Refunding Bonds of the same maturity. The City may charge a reasonable sum for each new Refunding Bond issued upon any exchange (except in the case of any exchange of temporary Refunding Bonds for definitive Refunding Bonds). No exchanges of Refunding Bonds shall be required to be made during the period established by the Paying Agent for the selection of Refunding Bonds for redemption or with respect to any Refunding Bonds selected for redemption.

SECTION 2.08. REGISTRATION BOOKS

The Paying Agent shall keep or cause to be kept sufficient books for the registration and transfer of Refunding Bonds, which shall at all times be open to inspection by the City upon reasonable notice; and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Refunding Bonds as herein before provided.

SECTION 2.09. BOOK-ENTRY SYSTEM

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities

brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Direct and Indirect Participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct or Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, or in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to Cede & Co. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal of and interest on the Bonds will be made to DTC (or such other nominee as may be requested by an authorized representative of DTC). DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent on the date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services or securities depository with respect to the Bonds at any time by giving reasonable notice to the City or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered and will be governed by the provisions of the Indenture with respect to payment of principal and interest and rights of exchange and transfer.

The City cannot and does not give any assurances that DTC participants or others will distribute payments with respect to the Bonds received by DTC or its nominee as the registered Owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will service and act in the manner described in this Official Statement.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

In the event that the book-entry system described above is no longer used with respect to the Bonds, the principal of the Bonds is payable upon surrender thereof at the corporate trust office of the Paying Agent. Interest on the Bonds is payable on each Interest Payment Date to the registered owner thereof as of the close of business on the Record Date immediately preceding each Interest Payment Date, such interest to be paid by check of the Paying Agent, mailed by first-class mail to the registered owner at his or her address as it appears on the Register (or at such other address as is furnished to the Paying Agent in writing by the registered owner). A registered owner of \$1,000,000 or more in principal amount of Bonds may be paid

interest by wire transfer in immediately available funds to an account in the United States if the registered owner makes a written request of the Paying Agent no later than the applicable Record Date. The principal of and interest on the Bonds shall be payable in lawful money of the United States of America.

SECTION 2.10. TEMPORARY REFUNDING BONDS

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

SECTION 2.11. BONDS MUTILATED, LOST, DESTROYED OR STOLEN

If any Refunding Bond shall become mutilated the City, at the expense of the Owner of said Refunding Bond, shall execute, and the Paying Agent shall thereupon authenticate and deliver, a new Refunding Bond of like maturity and principal amount in exchange and substitution for the Refunding Bond so mutilated, but only upon surrender to the Paying Agent of the Bond so mutilated. Every mutilated Refunding Bond so surrendered to the Paying Agent shall be canceled by it and delivered to, or upon the order of, the City. If any Refunding Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the City and, if such evidence be satisfactory to the City and indemnity satisfactory to it shall be given, the City, at the expense of the Owner, shall execute, and the Paying Agent shall thereupon authenticate and deliver, a new Refunding Bond of like maturity and principal amount in lieu of and in substitution for the Bond so lost, destroyed or stolen. The City may require payment of a sum not exceeding the actual cost of preparing each new Refunding Bond issued under this Section and of the expenses which may be incurred by the City and the Paying Agent in the premises. Any Refunding Bond issued under the provisions of this Section 2.11 in lieu of any Refunding Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the City whether or not the Refunding Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Resolution with all other Refunding Bonds issued pursuant to this Resolution.

Notwithstanding any other provision of this Section 2.11, in lieu of delivering a new Refunding Bond for which principal has or is about to become due for a Refunding Bond which has been mutilated, lost, destroyed or stolen, the Paying Agent may make payment of such Refunding Bond in accordance with its terms.

ARTICLE III
SALE OF REFUNDING BONDS

SECTION 3.01. SALE OF REFUNDING BONDS

The Bonds shall be sold by competitive bid pursuant to and in accordance with the provisions of the Official Notice of Sale for the Refunding Bonds, in substantially the form on file with the City Clerk together with such additions thereto and changes therein as may be approved by a City Representative. The City Council hereby authorizes and directs a City Representative to accept the best responsible bid for the Refunding Bonds to be determined in accordance with the related Official Notice of Sale.

SECTION 3.02. PUBLICATION OF NOTICE OF INTENTION TO SELL REFUNDING BONDS

Pursuant to Government Code Section 53583, the City hereby approves and authorizes the publication by Bond Counsel of a notice of the City's intention to sell Refunding Bonds, in form and substance acceptable to Bond Counsel, in *The Bond Buyer* once at least five (5) days prior to the date fixed for receipt of bids.

Pursuant to Government Code Section 53583(c)(2), the City hereby approves and authorizes the publication by Bond Counsel of a notice of the City's intention to sell Refunding Bonds, in form and substance acceptable to Bond Counsel, in a newspaper of general circulation circulated within the boundaries of the City once at least ten (10) days prior to the date fixed for receipt of bids.

SECTION 3.03. OFFICIAL STATEMENT

The City Council hereby approves and deems nearly final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934, the preliminary Official Statement describing Refunding Bonds in the form on file with the City Clerk. A City Representative is hereby authorized, at the request of the Original Purchaser, to execute an appropriate certificate affirming the City Council's determination that the preliminary Official Statement has been deemed nearly final within the meaning of such Rule. Distribution of the preliminary Official Statement by the Original Purchaser is hereby approved. A City Representative is hereby authorized and directed to approve any changes in or additions to a final form of said Official Statement, and the execution thereof by a City Representative shall be conclusive evidence of his approval of any such changes and additions. The City Council hereby authorizes the distribution of the final Official Statement by the Original Purchaser. The final Official Statement shall be executed in the name and on behalf of the City by a City Representative.

SECTION 3.04. FURNISHING OF OFFICIAL NOTICE OF SALE AND OFFICIAL STATEMENT

The financial adviser to the City, Northcross, Hill & Ach is hereby authorized and directed by the City to cause to be furnished to prospective bidders a reasonable number of copies of said Official Notice of Sale and a reasonable number of copies of the Preliminary Official Statement relating to Refunding Bonds.

SECTION 3.05. TERMS AND CONDITIONS OF SALE

The terms and conditions of the offering and the sale of Refunding Bonds shall be as specified in said Official Notice of Sale. A City Representative, on behalf of the City, may exercise his or her own discretion and judgment in awarding the sale of Refunding Bonds, and may, in his or her discretion, reject any and all bids and waive any irregularity or informality in any bid. Sale of Refunding Bonds shall be awarded, or all bids shall be rejected, not later than 24 hours after the expiration of the time prescribed for the receipt of proposals unless such time of award is waived by the successful bidder.

ARTICLE IV FUNDS AND ACCOUNTS

SECTION 4.01. APPLICATION OF PROCEEDS OF SALE OF REFUNDING BONDS

On the Closing Date, the proceeds of sale of Refunding Bonds shall be paid by the Original Purchaser to the City, and shall be applied on the Closing Date, as the City shall direct by a written order addressed to the Paying Agent.

SECTION 4.02. SERIES A ESCROW FUND

The City Council hereby establishes a special fund to be held by the Paying Agent separate and apart from all other funds of the City, to be known as the “2007 General Obligation Refunding Bonds Series A Escrow Fund.” The proceeds from the sale of Refunding Bonds, to the extent required pursuant to Section 4.01(b), shall be deposited by the City in the Series A Escrow Fund, and shall be expended by the Paying Agent solely for the redemption of Series A Bonds. All interest and other gain arising from the investment of amounts deposited to the Series A Escrow Fund shall be retained in the Series A Escrow Fund and used for the purposes thereof. Any amounts remaining on deposit in the Series A Escrow Fund and not needed for the purposes thereof shall be withdrawn from the Series A Escrow Fund and transferred to the Debt Service Fund, to be applied to pay the principal of and interest and premium (if any) on Refunding Bonds.

SECTION 4.03. SERIES B ESCROW FUND

The City Council hereby establishes a special fund to be held by the Paying Agent separate and apart from all other funds of the City, to be known as the “2007 General Obligation Refunding Bonds Series B Escrow Fund.” The proceeds from the sale of Refunding Bonds, to the extent required pursuant to Section 4.01(b), shall be deposited by the City in the Series B Escrow Fund, and shall be expended by the Paying Agent solely for the redemption of Series B Bonds. All interest and other gain arising from the investment of amounts deposited to the Series B Escrow Fund shall be retained in the Series B Escrow Fund and used for the purposes thereof. Any amounts remaining on deposit in the Series B Escrow Fund and not needed for the purposes thereof shall be withdrawn from the Series B Escrow Fund and transferred to the Debt Service Fund, to be applied to pay the principal of and interest and premium (if any) on Refunding Bonds.

SECTION 4.04. DEBT SERVICE FUND

The City Council hereby establishes a special fund to be held by the City separate and apart from all other funds of the City, to be known as the “2007 General Obligation Refunding Bonds Debt Service Fund.” All taxes levied by the County, as directed by the City herein, for the payment of the principal of and interest and premium (if any) on Refunding Bonds in accordance with Section 5.03 shall be deposited in the Debt Service Fund by the City promptly upon the receipt thereof from the County. The Debt Service Fund shall be pledged for the payment of the principal of and interest and premium (if any) on Refunding Bonds when and as the same become due. The moneys in the Debt Service Fund, to the extent necessary to pay the principal of and interest on Refunding Bonds as the same become due and payable, shall be transferred by the City to the Paying Agent as required to pay the principal of and interest and premium (if any) on Refunding Bonds.

If, after payment in full of Refunding Bonds, any amounts remain on deposit in the Debt Service Fund, such amounts shall be transferred by the City to its General Fund, to be applied solely in a manner which is consistent with the requirements of applicable state and federal tax law.

SECTION 4.05. INVESTMENTS

All moneys held in any of the funds or accounts established with the City hereunder shall be invested in accordance with the investment policies of the City, as such policies shall exist at the time of investment, and in accordance with Section 53601 of the California Government Code.

All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder shall be deposited in the fund or account from which such investment was made, and shall be expended for the purposes thereof. The City covenants that all investments of amounts deposited in any fund or account created by or pursuant to this Resolution, or otherwise containing proceeds of Refunding Bonds, shall be acquired and disposed of at the Fair Market Value thereof. For purposes of this Section 4.05, the term “Fair Market Value” shall mean, with respect to any investment, the price at which a willing buyer would purchase such investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Tax Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction (as described above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, or (iii) the investment is a United States Treasury Security - State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt.

ARTICLE V
OTHER COVENANTS OF THE CITY;
SECURITY FOR REFUNDING BONDS

SECTION 5.01. PUNCTUAL PAYMENT

The City will punctually pay, or cause to be paid, the principal of and interest and premium (if any) on Refunding Bonds in strict conformity with the terms of Refunding Bonds and of this Resolution, and it will faithfully observe and perform all of the conditions, covenants and requirements of this Resolution and of Refunding Bonds. Nothing herein contained shall prevent the City from making advances of its own moneys howsoever derived to any of the uses or purposes permitted by law.

SECTION 5.02. EXTENSION OF TIME FOR PAYMENT

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

SECTION 5.03. SECURITY FOR REFUNDING BONDS

The Refunding Bonds are general obligations of the City payable from the levy of *ad valorem* taxes upon all property within the City subject to taxation by the City, without limitation as to rate or amount, for the payment of Refunding Bonds and the interest thereon. The City hereby directs the County to levy on all the taxable property in the City, in addition to all other taxes, a continuing direct and *ad valorem* tax annually during the period Refunding Bonds are Outstanding in an amount sufficient to pay the principal of and interest on Refunding Bonds when due, including the principal of any Refunding Bonds upon the mandatory sinking fund redemption thereof pursuant to Section 2.03(b), which moneys when collected will be placed in the Debt Service Fund.

The principal of and interest and premium (if any) on Refunding Bonds shall not constitute a debt of the County, the State of California, or any of its political subdivisions other than the City, or any of the officers, agents or employees thereof, and neither the County, the State of California, any of its political subdivisions nor any of the officers, agents or employees thereof shall be liable thereon. In no event shall the principal of and interest and premium (if any) on Refunding Bonds be payable out of any funds or properties of the City other than *ad valorem* taxes levied upon all taxable property in the City.

SECTION 5.04. BOOKS AND ACCOUNTS; FINANCIAL STATEMENT

The City will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City in which complete and correct entries shall be made of all transactions relating to the Project. Such books of record and accounts shall at all times during

business hours be subject to the inspection of the Paying Agent and the Owners of not less than ten percent (10%) in aggregate principal amount of Refunding Bonds then Outstanding, or their representatives authorized in writing.

SECTION 5.05. PROTECTION OF SECURITY AND RIGHTS OF REFUNDING BOND OWNERS

The City will preserve and protect the security of Refunding Bonds and the rights of the Refunding Bond Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any of Refunding Bonds by the City, Refunding Bonds shall be incontestable by the City.

SECTION 5.06. SECTION 5.06. TAX COVENANTS.

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

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

(c) No Arbitrage. The City shall not take, or permit or suffer to be taken by the City, the Paying Agent or otherwise, any action with respect to the proceeds of Refunding Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused Refunding Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Tax Code.

(d) Maintenance of Tax-Exemption. The City shall take all actions necessary to assure the exclusion of interest on Refunding Bonds from the gross income of the Owners of Refunding Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the Closing Date.

(e) Rebate Requirement. The City shall take any and all actions necessary to assure compliance with Section 148(f) of the Tax Code, relating to the rebate of excess investment earnings with respect to Refunding Bonds, if any, to the federal government, to the extent such Section is applicable to Refunding Bonds.

SECTION 5.07. CONTINUING DISCLOSURE

The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate, which shall be executed by a City Representative and delivered on the Closing Date. Notwithstanding any other provision of this Resolution, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered a default by the City hereunder or under Refunding Bonds; however, any Participating Underwriter (as such term is defined in the Continuing Disclosure Certificate) or any holder or beneficial owner of Refunding Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

SECTION 5.08. FURTHER ASSURANCES

The City will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Resolution, and for the better assuring and confirming unto the Owners of Refunding Bonds of the rights and benefits provided in this Resolution.

ARTICLE VI THE PAYING AGENT

SECTION 6.01. APPOINTMENT OF PAYING AGENT

A City Representative is hereby authorized and directed to designate a Paying Agent for Refunding Bonds. The Paying Agent undertakes to perform such duties, and only such duties, as are specifically set forth in this Resolution, and even during the continuance of an event of default with respect to Refunding Bonds, no implied covenants or obligations shall be read into this Resolution against the Paying Agent. The Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by this Resolution by executing and delivering to the City a certificate to that effect.

The City may remove the Paying Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto, but any such successor shall be a bank or trust company doing business and having an office in the State of California, having a combined capital (exclusive of borrowed capital) and surplus of at least 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 purposes of this Section 6.01 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 Paying Agent may at any time resign by giving written notice to the City and the Refunding Bond Owners of such resignation. Upon receiving notice of such resignation, the City shall promptly appoint a successor Paying Agent by an instrument in writing. Any resignation or removal of the Paying Agent and appointment of a successor Paying Agent shall become effective upon acceptance of appointment by the successor Paying Agent.

SECTION 6.02. PAYING AGENT MAY HOLD BONDS

The Paying Agent may become the owner of any of Refunding Bonds in its own or any other capacity with the same rights it would have if it were not Paying Agent.

SECTION 6.03. LIABILITY OF AGENTS

The recitals of facts, covenants and agreements herein and in Refunding Bonds contained shall be taken as statements, covenants and agreements of the City, and the Paying Agent assumes no responsibility for the correctness of the same, nor makes any representations as to the validity or sufficiency of this Resolution or of Refunding Bonds, nor shall incur any responsibility in respect thereof, other than as set forth in this Resolution. The Paying Agent shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful default.

In the absence of bad faith, the Paying Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Paying Agent and conforming to the requirements of this Resolution.

The Paying Agent shall not be liable for any error of judgment made in good faith by a responsible officer of its corporate trust department in the absence of the negligence of the Paying Agent.

No provision of this Resolution shall require the Paying Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

The Paying Agent may execute any of the powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Paying Agent shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

SECTION 6.04. NOTICE TO AGENTS

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

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

SECTION 6.05. COMPENSATION; INDEMNIFICATION

The City shall pay to the Paying Agent from time to time reasonable compensation for all services rendered under this Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Resolution. The City further agrees to indemnify and save the Paying Agent harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder which are not due to its negligence or bad faith.

ARTICLE VII
REMEDIES OF REFUNDING BOND OWNERS

SECTION 7.01. REMEDIES OF REFUNDING BOND OWNERS

Any Refunding Bond Owner shall have the right, for the equal benefit and protection of all Refunding Bond Owners similarly situated:

(a) by mandamus, suit, action or proceeding, to compel the City and its members, officers, agents or employees to perform each and every term, provision and covenant contained in this Resolution and in Refunding Bonds, and to require the carrying out of any or all such covenants and agreements of the City and the fulfillment of all duties imposed upon it;

(b) by suit, action or proceeding in equity, to enjoin any acts or things which are unlawful, or the violation of any of the Refunding Bond Owners' rights; or

(c) upon the happening and continuation of any default by the City hereunder or under Refunding Bonds, by suit, action or proceeding in any court of competent jurisdiction, to require the City and its members and employees to account as if it and they were the trustees of an express trust.

SECTION 7.02. REMEDIES NOT EXCLUSIVE

No remedy herein conferred upon the Owners of Refunding Bonds shall be exclusive of any other remedy and that each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or thereafter conferred on the Refunding Bond Owners.

ARTICLE VIII
AMENDMENT OF THIS RESOLUTION

SECTION 8.01. AMENDMENTS EFFECTIVE WITHOUT CONSENT OF THE OWNERS

For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution of the City may be adopted, which, without the requirement of consent of the Owners of Refunding Bonds, shall be fully effective in accordance with its terms:

(a) to add to the covenants and agreements of the City in this Resolution, other covenants and agreements to be observed by the City which are not contrary to or inconsistent with this Resolution as theretofore in effect;

(b) to confirm, as further assurance, any pledge under, and to subject to any lien or pledge created or to be created by, this Resolution, of any moneys, securities or funds, or to establish any additional funds or accounts to be held under this Resolution;

(c) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in this Resolution, which in any event shall not materially adversely affect the interests of the Refunding Bond Owners, in the opinion of Bond Counsel filed with the City; or

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

SECTION 8.02. AMENDMENTS EFFECTIVE WITH CONSENT OF THE OWNERS

Any modification or amendment of this Resolution and of the rights and obligations of the City and of the Owners of Refunding Bonds, in any particular, may be made by a Supplemental Resolution, with the written consent of the Owners of a majority in aggregate principal amount of Refunding Bonds Outstanding at the time such consent is given. No such modification or amendment shall permit a change in the terms of maturity of the principal of any Outstanding Bonds or of any interest payable thereon or a reduction in the principal amount thereof or in the rate of interest thereon, or shall reduce the percentage of Refunding Bonds the consent of the Owners of which is required to effect any such modification or amendment, or shall change any of the provisions in Section 7.01 relating to Events of Default, or shall reduce the amount of moneys pledged for the repayment of Refunding Bonds without the consent of all the Owners of such Refunding Bonds, or shall change or modify any of the rights or obligations of any Paying Agent without its written assent thereto.

ARTICLE IX MISCELLANEOUS

SECTION 9.01. BENEFITS OF RESOLUTION LIMITED TO PARTIES

Nothing in this Resolution, expressed or implied, is intended to give to any person other than the City, the Paying Agent and the Owners of Refunding Bonds, any right, remedy, claim under or by reason of this Resolution. Any covenants, stipulations, promises or agreements in this Resolution contained by and on behalf of the City shall be for the sole and exclusive benefit of the Owners of Refunding Bonds.

SECTION 9.02. DEFEASANCE

(a) Discharge of Resolution. Refunding Bonds may be paid by the City in any of the following ways, provided that the City also pays or causes to be paid any other sums payable hereunder by the City:

- (i) by paying or causing to be paid the principal or redemption price of and interest on such Refunding Bonds, as and when the same become due and payable;
- (ii) by irrevocably depositing, in trust, at or before maturity, money or securities in the necessary amount (as provided in Section 9.02(c) hereof) to pay or redeem such Refunding Bonds; or
- (iii) by delivering such Refunding Bonds to the Paying Agent for cancellation by it.

If the City shall pay all Outstanding Bonds and shall also pay or cause to be paid all other sums payable hereunder by the City, then and in that case, at the election of the City (evidenced by a certificate of a City Representative filed with the Paying Agent, signifying the intention of the City to discharge all such indebtedness and this Resolution), and notwithstanding that any Refunding Bonds shall not have been surrendered for payment, this Resolution and other assets made under this Resolution and all covenants, agreements and other obligations of the City under this Resolution shall cease, terminate, become void and be completely discharged and satisfied, except only as provided in Section 9.02(b). In such event, upon request of the City, the Paying Agent shall cause an accounting for such period or periods as may be requested by the City to be prepared and filed with

the City and shall execute and deliver to the City all such instruments as may be necessary to evidence such discharge and satisfaction, and the Paying Agent shall pay over, transfer, assign or deliver to the City all moneys or securities or other property held by it pursuant to this Resolution which are not required for the payment or redemption of Refunding Bonds not theretofore surrendered for such payment or redemption.

(b) Discharge of Liability on Refunding Bonds. Upon the deposit, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 9.02(c) hereof) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Refunding Bond), provided that, if such Refunding Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as provided in Section 2.03 or provision satisfactory to the Paying Agent shall have been made for the giving of such notice, then all liability of the City in respect of such Refunding Bond shall cease and be completely discharged, except only that thereafter the Owner thereof shall be entitled only to payment of the principal of and interest on such Refunding Bond by the City, and the City shall remain liable for such payment, but only out of such money or securities deposited with the Paying Agent as aforesaid for such payment, provided further, however, that the provisions of Section 9.02(d) shall apply in all events.

The City may at any time surrender to the Paying Agent for cancellation by it any Refunding Bonds previously issued and delivered, which the City may have acquired in any manner whatsoever, and such Refunding Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

(c) Deposit of Money or Securities with Paying Agent. Whenever in this Resolution it is provided or permitted that there be deposited with or held in trust by the Paying Agent money or securities in the necessary amount to pay or redeem any Refunding Bonds, the money or securities so to be deposited or held may include money or securities held by the Paying Agent in the funds and accounts established pursuant to this Resolution and shall be:

(i) lawful money of the United States of America in an amount equal to the principal amount of such Refunding Bonds and all unpaid interest thereon to maturity, except that, in the case of Refunding Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in Section 2.03 or provision satisfactory to the Paying Agent shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount or redemption price of such Refunding Bonds and all unpaid interest thereon to the redemption date; or

(ii) Federal Securities (not callable by the issuer thereof prior to maturity) the principal of and interest on which when due, in the opinion of a certified public accountant delivered to the City, will provide money sufficient to pay the principal or redemption price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on Refunding Bonds to be paid or redeemed, as such principal or redemption price and interest become due, provided that, in the case of Refunding Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in Section 2.03 or provision satisfactory to the Paying Agent shall have been made for the giving of such notice.

(d) Payment of Refunding Bonds After Discharge of Resolution. Notwithstanding any provisions of this Resolution, any moneys held by the Paying Agent in trust for the payment of the principal or redemption price of, or interest on, any Refunding Bonds and remaining unclaimed for

two (2) years after the principal of all of Refunding Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in this Resolution), if such moneys were so held at such date, or two (2) years after the date of deposit of such moneys if deposited after said date when all of Refunding Bonds became due and payable, shall, upon request of the City, be repaid to the City free from the trusts created by this Resolution, and all liability of the Paying Agent with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the City as aforesaid, the Paying Agent may (at the cost of the City) first mail to the Owners of all Bonds which have not been paid at the addresses shown on the Registration Books a notice in such form as may be deemed appropriate by the Paying Agent, with respect to Refunding Bonds so payable and not presented and with respect to the provisions relating to the repayment to the City of the moneys held for the payment thereof.

SECTION 9.03. APPLICATION OF PROVISIONS TO REFUNDING BONDS

Whenever in this Resolution the consent, direction or other action is required or permitted to be given or taken by a percentage of the Owners of an aggregate principal amount of Outstanding Bonds (including by the Owners of a majority in aggregate principal amount of the Outstanding Bonds), such percentage shall be calculated on the basis of the principal amount of the Outstanding Refunding Bonds determined as of the next succeeding Interest Payment Date.

SECTION 9.04. EXECUTION OF DOCUMENTS AND PROOF OF OWNERSHIP BY REFUNDING BOND OWNERS

Any request, declaration or other instrument, which this Resolution may require or permit to be executed by Refunding Bond Owners may be in one or more instruments of similar tenor, and shall be executed by Refunding Bond Owners in person or by their attorneys appointed in writing.

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

Except as otherwise herein expressly provided, the ownership of registered Refunding Bonds and the amount, maturity, number and date of holding the same shall be proved by the Registration Books.

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

SECTION 9.05. WAIVER OF PERSONAL LIABILITY

No City Council member, officer, agent or employee of the City shall be individually or personally liable for the payment of the principal of or interest on Refunding Bonds; but nothing herein contained shall relieve any such City Council member, officer, agent or employee from the performance of any official duty provided by law.

SECTION 9.06. DESTRUCTION OF CANCELED REFUNDING BONDS

Whenever in this Resolution provision is made for the surrender to the City of any Refunding Bonds which have been paid or canceled pursuant to the provisions of this Resolution, a certificate of destruction duly executed by the Paying Agent shall be deemed to be the equivalent of the surrender of such canceled Refunding Bonds and the City shall be entitled to rely upon any statement of fact contained in any certificate with respect to the destruction of any such Refunding Bonds therein referred to.

SECTION 9.07. PARTIAL INVALIDITY

If any section, paragraph, sentence, clause or phrase of this Resolution shall for any reason be held illegal or unenforceable, such holding shall not affect the validity of the remaining portions of this Resolution. The City hereby declares that it would have adopted this Resolution and each and every other section, paragraph, sentence, clause or phrase hereof and authorized the issue of Refunding Bonds pursuant thereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses, or phrases of this Resolution may be held illegal, invalid or unenforceable. If, by reason of the judgment of any court, the City is rendered unable to perform its duties hereunder, all such duties and all of the rights and powers of the City hereunder shall be assumed by and vest in the Administrative Services Director of the City in trust for the benefit of the Refunding Bond Owners.

SECTION 9.08. EXECUTION OF DOCUMENTS

The City Manager, the Administrative Services Director, the City Clerk and any and all other officers of the City are each authorized and directed in the name and on behalf of the City to execute and deliver any and all certificates, requisitions, agreements, notices, consents, warrants and other documents, which they or any of them might deem necessary or appropriate in order to consummate the lawful issuance, sale and delivery of Refunding Bonds. Whenever in this Resolution any officer of the City is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer shall be absent or unavailable.

SECTION 9.09. EFFECTIVE DATE OF RESOLUTION

This Resolution shall take effect from and after the date of its passage and adoption.

The undersigned hereby certify that the foregoing is a full, true and correct copy of a resolution duly adopted by the City Council of the City of El Paso de Robles at a regular meeting thereof on the _____ day of May 2007 by the following vote of the members thereof:

AYES:

NOES:

ABSTAIN:

ABSENT:

Mayor

ATTEST:

Deputy City Clerk

RESOLUTION OF THE COUNCIL
OF THE CITY OF EL PASO DE ROBLES, STATE OF CALIFORNIA

IN THE MATTER OF:

NO. _____

Authorizing the issuance and sale of not to exceed \$34,000,000 aggregate original principal amount of 2007 General Obligation Refunding Bonds and authorizing actions related thereto

I, _____, Deputy City Clerk of the City of El Paso de Robles, California, certify that the foregoing is a full, true and correct copy of Resolution No. _____, proposed by Council Member _____, seconded by Council Member _____, was duly passed and adopted by the Council of the City of El Paso de Robles, at its regular meeting on May _____, 2007, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Deputy City Clerk of the City Council
City of El Paso de Robles, State of California

EXHIBIT A

FORM OF REFUNDING BOND

BOOK-ENTRY FORM ONLY

REGISTERED BOND NO. _____

\$ _____

**CITY OF EL PASO DE ROBLES
2007 GENERAL OBLIGATION REFUNDING BONDS**

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>DATED DATE</u>	<u>CUSIP NUMBER</u>
_____ %	August 1, 20_____		

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT:

The CITY OF EL PASO DE ROBLES, a general law city and municipal corporation duly organized and existing under the laws of the State of California (the "City"), for value received, hereby promises to pay to the Registered Owner named above, or registered assigns, the principal amount set forth above on the Maturity Date set forth above in lawful money of the United States of America and in like manner pay interest from the Interest Payment Date next preceding the date on which this Bond is authenticated and registered, unless this Bond is authenticated and registered as of an Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless this Bond is authenticated and registered prior to August 1, 2007, in which event it shall bear interest from its dated date, until payment of such principal amount shall have been discharged, at the rates per annum stated above, payable semiannually on February 1 and August 1 in each year commencing August 1, 2007. Both the principal hereof and the redemption premium hereon are payable upon presentation and surrender hereof at the office of Union Bank of California, Los Angeles, California, as Transfer Agent, Registrar and Paying Agent (the "Paying Agent"), and the interest hereon is payable by check or draft mailed on each Interest Payment Date to the Owner hereof at such Owner's address as it appears on the registration books of the Paying Agent, or at such address as may have been filed with the Paying Agent for that purpose, as of the fifteenth (15th) day of the calendar month immediately preceding each Interest Payment Date (the "Record Date") or upon the written request delivered to the Paying Agent by the applicable Record Date of an Owner of at least \$1,000,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to an account in the United States of America designated by such Owner.

This Refunding Bond is one of a series of Refunding Bonds issued for the purpose of refunding and redeeming a portion of the City’s outstanding 1999 General Obligation Bonds (Election of 1998) Series A Capital Appreciation Bonds and a portion of the City’s outstanding 2002 General Obligation Bonds (Election of 1998) Series C Bonds, and to pay all necessary legal, financial and contingent costs in connection therewith. The Bonds consist of \$34,000,000 aggregate original principal amount designated the “City of El Paso de Robles 2007 General Obligation Refunding Bonds” (the “Refunding Bonds”). The Series A Bonds and the Series C Bonds were issued under authority of and pursuant to the laws of the State of California, and the requisite two-thirds vote of the electors of the City cast at a special bond election held on June 2, 1998. The Refunding Bonds are being issued pursuant to the resolution of the City Council of the City adopted on May __, 2007 (the “Refunding Bond Resolution”). The Refunding Bonds are payable as to both principal and interest from the proceeds of the levy of *ad valorem* taxes on all property subject to such taxes in the City, which taxes are unlimited as to rate or amount.

The principal of and interest and redemption premium, if any, on this Refunding Bond do not constitute a debt of the County, the State of California, or any of its political subdivisions other than the City, or any of the officers, agents and employees thereof, and neither the County, the State of California, any of its political subdivisions, nor any of the officers, agents and employees thereof shall be liable hereon. In no event shall the principal of and interest and redemption premium, if any, on this Refunding Bond be payable out of any funds or properties of the City other than *ad valorem* taxes levied upon all taxable property in the City.

The Refunding Bonds are issuable only as fully registered Refunding Bonds in the amount of \$5,000 or any integral multiple thereof. This Refunding Bond is exchangeable and transferable for like original principal amount of Refunding Bonds at the principal corporate trust office of the Paying Agent, by the Registered Owner or by a person legally empowered to do so, upon presentation and surrender hereof to the Paying Agent, together with a request for exchange or an assignment signed by the Registered Owner or by a person legally empowered to do so, in a form satisfactory to the Paying Agent, all subject to the terms, limitations and conditions provided in the Refunding Bond Resolution. Any tax or governmental charges shall be paid by the transferor. The City and the Paying Agent may deem and treat the Registered Owner as the absolute Owner of this Refunding Bond for the purpose of receiving payment of or on account of principal or interest and for all other purposes, and neither the City nor the Paying Agent shall be affected by any notice to the contrary.

The Refunding Bonds maturing on or before August 1, 2015 are not subject to redemption prior to their respective stated maturities. The Refunding Bonds maturing on or after August 1, 2016, are subject to redemption prior to maturity as a whole, or in part among maturities on such basis as shall be designated by the City and by lot within a maturity, at the option of the City, from any available source of funds, on August 1, 2015, and on any business date thereafter, at a redemption price (expressed as a percentage of the principal amount of Refunding Bonds to be redeemed) as set forth in the following table.

<u>Redemption Dates</u>	<u>Redemption Price</u>
August 1, 2015 through July 31, 2016	102.0%
August 1, 2016 through July 31, 2017	101.0%
August 1, 2017 and thereafter	100.0%

[If applicable:] The Refunding Bonds maturing on August 1, 20____ (the “Refunding Term Bonds”) are also subject to mandatory sinking fund redemption on August 1 in the years, and in the amounts, as set forth in the following table, at a redemption price equal to one hundred percent (100%) of the principal amount thereof to be redeemed (without premium); provided, however, that if some but not all of the Refunding Term Bonds have been redeemed pursuant to the preceding paragraph, the aggregate principal amount of Refunding Term Bonds to be redeemed under this paragraph shall be reduced on a pro rata basis in integral multiples of \$5,000, as shall be designated pursuant to written notice filed by the City with the Paying Agent.

<p>Sinking Fund Redemption Date <u>(August 1)</u></p>	<p>Principal Amount to <u>be Redeemed</u></p>
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The Paying Agent shall give notice of the redemption of the Refunding Bonds at the expense of the City. Such notice shall specify: (a) that the Refunding Bonds or a designated portion thereof are to be redeemed, (b) the numbers and CUSIP numbers of the Refunding Bonds to be redeemed, (c) the date of notice and the date of redemption, (d) the place or places where the redemption will be made, and (e) descriptive information regarding the Refunding Bonds including the dated date and stated maturity date. Such notice shall further state that on the specified date there shall become due and payable upon each Refunding Bond to be redeemed, the principal amount of such Refunding Bond to be redeemed, the redemption premium, if any, and that from and after such date interest with respect thereto shall cease to accrue.

Notice of any redemption of Refunding Bonds shall be mailed by first class mail, postage prepaid, at least thirty (30) days but not more than sixty (60) days prior to the date fixed for redemption, to the respective Owners of any Refunding Bonds designated for redemption, at their addresses appearing on the Refunding Bond registration books maintained by the Paying Agent; but such mailing shall not be a condition precedent to such redemption and failure to mail or to receive any such notice shall not affect the validity of the proceedings for the redemption of such Refunding Bonds or the cessation of accrual of interest thereon from and after the redemption date.

Neither the City nor the Paying Agent will be required: (a) to issue or transfer any Refunding Bond during a period beginning with the opening of business on the 15th calendar day next preceding either any Interest Payment Date or any date of selection of any Refunding Bond to be redeemed and ending with the close of business on the Interest Payment Date or a day on which the applicable notice of redemption is given, or (b) to transfer any Refunding Bond which has been selected or called for redemption in whole or in part.

Reference is made to the Refunding Bond Resolution for a more complete description of the provisions, among others, with respect to the nature and extent of the security for Refunding Bonds, the rights, duties and obligations of the City, the Paying Agent and the Registered Owners, and the terms and conditions upon which Refunding Bonds are issued and secured. The Owner of this

Refunding Bond assents, by acceptance hereof, to all of the provisions of the Refunding Bond Resolution.

It is certified, recited and declared that all acts and conditions required by the Constitution and laws of the State of California to exist, to be performed or to have been met precedent to and in the issuing of Refunding Bonds in order to make them legal, valid and binding general obligations of the City, have been performed and have been met in regular and due form as required by law; that payment in full for Refunding Bonds has been received; that no statutory or constitutional limitation on indebtedness or taxation has been exceeded in issuing Refunding Bonds; and that due provision has been made for levying and collecting *ad valorem* property taxes on all of the taxable property within the City in an amount sufficient to pay principal and interest when due, and for levying and collecting such taxes the full faith and credit of the City are hereby pledged.

This Refunding Bond shall not be valid or obligatory for any purpose and shall not be entitled to any security or benefit under the Refunding Bond Resolution until the Certificate of Authentication below has been manually signed by the Paying Agent.

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

IN WITNESS WHEREOF, the City of El Paso de Robles has caused this Refunding Bond to be executed by the Mayor and attested by the City Clerk, and has caused the seal of the City to be reproduced hereon, all as of the date stated above.

CITY OF EL PASO DE ROBLES

By _____
Mayor

ATTEST:

City Clerk

CERTIFICATE OF AUTHENTICATION

This Bond is one of Refunding Bonds described in the Refunding Bond Resolution referred to herein.

Date of Authentication: _____, 2007

as Paying Agent

By: _____
Authorized Signatory

FORM OF ASSIGNMENT

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

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

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

Dated: _____

Signature Guaranteed:

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

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

ESCROW DEPOSIT AND TRUST AGREEMENT

by and between the

CITY OF EL PASO DE ROBLES

and

UNION BANK OF CALIFORNIA, N.A.
as Escrow Bank

Dated as of May 1, 2007

Relating to the Refunding of Certain Portions of

City of El Paso de Robles

1999 General Obligation Bonds, Series A
2002 General Obligation Bonds, Series C

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ESCROW DEPOSIT AND TRUST AGREEMENT

This ESCROW DEPOSIT AND TRUST AGREEMENT (this "Agreement") is made and entered into as of May 1, 2007, by and between the CITY OF EL PASO DE ROBLES, a general law city organized and existing under the Constitution and laws of the State of California (the "City"), and UNION BANK OF CALIFORNIA, N.A., a national banking association organized and existing under the laws of the United States of America, acting as escrow bank hereunder (the "Escrow Bank");

WITNESSETH:

WHEREAS, the City has previously issued its 1999 General Obligation Bonds, Series A, in the principal amount of \$22,999,597.80 (the "Series A Bonds") and its 2002 General Obligation Bonds, Series C in the principal amount of \$8,000,000 (the "Series C Bonds") (together, the "Prior Bonds");

WHEREAS, the City has determined that it is in the economic interest of the City to refund currently outstanding Series A Bonds maturing on and after August 1, 2010 (the "Refunded Series A Bonds") and the currently outstanding Series C Bonds maturing on and after August 1, 2010 (the "Refunded Series C Bonds");

WHEREAS, such refunding will be accomplished from the proceeds of the \$34,000,000 principal amount of City of El Paso de Robles 2007 General Obligation Refunding Bonds (the "Bonds");

WHEREAS, the Bonds will be issued, sold and delivered pursuant to Resolution No. _____, "A Resolution of the City Council of the City of El Paso de Robles Authorizing the Issuance and Sale of Not to Exceed \$34,000,000 Aggregate Original Principal Amount of 2007 General Obligation Refunding Bonds and Authorizing the Actions Related Thereto" adopted by the City Council on May _____, 2007 ("the Bond Resolution");

WHEREAS, the City and the Escrow Bank wish to enter into this Agreement for the purpose of providing the terms and conditions relating to the deposit and application of moneys and securities to provide for the redemption of the Refunded Bonds;

NOW, THEREFORE, in consideration of the above premises and of the mutual promises and covenants herein contained and for other valuable consideration, the parties hereto do hereby agree as follows:

SECTION 1. DEFINITION OF FEDERAL SECURITIES. As used herein, the term “Federal Securities” means direct general obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America, and CATS and TGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

SECTION 2. ESTABLISHMENT OF ESCROW FUND. There is hereby created the Escrow Fund to be held by the Escrow Bank in trust as an irrevocable escrow securing the redemption of the Refunded Bonds, identified more fully in Exhibit C attached hereto and by this reference incorporated herein, in the aggregate principal amount of \$_____, all as hereinafter set forth. All cash and Federal Securities in the Escrow Fund are hereby irrevocably pledged as a special fund for the payment of the principal of and interest and premium, if any, on the Refunded Bonds. If at any time the Escrow Bank shall receive actual knowledge that the cash and Federal Securities in the Escrow Fund will not be sufficient to make any payment required by Section 4, the Escrow Bank shall notify the City of such fact and the City shall immediately cure such deficiency from any source of legally available funds. The Escrow Bank shall not be liable for any such insufficiency.

SECTION 3. DEPOSIT INTO ESCROW FUND; INVESTMENT OF AMOUNTS. Concurrently with delivery of the Bonds on _____, 2007 (the “Closing Date”), the City shall cause to be transferred to the Escrow Bank for deposit into the Escrow Fund the amount of \$_____ in immediately available funds, to be derived from the proceeds of sale of the Bonds to be deposited to the Escrow Fund by the Paying Agent on the Closing Date. Of the moneys deposited into the Escrow Fund, \$_____ shall be used by the Escrow Bank to purchase the Original Federal Securities listed in Exhibit A attached hereto (the “Original Federal Securities”) and the remaining amount of \$_____ shall be held in cash, uninvested. The Escrow Bank shall assert no lien upon or right of set off against the Federal Securities and cash at any time on deposit in the Escrow Fund.

SECTION 4. INSTRUCTIONS AS TO APPLICATION OF DEPOSIT. The total amount deposited in the Escrow Fund pursuant to Section 3 shall be applied by the Escrow Bank for the sole purpose of paying the principal of and interest and premium, on the Refunded Bonds. The City hereby irrevocably elects to redeem the Refunded Series A Bonds, on August 1, 2009, at a redemption price equal to ____% of the par amount to be redeemed, together with accrued interest to the redemption date and hereby irrevocably elects to redeem the Refunded Series C Bonds on August 1, 2009, at a redemption price equal to ____% of the par amount to be redeemed, together with accrued interest to the redemption date; all as set forth in Exhibit B attached hereto.

With respect to the Refunded Series A Bonds and the Refunded Series C Bonds, the Escrow Bank will give notice of such redemption at the expense of the City.

Following payment in full of all of the amounts set forth in Exhibit A, any amounts remaining on deposit in the Escrow Fund shall be withdrawn therefrom and transferred to the City for deposit in the Debt Service Fund established pursuant to the Bond Resolution.

SECTION 5. INVESTMENT OF ANY REMAINING MONEYS. At the written direction of the City provided at least two Business Days in advance, the Escrow Bank shall invest and reinvest any proceeds received from any of the Federal Securities, and the cash originally deposited into the Escrow Fund, for a period ending not later than the date on which such proceeds or cash are required for the purposes specified in Section 4, in Federal Securities which mature in amounts at least equal to their purchase price; provided, however, that with respect to any such reinvestment, such written directions of the City shall be accompanied by an opinion of nationally recognized bond counsel (“Bond Counsel”) to the effect that investment in accordance with such directions will not cause the interest on the Refunded Bonds or the Bonds to become includable in gross income for federal income tax purposes and verification by a certified public accountant verifying that all times following such investments or reinvestment, the amount in the Escrow Fund shall be sufficient to make all debt service payments contemplated hereunder. The Escrow Bank shall be entitled to conclusively rely on and shall be fully protected in relying on, such written directions of the City, such opinion of Bond Counsel and such verification by a certified public accountant. In the event any such investment or reinvestment is required to be made in United States Treasury Securities—State and Local Government Series, the City shall at its cost cause to be acquired all necessary securities. In the event that the City shall fail to file any such written directions with the Escrow Bank concerning the reinvestment of any such proceeds, such proceeds shall be held uninvested by the Escrow Bank. Any interest income resulting from investment of moneys pursuant to this Section 5 which are identified as excess in the currently applicable verification shall be paid to the City promptly upon the receipt of such interest by the Escrow Bank.

SECTION 6. SUBSTITUTION OR WITHDRAWAL OF FEDERAL SECURITIES. The City may at any time direct the Escrow Bank to substitute Federal Securities for any or all of the Original Federal Securities then deposited in the Escrow Fund, or to withdraw and transfer to the City any portion of the Federal Securities then deposited in the Escrow Fund, provided that any such direction and substitution or withdrawal shall be accompanied by: (a) a certification of an independent certified public accountant that the Federal Securities then to be so deposited in the Escrow Fund together with interest to be derived therefrom, or in the case of withdrawal the Federal Securities to be derived therefrom, shall be in an amount at all times at least sufficient without reinvestment to make the payments specified in Section 4 hereof; and (b) an opinion of Bond Counsel that the substitution or withdrawal will not affect, for federal income tax purposes, the exclusion from gross income for federal income tax purposes of the interest on the Prior Bonds or on the Bonds. The Escrow Bank shall be entitled to rely on and shall be fully protected in relying on such written opinion Bond Counsel. In the event that, following any such substitution of Federal Securities pursuant to this Section 6, there is an amount of moneys or Federal Securities in excess of the amount required for the purposes of Section 4 hereof, as such excess is identified in the currently applicable verification and provided that all amounts due Escrow Bank shall have been paid in full, such excess shall upon written direction of the City be transferred to the City for deposit in the Debt Service Fund established pursuant to the Bond Resolution.

SECTION 7. APPLICATION OF CERTAIN TERMS OF AUTHORIZING DOCUMENTS.

All of the terms of the respective original Bond authorizing resolutions of the Board of Education of the City (the “Prior Resolutions”) relating to the redemption of the Refunded Bonds, and the protections, immunities and limitations from liability afforded the Escrow Bank

as Paying Agent for the Refunded Bonds, are incorporated in this Agreement as if set forth in full herein. The provisions governing resignation or removal of the Paying Agent for the Refunded Bonds under the Prior Resolutions shall apply to any resignation or removal of the Escrow Bank hereunder.

SECTION 8. COMPENSATION TO ESCROW BANK. The City shall pay the Escrow Bank full compensation for its duties under this Agreement, including out-of-pocket costs such as publication costs, redemption expenses, legal fees and other costs and expenses relating hereto. Under no circumstances shall amounts deposited in or credited to the Escrow Fund be deemed to be available for said purposes.

SECTION 9. LIABILITIES AND OBLIGATIONS OF ESCROW BANK. The Escrow Bank shall have no obligation to make any payment or disbursement of any type or incur any financial liability in the performance of its duties under this Agreement unless the City shall have deposited sufficient funds therefor with the Escrow Bank. The Escrow Bank may rely and shall be protected in acting upon any written instructions it believes in good faith to have been given by the City relating to any matter or action as Escrow Bank under this Agreement.

The Escrow Bank and its respective successors, assigns, agents and servants shall not be held to any personal liability whatsoever, in tort, contract, or otherwise in connection with the execution and delivery of this Agreement, the establishment of the Escrow Fund, the acceptance of the moneys or any securities deposited therein, the purchase of the securities to be purchased pursuant hereto, the retention of such securities or the proceeds thereof, the sufficiency of the securities or any uninvested moneys held hereunder to accomplish the defeasance of the Refunded Bonds, or any payment, transfer or other application of moneys or securities by the Escrow Bank in accordance with the provisions of this Agreement or by reason of any non-negligent act, non-negligent omission or non-negligent error of the Escrow Bank made in good faith in the conduct of its duties. The recitals of fact contained in the “whereas” clauses herein shall be taken as the statement of the City, and the Escrow Bank assumes no responsibility for the correctness thereof. The Escrow Bank makes no representations as to the sufficiency of the securities to be purchased pursuant hereto and any uninvested moneys to accomplish the redemption of the Refunded Bonds pursuant to the Prior Resolution or to the validity of this Agreement as to the City and, except as otherwise provided herein, the Escrow Bank shall incur no liability in respect thereof. The Escrow Bank shall not be liable in connection with the performance of its duties under this Agreement except for its own negligence, willful misconduct or default, and the duties and obligations of the Escrow Bank shall be determined by the express provisions of this Agreement. The Escrow Bank may consult with counsel, who may or may not be counsel to the City, and in reliance upon the written opinion of such counsel shall have full and complete authorization and protection in respect of any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Bank shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action under this Agreement, such matter (except the matters set forth herein as specifically requiring a certificate of a nationally recognized firm of independent certified public accountants or an opinion of counsel) may be deemed to be conclusively established by a written certification of the City.

The City hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated), to the extent permitted by law, to indemnify, protect, save and hold harmless the Escrow Bank and its successors, assigns, agents and servants from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including legal fees and disbursements) of whatsoever in and nature which may be imposed on, incurred by, or asserted against, at any time the Escrow Bank (whether or not also indemnified against by any other person under any other agreement or instrument) and in any way relating to or arising out of the execution and delivery of this Agreement, the establishment of the Escrow Fund, the retention of the moneys therein and any payment, transfer or other application of moneys or securities by the Escrow Bank in accordance with the provisions of this Agreement, or as may arise by reason of any act, omission or error of the Escrow Bank made in good faith in the conduct of its duties; *provided, however,* that the City shall not be required to indemnify the Escrow Bank against its own negligence or willful misconduct. The indemnities contained in this Section 9 and the compensation and reimbursement contained in Section 8 shall survive the termination of this Agreement or the resignation or removal of the Escrow Bank.

SECTION 10. AMENDMENT. This Agreement may be amended by the parties hereto, but only with the prior written consent of the Insurer(s) of the Refunded Bonds and of the Bonds and only if there shall have been filed with the City and the Escrow Bank a written opinion of Bond Counsel stating that such amendment (a) will not materially adversely affect the interests of the owners of the Refunded Bonds or the Bonds, and (b) will not cause interest evidenced by the Refunded Bonds or the Bonds to become includable in the gross income of the owners thereof for federal income tax purposes.

SECTION 11. EXECUTION IN COUNTERPARTS. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 12. APPLICABLE LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the City and the Escrow Bank have each caused this Agreement to be executed by their duly authorized officers all as of the date first above written.

CITY OF EL PASO DE ROBLES

By _____
Administrative Services Director

UNION BANK OF CALIFORNIA, N.A.,
as Escrow Bank

By _____
Authorized Officer

EXHIBIT A

SCHEDULE OF ORIGINAL FEDERAL SECURITIES

<u>Type</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Maturity</u>
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EXHIBIT B

REDEMPTION SCHEDULE
OF REFUNDED BONDS

<u>Series</u>	<u>Redemption Date</u>	<u>Principal</u>	<u>Premium</u>	<u>Interest</u>	<u>Total Payment</u>
Refunded Series A Bonds	August 1, 2009				
Refunded Series C Bonds	August 1, 2009				

EXHIBIT C

IDENTIFICATION OF REFUNDED BONDS

The Refunded Bonds consist of the portions of the Prior Bonds maturing, as described below:

REFUNDED SERIES A BONDS

CUSIP Number	Maturity Date	<u>Principal Amount</u>
(_____)	<u>(August 1)</u>	

REFUNDED SERIES C BONDS

CUSIP Number	Maturity Date	<u>Principal Amount</u>
(_____)	<u>(August 1)</u>	